A true competitive advantage?
Reflections on different epistemological approaches to strategy research

Rodolphe Durand
HEC School of Management
1 rue de la Liberation
78351 Jouy en Josas
France
Telephone 33 1 3967 7277
Fax 33 1 3967 7084
Email durand@hec.fr

&

Eero Vaara
Swedish School of Economics
PB 479
F-00101 Helsinki
Finland
Telephone 358 9 4313 3301
Fax 358 9 4313 3275
Email eero.vaara@hanken.fi
Abstract

Traditionally, strategy scholars have paid too little attention to epistemological issues. To advance our understanding of these issues, we focus in this paper on the theory of truth underlying specific traditions in strategy research. We distinguish positivism, constructionism, scientific realism, and pragmatism as viable, but fundamentally different epistemological approaches. We argue that each of these approaches is based on a specific theory of truth. As a case in point, we concentrate on the notion of competitive advantage, and argue that each of the four approaches attributes a specific epistemological status to competitive advantage that should be taken seriously when conducting empirical research and interpreting research findings.

Keywords: truth, epistemology, strategy, competitive advantage
A true competitive advantage?

INTRODUCTION

Strategy research, a relatively young discipline, is characterized by a positivist tradition. This has meant that, with a few exceptions (Mir and Watson, 2000; Kwan and Tsang, 2001; Powell, 2001; Durand, 2002; Arend, 2003), there has been rather little discussion on the underlying ontological and epistemological assumptions in strategy research. Moreover, most of this discussion has focused on the juxtaposition of positivist and constructionist viewpoints (e.g. Mir and Watson, 2000; Kwan and Tsang, 2001), whereas other positions have received very little attention. On the whole, this discussion has so far remained at a fairly abstract level and not really focused on specific epistemological issues.

It is therefore that we, coming from different traditions, focus in this paper on the theory of truth underlying specific epistemological approaches in strategy research. In brief, we argue that it is of fundamental importance to reflect on what kind of truth status is given to the research objects and findings in strategy research. We distinguish not only positivism and constructionism, but also present scientific realism and pragmatism as alternatives for strategy research. We argue that each of these approaches is based on a specific theory of truth: positivism on the correspondence theory of truth, constructionism on a coherence theory of truth, realism on a correspondence theory of truth, but a coherence theory of justification, and pragmatism on an instrumental theory of truth and a coherence theory of justification. As a case in point, we concentrate on the notion of competitive advantage, arguably one of the core concepts in strategy research. We argue that each of the four approaches attributes a specific epistemological status to competitive advantage that should be taken seriously when conducting empirical research and interpreting research findings.

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1 A survey of the 33 published articles containing “competitive advantage” in their title published in Strategic Management Journal, Academy of Management Journal, and Organization Science over the past ten years indicates that 27 belonged to the positivist tradition.
A true competitive advantage?

The paper is structured as follows. We begin with a brief overview of different theories of truth which characterize specific epistemological approaches. We then review the four different epistemological approaches – positivism, constructionism, scientific realism, and pragmatism – that provide fundamentally different alternatives for strategy research. We then focus on competitive advantage as a case in point, illustrating that depending on the epistemological approach in question, we should understand competitive advantage in very different ways. We conclude this article by arguing that strategy researchers should recognize the epistemological implications of the positions taken; this is important not only for being able to understand what counts as valid knowledge in specific research traditions, but is also needed for consideration of how alternative research approaches add to our understanding of strategic phenomena.

AN OVERVIEW OF THEORIES OF TRUTH

By ‘theory of truth’, we refer in this article to two intertwined elements: (1) the underlying arguments that relate a concept to another, and (2) the conditions under which this relationship between two concepts can be said to be true or false for different epistemological postures. In a nutshell, we focus on the question of “what it means to claim that “A is related to B” is true.” Depending upon the approach, A can be an idea, a concept, a construct, and a mere word. The relationship can take the form of a causal relationship, a simple correlation, or a condition.

Specific epistemological approaches tend to be based on particular theories of truth (e.g. Kirkham, 1992). For our purposes, it is important to point to the three central and fundamentally different theories: ‘correspondence’, ‘coherence’, and ‘instrumentalist’ theory. The classical theory of truth, the correspondence theory, can be traced back to Plato and Aristotle (e.g. McKeon, 1941). According to this view, truth means that statements and findings are true when they correspond with the ‘facts’ or ‘reality’. In philosophical discussions one can further
distinguish between correspondence as ‘correlation’ and correspondence as ‘congruence’ theories (e.g. Russell, 1912; Austin, 1950), but some kind of correspondence theory underlies positivistic and realistic stances in social sciences. Although this theory is close to a common sense understanding of truth, it has been heavily criticized both by philosophers and social scientists because of its naïve view of the nature of social facts or social reality and of the type of knowledge that we can have about social phenomena.

