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Considerations for a Stronger First Mover Advantage Theory

In our article, “The Role of Environmental Dynamics in Building a First Mover Advantage Theory” (Suarez & Lanzolla, 2007), we note that first mover advantage (FMA) theory to date has developed along three streams. One stream has identified and classified the basic “isolating mechanisms” through which first movers’ “entrepreneurial rent” can be protected from imitative competition. A second stream has described the firm-level resources and capabilities that allow organizations to exploit FMA. A third, relatively small stream has investigated the relationship between firms’ environment and competitive performance based on order of market entry. These three literature streams have developed largely independently from each other, and, as we claim in our paper, it is important to start developing a more “inclusive” FMA theory that brings together their findings.

We move toward a more inclusive theory of FMA by identifying and bringing into existing FMA theory two hitherto missing environmental constructs: the pace of market evolution and the pace of technology evolution. We unfold theoretical arguments to show how these constructs can affect a firm’s ability to effectively activate the isolating mechanisms on which, ultimately, FMA rests.

In our paper we carefully identify the scope of our contribution. We clearly state that

our proposed environmental dynamics complement and integrate the existing FMA literature that has, to date, largely been focused at the micro or firm level. Taken together with our macro, or environment-level elements, these theoretical components open an avenue for building a more comprehensive FMA theory, according to which firm-level variables and environment-level dynamics jointly determine the effectiveness of FMA isolating mechanisms with neither able to explain independently why a particular firm enjoys first mover advantages in a given situation (2007: 388).

IMPORTANT METHODOLOGICAL CONSIDERATIONS FOR THEORY BUILDING

Our paper also sheds light on several methodological issues that are important for developing a more rigorous FMA theory. The first of these issues relates to better construct definitions. Future research should pay closer attention to providing clear definitions of the proposed constructs. As we note in the paper, there is no uniformity even in the definition of the most basic constructs. For example, how do we define a first mover? Which kind of advantage is likely to occur?

A second methodological point is that, conceptually, FMA, even when it exists, cannot last forever. This basic observation has important implications for theory development. It follows that FMA theory should focus on a specific time period during which the FMA isolating mechanisms have maximum potential to affect first movers’ competitive performance. In our paper we argue that FMA should be investigated in the period spanning from first product introduction to the onset of maturity (OM) in an industry. After OM, other competitive mechanisms are likely to influence a first mover’s competitive performance (e.g., commoditization, modularization, consolidation), rendering the study of FMA conceptually incorrect.

A third important methodological point is that each new proposed variable, including the variables we propose in our paper—pace of market evolution and pace of technology evolution—should explain the phenomenon in question *ceteris paribus*. In other words, the effect of a new variable should be assessed factoring in other dimensions that have already been posited to explain the phenomenon, such as a firm’s resource endowment or strategy.

ON SHORT AND PAYNE’S CRITIQUE

Constructive criticism is always welcome and provides the impetus to improve and advance the status quo in any discipline. To be helpful, however, a critique should be rooted in a thorough understanding of the existing literature. This, in turn, should be reflected in an accurate assessment of the specific gaps each contribution has tried to fill, as well as a clear understanding of each contribution’s scope and limitations. Unfortunately, the “dialogue” opened by Short and Payne, by focusing on potential omis-

sions of our paper without a clear understanding of its real scope and of how our effort fits in the existing literature, does not seem to fulfill these basic requirements.

We are happy to read that Short and Payne acknowledge the importance of introducing the constructs of pace of market evolution and pace of technology evolution in FMA theory, and we obviously applaud their interest in FMA theory and our work. However, neither of their two criticisms of our paper survives a rigorous analysis. Their first claim, that our theory makes "inert the concept of FMA as a function of strategic choice," is simply misplaced and uninformed. Our paper clearly acknowledges the role of firm resources and firm strategy; indeed, we devote a section of the paper to discussing the firm-level components of FMA theory. But our focus is, as we make very clear, on developing the environmental components of FMA theory, not dismissing the consolidated body of FMA theory. There is nothing unusual about the way we proceed—that is, focusing on the development of one aspect of a theory while acknowledging the remaining components of such theory. We believe this is the established way to advance theory.

Short and Payne's second main criticism is even more surprising. Their point here seems to be summarized in the claim that we "limit . . . discussion of pace to an 'S curve' associated with discontinuities or disruptive technologies." This statement, once again, is incorrect and shows an important lack of understanding of the theoretical development in the paper. Our two proposed constructs capture the rate at which market and technology change, in a given product category, in the time horizon from product introduction up to OM. They are introduced as constructs that have general validity—they are independent of the specific "shape" that the "functions" representing market development and technology development take. We use the S-curve concept and the cases "abrupt" and "smooth" only to illustrate one possible operationalization of our general constructs. Short and Payne mistakenly conclude that we equate pace of market evolution and pace of technology evolution with S curves and disruptive technologies. Indeed, our constructs could perfectly accommodate other representations of market and technology evolution; the operationalization of both pace of market evolution and pace of

technology evolution would follow straightforward from our definitions.

Our final remark relates to Short and Payne's point on the "cyclical nature of change" as a potential omission in our paper. As noted above, the pace of market evolution and the pace of technology evolution are functions of time, and these functions can indeed show some degree of cyclicity. However, Short and Payne should consider that FMA is to be studied within the specific domain of a given product category and up to OM of that product category. In this light, their general point on "the cyclical nature of change" seems to be out of the scope of FMA theory and is potentially more appropriate to inform other theories, such as industry evolution and product portfolio theories.

FMA has for many years generated strong interest in both scholars and practitioners. Yet empirical studies have not been able to unambiguously show that FMA exists, and our agreement on their effect and importance seems to be limited to a few relatively modest "regularities" highlighted by previous research (Lieberman & Montgomery, 1998). As we note in our paper, we believe that our current inability either to reject or to lend support to the conceptual claims of FMA theory is the result of an underdeveloped theory—in particular, the lack of an inclusive theory of FMA that links the isolating mechanisms that give rise to FMA with both the micro and environmental aspects that enable or disable them. We have moved one step in that direction with our recently published *AMR* paper. We welcome the effort and collaboration of well-informed researchers to continue building and improving FMA theory along this important avenue.

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