

Bigger and Safer: The Diffusion of Competitive Advantage

Abstract

Strategy theories have different assumptions on the diffusion of technologies that give competitive advantage. Cluster theory holds that the diffusion is bounded geographically, while resource-based theory holds that diffusion is unbounded unless steps are taken to isolate the technology from imitation. These assumptions can be evaluated using data on the diffusion of supplier innovations that give competitive advantage to firms in the buyer industry. Here, the diffusion of new ship types is studied using the heterogeneous diffusion model and data on shipping firm-shipbuilder networks, showing that the diffusion process is influenced by geographical and network proximity. The strong influence of geographically dispersed interfirm networks on technology diffusion implies that neither geographical bounded nor unbounded diffusion are good assumptions for building theory, and justifies a greater role of interorganizational networks in the theory of competitive advantage.