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Enhancing Competences for Competitive Advantage

Ron Sanchez
Aimé Heene
Editors

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ENHANCING COMPETENCES FOR COMPETITIVE ADVANTAGE

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ADVANCES IN APPLIED BUSINESS STRATEGY VOLUME 12

ENHANCING COMPETENCES FOR COMPETITIVE ADVANTAGE

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INTRODUCTION

This volume of Advances in Applied Business Strategy (AABS) presents a collection of studies exploring different ways in which an organization's competences can be enhanced to create competitive advantage that is enduring or intendedly transitional.

In their study "Lobbying: Strategies to make a firm's competences generate value," Martin Gersch, Christian Goeke, and Jörg Freiling look beyond lobbying's usual political domain to assess the ways in which lobbying may help firms extract greater value from their current or contemplated competences. By lobbying for laws and regulation favorable to a particular set of competences or competence trajectories, firms may be able to influence the business environment in ways that extend the viable lifetime of current competences or assist the building of new competences. The authors develop and validate several propositions related to the predicted effects of lobbying in the context of the German Health Care industry.

"Competence-based strategies of service transition" by Tim Kessler and Michael Stephan examines the potential for manufacturing organizations to grow through expansion of their service offerings. Arguing that strategies focused on cost reduction are unlikely to enable manufacturing firms to achieve a sustainable competitive advantage today, the authors propose that manufacturing firms instead focus on expanding their service activities as the path to sustainable success. They also assess the challenge of building new competences that such a strategic shift will represent for most manufacturing firms.

In their paper "Enhancing the in-flow of knowledge: Elaborating the absorptive capacity-cycle in SMEs," Roberto Filippini, Wolfgang H. Güttel, and Anna Nosella address the possibilities for small and medium enterprises (SMEs) to increase the knowledge flows they enjoy across the boundaries of the firm. They explore the potential of knowledge management projects to stimulate the search for and implementation of new knowledge flows from firm-addressable resources in the environment of a firm. They argue for the adoption of explicit knowledge management routines for absorbing knowledge during projects, rather than relying on haphazard knowledge absorption.

In her study "Path dependency, dynamic capabilities and sources of inimitability in competitive advantage: A comparative study of Toyota and Nissan," Evelyn Anderson undertakes a historical analysis of the differential impacts of Japanese postwar industrial policy on Toyota and Nissan. Anderson suggests that important differences in the resource and competence bases of the two firms after the Second World war resulted in different strategic logics and governance structures being adopted by the two firms – and as a result the two firms responded differently to government policy initiatives. Observing that significant performance differences between the two firms did not emerge until the 1960s, the author suggests that the governance structure and management processes adopted by Toyota resulted in significant causal ambiguity that prevented Nissan from emulating Toyota's trajectory of postwar success.

Taking a track less followed, Petri Ahokangas, Anita Juho, and Lauri Haapanen analyze the potential importance of temporary forms of competitive advantage when firms undertake growth through internationalization. Their paper "Toward the theory of temporary competitive advantage in internationalization" suggests that internationalizing firms may go through several evolutionary stages, during which a convergence of managerial selection, market dynamism, and resource evolution will select the resources and competences that will become longer-term, sustainable sources of competitive advantage.

Koen H. Heimeriks and Melanie Schreiner's paper "Relational quality, alliance capability, and alliance performance: An integrated framework" examines the role of a firm's alliance capability and its ability to maintain good relationships with alliance partners affect a firm's dyadic alliances. The authors also suggest firm-level mechanisms that can be used to improve the quality of a firm's dyadic alliances.

A second paper on alliances, "How to build alliance capability: A life cycle approach" by Kim Sluyts, Rudy Martens, and Paul Matthyssens, surveys the concept of alliance capability as developed in the competence literature. The concept of alliance capability is analyzed and argued to consist of five subcapabilities, each of which is related to a specific stage in the life cycle of an alliance. The authors also suggest a number of structural, technological, and human-related tools and techniques for improving relevant subcapabilities at each stage of the alliance life cycle.

Focusing on the key process of entrepreneurial action undertaken by managers in firms, the paper "Modeling entrepreneurial action choice: From intent through rhetoric to action" by Janice A. Black, Richard L. Oliver, and Lori D. Paris develop an agent-based model to evaluate how environmental factors, organizational inertia, entrepreneurial cognitive traits, learning potential, and opportunity identification influence entrepreneurial action choices. The authors evaluate the likelihood of entrepreneurial action taking under various combinations of these factors.

