Submission of Thesis and Dissertation

National College of Ireland
Research Students Declaration Form
(Thesis/Author Declaration Form)

Name:                      David Coghlan_____________________________
Student Number:    X10203133________________________
Degree for which thesis is submitted: __MSc Management_____

Material submitted for award

(a) I declare that the work has been composed by myself.
(b) I declare that all verbatim extracts contained in the thesis have been
distinguished by quotation marks and the sources of information specifically
acknowledged.
(c) My thesis will be included in electronic format in the College
Institutional Repository TRAP (thesis reports and projects)
(d) Either *I declare that no material contained in the thesis has been used in any
other submission for an academic award.
   Or *I declare that the following material contained in the thesis formed part of a
   submission for the award of ___________________________________________________________________
   (State the award and the awarding body and list the material below)

Signature of research student: _____________________________________

Date: ____30.08.2015________________
Submission of Thesis to Norma Smurfit Library, National College of Ireland

Student name: ___David Coghlan___________________________ Student number: ___X10203133_______________

School: ____Business_______________________________ Course: ___MSc Management___________________________

Degree to be awarded: Master of Science in Management________________________________________________________

Title of Thesis: ____Competitive Dynamics in The Irish Bakery Industry__________________________________________________________________

___________________________________________________________________________________

___________________________________________________________________________________

One hard bound copy of your thesis will be lodged in the Norma Smurfit Library and will be available for consultation. The electronic copy will be accessible in TRAP (http://trap.ncirl.ie/), the National College of Ireland’s Institutional Repository. In accordance with normal academic library practice all theses lodged in the National College of Ireland Institutional Repository (TRAP) are made available on open access.

I agree to a hard bound copy of my thesis being available for consultation in the library. I also agree to an electronic copy of my thesis being made publicly available on the National College of Ireland’s Institutional Repository TRAP.

Signature of Candidate: __________________________________________________________________________

For completion by the School:
The aforementioned thesis was received by_________________________ Date:__________________

This signed form must be appended to all hard bound and electronic copies of your thesis submitted to your school
Competitive Dynamics In The Irish Bakery Industry

A Study Of The Antecedents of Competitive Action in the Irish Bakery Industry Through the Lens of the Awareness-Motivation-Capability Model

David Coghlan X10203133

A thesis submitted in partial fulfilment of the requirements for the degree of MSc in Management, in the School of Business, at the National College of Ireland. September 2015
“If I have seen further than others, it is by standing upon the shoulders of giants”

Isaac Newton
Acknowledgements

The biggest thank you goes to my wife Karen. You have been my number one supporter and without all your patience and encouragement I would never have been able to get through the last couple of years. There is also a very special thank you that has to be given to my three boys; Daniel, Finn & Noah. I’m all yours again!

A special word of thanks must be given to my research Supervisor, Mr Desmond Gibney. Your advice, support and encouragement were always there when needed—thank you! I would also like to thank all the staff at the National College of Ireland for the wonderful support and friendly atmosphere.

I would like to thank all those who participated in this research. Your help was greatly appreciated. I would also like to say a thank you to my parents and especially my father, Brendan Coghlan, whose success in business has influenced me a lot.

Finally I would like to say a thank you to my class mates from the MSc Management class of 2015; you guys were of great support and always made trying times a lot more fun.

David Coghlan
# Table of Contents

Acknowledgements ........................................................................................................... 5

Table of Contents .................................................................................................................. 6

List of Figures and illustrations ............................................................................................ 9

Abstract .................................................................................................................................. 10

Chapter 1: Introduction ........................................................................................................... 11
  1.1 Overview of Competitive Dynamics Research .......................................................... 11
  1.2 Objectives of this Dissertation ................................................................................... 12
  1.3 Context and overview of the Irish Bakery Industry ...................................................... 13

Chapter 2: Literature Review ................................................................................................. 15
  2.0 Objective of the Literature review ............................................................................... 15
  2.1 Strategic Management & Competitive Dynamics ......................................................... 15
  2.2 Drivers of Competition ............................................................................................... 18
    2.2.1 Globalisation: ....................................................................................................... 18
    2.2.2 Technology: .......................................................................................................... 19
    2.2.3 Privatisation and Deregulation: ............................................................................ 19
    2.2.4 A New Age of Competition: ................................................................................ 19
  2.3 Competitive Dynamics Research; Underlying Theory ................................................ 21
    2.3.1 Defining a competitive action and reaction .......................................................... 21
    2.3.2 The Austrian School ............................................................................................ 22
    2.4 Early Competitive Dynamics Research .................................................................. 24
    2.5 Characteristics and Attributes of the Actor .............................................................. 26
    2.6 Types, Range and Scope of Competitive Actions ...................................................... 29
    2.7 The Reactor .............................................................................................................. 31
    2.8 Industry Context and Competitive Environment ....................................................... 32
    2.9 Awareness-Motivation-Capability (AMC) Model; Theoretical Underpinnings ........ 33
    2.10 Components of the Awareness-Motivation-Capability model ................................ 34
      2.10.1 Awareness ......................................................................................................... 34
      2.10.2 Motivation ......................................................................................................... 35
      2.10.3 Capability ......................................................................................................... 35
    2.11 Competitive Tension ............................................................................................... 36
    2.12 Critical Assessment of Competitive Dynamics Research ...................................... 37
    2.13 Alternative Views of Competition ......................................................................... 41
      2.13.1 S-C-P ................................................................................................................. 41
      2.13.2 Game Theory ................................................................................................. 44
Chapter Three: Research Aims and Objectives ........................................... 48
3.0 Research Aims and Objectives Introduction.............................................. 48
3.1 Objectives .................................................................................................. 49

Chapter 4: Research Methodology................................................................. 51
4.0 Introduction............................................................................................... 51
4.1 Defining Qualitative Research .................................................................. 51
4.2 Research Philosophy .............................................................................. 52
4.2.1 Objectivism Vs Subjectivism ............................................................... 53
4.3 Research Design ..................................................................................... 54
4.3.1 Research Framework ........................................................................ 54
4.3.2 Data Collection Methods .................................................................. 56
4.4 Research Samples .................................................................................. 57
4.5 Ethical Considerations and Methodology Limitations .............................. 60
4.6 Chapter Conclusion & Summary ............................................................. 61

Chapter 5: Research Findings ..................................................................... 63
5.0 Introduction............................................................................................... 63
5.1 Cases studies selected ............................................................................ 64
5.2 Review of Case Study A .......................................................................... 64
5.2.1 Competitive Awareness ..................................................................... 65
5.2.2 Competitive Motivation ..................................................................... 67
5.2.4 Competitive Capabilities .................................................................... 69
5.3 Review of Case Study B .......................................................................... 69
5.3.1 Competitive Awareness ..................................................................... 70
5.3.2 Competitive Motivation ..................................................................... 71
5.3.3 Competitive Capability ...................................................................... 72
5.4 Review of Case Study C .......................................................................... 72
5.4.1 Competitive Awareness ..................................................................... 73
5.4.2 Competitive Motivation ..................................................................... 74
5.4.3 Competitive Capability ...................................................................... 75
5.5 Review of case study interviews .............................................................. 76
5.5.1 Case Study Cross Sectional Findings ................................................ 77
5.5.2 Awareness......................................................................................... 77
5.5.3 Motivation: ....................................................................................... 77
5.5.4 Capability: ....................................................................................... 78

Chapter 6: Discussion and Final Conclusions ........................................... 79
6.1 Introduction .................................................................................................................. 79
6.2 Awareness of the Competitive Environment .............................................................. 79
6.3 Motivation to act .......................................................................................................... 81
6.4 Capability to Act .......................................................................................................... 82
6.5 Modified Conceptual Model ......................................................................................... 83
6.6 Implications of the Research ....................................................................................... 85
6.7 Conclusion .................................................................................................................... 86

References ....................................................................................................................... 87

Appendix A - Interview Agreement and Interview Questions ........................................ 95
Appendix B - Interview Transcripts ................................................................................ 99
Appendix C - Personal Reflection ................................................................................... 109
List of Figures and illustrations

FIGURE 1: DRIVERS OF INCREASED LEVELS OF COMPETITION .................20

FIGURE 2: COMPETITIVE DYNAMICS RESEARCH STREAMS......................25

FIGURE 3: ACTION- BASED MODEL OF COMPETITIVE ADVANTAGE. ...40

FIGURE 5: PORTERS 5 FORCES MODEL ..................................................42

FIGURE: 6 ILLUSTRATION OF A SIMPLE GAME THEORY OUTCOME .....45

FIGURE 7: OVERVIEW AND COMPARISON OF VARIOUS COMPETITIVE MODELS .................................................................47

FIGURE 8: PROPOSED RESEARCH DESIGN ..............................................55

FIGURE 9: OVERVIEW OF CASE STUDY SAMPLES .........................64

FIGURE 10: AN OVERVIEW OF RESEARCH SAMPLES AMC COMPONENTS AND POTENTIAL LINKS TO THE RBV THEORY .........................83

FIGURE 11: NEW MODEL OF AMC/RBV WITH TRANSMITTED COMPETITIVE TENSIONS .................................................................85
Abstract

This dissertation explores a stream of research within Strategic Management called Competitive Dynamics. The aim of Competitive Dynamics research is to develop empirically robust predictive models of how organisations compete through an analysis of the actual competitive actions they undertake. The early research into competitive dynamics allowed researchers to develop accurate descriptions of the manner and context of how competitive actions across various industries and services occurred. The early research then developed into explorations of the factors that influence the decisions made by managers and business owners. Such factors as resource endowment, organisational size and age all play influential roles in the decisions managers make with regard to competitive strategies and actions. This dissertation attempts to explore the manner in which senior managers of Irish bakeries develop mental models of the competitive environment, what motivates them to engage in competitive activity and what capabilities their organisation possess to engage in competitive actions. The Awareness-Motivation-Capability model (AMC) developed by Chen (1996) is a framework on which research into the competitive cognitions of managers can be formulated and a focus of this dissertation.