Another major theory of truth is that of ‘coherence’. This theory originates from John Locke (1690/1976), and was further developed in the 20th century (e.g. Blanshard, 1941). The key idea here is that a set of beliefs are said to cohere if they can fit together or agree with one another. This theory of truth underlies more or less clearly interpretation-oriented or constructed epistemologies in social science as these approaches question whether we can unproblematically study the ‘facts’ of social reality and emphasize the ‘constructed’ nature of social phenomena.

A third major theory of truth has been developed by pragmatists, in particular James (1975a, 1975b). Here the focus is again different; the point is not correspondence, nor coherence, but the linkage between truth and action. According to this view, a statement counts as true only if the actions based on that belief lead in the long run to beneficial results for the believers. This theory is a fundamental basis for any pragmatist epistemology. ²

² It should be noted that all of these theories have as such been contested and per se do not seem to provide an altogether satisfying basis for a comprehensive theory of truth. This has led many philosophers to develop more sophisticated ideas such as ‘truthlikeness’ (e.g. Popper, 1963; Niiniluoto, 1987). Others have then developed alternative perspectives such as the ‘deflationary’ theories of truth (e.g. Ramsey, 1927). These perspectives argue that there is no such property as truth and thus no sense in developing theories distinguishing truth from truth ascriptions. Such theories are, however, not our concern here when mapping out fundamentally different kinds of epistemological approaches in strategy research.
FOUR DIFFERENT APPROACHES TO STRATEGY RESEARCH

In this section, we distinguish four different epistemological approaches to strategy research.

Table 1 below summarizes their main characteristics.

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The positivist perspective

The roots of positivism can be traced back to 18th century philosophers. However, it was in the mid 19th century that Auguste Comte spelled out the basis of this epistemological stance. These ideas then led to a movement around logical positivism in the beginning of the last century that had a fundamental impact on modern epistemology. Positivist epistemology has thereafter become a cornerstone of modern social science, and has later spread over organization and management research and in particular strategy studies.

In brief, positivism is based on the ontological assumption that there is a reality independent of our observations or knowledge of it. For positivists, objects exist independently of our efforts to study them. Most positivists are also naturalists in that they see no fundamental difference between the natural and social sciences in this respect. They hold that reality can be studied and presented accurately by human knowledge. Furthermore, only the empirically validated knowledge counts as true knowledge. Positivists are thus strong supporters of the correspondence theory of truth, according to which the truth value of specific arguments and research findings is dependent on how well these claims correspond to the “reality out there.” In fact, positivists can be seen as advocates of the strong version of the correspondence theory of truth; what counts as true knowledge is only something that is clearly validated by empirical research. For research in strategy, this position means that organizations have specific structures
A true competitive advantage?

and resources, that they pursue particular strategies, and that they can possess at times a competitive advantage that explains superior performance. These features are seen as real existing objects that one can observe and study in a relatively straightforward manner.

The positivist perspective has its limitations. First, the status of ‘negative facts’ is a central problem. Positivism relies on positive facts, that is, observable facts that can be coherently associated with theoretical propositions. This is problematic because in some instance, the absence of something seems to have important consequences. Durand (2002), for example, has discussed whether the absence of a competitive advantage is a competitive disadvantage and reflected upon the ontological status of competitive disadvantage. Similarly, Trevino and Weaver (2003, :331) underscore that a limit to positivist approaches of organizational ethics is that “one of the major challenges of studying business ethics is that success is often evidenced by the “absence” of unethical or illegal conduct; but empirical researchers generally wish to account for increases in some phenomenon. It is difficult to explain variance in something that is absent.”

Second, there are also empirical and methodological problems related to the direction of causality and reciprocal effects between, for instance, an ability and performance. Explanations concerning financial performance are a good illustration, as they often assume unidirectional causal effects. However, as March and Sutton (1997) argue, financial performance may be a consequence, but also an explanation for all kinds of behaviours.

Third, positivism is confronted with the question of the double hermeneutic, that is, the phenomena under study have already been conceptualized. In strategy studies, we are not dealing only with natural reality, but also with people’s values, beliefs and interpretations regarding what constitutes for instance ‘strategy’ or ‘competitive advantage’, which is then reflected in their behavior. In fact, people did not really talk about strategy or competitive advantage or develop particular strategic planning or management practices in organizations before this discourse
A true competitive advantage?

gained popularity, linked with the emergence of strategy studies, in the 1960s. Many of the phenomena that are being studied in strategy research can thus be seen as essentially social constructions – not ‘naturalistic’ objects of study. This is of course not unique for strategy research, but something that also characterizes other sciences. Ferraro, Pfeffer, and Sutton (2005) warn us against the risk of self-fulfilling theories in economics. These theories shape institutional designs and practices as well as social norms and expectations, and thereby create the behaviour they predict. Similarly, in the area of finance, MacKenzie & Millo (2003) have shown that it was the development of option pricing theory (the CAPM model and the diffusion of Black & Scholes’ formulas) that allowed options traders to value option prices, spreads, and underlying assets, giving birth to new financial professions and institutions, attesting in return the validity of the option pricing theory.