In his paper "Self-organization of competence development and the role of managers," Martin Kröll examines the role of individual competency development as a condition for building and maintaining organizational competences. He investigates different conditions deemed necessary for successful self-organization of competency development in large versus small and medium enterprises, as well as the potential for combining self-managed and externally provided competency development initiatives.

Ron Sanchez
Aimé Heene
Editors

LOBBYING: STRATEGIES TO MAKE A FIRM'S COMPETENCES GENERATE VALUE

Martin Gersch, Christian Goeke and
Jörg Freiling

ABSTRACT

Extant work on lobbying primarily focuses on who is lobbying and is lobbied as well as strategies of how to exert influence. More fundamentally, we address (1) what drives firms to engage in lobbying activities at all and (2) what factors determine the alignment of corporate lobbying. More concrete, we investigate why and also how firms do lobbying. Another intention is to further anchor this highly relevant instrument of business practice in the scientific discourse of strategic management.

It turns out that the dynamic, systemic, cognitive, and holistic rationale of the competence perspective is a very strong contributor of fresh thoughts to the debate on lobbying as a strategic means. We adopt this perspective by specifically making use of the Competence-based Theory of the Firm (CbTF) in order to scrutinize this issue in theoretical terms. Especially path-dependent developments when building and leveraging a firm's resources and competences as well as resource/competence specificity cause organizational inertia and limited adaptability to

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changing environmental conditions. Instead of passively adapting to changing environmental conditions, lobbying activities directly aim at entrepreneurial and goal-oriented attempts to exert influence and to steer changes in the relevant business environment, basic conditions underlying every market process, or institutional migration paths at points of inflection. Acknowledging their discretionary potential to act, agents seek to achieve a strategic fit between market requirements and the output they are able to render based on their competences by using the lever of manipulating their environment.

Empirically, propositions are derived and validated with an integrated set of qualitative empirical methods applied in the German healthcare system between 2004 and 2008.

INTRODUCTION

It is undisputed that a firm's competitiveness and competitive advantages do not only rely on mastering transaction-related market processes alone, but on "nonmarket phenomena" in the context of the actual markets, as well. Economic activity is embedded in and funneled by its institutional environment. This institutional environment is made up of industry regulation, governmental agencies, law, decisions of courts, technical norms and standards, just to mention some facets (Dahan, 2005). In varying degree, codified restrictions apply in every industry and not only in highly regulated ones like utility, telecommunication, or healthcare. Regulating intervention can take many different forms and might affect a variety of firm, industry, or market parameters, while particular firms typically consider some scenarios of industry parameters more favorable than others. Moreover, a certain scenario may represent a threat to one firm but can constitute an opportunity for another. The less similar firms are in an industry, the stronger the idiosyncratic effects of an exogenous threat (Sadrieh & Annavarjula, 2005).

In particular those parameters, which are man-made and codified, are typically fixed by a delimited number of decision makers (e.g., politicians and standard setters) who decide about cornerstones of future business environments in particular industry sectors. Theory of regulation and political economy is clear about the fact that those decisions are always made with incomplete information and under uncertainty. On a general level, an economic approach to political behavior assumes that actual political choices are determined by the efforts of individuals and groups to further their own interests (Becker, 1983). Models applied in theory then typically consist of government decision makers, firms, and – sometimes – special interest groups (Lyon & Maxwell, 2004).

Firms' public affairs strategies are applied in order to influence parameters of the relevant business environment. These strategies are useful to create and/or maintain the firms' sources of competitive advantages or to erode or destroy the sources of competitive advantages of competitors. One way of doing so is "lobbying" as *any attempt by agents or interest groups to influence the decisions of decision makers in a goal-oriented and beneficial way* (Encyclopaedia-Britannica, 2007), which must not necessarily be limited to aim at government authorities.

It is argued that a firm's use of political strategies such as lobbying is an underplayed topic in strategic management theory (Schuler, 1996; Jacobides, Knudsen, & Augier, 2006). Apart from rent-seeking behavior, i.e., opportunistic seeking for government-given advantages without a compensation (Tullock, 1967), lobbying can easily be traced back to a simple assumption: there are some scenarios in the relevant business environment that are more favorable for a firm and there are others where it is not so. An emphasis in the motivations for lobbying must therefore be looked for in the idiosyncratic potentials inherent in a firm, which coincides with the perspective of the resource-based and competence-based view of the firm (Sanchez & Heene, 2004; Barney, 2001; Freiling, Gersch, & Goeke, 2008). This is why we consider this stream of strategic management theory as a fertile anchor point to integrate "lobbying" into the theory-based strategic management toolkit. As a very first step, this paper addresses the research question of what drives firms to engage in lobbying activities from the dynamic, systemic, cognitive, and holistic angle of competence-based management (Sanchez & Heene, 2004) and especially a Competence-based Theory of the Firm (CbTF) (Freiling et al., 2008). Additionally, we try to get first insights of how the firms do lobbying from a competence-based perspective and what mechanisms they assume to work in order to conduct effective lobbying.

