Abstract

Recent advancements in strategy research suggest that a competitive advantage in theory may not always translate into above normal accounting profits for firms. Firms may create more economic value than competitors, but that value may flow to non-owner stakeholders in various ways. While theoretically compelling, however, we lack empirical investigations exploring this carefully. Accordingly, it is not clear whether this may be concerning for empirical strategy research. We study a piece of this larger issue by examining the shape of the relationship between firm productivity and employee rent sharing. We theorize, and empirically demonstrate, an s-shaped relationship. This s-shaped relationship implies that employee rent sharing is inelastic at both low and high levels of firm-productivity, but that rent sharing increases with productivity for mid levels of firm-productivity. Importantly, this means that the proportion of a firm's economic profits that flows to employees varies with the firm's productivity levels. Thus, in order to properly account for the proportion of rents flowing to employees when empirically determining competitive advantages we must carefully account for this non-linear rent sharing relationship. We draw upon longitudinal data for a population of Belgian firms to empirically test our s-shaped curve hypothesis and then explore the extent to which this relationship threatens our traditional empirical interpretations of competitive advantage.

Short Biography of Dr. David Kryscynski

Dr. David (DK) Kryscynski is an Associate Professor of Strategy at BYU’s Marriott School of Business. His research focuses on strategic human capital with particular interests in exploring the non-monetary value created by and appropriated within firms. His research has been published in the Academy of Management Journal, the Academy of Management Review, the Strategic Management Journal, Organization Science, the Journal of Management, Management Science, and other research publications. In addition to his research contributions, Professor Kryscynski has also produced a host of free strategy learning videos to enhance student learning experiences with core strategy concepts. Those videos are available at www.learnstrategy.org.