The constructionist approaches

The roots of constructionism can be traced to the work of Wittgenstein and others during the ‘linguistic turn’ of social science. However, it was especially the work by Berger and Luckmann (1966) on the social construction of reality that made this label famous. Thereafter, we can see constructionist thinking being embraced by a great variety of philosophers and scientists in various disciplines. Especially the work on sociological theory (Berger and Luckmann, 1966) and the discussions on the sociology of science (Knorr-Cretina, 1983; Latour and Woolgar, 1989) have been influential in shaping the constructionist epistemology.

While there are many versions of constructionism – shown also in the use of the terms constructivism and constructionism to sometimes denote the differences – there are some central assumptions that most constructionists share. A key assumption is the idea that our knowledge of the world – and thus of organizations and strategies – is produced or invented in social processes
A true competitive advantage? where in particular linguistic elements play a key role. This is especially the case with research efforts, characterized by theory-ladenness and the need to justify and legitimate the claims vis-à-vis specific traditions and in particular communities. A part of this is a strong belief in the *coherence theory of truth*, which means that the truth status of any conception, statement, argument, or research finding is dependent on its coherence with generally held beliefs and values. This does not mean that one could not produce contradictory research findings or invent new ideas, but that these are indeed produced in a specific social setting and built on the basis of existing ideas, traditions and values – many of which we are unaware of.

A clear methodological implication of this is the emphasis on reflexivity, that is, continuous and critical evaluation of how one’s own viewpoints, conceptualizations and methods influence or even create the phenomena under scrutiny (see e.g. Alvesson, 2003). This is seen as a particular challenge in social studies where a researcher is not only dealing with the research community but also with the social setting under study. A special emphasis is here usually paid to different interpretations, implying both a challenge to point out ‘multiple realities’ and a need to emphasize that one’s own interpretations are fallible and often only one possibility among many others.

While constructionism is thus very clearly positioned vis-à-vis epistemology, ambiguous and even radically different views exist among constructionists on the nature of its underlying ontology. In the strategy field, for example, Mir and Watson (2000) have argued that constructionists share ontological realism and epistemological relativism. However, this is in our view not the case for most constructionists. In fact, as Kwan and Tsang (2001) have pointed out, this kind of position is the basis for scientific realism, which we will return to in the next section.

For our purposes, it is most useful to distinguish ‘moderate’ and ‘radical’ constructionism, although this distinction is somewhat simplistic. In any case, moderate constructionism tends to
A true competitive advantage?

give social objects – such as organizational structures, processes and mechanisms – a clear ontological status as socially constituted elements. This differs from the positivist and also scientific realist viewpoints in that these social constructions are not seen as stable or ever-present structures, but as something that exist during at historical time-points in specific communities. In strategy research, historical analyses (e.g. Pettigrew, 1973), and reflections around emergent strategies (Mintzberg, 1994) or social practices associated with strategizing (e.g. Whittington, 1992; Johnson et al., 2003) seem to reflect this kind of thinking. Yet even these researchers have rarely openly subscribed to the constructionist epistemology. As we will argue in the next section, their position might be even better characterized by scientific realism.

Radical constructionism in turn goes a step further and emphasizes the discursive nature of any of these phenomena. This perspective is close to the post-modern or post-structuralist philosophical and sociological movements, inspired, for example, by Derrida’s or Foucault’s work (Derrida, 1976; Foucault, 1973). In brief, this means that strategies or notions such as competitive advantage are essentially discursive productions, created not only in specific communities in organizations, but more generally in our society; for example, by the media or by us strategy scholars. There are also recent examples of such constructionist analyses, conceptualising strategies as narrative or discursive constructions (Knights and Morgan, 1991; Barry and Elmes, 1997; Hendry, 2000; Lilley, 2001; Samra-Fredericks, 2003; Vaara et al., 2004). According to this view, strategies and notions such as competitive advantage also bring with them heavy historical baggage in terms of reflecting and reproducing specific values and hegemonies. However, as these discourses are naturalized, we are usually not aware of these linkages, even if they have very significant power implications. From this perspective, like Knights and Morgan (1991) suggest, we can study strategy as a discourse that is closely linked, for example, with militarism and masculine hegemony.
Neither is constructionism unproblematic as an epistemological stance. Most of the philosophical critique focuses on the dangers of ontological relativism, that is, on tendencies not to specify what kind of ontological status one gives to the socially constructed reality (or multiple realities) under scrutiny. Another limitation of constructionism concerns the coherence principle, fundamental for the definition of truth. Indeed, a completely forged story can be coherent enough not to be self-contradictory. The coherence of a proposition vis-à-vis a theoretical context, what some scholars have qualified as the Duhem-Quine principle, raises the problem of the passage from subjectivism to objectivism, and the legacy of a knowledge confined to individuals—and not sharable by larger communities. Indeed, is a coherent series of propositions inter-subjectively accepted by a community, a scientific theory? What makes a theory a scientific theory when the theory of truth is based on coherence, and not on correspondence with sufficient materiality? This has led many, such as scientific realists, to search for new epistemological formulations that could integrate some form of meaningful ontological realism and epistemological constructionism.