For this purpose, first the research gap in the intersection of extant literature on lobbying and resource-based/competence-based theory is clarified. With the help of an interactive qualitative research framework, the research question is explored within the German healthcare sector. Validated results are formulated in first propositions. Due to the interactive nature of the research design, it turns out that the constructs to explain the common base of lobbying activities are very close to the explanation of the foundation of special interest groups.

THEORY

There is a huge body of research and analyses on lobbying in social sciences – with a strong emphasis on the economic perspective. Extant work primarily focuses on the lobbying process comprising who is lobbying and who is lobbied, how to get access to decision makers, strategies of exerting influence and information transmission, or organizational forms of lobbying (Dahan, 2005; de Figueiredo & Silverman, 2006). The common bases for lobbying activities are only treated quite superficially: without further detailing, it is typically argued that due to some organizational inertia, firms are not able to react on or to master all environmental conditions with the same result. Additionally, a set of environmental conditions that is favorable to one firm does not need to be equally beneficial to another. Thus, expecting differential consequences, firms are more likely to have diverging and/or conflicting interests that they might want to enforce by political action. Oftentimes it is argued that, for these purposes, firms may join forces to form subgroups in an industry, each coalition adopting a differentiated position (Sadrieh & Annavarjula, 2005).

As already stated above, a main reason for lobbying seems to lie in firm heterogeneity and idiosyncrasy combined with a limited adaptability to new or changing environmental conditions. Competent firms in one area simply face fierce restrictions on resource and competence gaps in other areas that they cannot overcome quickly, thereby leading to dependency on external resources (Pfeffer & Salancik, 1978; Freiling, 2008). Although these issues are not fundamentally connected in research, they are vital cornerstones of the resource and competence perspective in strategic management. This stream of research puts an emphasis on firm heterogeneity and unique organizational potentials. It refers to firms as distinct bundles of resources and competences (Penrose, 1959) that have evolved over time and are embedded in their relevant business environment. Within an organization, homogeneous assets, which can typically be procured in markets, are subject to a firm-specific upgrading process in order to develop "resources" (Barney, Wright, & Ketchen, 2001; Sanchez & Heene, 2004). This process is primarily made of (re-)bundling and/or learning processes. Permanently required upgrades finally contribute to the actual and future competitiveness of the firm. Furthermore, competences comprise the repeatable ability to render competitive output with these resources, based on knowledge and usually nonrandomly managed by rules and channeled by routines (Becker, 1983). They enable goal-oriented processes to arrange future readiness for action and the potentials to render concrete input to the market. Competences cater to a conservation of competitiveness and, if so, even competitive advantages (Freiling et al., 2008). However, such upgrading processes follow idiosyncratic paths, are uncertain, and take time. Moreover, an existing resource and competence endowment of a firm can also lead to organizational inertia concerning the adaptation to external changes (Leonard-Barton, 1992).

Boddewyn and Brewer (1994) identify the potential to connect the resource-based/competence-based view with the subject area of lobbying. They find it "strange" that there is "relative silence of the now popular resource-based theory of strategic advantages" about "nonmarket phenomena" such as lobbying, and that means of this theory acquired and used to gain rents are purely "intraeconomic." In particular, Boddewyn and Brewer point out the neglected so-called "political resources." Meanwhile, there is some literature using the term "political resource" (Frynas, Mellahi, & Pigman, 2006). In this sense, lobbying is understood as an effort to build such political resources (Sadrieh & Annavarjula, 2005), as for example access to and credibility with decision makers. However, typically the interpretation of the term "resource" does not meet the above-outlined meaning that is typical for resource and competence theory (Dahan, 2005).