The influence of the resources an organisation possesses and the strategic group it is part of all influence the awareness, motivations and capabilities of the organisation’s decision makers. The author through this research has developed a model of competitive dynamics that also incorporates the Resource Based View of the Organisation. The author through this research process has also identified a new aspect of competitive dynamics that the author has referred to as the transmission or conduction of competitive tensions from one strategic group to another and across industries.
Chapter 1: Introduction

1.1 Overview of Competitive Dynamics Research

A vital element of strategic management research for a number of decades has been to try and understand and predict the competitive behaviours of firms. Competitive dynamics research is the study of the series of competitive moves and counter moves organisations engage in with the aim of enhancing profitability, market share or industry position and ultimately firm performance (Ferrier, Smith & Grimm, 1999). By studying the series of competitive interactions organisations use and the resulting counter moves by competitors, competitive dynamic research scholars aim to identify commonalities that can help predict the type, level, range and scope of competitive actions. Within the study of competitive dynamics a central theme to have emerged from the literature has been the analysis of competitors and also to develop the ability for organisations to identify competitors.

Competition is a fact of everyday business but with the rapid development of technology and the increasing pace of globalisation, businesses are now faced with ever higher and intense levels of competition. The traditional strategic management models that allowed businesses to frame corporate and business level strategies now have to deal with the impact of hyper-competitive markets where the actions of competitors to try and whittle away a firm’s competitive advantage (D’Aveni, 1995) is ever present. The area and processes of competition have been addressed by the fields of industrial economics, analysis of industry structures (Porter, 1980) and more recently by Game Theory (Branderburger & Nalebuff, 1996). Competitive dynamics research on the other hand is a relatively new area of research that focuses on the series of actions and reactions of competitive firms and how this interplay of empirically measurable actions affect firm performance as opposed to the purely logical modelling of potential outcomes derived from the formerly mentioned fields (Chen & Miller, 2012).

The roots of competitive dynamics as a research area can be traced back to the early works of Josef Schumpeter and then later by the Austrian school of economics. Schumpeter’s theory of creative destruction essentially describes how all firms that
earn above normal profits or are industry leaders are exposed to the pressures of competition and innovation. The persistence and consistency of competitive pressures on organisations was described as a “perennial gale of creative destruction”. Schumpeter’s main argument was that no firm was safe from the pressures of competition and that for any organisation to try and maintain its position as an industry leader it must understand the consequences of its competitive actions and the resulting reactions of competitors (Schumpeter, 1934).

The main focus of competitive dynamics research has been on the analyses and study of the competitive moves between a focal firm and its competitor. This dyadic approach to understanding competitive behaviours is a key attribute of the current competitive dynamics research. An emergent strand of competitive dynamics research has been with focus on antecedent cognitive workings within the management teams in how they generate perceptions of the competitive forces their businesses face. The Awareness- Motivation- Capability model (AMC) within the competitive dynamics literature as described by Chen (Chen, 1996, Chen, 2007) examines these three key variables that influence the competitor’s actions and possible responses. In general the model examines how management teams perceive the competitive environment they are part of and how this influences the firm’s choice of competitive moves.

1.2 Objectives of this Dissertation

The aim of this dissertation will be to gain an insight into how senior managers of a number of Irish bakeries perceive the competitive environment their businesses form part of, what motivates them to engage in a single or series of competitive actions and what capabilities they possess to engage in a particular competitive move. By using the AMC model as a framework and structure by which to investigate these key drivers of competitive activity, the author wishes to investigate the tools and methods’ used by Irish bakery managers in generating perceptions of its competitive environment by looking at the mechanisms they use to stay aware of competitors’ actions, understanding the reasons and motivations behind conducting a series of competitive moves and what resources and capabilities they possess relative to the organisations size and age. The reason for
the author’s choice of the bakery industry as a subject area for research is due to a number of factors. These include:

- The author has worked in the bakery industry in Ireland for approximately 15 years and has strong trade knowledge and an understanding of some of the challenges the bakery industry in Ireland faces.
- The author is a qualified baker and bakery technologist with access to a number of senior managers in bakeries through the country. This facet could provide some insightful and useful data that can help bakery managers with their formulation of competitive actions.
- To the best of the authors knowledge there is currently no existing literature that has examined the cognitive process of Irish bakery management teams in relation competitive action formulation.

1.3 Context and overview of the Irish Bakery Industry

The bakery industry in Ireland forms an important part of the overall food industry in Ireland. There are approximately 300 bakeries in operation in Ireland presently, with the vast majority being small single shop bakeries. Approximately 30 bakeries that are considered national suppliers with 20 classified as plant bakeries. With revenues in the trade expected to exceed €500million in 2014 (Board Bia, 2014) the trade is facing some significant challenges. These include the following:

- Competition from imports
- Buying power of the major multiples
- Increased requirements of legislative compliance
- Industry over capacity
- Low levels of industry margin
- Lack of business training in the bakery sector
- Lack of investment in New Product Development

(Source: Dept. Agriculture, 2009)
The Irish bakery industry is characterised by high levels of competition both from internal and external sources as outlined above. The outcome of such intense competition can have severe negative outcomes for businesses. The recent high profile case of Irish Pride bakeries going into receivership is a case in point with the management team of the bakery citing difficult trading and cost pressures the contributing factors to company’s difficulties (RTE News, 2015).
Chapter 2: Literature Review

2.0 Objective of the Literature review

The study of competitive dynamics is a relatively new stream of focus within business and management disciplines. Many management scholars agree that the current research into competitive dynamics is well situated within contemporary strategic management studies and is providing significant insights into the competitive actions of firms. The aim of this literature review is to review, assess and explore the existing literature on competitive dynamics research and to compare and contrast it with other systems of analyses used modern management.

2.1 Strategic Management & Competitive Dynamics

The aim of competitive dynamics research is to study the series of competitive moves organisations undertake in order to try and gain a relatively superior competitive position in the market place relative to their perceived competitors. An understanding of how these competitive actions can affect the fortunes of a focal business or group of businesses can ultimately affect the long term performance of an organisation or business. With the view that the series of competitive actions an organisation may undertake having a significant effect on a focal companies fortunes, many management scholars and academics agree that the study of competitive dynamics falls squarely within the stream of strategic management research (Ferrier, Smith & Grimm, 1999).

The higher conceptual field of strategic management has over the last number decades has expanded to include streams of research such as the Resource Based View (RBV) (Barney, 1991), analysis of top management team capabilities (Hambrick & Mason, 1984), Agency theory (Jensen & Meckling, 1976) and Transaction Cost Theory (Coase, 1937). However an overarching observation of the current streams of management research within strategic management is of a discipline lacking an integrated system that successfully synthesises the various perspectives that exist within strategic management. Indeed Mintzberg, Ahlstrand and Lampel (1998) described the study of
strategic management quite humorously with their analogy of strategic management research as akin to numerous blind people grabbing various parts of an elephant and claiming they can accurately describe the beast while in utter ignorance of the each other. But as evident from the broad array of subjects contained within the area of strategic management, the subject draws on a variety of fields including; economics, sociology and the various social behavioural sciences in order to help management scholars and practitioners make better informed decisions based on the accumulation of strategic management research.

Regardless of the existent critiques of current strategic management research in terms of its incongruence with its various streams of research, there have been attempts by researchers to define strategic management whilst incorporating all its various aspects. Shrivastava (1983) broadly describes strategic management and strategic thinking as a process that involves the range of activities an organisation will use to formulate and engage in in order to realise the firm’s strategic goals and missions. This process will also take into account the full range of skills and capabilities the organisation may poses, both tangible and intangible. An alternative view put forward by Richard Rumelt (2011) suggests that strategic management involves the application of an organisation built in strengths and advantages to an opportunity that the organisation sees as promising. Although relatively a vague description of strategic management compared to Shrrivastava’s, Richard Rumelt’s simple explanation of what strategic management involves holds echoes of Barney’s Resource Based View (1991) and Wenerfelts Strategic Resource View (1984) of how organisations achieve competitive advantage. Kirzner, (1973) defined strategy as a logically unified sequence of actions, patterns and streams of behaviours.

As suggested above, strategic management is a process that includes all the activities an organisation may use in its attempts to achieve a competitive advantage within the market place including using its strengths and distinctive capabilities, right through to how it engages and performs within a competitively rivalrous context. From this perspective we can draw a
natural line of relevance to competitive dynamics research and its importance within the general discipline of strategic management. A natural series of questions for strategic management researchers, therefore, is how do organisations actually compete, why do they compete in the way they do and what attributes and organisational characteristics relate to specific actions and outcomes?

Although an important aspect to any strategic planning and strategy formulation process, the study of competition, competitive behaviours and the research into its various processes remained within the research sphere of Industrial Organisation Economics (IO), Industrial Structural Analysis (Porter, 1980) and Game Theory (Brandenburger & Nalebuff, 1996). As a result of the historical roots of research into competition, the author will review the current competitive dynamics research literature and compare it alongside the existing research within industrial organisation and game theory. By doing so the author hopes to identify potential synergies between the research areas and to offer a new perspective on the various frameworks of competition analysis.
2.2 Drivers of Competition

Competition within all businesses over the last number of decades has changed considerably. The reasons put forward to explain this change in business context have been many and varied. According to Grimm, Lee & Smith (2006) there are three leading reasons for the rapid changes witnessed in the global competitive landscape. Globalisation, privatisation and industry deregulation and changes in technology together account for the dramatic changes the business world has had seen in overall levels of global competition. Although, as mentioned earlier, there is no single theory within the study of competition, there does appear to be some basic acceptance of the drivers of the increased levels of competition businesses face.