**Scientific realism as an alternative**

Scientific realism, emerging in the 1970s, can be seen as an attempt to develop an alternative to positivism and constructionism. We can distinguish different currents in this literature such as scientific realism (Hull, 1988; Bunge, 2001), or critical realism (Bhaskar, 1975, 1979; Harré and Madden, 1975). This perspective has also received increasing interest in organization and management research (e.g. Tsoukas, 1989; Tsang and Kwan, 1999; Ackroyd and Fleetwood, 2000, 2004; Fleetwood, 2004).

Realists believe in transcendental reality, meaning that we must analytically distinguish empirical (observable phenomena), actual (events that take place) and real (underlying structures,
processes and mechanisms) domains. Realism argues that a constant conjunction of events is neither a sufficient nor a necessary condition for the manifestation of a causal law. Neither positivism nor constructionism (positivist and hermeneutical traditions in Bhaskar’s terms) “doubts for a moment that empirical invariances are necessary for law, or that the conceptual and the empirical jointly exhaust the real” (Bhaskar, 1979:17). By believing in the existence of the real domain independent of our observation or knowledge of it, realists (as the name implies) subscribe to the correspondence theory of truth. However, we as researchers have a direct access only to the empirical, not to the real level. This means that our knowledge of the world is partial. This is one of the key differences vis-à-vis positivism that tends to ignore these problems in research efforts (e.g. Fleetwood, 2004).

For scientific realists, the deepest level of understanding requires both theoretical analysis and empirical studies focusing on the underlying structures and mechanisms. As Harré (1970, :125) puts it: “Scientific explanation consists in finding or imagining plausible generative mechanisms for the patterns amongst events.” Realists are accordingly much more favorable towards methodologies that are not based on attempts to discover law-like regularities. Conceptual work as well as case studies are, in fact, often favored by realists (e.g. Sayer, 1992; Tsoukas, 1989).

In several respects, as Kwan and Tsang (2001) have shown, moderate constructionist and scientific realist perspectives can be quite close to another. The essential difference seems to be the ontological status given to the social processes producing social phenomena. A qualified version of realism, which seems acceptable for most people, is to state that many social phenomena may indeed be socially constructed (their existence depends on people’s knowledge of them) but exist independently of the specific researcher studying these phenomena. This is consistent with stating that the realists believe in the correspondence theory of truth (world and
A true competitive advantage?

also social objects exist independently of our knowledge of it), but in a *coherence theory of justification* (this knowledge is legitimate in specific communities) (Maki, 1990).

Realism poses restrictions of its own. Difficulties in eventually accessing the causal powers and generative mechanisms are numerous and raise the question of the accurate value of our current knowledge. Events can result from the combination of causes, some being effective and others impaired by countervailing mechanisms. Disentangling in observable and actual phenomena the effective causal powers from the ineffective mechanisms requires demanding analytical and methodological capabilities. Furthermore, the realist epistemology does not seem to provide the means to reflect upon the role of the researcher in specific research projects or the implications of particular interventions, which are central methodological issues in strategy research. Finally, realism may appear to some as minimizing the role of institutional logics and values, being another version of materialism.

**Pragmatism as another alternative**

Pragmatism, in turn, is a philosophical approach that emphasizes the pragmatic nature and value of knowledge. While there are different versions of pragmatism, American pragmatists James (1975a) and Dewey (1988) are usually seen as the founding fathers. More recently especially the ideas of Rorty (1989) have inspired social scientists, among them organization and management scholars (e.g. Wicks and Freeman, 1998, Czarniawska, 1999).

For pragmatists, any object of study is a historical and social artefact. Pragmatism characterizes a social construction of the world determined by the sense people give to concepts and their sensations, expectations, and beliefs about the value of both knowledge and the inquiry process. “To attain perfect cleanness in our thoughts of an object, we need only consider what conceivable effects of a practical kind the object may involve – what sensations we are to expect
from it, and what reactions we must prepare” (James, 1975b: 18). Pragmatists do not distinguish ‘truth’ and ‘justification’ as separate issues in epistemology. In many ways, pragmatists share the key ideas of constructionists, for example, in rejecting the correspondence theory of truth. Pragmatists are sceptical towards efforts aiming at the discovery and development of nomothetic (law-like) knowledge. Along with constructionists, pragmatists emphasize the social processes in knowledge production and the coherence theory of justification. However, it is the explicit focus of pragmatism on an instrumental theory of truth that distinguishes them from constructionists. Knowledge is true when it is useful, for example, for social action. This implies a stance according to which the value of specific concepts, models or research findings is dependent on whether they are useful vehicles helping to better understand or manage specific social or organizational processes.