For consistently analyzing the interplay of firm potentials with the evolution of the market and/or the industry environment, it is necessary to complement the resource and competence perspective with a market theory, as well. This is deemed essential to understand the role of nonmarket phenomena in the course of organization/environment coevolution as well. While the idea has existed for a long time that the competence perspective can very well be integrated into the process-oriented framework of the Austrian School, especially some very recent research emphasizes the compatibility of the resource-based and competence-based views with the Austrian School market process theory, even in terms of philosophy of science (Freiling et al., 2008; Foss & Ishikawa, 2007). These works even claim that the resource-based and competence-based views have the potential to fill the "missing chapter" of a theory of the *firm* in the Austrian School. This is why we subsequently will be referring to a "Competence-based Theory of the Firm."

In a nutshell, the Austrian School considers entrepreneurship and agents' alertness as driving forces for economic development and changes, founding their school of thoughts on the core basic assumptions of (1) methodological individualism, (2) subjectivism, (3) relevance of time, (4) radical uncertainty,

(5) "acting man" as the model of man, and (6) non-consummatory approach combined with moderate voluntarism (Vaughn, 1994; Freiling et al., 2008). The agents' knowledge is incomplete and asymmetrically distributed. Economic agents gain new knowledge through every market process. To be precise, while traditional competence theory has its focus on "market input processes," these have to be distinguished from "market processes," which at least comprise the collection and diffusion of knowledge about offered or desired bundles of goods, services, and property rights (as the category "object of market") and negotiations that precede the exchange of these bundles and agreements on the transfer of property rights, but also the actual transaction (Gersch & Goeke, 2007). Market processes take place embedded into existing market rules, i.e., the "constitution" of markets, which contains "codes of conduct" and legal norms for the sell-side as well as for the buy-side. Market processes themselves can be arranged according to the market structure (e.g., the number and size of competitors and potential customers). Particular features of the market structure are – from an evolutionary point of view – not only results of players' action but also factors that influence their future conduct (and therefore market processes). In this sense, even "small events" in the market process can be meaningful. On the basis of new knowledge accessed, they build new expectations and revise their plans as well as market offerings, always seeking to enhance the competitiveness, creatively destroying old ideas or concepts (Schumpeter, 1934) and using competition as a discovery process (Hayek, 1978). According to market process theory's basic rationale, entrepreneurial action is viewed as the primum mobile of any kind of change process. There are unforeseeable points of inflection (Sanchez, 1997) and windows of opportunity continuously opening during the market process for alert and entrepreneurial firms to create new alternatives to future market offerings (Christensen, Suárez, & Utterback, 1998). The so-called "triggers" for change, which are often highlighted in literature (Porter & Rivkin, 2000) – and, if of a regulative nature, can surely be induced by lobbing – thereby work as "window openers" and "window controllers" on basically endless, irreversible, and idiosyncratic paths. These paths are formed accidentally to a large extent and as a sequence of decisions (which sometimes also restrict decisions-to-come) and events.

Together, CbTF and the Austrian School form the theoretical framework for the analysis of common bases for lobbying activities in order to master the coevolution of organization and environment as interdependent levels of analysis.

METHOD

Generally, market process theory applied in this work is connected with particular challenges as to empirical research and methodological possibilities. Facing the subjectivist nature and the positioning of market process theory as a part of the interpretative paradigm (Burrell & Morgan, 1979), the traditional anchor point of critical rationalism – as formulated by Popper (1945) – does not fit. The reason for this is the limited possibility to generalize findings when idiosyncrasies occur. Given the above-mentioned basic assumptions, formalized quantitative empirical work does not seem to be appropriate. For this reason, we found it adequate to borrow qualitative methods from social sciences. They finally enable us to follow Hayek's (1964) remedy to identify patterns within evolutionary development processes. This way, the set of qualitative methods of empirical research we apply is basically embedded into Maxwell's (2005) interactive approach to qualitative research designs.

Fig. 1 gives a survey on cornerstones of our research visualized in Maxwell's framework. In the context of this framework – and embedded in a more comprehensive longitudinal study to explore features, entrepreneurial challenges, and conceived solutions to master organization/environment coevolution in transforming industries – the research question is addressed.

To ensure a comprehensive analytical understanding of the subjects of analysis, we followed the recommendation to focus on one industry sector in this study (Charmaz, 2006), namely the German pharmaceutical industry. Because of the early stage of research, we adopted grounded theory ideas (Charmaz, 2006; Glaser, 1978; Strauss & Corbin, 1998) in combination with case study research (Eisenhardt, 1989; Leonard-Barton, 1990; Yin, 2003b) to perform data collection and analysis as an interrelated process. In doing so, our initial research objective, *why firms do lobbying*, was enriched by second objective during the research process, namely to gain insights on *how they do it* and what general mechanisms they assume to apply when lobbying. For economic research questions and through the above-mentioned Maxwell framework, we opted to follow Strauss' interpretative approach rather than Glaser's positivistic one. This allows us to conduct the fieldwork following the Austrian School and the competence-based theory (which we are seeking to enrich) and to use our industry background in the sector under investigation. Starting point is existing theory in the conceptual framework (Austrian School, CbTF) as a lens through which phenomena observed in the fieldwork are interpreted and used in a precise manner.