2.2.1 Globalisation:

Over the last number of decades the global economy has seen an ever higher level of integration. According to the OECD the definition of globalisation is the increasing levels of global market for goods, services and the means of production. Globalisation in this regard also refers to the increasing levels of mobility in the factors of production (OECD, 2015). The ability of organisations and global corporations to conduct operations through a global market place has been facilitated by the rapid recent developments of telecommunications, the ability of the processing of information rapidly on a global platform and the advanced developments of global supply chains. With the growth in global markets, has seen the secondary effect of groups of trading blocks. These trading blocs include the European Union (EU), The North American Free Trade Agreement (NAFTA) and the World Trade Organisation (WTO). These new realities of the global market place and the continuous search for efficiencies across the functions of labour costs, manufacturing costs, design costs and supply chain costs mean the level of competition for all companies and organisations in the face of globalisation is ever increasing. As described by D’Aveni (1995), these new paradigms of dynamic competition, from the effects of globalisation are described as the
hyper-competitive market place, where the traditional static models of strategy development and analysis of the competitive landscape are no longer relevant. The new reality of the competitive environment is that of a rapidly changing and ever more competitive global landscape.

2.2.2 Technology:

As mentioned within the discussion on the effects of globalisation, the main facilitator of the current rapid growth in globalisation has been the development of the Information Technology sectors and the telecommunications sectors. This has allowed advances in the efficiencies in supply chains, production, design and processing and delivery of information. All these factors used within the business environment has lead to significant cost savings for organisations and has led to the rapid increase in the levels of competition within the global environment (Gimm, Lee & Smith, 2006).

2.2.3 Privatisation and Deregulation:

Although not a significant driver of competition within the recent past in Ireland due to the high levels of businesses operating within fully deregulated markets (Competition Authority, 2015), privatisation within other countries brings the reality of competition from external sources to a reality for Irish food manufacturers. (Department of Agriculture, 2009). This increase in the competitive landscape for Irish food manufactures has meant that Irish food companies have been forced to realise ever higher levels of efficiencies.

2.2.4 A New Age of Competition:

As described within the main drivers of competition, the effects of globalisation through the means of rapidly improving technology and the
increasing levels of deregulation and privatisation of all industries, has led to a global business environment that is more volatile, with change occurring at higher frequencies and the once thought of holy grail of a business achieving a sustainable competitive advantage becoming ever more elusive (Rumelt, 2012; Gunther McGrath, 2013). Fig. 1.0 shows how the levels of competition within global markets are influenced by the drivers of competition.

*Figure 1Drivers of Increased levels of competition (as adapted from Grimm, Lee & Smith, (2006)).*
2.3 Competitive Dynamics Research; Underlying Theory

There have been a number of different uses of the term competitive dynamics within academic research. In some cases the use of the term competitive dynamics has been used to describe the natural competition that exists between different animal species. For the purposes of this Masters Dissertation the author shall be using the definition used by Smith et al., (1992) as the study of competitive actions and resulting competitive reactions organisations engage in for the purposes of achieving increased market share, profitability, industry position and defending existing market positions.

2.3.1 Defining a competitive action and reaction

The main thrust of competitive dynamics research is the empirical study and analyses of a single or series of competitive actions that are detectable to an observer with the aim of improving an organisations market position (Ferrier et al, 2002). This definition of the term competitive action was further developed by Smith et al, (1991), within the developing theoretical construct and contexts of early Competitive Dynamics research, to include the definition of what a competitive response is. According to Smith et al, a competitive response is a clear and detectable market action by a competitor directed towards an aim of maintaining or improving their market position.

In contrast with other streams of academic research into competition such as Industrial Organisation, Structural Analysis and Game Theory, the study of Competitive Dynamics focuses on the study of competitive actions and reactions rather than the attractiveness of a particular industry viz a viz structural analysis and industry analysis (Bain, 1951, 1956, 1959.; Porter 1980) and the logical and theoretical outcomes of decisions derived from Game Theory.
2.3.2 The Austrian School

The study of the set of individual competitive actions of an organisation can be traced back to the research of Josef Schumpeter, who has been most commonly associated with the Austrian School of economics. The Austrian view of economics developed from the early works of Austrian economists Carl Menger and Eugene von Boehm-Bawerk and then later further developed and progressed through the works of Ludwig von Mises (Kirzner, 1997) moved the focus of micro economics from the study of perfectly competitive and monopolistic markets to a study of a subjective market participant.

In essence the argument put forward by Schumpeter and his Austrian colleagues’ was that markets are dynamic structures in constant movement towards equilibrium but never quite reaching that state due to entrepreneurial and innovative activity. Schumpeter went on to describe the actions of competition between organisations as a “perennial gale of creative destruction”, where the forces of competition and entrepreneurial discovery whittles away the economics profits earned by any organisation.

In Schumpeter’s view, where any organisation earns an economic profit, the forces of competition will act on the focal organisation until any profits it is achieving have been eroded. Thus, Schumpeter put forward a theory that in order to fully understand competition there needs to be an understanding of the series of competitive actions and reactions that take place within a competitive context (Smith, Ferrier & Ndofor, 2005).

Furthermore to Schumpeter’s assessment of the need to understand how organisations compete, Ketchen et al, (2004) suggested that an understanding of the dynamics of competitive interactions allows organisations to develop and deploy strategies to achieve competitive advantage. Thus putting the study of competitive dynamics back squarely into the research realm of strategic management.

The Austrian School’s move of economic focus towards a subjectivist view of market actions can be considered an important step in the development of
contemporary understandings of various modern strategic management research areas and of course the focus of this dissertation- Competitive Dynamics. By taking a subjectivists dynamic view of a market and the resulting dynamics of competitive interactions; rather than the static neo-classical view of micro economic markets, the cognitive processes, understanding and conceptualising of the competitive environment and the resulting competitive actions and reactions become important centres of focus for competitive dynamics researchers. Accordingly, for competitive dynamics researchers an important area of research- and of central focus for this dissertation is the understanding of how competitive perceptions are constructed, the intentions and aims of competitive action and the resources available to the organisation to initiate a single or series of competitive actions. This central tenant of competitive dynamics research forms the basis of the Awareness-Motivation-Capability framework.
2.4 Early Competitive Dynamics Research

As the importance of the understandings of competitive actions and reactions became clear to strategic management scholars in the early 1980’s, empirical research into the action and response dyads were conducted by McCaffrey & Van Wijk (1985) which looked at the timing of competitive reactions to products offered within the banking industry. This early work was then followed by the seminal work of Bettis and Weeks (1987) where the series of competitive actions and resulting reactions between camera manufacturers Polaroid and Kodak in the field of instant photography were empirically studied. These early works on the area of competitive dynamics allowed the researchers a powerful insight into the range of actions and types of reactions organisations typically undertake within a competitive environment. Such variables as the type of moves undertaken, the timing of the competitive actions and the timing of the competitive reactions were shown to be pivotal variables with strong explanatory powers. One of the major outcomes of this early research into competitive dynamics was that the series of competitive actions and the resulting reactions from rivalrous interactions was a strong support for the concept of the Austrian schools theory on the impermanence of competitive advantage resulting from entrepreneurial and innovative actions (Chen & Miller, 2012).

In summary of the early research into competitive dynamics, researchers tended to focus on the range and scope of the competitive actions organisations undertook and the range and scope of the reactions competitors engage with. From the initial range of work undertaken into competitive dynamics research, the field developed into 3 distinct streams of research but which were clearly interrelated within the overall competitive dynamics research field. Smith, Grimm & Gannon (1992) identified the following as distinct research streams within competitive dynamic
The diagram featured in Fig. 2 as adapted from the work of Smith, Grimm and Gannon, illustrates how the different streams of competitive dynamics have emerged from within the literature. The first stream of research has focused around the characteristics of the firm that has engaged in and initiated the competitive actions. Within the literature on competitive dynamics this focal firm is referred to as the Actor (Smith, Grimm and Gannon, 1992). This first stream also looked at the series of competitive actions and the corresponding competitive reactions and followed the early works of McCaffrey & Van Wijk and Bettis & Weeks.

The second stream of research to emerge was based around the contextual factors of the industry in focus and the competitive environment. The third stream was based on the actual outcomes of competitive interactions. As a focal element of this dissertation is on the cognitive and perceptual workings of management teams, the main focus of the remainder of the literature
review will be on the first stream of competitive dynamics research as the author felt that the other streams fell somewhat outside of the scope of this study.

2.5 Characteristics and Attributes of the Actor

According to the work of Smith, Gimm and Gannon (1992) the Actor represents the organisation or firm that is carrying out the competitive action. Focus on the Actor within the study of competitive interactions forms an important aspect of competitive dynamics research. As mentioned earlier Ketchen et al., (2004) identified that firms that engage in competitive actions do so in order to achieve a goal of increasing market share, industry position or to defend a market position or a goal of some strategic importance to the firm. Therefore it stands to reason that the Actor of a competitive action would assume that their firm will benefit from the said action. Chen (1996) had separately identified that the actions an organisation undertakes will in turn influence how an organisation may interpret the competitive environment and the general level of organisational awareness of the competitive landscape. From a general level of awareness the organisation may then be motivated to engage in a competitive action or to retaliate against a move from a competitor, which in turn is defined and limited by the capability of the organisation to conduct a series of competitive actions by the resources the organisation may possess.

The three components or characteristics of awareness, motivation and capability form the basis of the AMC model later developed by Chen.

Organisational size as a firm specific variable was examined by Chen & Hambrick (1995). This research found that large organisations were better positioned to carry out competitive actions and that they were more efficient and effective in how they did this. It was also identified that smaller companies had the ability to avoid detection in their competitive actions and were faster at changing tactics and strategy than larger companies. Young, Smith & Grimm (1996) found that larger organisations were more likely to
use actions that were strategic in nature rather than tactical yet were also more likely to use simple and narrow range of actions.