Like constructionism, pragmatism can be challenged on the grounds of its (usually) unclear position vis-à-vis correspondence and reality. In fact, pragmatists tend to reject any specified ontology (Powell, 2003). However, the critics argue that to be of practical value or useful is likely to be linked with some kind of correspondence with reality. Another fundamental liability of pragmatism is its relativism vis-à-vis different versions of reality. As Huber and Mirosky (1997) put it, “Does every version of an event have as much validity as every other version? This last question is crucial because if the answer is yes, then scientific confirmation or replication is pointless […]. The belief that social research is only one of many possible narratives takes sociologists altogether out of the business of trying to gather valid data. What would be the point?” (1997:1426 and 1428). A core weakness of pragmatism is therefore the inability to weigh the utility of different ideas, concepts, and propositions against each other.
A true competitive advantage?

COMPETITIVE ADVANTAGE

As a case in point, we now turn to competitive advantage, a construct that has become an essential part of strategy as a body of knowledge and practice. In the following paragraphs, we discuss how each of these epistemological positions implies a different ontology and a distinctive status for the knowledge created around the concept of competitive advantage. We also consider some important methodological implications of these different positions. Table 2 below summarizes the characteristics of each of these perspectives.

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Positivist advantage

From the positivist perspective, competitive advantage is a real industrial and organizational phenomenon related to specific resources and structures. For example, according to the resource-based view, competitive advantage results from the combination of several conditions that enable an organization to appropriate extra-revenues from its idiosyncratic resources relative to comparable rivals. Peteraf (1993) distinguishes four pillars that render possible the extraction of rents from certain resources: firm heterogeneity, ex post limits to competition, imperfect mobility of factors, and ex ante limits to competition. Resource qualities that characterize the resource as strategic, that is, entailing the presence of a competitive advantage, are: scarce, unique, appropriable, valuable, difficult to substitute, and difficult to imitate. If these conditions are met, competitive advantage exists, is real, and is shown in superior financial performance.

While most of the studies on competitive advantage have followed the positivist approach, this perspective is not epistemologically unproblematic. On the one hand, there are conceptual challenges related to the ontology of competitive advantage. In simple terms, if competitive
A true competitive advantage?

advantage is created in specific conditions by the combination of specific resources and is then reflected in superior financial performance, the whole concept seems redundant. In other words, we can explain the superior performance directly with the specific combination of particular resources. The obvious counter-argument is that getting rid of this concept would significantly undermine the ability of researchers to conceive and discuss these issues. Indeed, competitive advantage is a useful concept. It should be noted, however, that this kind of view is not compatible with a strict positivist viewpoint, but more in line with constructionist or pragmatist positions.

On the other hand, there are methodological challenges in positivist research efforts (e.g. Wiggins and Rueffli, 2002). According to the positivist methodology, the existence of a true competitive advantage in specific settings requires empirical analyses verifying the key causal relationships. Here, we are dealing with a complex causal chain: industrial conditions – resource properties – competitive advantage – superior performance (e.g. Cockburn, Henderson and Stern, 2000). Consequently, it is not an easy task to establish any of the key causal relationships in particular settings. A strict association of competitive advantage with superior financial performance is particularly problematic, since financial performance is for some authors merely the reflect of differentials in initial resource distributions (Stinchcombe, 2000). Therefore, to exist, positivist advantage should relate initial resource endowments with managers’ ability to respond to environmental challenges (Cockburn et al., 2000). This implies that studies on competitive advantage have to consider also ‘less positive facts’ such as managers’ perceptions.

Constructionist advantage

Taking a constructionist perspective on competitive advantage means a completely different kind of approach. Here, competitive advantage is seen as a social or discursive
A true competitive advantage?

construction. Ontologically, this means an understanding according to which competitive advantage is not something ‘real,’ but a phenomenon created in particular social settings. A moderate constructionist position is to focus on the various kinds of social processes and practices around competitive advantage, while a more radical position implies seeing competitive advantage merely as a fashionable concept in contemporary discourse.

The moderate constructionist position favors studying, for example, how specific actors in particular companies make sense of competitive advantage or related phenomena and how this is linked with their actions. This type of analysis results in an understanding of how different actors see the company and which kinds of actions they are likely to take when developing the competitiveness of the organization. Such studies can also go further and examine the performative effects of social constructions such as stories or charisma. For example, Lounsbury and Glynn (2001) have shown how professional entrepreneurs are able to construct convincing stories about their future business and garner resources in excess relative to other similar companies. Similarly, Flynn and Staw (2004) have demonstrated how the leader’s charisma may favourably impact observers’ appreciation of a company’s potential.