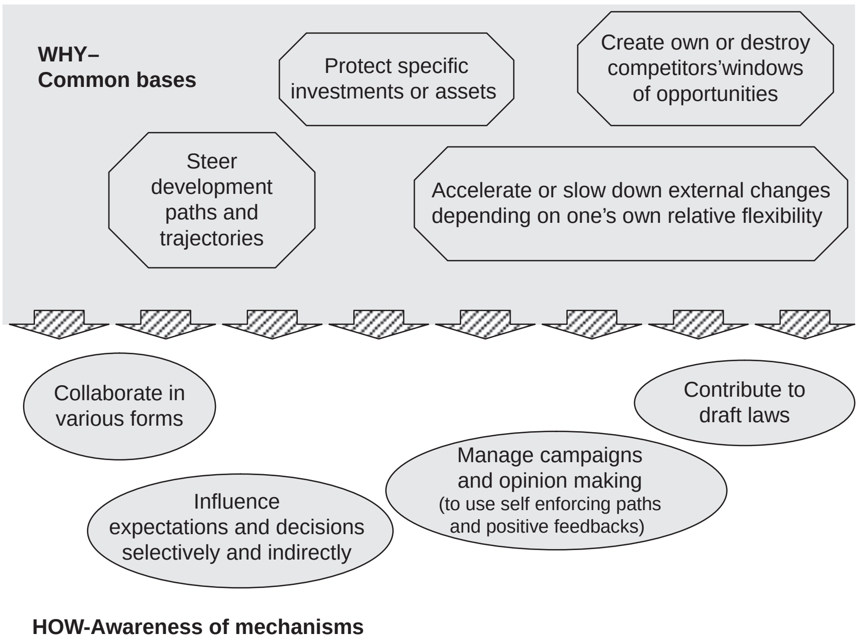

Fig. 1. Framework of an Interactive Research Design (Adapted from Maxwell, 2005).

We chose the German healthcare sector – in particular the pharmaceutical market – as the context for the analysis. Besides the fact that this sector is especially a domain of lobbying activities, these could be observed very well and analyzed in times of the comprehensive healthcare system change in 2004 (of which the results were revisited for reasons of robustness in the context of another reform in 2006/2007). In order to "catch reality in flight" (Pettigrew, Woodman, & Cameron, 2001) when addressing the underlying research question, we set up a panel of 14 upper management executives from relevant value chain stages and special interest groups in the German healthcare for longitudinal analyses. This panel has been meeting about quarter-annually since the year 2004. Our research was backed up by using multiple sources of data, comprising nine focus group workshops, several expert interviews, a Delphi analysis, two further written inquires and written primary and secondary documents (memos, newspaper articles, analyst reports, internal documents), as well as direct observations for the purpose of triangulation (all for the purpose of addressing further research questions of our longitudinal study of organization/environment coevolution, too).

For improving the quality of the research, a number of procedures were adopted throughout the study. To justify the robustness of the results, we reviewed numerous sets of criteria (Flint, Woodruff, & Gardial, 2002; Miles & Huberman, 1994; Yin, 2003a) being oriented on the research process. Like other authors in the field of management science (Beverland & Lockshin, 2003), we adopted the results of the Flint et al. (2002) review on relevant criteria for evaluating the trustworthiness of our work. They took credibility, transferability, dependability, conformability, and integrity from interpretive research (Hirschman, 1986) as well as the criteria of fit, understanding, generality, and control from grounded theory (Strauss & Corbin, 1998). For details on how these criteria were addressed, cf. appendix.

RESULTS

During our fieldwork and data analysis it became obvious that lobbying, its motivations, and ways of conducting are manifold. Especially given the above-elaborated fact that from a competence-based management perspective research more or less starts on a green field, the results section is divided into two parts, allowing to comprehensively cover the observed phenomena as well as testable results.

First we summarize the insights from the exploratory part of the study, reflecting broad categories as responses to our research question. The intention of that part will primarily be to demonstrate the richness of the phenomenon and to outline the research arena, which opens up when analyzing lobbying from a competence-based management perspective.