The age of the focal organisation has also been shown to be a variable influencing the type of actions an organisation may use. Lant, Milliken and Batra (1992) showed that as organisations get older they are more likely to use competitive actions that had been proved successful in the past. The explanation underpinning this result was that as organisations become more mature they seek to reduce the costs associated with trying to understand the competitive environment. The result is an organisation that becomes more predictable in its actions. Young organisations also have been researched in terms of how their newness impacts on their type of competitive action. New or young firms suffer from has been called the liability of newness (Miller & Chen, 1996) where the scarcity of resources limits the type and range of potential competitive actions. Young firms are also challenged in the level of industry acceptance they may have and also the level of recognition and acceptance from customers.

Past experiences of competitive actions have also been a focus of study. It has been shown that where an organisation has had a positive experience of a particular tactic or strategy they will be more likely to use that type of action and strategy again. In contrast where the organisation has had a negative experience due to a chosen tactic or strategy, it is most likely that the organisation will change its choice of actions next time round. It was also shown that successful strategies and tactics over a protracted period leads to complacency and a potential over reliance on the particular series of actions (Lant, Milliken & Batra, 1992).

The level of unabsorbed resources within an organisation influences the level and type of competitive actions an organisation may use. Organisations that are rich in slack resources have been shown to have the ability to invest in new equipment, training, R&D and technology and to be able to take greater risks (Hambrick et al., 1996).
Other firm specific attributes that have been studied by competitive dynamics researchers includes examination of the makeup of executive teams in firms and how variables such as education, experience, age, and gender influence the range and type of competitive actions. Hambrick & D'Aveni (1992) found that where organisations have large executive teams they benefit in terms of increased levels of awareness, experience and cognition. It was also demonstrated that large executive teams sometimes suffer from communications difficulties. Other findings included how firms with large top management teams (TMT’s) were more likely to use low key tactical competitive actions rather than large scale strategic actions (Hambrick et al., 1996). Other research into TMT’s looked at the level of experience senior managers had and its influence on the types of competitive strategies used. Managers with a lot of experience tended to have a rigid mental images of the competitive landscape and were difficult to change (Hitt & Barr, 1989) whereas executives with high levels of formal education were shown to be more open to new strategy types and more willing to try new competitive actions (Kimberly & Evanisko, 1981).
2.6 Types, Range and Scope of Competitive Actions

As mentioned previously, research in the field of competitive dynamics has in its early days focused on the competitive action as the most fundamental element of analysis. As defined previously, a competitive action is an externally directed and observable action directed at a competitor's with the aim of improving the initiators competitive position (Ferrier et al., 2002).

Early research into the types of competitive moves or actions that competing organisations would engage in include (Smith, Ferrier & Ndofor (2005):

- Moves in product pricing
- The level of spending in functions such as marketing and advertising.
- The level of new product development and new product launches.
- The level of spending on new capacity and increases in capacity.

Within this early research, the focus was mostly on the characteristics of the actions that were undertaken. For example, such variables as the scale of the competitive action, the number of actions and the significance of the range of competitive actions were important to recognise as they were indicators of the type of competitive response that was likely to be. For example the probability and speed of a competitive response were studied by Chen et al., (1992) and Smith et al., (1991).

Other aspects of competitive actions that were studied include how radical the competitive move was or how far from established norms the action is perceived. Chen & McMillan (1992) found that where organisations engage in a series of competitive moves that were considered outside of the normal range or history of competitive actions within an industry, the less in number of resulting competitive reactions. Chen et al., (1992) identified that where the actions that were undertaken require a significant investment of resources the likely response from competitors would be lower. This was referred to as the magnitude of a competitive action. Chen would further develop this research to identify that where a competitive action was seen to be of a strategic importance (the degree to where the impact of the action would have
large scale and almost irreversible consequences for the initiator) the likely response to the competitive action would be lower,

Ferrier et al., (1999) and Young et al., (1996) conducted research into the effects of the number of competitive actions that were undertaken and frequency of actions that were undertaken. Results from this research identified that where organisations engage in a high number of competitive actions at a high frequency, this resulted in the organisation achieving superior market positions and a higher level of profitability. Miller & Chen, (1994, 1995, 1996) put forward the concept that organisations hold a repertoire of competitive actions that they call upon to engage in competitive actions. The origins and contents of the repertoire of competitive actions has been examined from the perspective of how reliant an organisation maybe on a single type of competitive action at the expense of any other types- this is what has become known as competitive repertoire simplicity and looked in detail at the antecedents of such choices of competitive repertoire. The aggregate work of Miller & Chen showed that where organisations engaged a small variety of competitive moves and a limited number of potential competitive moves the end performance of the organisation improved. However this simplicity of competitive repertoire was then shown to a point where a limited range of competitive moves resulted in poorer overall organisational performance. Such moves included price reductions, promotions and special offers.

Recent studies into the types of competitive actions that organisations engage in looked at the types of actions and the sequence of actions over a defined time period. This examination of competitive actions was seen from the perspective of a series of logically associated or connected actions makes direct connections back to the definitions already established of strategic management (Ferrier & Lee, 2000).
2.7 The Reactor

As with all competition there exists a set of competing parties- the actor and the reactor. This is also the case within a competitive business environment. The literature on competitive dynamics has identified that the corresponding reactors characteristics and attributes are equally as important to examine as those of the actors. Smith et al., (1991) suggested that for a responding organisation to compete successfully within a competitive environment, it should be capable of developing processes and systems that enable it to identify competitive moves against it, to be able to understand the significance of a series of competitive moves and then to be able to construct a series of countermoves in a timely manner. Research by Huber & Daft (1987), identified that the ability for an organisation to interpret its competitive environment is largely a function of how the organisation is structurally configured. An example cited was where an organisation is structurally complex with many layers or functions that the information processing ability maybe compromised.

As with the case of the Actor, and as already noted, there is a requirement for the reactor to have the ability to be aware of the competitive environment in which is perceives itself. It stands to reason that unless an organisation is aware that a competitor has initiated a competitive action against it, it is unable to react. This ability to be cognizant of the competitive environment also fits with the awareness function of Chen’s AMC model. Accordingly Chen states in Chen & Miller (2012) that for an organisation to successfully respond to the competitive actions of another, they must be aware of a competitive action initiated against them, they must also have the motivation to respond to the actions that have been deployed against them and finally they must have the capability to react with the given level of resources the organisation can draw down on. In essence Chen makes the point that the AMC model applies equally to the Responder to a competitive action as it does to the Actor.
2.8 Industry Context and Competitive Environment

As discussed earlier, competition within the contemporary business world has been described as a constantly moving and evolving market place - a hypercompetitive market place where traditional strategic planning tools that suit static business environments are of less and less relevance (D’Aveni, 1994). This concept of a dynamic market and competitive marketplace has also been the subject of research by Competitive Dynamics scholars. Schomburg et al., (1994) looked at the relationship between the intensity and predictability of competitive interactions within an industry relative to the stage of the industry is at within its overall life cycle. It was shown that the type, scope and level of competitive interactions in emergent and high growth industries was significantly higher and with less predictability. Within these young and high growth industries there was less awareness amongst the market participants of each other’s market interactions. In contrast businesses within industries that were considered mature and with far slower levels of growth demonstrated more predictable patterns in competitive actions, with all participants having a higher level of awareness of each other.

Costs of entering a new industry were also researched. Industries that required high levels of capital investment and other significant demands on resources are characterised by lower levels of competitive pressures and are less likely to engage in competitive aggressiveness. The levels of industry concentration were also examined as a variable of the industry context. Findings from research showed that where there is high levels of industry concentration there is a lower level of competitive actions (Young, Smith & Grimm, 1996).
2.9 Awareness-Motivation-Capability (AMC) Model; Theoretical Underpinnings.

Chen (1996) first put forward the concept of the Awareness- Motivation-Capability model as a result of the bringing together of two distinct yet related streams of firm specific research- resource similarity and market commonality. In essence the AMC model is a logical perspective of the competitive environment formulated with the view of helping predict competitive rivalry between organisations. The main thrust of the AMC model is that organisations can not engage in series of competitive actions and or reactions unless they meet three antecedents of; competitive awareness, they have the motivation to engage in a competitive action and that they possess the required resources to engage in competitive activity.

Resource similarity between two firms has drawn much from the work conducted by Barney and the Resource Based View (RBV) (1986) of the organisation. In essence this stream of research suggested that where two firms within the same industry share similar resources, the level of competitive tension between these two organisations will be higher and that each organisation will have a higher level of competitive awareness.

Market Commonality refers to the level to which a focal organisations competitor is active within the focal organisations perceived market place. This research that was conducted by Gimeno & Woo (1996) and Baum & Korn (1999) essentially demonstrated that where organisations share multiple market places (e.g. across multiple countries) there was less likely hood that the two competitors would engage in serious and heightening levels of competitive interactions, for fear that this would lead to increased levels of competition across their multiple markets.

By taking two distinct perspectives of firm specific competitive analysis, Chen developed a model that looked both externally at the competitive environment in the Awareness element of the AMC model, but also looked internally at the motivation elements to act in a competitive manner, but also required an organisational introspective review of both tangible and intangible resources that would allow the organisation the capability to act.
By linking the review of the external competitive environment with the internally focused attributes of the organisation, Chen’s AMC model theoretically bridges the gap between Barney’s RBV and Porter’s Industry structural analysis.

