

DIALOGUE

First Movers and Performance: Timing Is Everything

There is much to like about the comprehensive model of first mover advantage (FMA) proposed in Suarez and Lanzolla's (2007) recent article, "The Role of Environmental Dynamics in Building a First Mover Advantage Theory." As the authors note, FMA is conceptually appealing to both scholars and practitioners, yet the literature to date is plagued with numerous theoretical and empirical problems. Suarez and Lanzolla aptly summarize the ongoing debate regarding FMA and highlight three common patterns that exist within the extant literature. First, FMA is associated with specific product categories and industry characteristics, such as packaged goods. Second, FMA is primarily associated with market share when considering its effects or performance vis-à-vis competitors. Finally, it is largely assumed that the lead time to competitive entry is positively related to the likelihood of achieving FMA.

It is this last issue to which our comments regarding their article are primarily directed. Despite developing a comprehensive model that provides a valuable contribution to the literature, we believe Suarez and Lanzolla's theoretical treatment of FMA overall suffers from two notable weaknesses, each related to the issue of lead entry time and competitiveness. First, their description of temporal elements associated with FMA is overly simplistic and, thus, limits the applicability of the FMA model they propose for scholars, empirical researchers, and practitioners interested in the relationship between FMA and organizational performance. Second, their model presentation and propositions are overly deterministic, and their treatment of FMA largely dismisses the role of strategic choice. We elaborate on these two limitations below in an effort to stimulate interest and begin a dialogue on this important line of research.

CYCLICAL TIMING AND FMA

While we agree with Suarez and Lanzolla's proposition that "the pace of technological evolution and the pace of market evolution will affect

the effectiveness of FMA isolating mechanisms" (2007: 385), we are disappointed that their conceptual efforts do not go further in providing more specific ideas concerning the interplay of technological and market aspects of the environment and the implications for FMA. Specifically, they fail to incorporate the cyclical nature of pace into the logic of their arguments. This is unfortunate, because such a lack of specificity hinders the authors' stated goal of advancing FMA theory.

Scholars have called for more thoughtful incorporation of temporality into organizational theorizing (George & Jones, 2000), and we applaud Suarez and Lanzolla's inclusion of temporal aspects into their development of FMA theory. Unfortunately, they limit their discussion of pace to an "S curve" associated with discontinuities or disruptive technologies. While ideas encompassing disruptive technology and firm advantage have been evident in the literature as far back as Schumpeter (e.g., Schumpeter, 1942), we believe relying on this conceptualization of technology may be one of the reasons why existing FMA theory has not provided the detailed theoretical sophistication that could best guide empirical work as well as practice.

In contrast to Suarez and Lanzolla, we advocate a cyclical view of pace as being more informative for describing environmental forces relevant to FMA. The cyclical view of time has stirred some disagreement among organizational scholars, primarily emerging from the idea that this view of time discounts the more linear processes that occur in and around organizations (e.g., organizational life cycles). However, in any product life cycle, there are constant innovations and changes that reintroduce new product attributes into the market. Thus, products undergo significant incremental developments throughout the path taken, from first introduction of the product to the onset of maturity, which is the point in an industry's cumulative sales when sales per year peak. We see this failure to account for cyclical and incremental developments as an area needing further development regarding FMA and time.

The cyclical time perspective creates an expectation of repetition and the ability to extrap-

olate the future from the past. For example, market pace is often punctuated by a heavy shopping activity at the end of the year because of the holiday season. Likewise, many organizations also pace end-of-year activities to correspond with the timing of the fiscal year's end. The pacing of technology is of equal importance. In the high-tech arena, for example, Moore's Law (which roughly states that the rate of technology will double every two years) is commonly cited as a predictable pace for technological change. Inherent in such applications is the idea that firms that can predict, understand, and effectively manage these paces toward FMA will benefit from superior organizational performance. Such notions are supported by a rich history in strategic management and organizational theory research that posits that fit between an organization and its environment results in superior organizational performance (Venkatraman & Camillus, 1984).

BEING A FIRST MOVER IS A STRATEGIC CHOICE

Suarez and Lanzolla define FMA as the "performance gain that a firm attains from being first to market in a new product category, once other effects (namely, firm resources, lead time) have been controlled for" (2007: 382). Additionally, two of their four propositions are tempered by the phrase "controlling for firm-level differences." By making such statements, we believe they make inert the concept of FMA as a function of strategic choice. Thus, their model and propositions become more of a forum for a descriptive model suggesting conditions that would foster the existence of first movers (new products and technologies), rather than a prescriptive model that provides guidance regarding strategic choices that may enable a firm's efforts toward attaining FMA. While this model can be supported by a rich body of literature in economics, we feel it fails to capitalize on theoretical notions inherent in strategic management that argue that firm aspects are the key element that drives firm performance (e.g., Barney, 1991). Indeed, if resources and lead time are controlled for as the authors suggest, we believe that such performance gains could just as easily be called "luck" as FMA (cf. Barney, 1986).

We would like to draw attention to the notion that although we fully agree that technology

and market pace influence the ability to successfully attain FMA, Suarez and Lanzolla's arguments only extend to proposing conditions that would create the likelihood of FMA. Thus, they present FMA more as an environmentally driven (and somewhat deterministic) outcome than a strategic choice that could lead to superior firm performance when environmental conditions (such as technology and market pace) are carefully considered and taken into account. The authors argue that the most straightforward implication for management practice concerns entry timing strategy. By framing their propositions around conditions where the paces of market and technology evolution are abrupt, their model becomes limited to FMA for disruptive technologies and, thus, provides few and very limited implications for managers.

CONCLUSION

Suarez and Lanzolla lament that "despite progress so far, existing FMA theory has been unable to sort out the conflicting evidence generated by empirical studies and to provide managers with coherent guidelines for strategy" (2007: 378). Although their comprehensive model thoughtfully incorporates environmental elements often omitted from previous conceptualizations of FMA, we believe their propositions do not go far enough in providing conceptual clarity. Thus, their valuable suggestion that dynamic environmental elements should be incorporated into theory surrounding FMA may not be fully realized. It is our hope that the concerns we have expressed will allow for a fruitful extension of their competitive model that is useful for management theorists, researchers, and practitioners.

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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-

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