The more radical constructionist approach focuses on the discourse around competitive advantage in specific organizations, media or even in the academic literature. This kind of discursive approach can involve an openly manifested critical approach (Knights and Morgan, 1991; Levy et al., 2003). In practice, such analyses can examine how competitive advantage, rather than some other concept, has become a dominant way of conceptualizing industrial competition and an explicit objective for companies and other organizations. This may mean analyses focusing on the legitimating and naturalization strategies in the discourses around competitive advantage as well as more ideological reflections concerning the values and moral orders that this particular concept promotes. The need for reflexivity is especially important in
such studies and poses particular challenges for the researchers who are themselves part of the discourses around competitive advantage.

The constructionist position implies a need to reflect on the researcher’s own conceptions about these phenomena. Indeed, both the general theories, models and discourses around competitive advantage and the particular viewpoints and values of the researcher need to be taken into account in the analysis. Particular methodological challenges include, for example, not taking the official rhetoric of the company at face value, not influencing the natural discourses of the actors by putting words into their mouths, and being able to deal with marginalized voices in specific organizational settings.

Here, we emphasize that a constructionist perspective helps us to understand the socially and discursively constructed nature of competitive advantage but does not focus on the more material processes in organizations competing in different arenas. Studying at the same time the more discursive and the more material aspects of competitive advantage requires, in fact, either a qualified version of constructionism or an epistemological position close to scientific realism.

Realist advantage

For realists, competitive advantage is a mechanism that enables firms to outperform rivals. In this sense this perspective echoes that of the positivists. There are, however, important differences. First, the transcendental ontology of the realists implies a focus on the generative structures and mechanisms. Here, competitive advantage is seen as a mechanism linking underlying industrial structures and resource combinations at the real domain level with the observable outcomes such as financial performance at the empirical level. According to this view, we can rarely, however, observe the clear-cut effects from specific resource combinations to financial performance because there are a variety of other causal processes and mechanisms at
A true competitive advantage?

play. This does not undermine the significance of the competitive advantage causal mechanism, but manifests a different kind of view on causality that is not based on regularities as in positivism (e.g. Hume, 1955), but analytically sensible to causal powers and mechanisms (e.g. Harré and Madden, 1975). Second, the realist perspective emphasizes the fallibility of researchers’ knowledge. This implies, at least in principle, a critical attitude towards our conceptions and theories and an understanding that the concepts and models that researchers utilize may be poor or underdeveloped when it comes to their ability to accurately describe and explain important organizational phenomena.

As discussed above, the realist position can well examine the social structures and processes that do or do not create specific conceptions of competitive advantage and the people’s viewpoints, that is, the actual manifestations of competitive advantage. In fact, especially the more critical versions of realism emphasize the role of societal, industrial and organizational structures in the creation of specific conceptions – true or false. Note that to focus on these more social and even discursive aspects of competitive advantage does not mean undermining the real nature of competitive advantage in the realist framework. While the realist position accommodates some moderate constructionist insights, there is a limit to the capacity of the clear-cut realist position to embrace constructionist ideas. Although the realist epistemology is by its very nature open and flexible, the underlying correspondence theory of truth is at odds with more radical constructionist perspectives influenced by post-structuralism. Hence, it would be impossible for a scientific realist to agree with the radical constructionists that competitive advantage is merely a discursive fashion or fiction with no material implications.

This ontological-epistemological position is, however, not unproblematic as it involves an in-built challenge concerning the status of competitive advantage in specific settings. Is it an underlying generative mechanism of performance, an observable phenomenon, or an evanescent
A true competitive advantage?

event? Researchers cannot directly observe the underlying structures, processes, and mechanisms at play, and therefore we may wonder whether they can offer more than superficial descriptions of competitive advantage.

**Pragmatist advantage**

Finally, the pragmatist perspective on competitive advantage considers the knowledge around this concept as something that can be of practical value – either in research, public debate, teaching, organizational action, or management. Underlying this view is a relativist position not far from the constructionists. However, what is essential here is the explicit focus on the instrumental or practical value of the competitive advantage. Powell (2001, 2002) explains this as follows: “The search for competitive advantage relies for its epistemological justification not on correspondence or coherence theories, but on an instrumentalist theory of truth. Under this approach […] empirical states of affairs are indifferent to our propositions about them –they are neither true nor false, but simply, are” (Powell, 2001,:884). According to this view, truth is demoted to an instrument, and causality is a meaningful and useful association between concepts which are somehow connected to reality. In the context of competitive advantage, financial performance is the key objective against which the usefulness of the discourse on competitive advantage should be measured. However, this objective may also be broader, such as overall organizational success when considering a variety of stakeholders (Wicks and Freeman, 1988).