2.10 Components of the Awareness-Motivation-Capability model

2.10.1 Awareness

According to Chen (1996) for any strategic action to be initiated, the focal organisation must be aware of an opportunity or threat to its market position. The awareness component of the AMC model refers to the level of awareness the focal firm has of competitive actions directed towards it and the level of competition that is within their competitive environment. The awareness perspective has its theoretical roots located within organisational communications (Smith et al., 1991). The decisions an organisation makes with regards to its choices of competitive actions are based on how the organisation gathers information pertaining to the competitive environment, how that information is processed and how it is then used in the formulation of competitive strategy or tactical actions. Other studies on the make-up of organisation’s top management teams have looked at the different characteristics of the executive teams as they are generally those responsible for gathering all the information required to make decisions on the competitive strategy of organisations (Hambrick et al., 1996)

This perspective demonstrates how the competitive dynamics research literature has evolved beyond the firm level competitive interactions of early competitive dynamics research to take into account the macro competitive environment also. Although the awareness attribute of the AMC model is a pre-requisite to an organisation undertaking a competitive action or engaging in a series of competitive strategic actions, the theory underlying the AMC model further suggests that awareness alone will not be of sufficient imputes for an organisation to act, that the organisation must also have the motivation and capability to act also.
2.10.2 Motivation

The theoretical roots of the motivation component of the AMC model have been traced back to Expectancy-Valence theory (Vroom, 1964). The expectancy valence theory suggests that where an organisation feels that the reward from engaging in particular action will be higher than if they did not engage in the action relative to the expense of engaging in the action, the organisation will be motivated to act. This concept has been shown within the literature to be reflected within competitive rivalry (Yu & Canella, 2007).

For an organisation to engage in a competitive action it must be motivated to do so. The motivation to conduct a competitive action may include not only a perceived gain from the competitive action but according to Smith et al., (2001) what a focal firm believes or perceives it may lose due to not acting. According to research conducted by Chen (1996) and Chen & Miller (1994) the motivation element of the AMC model serves as a stronger indicator of potential competitive actions than the awareness or capability attributes. Studies on the motivations of organisations to act have shown that where organisations are large or are considered to be relatively successful have a lower tendency to act or respond to competitive actions (Miller & Chen, 1994).

2.10.3 Capability and the Resource Based View

As suggested earlier, the AMC model has been the partial result of the drawing together of the firm specific and firm orientated view of the Resource Based View (RBV) of the organisation. In essence, Barney (1986) built on the earlier works of Wernerfelt (1984) in identifying how organisations gain and sustain competitive advantage in a marketplace where there is equal access to resources. The RBV suggests that the organisation that holds superior tangible and intangible resources that are difficult to imitate and not easily bought or transferred may eventually be able realise a sustainable competitive advantage as they will have the capability to outperform the competitive actions of their rival. Research by Ferrier (2001) and Smith et al.,(1991) showed that where organisation holds or have access
to superior financial resources have been able to produce better performances within a competitive series of interactions.

2.11 Competitive Tension

A significant element that has emerged from the use of the AMC model within the research literature has been the identification and understanding of Competitive Tensions. Chen et al., (2007) identified what has been described as the building up of competitive pressures between organisations that eventually reach a point where a focal organisation and its competitive rival cease being static participants within the market and begin a series of competitive actions against one another. The concept of competitive tensions and its relationship to the AMC model is held in the posit that competitive interactions can only build and emerge where there is sufficient awareness between the competing organisations, where the motivation to engage in a competitive activity will be seen to deliver a benefit to the focal organisation and then where the organisation has the resource capabilities to engage in a competitive action.

The level of perceived competitive tensions between firms is a function of the cognitive working of the executive teams within the organisations. As Chen (2007) points out the competitive tensions that accumulate amongst firms may not be evenly dispersed between firms. Accordingly, the view of the competitive environment and levels of competitive awareness, the motivation to act and the perception of access to the same resources may not be the same for all organisations within the same competitive arena. This unequal creation of competitive perceptions between firms was described as Competitive Asymmetries. In other words two organisations within the same competitive market place, may ultimately view each other from different competitive orientations. The fundamental tenant of the concept of competitive asymmetry was then further developed into the rival centric perceptual approach, where the view of the competitive environment is considered through the lens of the focal organisations view point (Tsai, Su, Chen, 2011). This multi perspective analysis of the competitive landscape
allows organisations to then make linkages of competitive analysis from the micro firm level to the macro-industry level.

2.12 Critical Assessment of Competitive Dynamics Research

Although research into competitive dynamics is a relatively new stream within the study of strategic management, empirical research as cited in previous paragraphs has up to now yielded important predictive models that have helped shaped further research and extensions to the earlier works. The integration of various strategic management concepts such as the RBV, Expectancy-Valance theory and communications theory into Chen’s AMC model shows how the Competitive Dynamics research not only complements existing management theories, but also adds more weight to them. For example it has been empirically shown that organisations with different levels of resources have different ways in which they engage in competitive actions (Ferrier, 2001), such research not only informs the literature on competitive dynamics, but also supports the Resource Based View. There is also evidence within the literature on competitive dynamics that supports notions such as first mover advantage, a concept that is related back to Richard D’Avenvi’s model of hyper-competitive markets.

Even though the research on competitive dynamics has thrown some interesting and empirically robust generalisations on how organisations and companies compete within a variety of contexts, the research on competitive dynamics has some limitations. The first of these would be based on the samples used for research. Smith, Ferrier & Ndofor’s (2005) critique suggests that although the industries typically chosen for research purposes by competitive dynamics researchers are done so based on the naturally competitive nature of the industries (e.g. airline industry, mobile phone industry, instant photography) and the abundance of data available to researchers, the variety of industries studied is relatively small. It can also be argued that the research conducted has limitations insofar as the companies studied are based on similar contextual variables.
Common variables include factors such as the organisations studied are generally domestically held PLC’s. The fact that most organisations that have been studied are publically held intrinsically limits researchers from fully exploring the range of organisational contexts such as private companies, partnerships and co-operatives.

From the review of the existing literature on the field of competitive dynamics and the research conducted around the AMC model, a number of gaps become apparent. Throughout the literature the AMC model tends to focus primarily on the competitive relationship between a pair wise of competitors. This concept may be accurate in some instances, but a limitation of the model becomes evident where there are a number of competitors engaged in competitive actions. The AMC model assumes that the competitive interactivity is between a pair of firms and not multiple firms. If a focal organisation intentionally initiates a competitive move against another firm but its actions alert a third firm who interpret the actions as potential competitive actions against it, a retaliatory competitive action may result, which the focal organisation may not have been aware was possible. Where such a situation is possible, the AMC model has no facilities to incorporate the scenario (Yamanoi, 2011).

The importance of the RBV theory within the literature is widely recognised. The AMC model clearly identifies that where an organisation is intended to initiate or respond to competitive activity within the market; it must possess the capabilities to do so. However a gap appears within the existing research as to how an organisations current stock of resources influences its management team’s cognitive processes in its interpretations of the competitive landscape and how it identifies opportunity within the market place. For example a small family run business may have a very different view of how it may compete in the market place relative to a much larger competitor.

By taking the assumption that the current stock of resources an organisation may possess has an influence on the choice of competitive actions that an organisation may engage in, and this choice of competitive engagement may
yield positive outcomes, an organisation may use the return on the competitive activity to acquire more resources with a resulting feedback loop into the functions of awareness, motivation and capability. Although Miller & Chen (1994, 1995) identify that organisations have been found to continually use competitive practices that have proven successful, there exists a gap in the literature that shows how an accumulation of new resources may influence new competitive planning.

Grimm, Lee & Smith (2006) through their concept of an Action-Based Process of Competitive Advantage, describe a framework that identifies the feedback loop effect of the outcomes of competitive interactions. In effect, the focal organisation may adjust their relative resource position depending on the outcomes of competitive interactions, however from the perspective of the author there appears to be an opportunity to introduce or combine the Action Based Model with the existing AMC model to take into consideration the changes in how an organisation may interpret differently the competitive landscape, how its sense of opportunity may be different and how this influences its capabilities and choices of new resources.
Figure 3: Action-Based Model of Competitive Advantage. Grimm, Lee & Smith (2006)

Figure 4: Authors Conceptual Model of Competitive Dynamics
2.13 Alternative Views of Competition

The emergence of a Michael Porter’s 1980 book “Competitive Strategy” introduced management scholars and business people to a new framework for the analysis of competition and competitive environments. Porter’s 5 Forces framework is probably the best known method of competitive analysis within the field of strategic management. Porter in his development of the model drew heavily from the discipline of Industrial Organisation (IO) economics and more accurately from the structure-conduct-performance (S-C-P) framework from IO.

2.13.1 S-C-P

The structure-conduct-performance model of industrial organisation economics is an economic model that describes how competition within industries is influenced by the structure of the industry. First put forward by Joe Bain (1951), the model allowed researchers to investigate the reasons for industry concentration, the scale of industry concentration, and the effects of prices on competition and levels of investment within an industry.

The structure element primarily refers to the number of buyers and sellers within a market. The natural range of this element would be from a single company in a market (monopoly) straight through to a commodity type market of perfect competition. Conduct refers to the intensity of the competition and rivalry within the industry. This would include all the types and ranges of competitive behaviour including, pricing actions, marketing actions, investment and research & development. The performance attribute of the model reflects the overall level of profitability of the industry.

Simply put the S-C-P model suggests that in a market within a concentrated market with a few large organisations, the level of subsequent competition and rivalry will be little and profits high. On the other hand where there is a market made up of many small supplier, the intensity of rivalry will be higher with a resulting lower levels of price and profit.
As can be seen, the S-C-P model of industry structure analysis can be providing helpful perspectives in understanding the factors of competition within an industry.