Where possible within the scope of the study the second part goes more into detail with some of the findings and presents selected results that could be formulated in the form of iteratively derived propositions as cause–effect relations.

Richness of the Phenomenon

In the iterative framework of theory-driven analysis on details of organization/environment coevolution as described above, we addressed mainly the question of what drives firms to engage in lobbying activities from the angle of competence-based management and CbTF. We also got first ideas concerning how the agents realize lobbying. On analyzing this rather broad research question in the German healthcare in the context of its

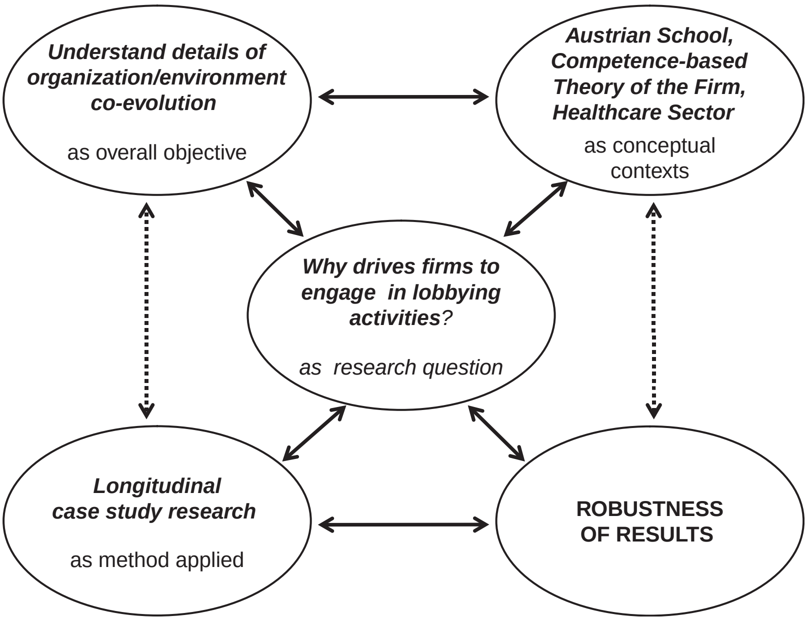

Fig. 2. Common Bases and Mechanisms Used When Engaging in Lobbying Activities.

2004 and 2006/2007 reforms, quite a lot of patterns as common bases for lobbying activities could repeatedly be observed. Even if they differ in detail and execution, as a pattern (Hayek, 1978) on a high level of abstraction the following explications all fulfill the validity and trustworthiness criteria according to the appendix. Fig. 2 gives an introductory overview on common bases ("why") and the diverse mechanisms ("how") of lobbying analyzed during the study and that will be explained subsequently.

In one way or another – but without explicitly labeling it with such terms themselves – firms *mainly use* their *lobbying activities to steer development paths and trajectories*, which they identify as or assume to be advantageous to them, at least by improving their relative competitive position. This happens, for example, in the form of selective provision of information to government decision makers (as it is the typical textbook subject of lobbying, cf. Baron, 2006) in order to influence the "rules of the game" (i.e., laws, industry regulation, etc.). Within the scope of the case study, nearly every interest group within the German healthcare industry had its lobbyists at least being in contact with politicians when the healthcare system reforms were negotiated. In extreme, lobbyists were also delegates to ministries in order to help formulating draft laws. However, according to the above-given definition of lobbying, politicians need not be the only target of lobbying – and in fact they are not. Likewise, but in a wider sense, the direct (through communication) or indirect (through action) provision of information or signaling also aims at other market participants and especially their expectations. Agents are then more or less seeking to achieve a "self-fulfilling prophecy," including the initiation and enforcement of information campaigns and opinion making. In such cases, we observed that opinion leaders with smart lobbying strategies are able to manage other market participants to follow them like "lemmings." That means that single players or small groups of players (opinion leaders) show a strong commitment (at least in their communication, but also by investing) to specific scenarios in the future. The majority of players (the "lemmings"), however, take the inevitability of such scenarios for granted without challenging it and seeing that there are alternatives with basically an equal probability. During our study this opinion leader and "lemming" constellation was observable several times, often when a firm's (opinion leader) own development depends on or at least is fostered by complementary action of other players (in healthcare, for example, when it comes to settle the acceptance of new forms of care provision, e.g., mail-order pharmacies, chains of pharmacies).