In any case, the pragmatist stance is very close to the practical and action-oriented tradition in strategy research focusing on competitive advantage. A fundamental goal for most strategy scholars – not to speak of consultants, other experts or managers – seems to be the creation of knowledge that is useful for companies and other organizations and which can specifically improve their performance. To put it bluntly, the positivist types of knowledge
A true competitive advantage?

focusing on abstract patterns and causal relationships is not the kind of knowledge that is usually seen as particularly useful by practitioners. Neither does the constructionist emphasis on social constructions and discourses appear to be very practical. Nor are the transcendental subtleties of the scientific realists likely to arouse managers’ interests.

As the pragmatist position diffuses in strategy research, knowledge created in cooperation with specific companies - e.g. in action research or specific types of consulting - can be given a new kind of status (e.g. Argyris, 1996). However, the relativistic twist contained in the pragmatist position poses challenges for people pursuing this agenda. In particular, by discarding the idea that competitive advantage would be a ‘real’ feature of organizations in any traditional sense, the pragmatist position may prove hard to accept by many strategy scholars. Moreover, the inherent context-specific instrumentalism of pragmatism is also at odds with the transferability and accumulation of more general knowledge in strategy research.

DISCUSSION

With notable exceptions (Mir and Watson, 2000; Kwan and Tsang, 2001; Powell, 2001; Durand, 2002; Arend, 2003), there has been insufficient ontological and epistemological reflection in strategy research. While we are not saying that all strategy scholars must engage in this kind of reflection or position themselves vis-à-vis different schools of thought, a lack of epistemological discussion is in several ways problematic for our discipline. First, a lack of discussion on the underlying theories of truth, more or less consciously adopted by strategy scholars, prevents everyone from engaging in more in-depth reflections concerning what kind of knowledge strategy research is producing, what its limitations are, and who it is for. This, if not anything else, makes it difficult to build bridges between other disciplines and see strategy

3 Interestingly, the general theme for the 2004 Academy of Management Annual Meeting was ‘actionable knowledge’ – a perspective very much in line with the pragmatist tradition.
research as an area in social science that is not only open to new ideas, but also has something to offer to others. Second, a lack of such reflection sustains traditional conceptions of research and practice. It is often the case that when new ideas and approaches are introduced, their justification and legitimization is, if not impossible, at least difficult. To this end, it is especially important to outline alternative epistemological approaches and positions that can provide a sound and legitimate basis for specific kinds of research efforts. Third, a lack of epistemological reflection is especially problematic if it leads to ignorance or misunderstandings. Without pointing fingers at anyone, not all cherishing positivism are fully cognizant of the reductionist assumptions proper to this approach. Similarly, not all calling themselves as constructionists or pragmatists are fully aware of the underlying relativism associated with their postures.

We have in this paper concentrated on positivism, constructionism, scientific realism, and pragmatism as alternative epistemological approaches to strategy research. We have in particular focused on the key differences around what constitutes truth and knowledge in research and used competitive advantage as the touchstone to highlight key differences between these approaches. First, the positivist approach lies upon a correspondence theory of truth that assumes that we can empirically observe real structures, processes and mechanisms – such as competitive advantage - and validate their existence. According to this approach, strategy research advances primarily by discovering empirically verifiable laws and then confirming the causal interrelationships through rigorous scientific tests. The question for positivistic research therefore becomes the following: why and under which conditions does a competitive advantage lead to superior performance?

Second, the constructionist approach emphasizes that the social world does not exist independently of our observations or knowledge of it. A cornerstone of constructionist thinking is the coherence theory of truth according to which our claims, concepts, and research findings are seen as true only to the extent to which they conform to the generally held beliefs and values.
A true competitive advantage?

When it comes to competitive advantage, the moderate constructionists are interested in the various kinds of social processes through which ideas and conceptions concerning competitive advantage are created. In these processes, these constructions (e.g. views concerning proper ways to improve one’s competitiveness) can also become constitutive elements of the social reality and thus have a fundamental effect on how the company actually performs vis-à-vis others. The research question for moderate constructionists can thus be formulated as follows: how do social actors make sense and construct competitive advantage in specific settings?

According to a more radical version, these discourses are, in fact, the essential elements of the phenomena we study. These discourses define what is legitimate and normal and thus have all kinds of power implications. The question implied by radical constructionist research can thus be stated as follows: how and why has competitive advantage become a widespread concept in strategy research and practice and what are its social implications?