In essence Porter suggested that organisations develop and create a sustainable competitive advantage based on how their organisation is located relative to the entire industry. Based on this posit, Porter implies that the competitive position of an organisation is based largely on the influences of the competitive environment. In Porters framework he identifies 5 forces which together make up how attractive an industry is for an organisation to be in. These five forces include:

- Bargaining power of buyers.
- Bargaining power of suppliers.
- Threat of new entrants
- Threat of substitutes
- Current levels of competitive rivalry

Figure 4: Porters 5 Forces Model as Adapted from Porter (1980)
According to Porter, the collective influence of these 5 forces along with the intrinsic structure of the industry is a strong influence on how intensive competition is within a given industry. Porter went on further to suggest that within the strategies organisations may deploy are really just a series of actions that are used defensively or offensively to manage the influence of these forces.

Important criticisms have emerged in relation to Porters model of industry competition. The first is that according to the 5 Forces model the basic unit of analysis is the industry as a whole. This high level of analysis of competition and competitive rivalry within an industry does not allow for explanations of why some firms perform better than others in the same industry. Competitive dynamics on the other hand has looked at competitive actions at the individual firm level and studied the actual competitive actions undertaken. The predictive properties of firm level analyses relative to industry level analyses have been empirically tested by researchers such as Schmalensee (1985) and Rumelt (1991) and have yielded positive results on the side of firm level analysis.

Another important difference between Porters industry structural analysis has been its focus on yielding a sustainable competitive advantage. As many researchers have found, the new age of competition has made the achievement of a sustainable competitive advantage a virtually impossible notion to achieve (D’Aveni, 1995, Gunther-McGrath, 2013, Rumelt 2011). Rather the focus of competitive dynamics is on the temporary aspect of competitive advantage due to the constant movements of market actions.
2.13.2 Game Theory

Game Theory has its theoretical roots in the work of Neumann & Morgenstern (1944) as a methodology for approaching decision making. The objective within Game Theory is to determine a variety of solutions to different outcomes based on the actions of players. In essence the game can be a possible reference to a competitive situation between firms within a market place and all strategic and tactical options are referred to as courses. Accordingly, the game becomes an abstract concept that illustrates situations of strategic processes and outcomes where the result for one party depends on the choice of actions it takes as well as the choices of actions from the competing party.

As each player chooses which course or action to undertake, they must decide whether the payoff from the action chosen is worth the resulting reaction. The result of a choice of particular action is then computed. Whichever strategy gives the initiator the best outcome whilst taking into account the outcome of the competitor’s choice of actions is then deemed to be the better choice. Because on the fact that a choice of action is based with the consideration of what the competitor may do, the notion of competitive interdependence emerges (Cabral, 2000).

The use of Game Theory within strategic management requires that the players create ideas as to what the best course of action to take is whilst considering the potential actions of other participants. Because Game Theory require participants to fully consider their own firms action whilst also considering their competitors, it allows for multiple perspectives of potential competitive interactions to be created and because other players also are required to consider competitors game options the potential to gather a huge range of strategic options becomes available.

Game Theory has found its way into mainstream strategic management studies due to its focus is on how groups of people interact and how strategic choices are framed based on logical conclusions (Whelan, 2013). Game Theory in similar ways to Competitive Dynamics research allows for
organisations to make choices on what strategies to choose based on potential human behaviour and choices and can be a powerful predictive model.

A problem that becomes apparent with Game Theory is in its general application. In Fig. 5, a simplified example of how a game plays out is visually constructed. Where Firm A has a choice as to what competitive action to undertake, consideration is then given to what the likely reactions will be from Firm B. As each outcome has potential reactions a mathematical value is given to each potential strategy, with the optimum strategy being the one chosen.

Once the number of potential strategies grows, the resulting number of potential reactionary strategies of the competitor also grows. Although a key aspect of Game Theory is that all potential strategies are rooted in rational decision making, the number of potential outcomes may reach infinity. A natural outcome of the current use of Game Theory within strategic management is that the mathematical complexities are such that large and powerful computers are required to generate the options.
2.13.3 Summary

Competition and its analysis and understanding has been shown to have strong foundations within strategic management. The various different models of how competition effects firm performance have all developed from empirical research and are considered robust in their predictive capabilities. The aim of this literature review was to examine the theoretical underpinnings of competitive dynamics research, where it is located relative to the discipline of management study and strategic management, the main elements of the leading research areas, the models that have been used to explain how and why firms compete and act in the way they do.

The author has also attempted to examine competitive dynamics research from a critical perspective. There has been an attempt to examine the gaps in the current literature and to identify and potential limitations of the current models. The author has also tried to examine the alternative views of competition and competitive markets and to place these models side by side in order to identify each models basic premise, areas of focus and how they may relate to one another. Fig.6 below gives a brief overview of the three different methods of competitive analysis.
<table>
<thead>
<tr>
<th></th>
<th>Industrial Organisation (Porter)</th>
<th>Game Theory</th>
<th>Competitive Dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic Premise</strong></td>
<td>Industry structure has an effect on levels of competition and profitability</td>
<td>Abstract mathematical model examining all potential outcomes and effects of strategy</td>
<td>Markets are dynamic and are in constant motion. Actions and reactions effect overall firm performance</td>
</tr>
<tr>
<td><strong>Level of Analysis</strong></td>
<td>Industry level</td>
<td>Firm Level</td>
<td>Firm Level</td>
</tr>
<tr>
<td><strong>Theoretical Origins</strong></td>
<td>Industrial Organisation Economics</td>
<td>Mathematical Theory of Games</td>
<td>Schumpeter and Austrian Economics</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td>Five forces that make up an industry structure</td>
<td>The mathematically optimum solution to different outcomes</td>
<td>The action and reactions of organisation in competitive contexts</td>
</tr>
<tr>
<td><strong>Competitive Advantage</strong></td>
<td>Competitive advantage can be sustained</td>
<td>Competitive advantage is the outcome of a mathematical consideration.</td>
<td>Competitive advantage is temporary. The innovative and entrepreneurial actions of the market aim to reduce any advantage over time</td>
</tr>
<tr>
<td><strong>Relationship between firms</strong></td>
<td>All firms are viewed from the industry level and are considered equal</td>
<td>No explicit reference to relationships</td>
<td>Firms view each other in different ways. Perspectives on competition are firm specific.</td>
</tr>
<tr>
<td><strong>Competitive Strategy types</strong></td>
<td>Generic</td>
<td>Based on the result of the mathematical outcomes</td>
<td>Firms may have repertoires of actions that they call upon.</td>
</tr>
</tbody>
</table>

*Figure 6* Overview and comparison of various competitive models
Chapter Three: Research Aims and Objectives

3.0 Research Aims and Objectives Introduction

Understanding how organisations use competitive strategies has been an important aspect of strategic managements studies for decades. Competitive Strategy as described by Hofer & Schendel (1978) was not a static phenomenon but rather a series of interconnected actions and reactions. As a natural progression from the study of competitive strategies, the study of the series of competitive firm specific moves would emerge. Competitive dynamics has since become a distinct stream of management research that aims to explain and predict the types of competitive actions that companies may engage in.

The overall objective of this Masters Dissertation is to examine the cognitive processes managers and management teams within Irish bakeries use in their comprehension of the competitive landscape through the use of the Awareness-Motivation-Capability model as described by Chen (1996). Competitive dynamics is a relatively new stream of research from within strategic management and has a number of distinct streams of research. These individual streams of research have moved in such direction that opportunities exist to try and incorporate each stream back with one another. Competitive dynamics also demonstrates key attributes from other elements of strategic management as mentioned within the literature review. From the literature review it is clear that concepts such as the Resource Based View of the organisation along with Expectancy-Valance Theory also play important roles in the way organisations interpret and formulate competitive actions. As a result of the literature review a new competitive dynamics framework is suggested that incorporates the A-M-C model into an existing framework of competitive action. In order to test the validity of this conceptual model summarised within literature review, the author would use case study analysis of real situations within Irish bakeries.
The Irish bakery industry is characterised by high levels of competition between a number of bakeries that occupy different sectors of the market yet with a number of instances of competitive overlap. The Irish bakery industry also has a number of instances where competitors in the industry also cooperate on selling products to each other, co-packing and reselling. The bakery industry in Ireland has very little academic research conducted around it, yet given the high levels of intrinsic competitive activity within the industry, it would be a very appropriate industry to examine.

3.1 Objectives

1. To fully review the literature on Competitive Dynamics Research. This would involve identifying its location within management research, explore the historical context upon which its modern concepts derive from, review and expand on the theoretical concepts within the literature.

2. To examine the Awareness-Motivation-Capability model and its relevance to explaining competitive actions.

3. To critically assess the existing literature on Competitive dynamics and the AMC model.

4. To review other streams of concepts on competition and to critically review alongside the research on competitive dynamics.

5. To gain an insight into how bakery managers and owners in Ireland develop the awareness, motivation and capability to initiate competitive actions.

6. From the review of the literature propose an enhanced model of competitive dynamics incorporating the existing AMC model with the Action Based model of competitive advantage.
7. To collect empirical data through a series of case studies in order to test the validity of the new competitive dynamics model. Part of this research will also be to try and gain an understanding of how different size bakeries with varying levels of resources have different mental constructs of the competitive environment through the exiting AMC model.

8. Based on the data collected based on the case studies, to make any changes to the model that reflect a more accurate representation of empirical data collected.
Chapter 4: Research Methodology

4.0 Introduction

The aim of this chapter of the thesis will be to explain the design and the methodology of the data collection process. The intention of this methodology chapter will be to set out how and why the author has chosen the methods he has for the research on competitive dynamics within the bakery industry in Ireland. This thesis aims to be a set of comparative case studies of how bakeries in Ireland form perspectives of the competitive landscape, what motivations elicit initiation of a competitive actions and if the stock of resources the company currently possesses influences the competitive actions chosen.