Firms do lobbying on a stand-alone basis, but very often also in collaboration with other organizations that have similar steering objectives. One crucial point in the context of lobbying is the existence of so-called "special interest groups" or "lobbying groups" in which firms join forces to represent and/or manage their interest together (Lyon & Maxwell, 2004). They are typically defined as agents who consider similar actions or directions of taking influence on their relevant business environment as adequate to foster the achievement of their individual goals. However, in the fieldwork it turned out that these similar interests are quite often also rooted in resource- and competence-oriented phenomena, i.e., firms with similar resource/competence profiles or gaps have rather equal general lobbying interests. Thus, lobbying groups can rather be considered as "strategic groups" of agents (Hunt, 1972), sharing similar interdependencies (in terms of positive feedbacks as well as resource and competence specificity) with a set of parameters of environmental conditions.

Going deeper into the fieldwork, the healthcare sector belongs to those industries that necessitate large (and uncertain) investments before launching innovations to the market. This is, for example, true in the case of the pharmaceutical industry doing research and development for new agents or drugs, but also for business model innovations. An example for such a business model innovation in our study was a company that developed a business model production site for industrially re-packing pharmaceuticals from their retail boxes and blisters to individual daily blisters for patients in order to enhance compliance and avoid misuse. In both cases, the extent of firms' revenue from the investments depends particularly on the regulatory environment, for R&D at least concerning patent regimes, pricing schemes, etc., and for business model innovations more fundamentally regarding their legal feasibility and their acceptance by, for example, patient benefit managers (PBMs) and/or insurances as group purchasers. In this context, one common base for firms' or organizations' lobbying is the *protection of specific investments or assets*, either in form of fostering their first-best use, or intending to build up second-best uses.

In the case of the German healthcare industry with its groundbreaking reforms there is a lot of environmental munificence which opens strategic windows for innovative and alert entrepreneurs. In the cases under investigation there were many of such windows of opportunities for several groups of agents. As one example, the combination of the diffusion of the internet, patients' changed lifestyle, and a regulatory change made it possible to found mail-order business models for pharmacies in Germany, what several players with necessary competence profiles considered as an opportunity for a new venture (Gersch, 2004). In situations like that the potential innovators or new entrants lobbied for the regulative change *to open the window of opportunities* whereas incumbents did so *to destroy or avoid such strategic windows of others*.

Furthermore lobbying is applied to *accelerate or slow down external changes depending on one's own relative flexibility* or adaptability to changes. We could especially observe this in the context of the introduction of a nationwide health telematics infrastructure ("Die Gesundheitskarte"). Due to enhanced efficiency and effectiveness, it is undoubted that the net benefits of such e-health infrastructures are positive. However, as it requires some groundbreaking changes in process structures and IT design of all healthcare organizations, not all players in the sector buy into this project at an equal extent. We observed highly professionalized groups of agents (e.g., hospital chains) for whom an introduction and connection was a logical consequence of their own business reengineering. They made lot of efforts (vis-à-vis the government decisions makers and other complementary groups in healthcare) to accelerate the introduction – also in order to leave other players in the dust, which were expected to lose competitiveness or competitive advantage through a fast introduction due to their structural inertia. Consequently and vice versa, these were the groups whose lobbying activities aimed at slowing down the specification and rollout of the health telematics infrastructure.

The cases we studied allowed us to go beyond these exploratory results when we observed single occurrences of the patterns quite similarly in different contexts. If that was the case – and according to the trustworthiness criteria in the appendix – we formulated propositions as cause–effect relations on lobbying out of our findings. Both their level of detail and their emphasis differ due to the fact that we only formulated those findings as propositions, which we considered to be a robust representation of our data.

We interpret these findings against the theoretical background of the CbTF and will therefore present them in a way going beyond the case and connected to the existing literature of the respective contexts.

Propositions

Starting point for this deeper analysis and axial coding and categorizing (Charmaz, 2006) of the qualitative data was the basic idea that is also mentioned in the extant literature on lobbying: due to organizational inertia, firms are not able to react on or to remain competitive in all conceivable scenarios of environmental conditions and especially paths of change. Therefore, they engage in lobbying.

Embedded in evolutionary developments of relevant markets and industries, points in time can be identified which are characterized by their importance for the direction of future developments (e.g., due to fundamental decisions or even by accident). At these so-called "points of bifurcation" for relevant institutional contexts (Arthur, 1989), a positioning of future cornerstones appears to be vital. "Forecasting the future or shaping it?" (Simon, 2002) – Instead of passively adapting to changed environmental conditions, lobbying activities directly aim at goal-oriented attempts to exert influence and to steer changes in the relevant business environment, basic conditions underlying every market process, or institutional migration paths at these points of bifurcation. Acknowledging their discretionary potential to act, agents seek to achieve strategic fit this way (Morgan & Hunt, 2002; Volberda & Lewin, 2003; Zajac, Kraatz, & Bresser, 2000).