Third, scientific realism is by and large based on a realist ontology and a constructionist epistemology. This means an acceptance of the correspondence theory of truth but at the same time an appreciation of the essentially constructionist processes in knowledge production, implying a coherence theory of justification. However, for scientific realists there are limits to these constructions; in particular, there are structures, processes and mechanisms that exist independent of our knowledge of them. From the realist perspective, organizations are constituted of specific resources and competitive advantage results form the actualization of the potential residing in these resources. However, these effects are not always easy to observe because of the effects of opposing causal mechanisms. The challenge for realists thus becomes to clarify the status of claimed competitive advantage in specific settings; is it an underlying generative mechanism of performance, an observable phenomenon, or an evanescent event? For scientific
A true competitive advantage?

realists, the research question thus becomes the following: what are the causal powers and mechanisms related to competitive advantage?

Finally, pragmatism is on the whole based on an instrumental theory of truth and a social constructionist epistemology. This approach legitimates any research efforts that deal with practical problems related to competitive advantage. This alternative provides room for a variety of different research approaches, but stresses the context-specificity of any knowledge. In this framework, competitive advantage has a status of a potentially valuable concept to be used in practical reflections around strategy. The point is not to debate over the ontological status of competitive advantage but rather to examine and use it as a way to advance our knowledge and help managerial decision-making. The research question becomes the following: how can competitive advantage be used as an instrumental concept in research and practice?

While knowledge of the different epistemological alternatives is important, we are not saying that every strategy scholar should choose between pre-defined approaches. In fact, some of the recent discussions among strategy scholars have implied that strategy researchers should choose between a realist-positivist or a constructionist camp (Mir and Watson, 2000; Kwan and Tsang, 2001; Mir and Watson, 2001; Arend, 2003). What we have tried to argue in this paper is that this is not as simple as that. Scientific realism offers a common-sense epistemology to which most researchers could probably subscribe much more easily than to radical positivism or radical constructionism. Pragmatism, in turn, has appealing characteristics as it values usable concepts and theories and thus fits the pragmatic tradition in strategy research and literature. These are, however, not the only alternatives available. There are also particular versions of these approaches that we have not been able to highlight due to space considerations. We have not either singled out specific positions within these different approaches such as particular kinds of post-structuralism within the constructionist camp (see e.g. Levy et al., 2003).
In conclusion, we want to stress that examining the different epistemological approaches available helps us to clarify the basis for any particular research project, and justify and legitimate the methods used. Paying attention to the differences in the underlying assumptions about truth also makes us better see the limits of any particular approach. Consequently, epistemological reflections help all us strategy scholars to advance the knowledge of our field and accumulate findings.
### TABLE 1. Four epistemological approaches to strategy research

<table>
<thead>
<tr>
<th>Theory of truth</th>
<th>Epistemological status of research objects</th>
<th>Methodological implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Positivism</strong></td>
<td>Correspondence theory of truth</td>
<td>Research objects exist and are real; knowledge requires empirical validation</td>
</tr>
<tr>
<td><strong>Constructionism</strong></td>
<td>Coherence theory of truth</td>
<td>Research objects are social and discursive constructions; They are either socially constituted objects or the inventions of researchers</td>
</tr>
<tr>
<td><strong>Scientific realism</strong></td>
<td>Correspondence theory of truth; coherence theory of justification</td>
<td>Research objects exist and are real; we cannot observe or study them directly; our knowledge is fallible</td>
</tr>
<tr>
<td><strong>Pragmatism</strong></td>
<td>Instrumental theory of truth; coherence theory of justification</td>
<td>Useful concepts that may help us to better understand or manage organizations; our knowledge is particular (not easily generalizable)</td>
</tr>
</tbody>
</table>
A true competitive advantage?

**TABLE 2. Different approaches to competitive advantage**

<table>
<thead>
<tr>
<th>Epistemological status of competitive advantage</th>
<th>Legitimate research objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positivism</td>
<td>An object to study</td>
</tr>
<tr>
<td></td>
<td>Construction of empirically validated models revealing the causal relationships between industrial conditions, resource properties, and financial performance</td>
</tr>
<tr>
<td>Constructionism</td>
<td>A social and discursive construction</td>
</tr>
<tr>
<td></td>
<td>Analysis of how social actors make sense and construct competitive advantage in specific settings</td>
</tr>
<tr>
<td></td>
<td>Analysis of the legitimization and naturalization of competitive advantage and the ideological implications of this discourse</td>
</tr>
<tr>
<td>Scientific realism</td>
<td>A causal mechanism</td>
</tr>
<tr>
<td></td>
<td>Analysis of the generative mechanisms creating (impairing) competitive advantage in specific settings</td>
</tr>
<tr>
<td>Pragmatism</td>
<td>A concept of potential pragmatic value</td>
</tr>
<tr>
<td></td>
<td>Analysis of how the notion of competitive advantage can contribute to knowledge creation and useful discourse in particular settings</td>
</tr>
</tbody>
</table>
A true competitive advantage?

References


A true competitive advantage?


A true competitive advantage?


A true competitive advantage?

