SEARCHING, SHAPING, AND THE QUEST FOR SUPERIOR PERFORMANCE

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This article has three premises. First, much strategy work has tended to focus more on search than shaping the business context. Second, prior research has yet to precisely define and elucidate conceptually what it means to shape the business context. We argue that shaping entails creating or changing the payoff structure – the mapping between the choices that firms make and the payoffs to them – for all firms in a particular business context. Third, research has paid limited attention to the interdependencies between search and shaping, and to what we call the ‘paradox of shaping.’ That is, firms face the paradox that although they can improve their performance by shaping the business context or landscape, the more often that other firms reshape the landscape and the more elements of the landscape that other firms alter, the less sustainable are any competitive advantages derived from shaping. Taken together, these premises highlight an important gap—that most theories and formal models of firm performance, of strategic opportunities, of competitive advantage, miss an important component of the profitability equation—and addressing it is precisely what this article aspires to do.

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