Proposition 1. When agents assume a "point of bifurcation" in their relevant business environment, they will evaluate and take measures to influence further developments for the sake of their own (relative) competitiveness.

Aggregating directions of lobbying activities – as observable in the fieldwork in the German healthcare sector – to a very high level, drivers that engage in such lobbying activities can very well be traced back to basic mechanisms inherent in the evolutionary CbTF.

The first of these mechanisms comprises path dependencies: one main characteristic of path dependency in the narrow sense is the existence and effectiveness of self-enforcing development processes. So-called "positive feedbacks" (increasing returns) are one reason for self-enforcing developments (Arthur, 2000; David, 1994; Sterman, 2000) when they initiate a kind of automatism of further development. Starting with increasing returns and "asset mass efficiencies" (Dierickx & Cool, 1989) (e.g., by learning curves or secondary benefits of usage or complementarity), self-enforcing development processes emerge more or less automatically and without any further impulse or intervention, or rather initiated by small decisions and events. This can typically not be anticipated or planned. Self (re-)enforcing processes can apply to every level, the environmental, the institutional, and the firm (here, for example on resource and competence development). The stronger these effects are on the level of resources and competences, the less likely there will be danger of imitation on the one hand, however, on the other hand, more limitations will be placed on the freedom to explore them (Jansen, van den Bosch, & Volberda, 2005). In this context, motivations for lobbying activities to initiate, break, or steer environmental/institutional paths can particularly be found in the so-called "complementarity effect," leading us to derive the following propositions mirrored in the fieldwork.

Proposition 2. Firms will engage in lobbying activities when their own resources' and competences' value relies on complementarities and positive feedbacks with elements of their relevant environment within trajectories.

Inertia through temporally interconnected events and decisions can also be initiated through economic rigidities, without any self-enforcing effects. However, through limited transferability diverse forms of rigidities can also have an effective impact on players' decisions-to-come. In this context, specificity is of high importance. The understanding of specificity as, for example, in transaction cost economics is usually a comparative static one, comparing alternative usage of one or two users in one or two points in time. This then leads to an understanding of specificity as net value difference between first-best and second-best usages of investments or created assets (cf. the definition of quasi-rents by Klein, Crawford, & Alchian, 1978).

Interpreting specificity in an evolutionary way, numerous effects are to be considered which have the potential to change an evaluation once conducted for resources and competences over time. Exemplary effects in this respect are, for example, changes in the (institutional) environment, new knowledge on alternative uses, or qualitative changes of the assets over time. Hence, players' strategies of ''(de-)specification'' can lead to an extension or narrowing of available alternatives for action and corridors of development. Thereby, also resources and competences necessary to render a competitive output on the firm level generally show a more or less high specificity concerning partners and/or usages (Ghemawat & del Sol, 1998; Ghemawat, 1991). A change in market requirements or environmental conditions that is accompanied with a changing first-best and/or second-best alternative for use can therefore also be considered as a threat of invalidation of available resources and competences. Seeking competitiveness, agents therefore force those environmental development paths, which allow a continuous first-best usage of their potentials. This can mean a goal-oriented stabilizing of existing environmental conditions as well as intended destabilizing. The latter is especially forced by those with superior reactivity compared to competitors. Again and again, they try to surprise other (competing) market participants through forced discontinuities.

> **Proposition 3.** The higher the specificity of resources and competences from an agent's point of view and the more likely environmental conditions are subject to changes, the more intensive agents will engage in lobbying activities.

On the other hand, lobbying activities can also be embedded in flexibility strategies in order to ''de-specify'' resources and competences by paving the way for their exploitation and the creation of new ''second-best'' usages.

> **Proposition 4.** The higher the assumed uncertainty of the future value of a firm's existing resource and competence base at one point in time, the more lobbying activities it will undertake to either settle the first-best use or in order to create valuable second-best alternatives.

Compared to ''constructive lobbying'' in order to enhance one's own ''fit,'' ''destructive lobbying'' is of at least the same importance. ''Destructive lobbying'' can be observed when firms try to hamper the competitors. This on the one hand comprises the evasion of evolving individual ''windows of opportunity'' for potential competitors, as well as to impede lobbying engagement of competitors as described in Propositions 2 and 3.