The author will first state the objective of the empirical research, the author will then set out the design of the research activity, how it will be conducted and the rational for doing so, how the author identified the cases that were chosen, the process of collection of the data and the analysis of the data. The author will also address the underlying philosophical, ethical considerations of this research.

4.1 Defining Qualitative Research

Before an expansion on the term qualitative research can be adequately addressed in terms of relevance to this dissertation a definition of what research is could be useful to the reader. According to Johnson (1994) research can be defined as the:

“Focused and systematic enquiry that goes beyond generally available knowledge to acquire specialised and detailed information, providing a basis for analysis and elucidatory comment on the topic of enquiry”
To expand on Johnson’s definition, focused enquiry refers to the precise and detailed efforts to answer specific research questions. In order to achieve this objective of acquiring a specialised level of knowledge, a researcher is required to be able to conduct his or her research in an organised and well-structured manner, that a secondary aim of the research is to add to existing knowledge on the subject and that sufficient data is gathered that either supports or challenges the currently accepted theories on the subject matter.

In considering the contents of the methodology chapter for this research thesis, the author has considered the need to define the meaning of qualitative research for the purposes of building a robust case for the methodology that was selected. Qualitative research has been the subject of much debate within social science research areas. The reason for this is due to the broad array of contextual situations the term has been used to describe qualitative research. Denzin & Lincoln have offered the following definition:

“Qualitative research is a situated activity that locates the observer in the world. It contains a set of interpretive, material practices that makes the world visible...This means that qualitative researchers study things in their natural settings, attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to them”. (2000:3)

By taking the definition offered by Denzin & Lincoln of qualitative research its use in the study of management research is relevant.

4.2 Research Philosophy

With all types of research comes the need for the researcher to address the philosophical question of why research? In order to answer this question, the researcher must develop a philosophical perspective. In order to develop a philosophical perspective a researcher is required to make some assumptions on the nature of society and the nature of science (Burrell & Morgan, 1979). Within the research of science, a researcher is faced with either the taking an
objectivists view or that of the subjectivist. For researchers a review of each approach is important not only from the methodological reasoning perspective, but also from the point of view that the choice of perspective may influence his or her assumptions concerning ontology, epistemology, human nature and methodology. Both approaches to research have proven historically robust, yet each perspective have raised criticisms of each other’s approach (Holden, year unknown).

4.2.1 Objectivism Vs Subjectivism

Some researchers suggest that objectivism and subjectivism occupy opposite ends of a continuum with a number of different research philosophies occupying the range between. For the objectivist’s point of view, research within the social sciences has its roots in the study of natural sciences. These scientists perceived the highly successful practices of research within the natural sciences as being perfectly transferable to the social sciences. The subjectivist’s opinion differs as they argue that both science types are sufficiently different.

As stated in the opening paragraphs of this thesis, competitive dynamics research has its theoretical roots in the Austrian school of economics. This view of economics differed from the neo-classical school in terms of its subjectivist’s approach to market structures and dynamics. It is from this origin in subjectivist economics that the author has chosen to adopt a subjectivists approach to research, choosing a qualitative approach and looking to view the phenomenon from within its context.

But as with all approaches to research the approach taken is always relative. As Arbno r& Bjerke (1997) suggests that due to the complexities and numerous variables associated with research within the social sciences there is probably never a logically optimum approach to research.
4.3 Research Design

As mentioned previously, Johnson (1994) suggests that the research process is essentially about gather knowledge in a focused and systematic manner. In order to gather data that in turn becomes information relating to the final contribution to knowledge, it is important to formulate a design approach towards research. Indeed Zikmund (1997) further describes the design planning phase as the planning for the collection and analysis of information. As mentioned in the previous section on research philosophy, it will be the intention of the researcher to conduct the research using qualitative methods.

4.3.1 Research Framework

The approach taken by the author towards the requirements of the research can be described from the model depicted in Fig.7. At each stage the researcher reviewed the results of the research progression against the depicted plan. As stated in the above paragraphs, the range of methods that can possibly be used to research topics within the social sciences is large and varied. The problem faced by the researcher is to choose the methodology that offers a robust inquiry into the phenomenon under examination.
Proposed design of Competitive Dynamics Research

- Aims of the research on Competitive dynamics
- Review of all the existing literature.
- Formulation of descriptive model
- Review of Findings with reference to the proposed model
- Any amendments to the model that are required by the findings of the research

Figure 7 Proposed Research Design
4.3.2 Data Collection Methods

Within the early research on competitive dynamics, the focus of research was centred on the actual competitive actions that firms used when competing with one another. These early research approaches used published material in trade magazines, newspapers, corporate publications etc. to identify notices of competitive actions. These early studies were generally longitudinal studies of the actual competitive actions between firms and resulted in the development of a new style of research called “structured content analysis”. These studies typically lasted a number of years and required the researchers to identify thousands of documents that then needed to be pain strikingly sifted through to capture the relevant information. As Chen (2012) notes on the current research conducted to date on competitive dynamics;

“Too little attention has been placed on the processes that shape competitive actions” (2012: 59).

Chen also points out that to possibly explore these processes, a fine grained and detailed qualitative interview technique may be appropriate. As identified from within the literature review on the underpinning theoretical attributes of competitive dynamics research, there are multiple variables that may impact on the choice of competitive actions and or reactions an organisation may undertake. Accordingly, it is important that to examine an organisations cognitive processes in competitive formulation, that the methodology of research incorporates the contextual factors also. The need to capture certain contextual factors associated with competitive dynamics research also meant that the use of in depth interviews would be suitable and appropriate.
4.3.2.1 Case Study Analysis

For the purposes of this research the author has decided to use Case Studies as a method of collection the data required. The author feels that considering the requirement to incorporate contextual factors into the research design and given the subjectivist approach to the research philosophy, using a case study method would be most appropriate. As Yin (2003) states:

“*A case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident*” (2003: 13).

The author has decided to employ the case study method of inquiry in the context suggested by Yin above. The author has also decided to take into account the recommendation by Chen (2012) of using a detailed qualitative interview in order to gain meaningful insights into the processes that help shape competitive interactions.

The research for this thesis will be made up of detailed interviews and framing the interview with data from trade magazines and other publically available material.

4.4 Research Samples

The author has chosen the bakery industry to conduct his research. As far as the author knows to this point there has not been any previous competitive dynamics research conducted within the bakery industry in Ireland. The author has also noted that in previous studies on competitive dynamics research the industries chosen for research were done so based on the highly competitive nature of those industries. These facts allowed for collections of rich data for the purposes of competitive dynamics research. From this perspective the author has found that the nature of the bakery industry in Ireland is highly competitive. All though there is no week by week price matching available publically for the Irish market place, the British market place is somewhat similar and appropriate for comparative purposes.
According to information published by Bakeryinfo.co.uk (2015) and gathered by Kanterworld panel, the pace of competition between bakeries in the UK has risen. This was characterised by higher volumes of bakery goods sold through the retail outlets, yet the sales value associated with this increased volume has in real terms actually declined by 1.7%. This would be typically associated with intense competition and falling prices.

Based on the information above, the researcher felt that the intensive competitive actions associated with the bakery industry would provide a rich bases for data collection.

The aim of this dissertation and research is to investigate how bakery owners develop perceptions of the competitive environment, what motivates a business to act and what resources they may have to act on the motivation. Chen’s A-M-C model of competitive dynamics has been widely used within research on competitive dynamics to gain an insight into the cognitive processes that give rise to competitive actions. The author intends to investigate the cognitions, motivations and capabilities of Irish bakeries based on this framework.

The author has also put forward a model of competitive dynamics that also incorporates the RBV of the organisation and also the action based model of competitive advantage. The reasoning behind this was explained within the critique of competitive dynamics research.

In order to verify the accuracy of this model and to also investigate the objectives stated in Chapter 3, the author felt that the range of bakery owners or senior managers interviewed should reflect the varying sizes and resource scales evident within the bakery industry in Ireland. In order to achieve this, the author selected 3 bakeries of varying size. It was hoped that the varying sizes of the different bakeries would be able to allow for the investigation of how resources differences affects the process of competitive awareness, motivation and how these in turn impact on capabilities.
Due to the nature of this thesis and the questions that were asked to the case study samples, and the potentially sensitive nature of the topic, the author had to consider the availability of access to the potential interviewees. Those that were asked to participate in the case study samples were selected based on their filling certain criteria. The criteria were as follows:

- One company had to be considered small-medium with less than 80 employees
- One company had to be considered medium-large with less than 120 employees
- One company had to be considered large with more than 150 employees

Those who were participating were also personally known to the author. Some of the bakery managers that were interviewed included one uncle of the author who is an owner manager, one was the author’s father who is a director of a bakery and the other participant are well known business associates. In advance of the interviews, each participant were forwarded a copy of the research aims of the dissertation, the reasoning behind the research and the range and scope of the questions that were going to be asked. The interview information sheet can be viewed as Appendix A of this dissertation.

Assurance of confidentiality was also made to the individuals and a copy of interview agreement sent to the participants. The question that were asked to the participants were a range of 20 questions that were adapted from a study of the AMC model by German researchers Albers & Heuermann (2013) of competitive perceptions within the low cost airline market and the railway industry in Germany. In this study the researchers were attempting to understand the competitive perceptions of German low cost airline operators in terms of how they viewed the railways as competitors. This study included in depth interviews with senior managers of both railways and airlines to gain
insights into how they developed perceptions of each other’s competitive threat to their respective industries.

The 20 questions were broadly split up into the following headings:

- Contextual questions that gauged organisation size and resource levels
- Questions pertaining to the organisations methods of awareness of the competitive environment
- Questions based on motives to engage in competitive activity
- Questions based on the capability of the organisation to engage in competitive activity.

All participants were interviewed at a mutually convenient location at an agreed time and place. This was all done in the bakeries of the samples chosen. The interviewees were also made aware that they could opt out of the interview process at any time, that their real names and the company’s they work for would not be identified and that the audio recordings of the interviews would be deleted once all transcripts of conversations were completed. The audio recordings were recorded on a digital Dictaphone for the purposes of ease of transcription. The digital transcriptions were then transcribed with on Appendix B of this dissertation. Once the transcriptions were completed an analysis of the data collected involved the identification of common themes to have emerged from the data collected. This data and cross sectional themes are summarised at the end of Chapter 6 (fig.9).

4.5 Ethical Considerations and Methodology Limitations

During the course of designing and conducting the research for this dissertation there was always consideration given to the potential of any ethical issues that may arise. In the case of this dissertation there were no such issues that the author became aware of. The author would also like to acknowledge the fact there is the possible intrinsic limitations to the impartiality the author may carry towards the interview process due his professional involvement in the bakery industry. The author has made every
effort possible to address any possible biases that maybe present during the interview process and the resulting data analysis. Another identified limitation of this research was the limited size of the sample. The original sample size was intended to be slightly larger, but due to a sudden and unfortunate severe illness to affect a family member of one interviewee, the author felt it would be appropriate to drop the sample from the overall sample group. The author acknowledges that the small sample size of this research would make it difficult to draw large confident generalisations about the competitive behaviours of the Irish bakery industry. However it must also be noted that in terms of the overall context and the fact that in Ireland there are less than 30 bakeries that have the capability to supply on a National level, the sample size represents approximately 10% of the bakery industry in Ireland.

4.6 Chapter Conclusion & Summary

The overall aim of this chapter of the research dissertation is to outline to the reader the rational of the methodology undertaken in this research. The author has addressed what research is and why it important. The author has also further defined the role of qualitative research and its relevance to this dissertation.

The author then explored the varying philosophical views of research and how the choice of approach would influence the design and planning of this dissertation. Accordingly the most suitable approach to this research would be through the use of a subjectivist’s perspective due to the intrinsic properties of competitive dynamics research and its historical roots in the subjectivist’s approaches of the Austrian school of economics.

The author then set out the proposed design of the research with Fig. 7 showing a descriptive model of how the research would be conducted. The
author set out his rational for choosing a case study analysis of a number of different bakeries and why he felt this was an appropriate method of research for this dissertation. The researcher then lay out how the samples were chosen. This was based on the need to gain a range of perspectives from the bakery community and those with varying scales of resources available to them to conduct competitive actions. The criteria for choosing the samples that the researcher did were lay out in this chapter as well.

The final part of the research methodology chapter described the range of questions that were to be asked in open ended interviews with the managers of the organisations that were chosen. The author also gave consideration to any potential ethical issues that may have emerged during the research process. Up to the point of writing this dissertation, so such issues were identified.
Chapter 5: Research Findings

5.0 Introduction

The purpose of this Research Findings Chapter is to review the findings from the primary research conducted for the purposes of completion of this dissertation and to allow the researcher draw some generalisations about competition within the Irish bakery industry.

A second aim of this review of research findings is to try and gather sufficient research data that would add some empirical robustness to the conceptual model of competitive dynamics that was put forward in Chapter 2 Literature Review. Based on the outcomes of the research findings, any required amendments to the proposed model would be encompassed within the model.

As previously stated, the aim of this research was to conduct multiple cases studies of a number of Irish bakeries of varying scale so that it could give a good cross sectional representation of the Irish bakery industry. The primary method of data collection was by way of one to one interviews comprised of open ended questions. The purpose of this method of data collection would be to allow the researcher gain some data on contextually relevant issues that may influence the answers that each participant may give.

The Chapter will also give brief overview of each case study participant and the leading themes that emerged from each question. Each case study review will be framed around the answers to the contextualising questions that are detailed in Appendix 1 (the information sheet presented to each participant prior to the interview process).
5.1 Cases studies selected

As mentioned previously the aim of this chapter is to review the findings of the cases studies that were selected. In order to help in the review of the research findings the author felt it would be appropriate to list the introductory questions that would allow for the research to be contextualised.

<table>
<thead>
<tr>
<th>Company</th>
<th>Role of the interviewee</th>
<th>Years in Operation</th>
<th>Total Number of Staff</th>
<th>Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Sales &amp; Marketing Director</td>
<td>53</td>
<td>460</td>
<td>&gt;€80 million</td>
</tr>
<tr>
<td>B</td>
<td>Managing Director</td>
<td>37</td>
<td>90</td>
<td>€18 million</td>
</tr>
<tr>
<td>C</td>
<td>Managing Director</td>
<td>26</td>
<td>73</td>
<td>€8 million</td>
</tr>
</tbody>
</table>

*Figure 8 Overview of case study samples*

5.2 Review of Case Study A

Bakery A is one of Ireland’s largest plant bakeries employing over 400 people. The interview was with the Head of Sales and marketing and took place on Thursday 30th July at 16.47 and lasted approximately 30 minutes. The bakery sells a range of pan bread including premium white, wholemeal, multispeed and brown soda breads and distributes its baked goods nationally through its own distribution system. The breakdown of business channels revealed that 85% of the current business is by direct sales to retailers, predominantly made up of the 5 largest retail chains- Tesco, Musgrave’s, Dunne’s Stores and the discounts Aldi and Lidl. The rest of the business is made up a sales to catering establishments and wholesale.
5.2.1 Competitive Awareness

The first question that was asked of the interviewee was based on the organisations general awareness of the levels of competition they perceived existed in the bakery industry in Ireland. The question was how competitive he felt the Irish bakery industry was and what reasons he felt explained his answer.

“The industry is very competitive at the moment and it just seems to be getting more and more difficult every year to maintain volumes”.

There reasons why the industry is so competitive were quite varied. When asked what factors he felt contribute to the current level of competition in the industry there were a range of factors that included

“…there’s too many suppliers in the market right now and the overall trend with sliced bread is that volumes are getting smaller, but the biggest impact on competition in the last couple of years has been the discounters”.

The other factors that the interviewee cited as being contributing to the current levels of competition included the change in family sizes, the change in eating habits of young people, the higher levels of general education amongst people are meaning they have generally more to spend and looking for alternatives to sliced bread.

The next questions related to how and what the focal organisation does to monitor the competitive nature of the industry and why type of structures they used to evaluate competition. The interviewee cited a surprisingly long list of systems and processes his team uses to monitor their competitive position
“Ah, sure every bit of volume needs to be watched; we’d have weekly price surveys on the other guys, we’d be monitoring the levels of promotions going on, internal sales meetings, weekly meetings in the multiples, and we’d get reports in from Nielsen”

The author then asked about what structures the organisation had to monitor the current levels of competition. The bakery currently has a sales and marketing team with regional responsibilities. The interviewee also mentioned again the weekly meetings with most of the multiples and how these meetings which were generally used to review sales and agree upcoming promotional activity are the main sources of competitive intensification. When the researcher asked what he was referring to when he suggested the meetings with the multiplies intensified competition the interviewee responded

“They always try playing us off one another, you go in there and they ask for €0.50 off this or want you to do a promotion on that...and you can never say “no” outright, I then turn it into a negotiation otherwise they will just give more shelf space on the planogram to the other fella...look, these guys are professional buyers and they know we’re professional sellers”.

The determination of the buyers to gain increased levels of discounting from the bakery in question took the researcher slightly by surprise. When the researcher asked as to why he felt the buyers would be so determined to secure some promotional activity, the interviewee responded once again that the competition between the retailers at the moment is so intense, that they are all looking to secure the “promiscuous” shoppers- those who shop around for the best value available.
5.2.3 Competitive Motivation

The third stage of the interview was based around the motivations the organisation has to engage in competitive actions. The first question of this stage of the interview, centred on what would motivate the focal bakery to engage in a competitive action. The answer to this from the interviewee was quite simple in that any activity that has an impact on increasing volume or defending current volumes are considered of primary importance. The reasons cited as to why volume is so important were that

“There is a lot of money invested in ensuring we keep our volumes…if we don’t it affects a lot of our costs, there are ingredient and labour costs that are affected. The accountants know more about this than I do, but when volumes drop so do our buying power”.

The next question related to how the focal organisation felt regarding how intensively they’re business competes. The interviewee’s answer broadly followed the answer to the first question on motivation. Once again volume of sales was cited as being of most concern to the business and that the bakery would compete as intensively as possible to ensure market share is maintained and that there is no loss of shelf space. The interviewee however qualified his answer by way of referring to the role of the business accountant in ensuring that any new business tactics or strategies “makes sense”.

The following two questions referred to an example of a competitive action and resulting reaction that the focal organisation may have engaged in. The interviewee made the researcher aware that their organisation was the second leading plant bakery in the country and the market number 2, that although most people would expect the trailing company to try and become the market leader, the pressure was always on the market leader to try and maintain their market position. The interviewee explained that their company was happy to allow the primary competitor to “spend a fortune” to ensure they maintain market position. The interviewee suggested that his company was focused
“…on negotiating, offering a quality service and quality of product rather than spending a fortune”.

The final section on competitive motivation was with reference to an example of what the focal organisation would consider a threatening competitive action and would it illicit a competitive response. The interviewee explained that one of the leading brands in the country has started using what he described as “guerrilla marketing tactics”. When the author asked what he meant by this term guerrilla marketing, the interviewee explained that the leading brands would have a team of sales people cover a large number of retail outlets, usually the franchised ones of Supervalu and Centra offering large discounts on their sliced pans, this would usually happen on a Friday or Saturday and be for a single day only. This type of competitive actions would usually occur in tandem with the focal organisation having their products on a promotion cycle, there by effecting their volumes.

The interviewee explained that in a lot of occasions these types of competitive actions would occur without the central offices of Musgraves being aware of this activity going on within Supervalu or Centra. The effect of the central office not being aware of such activity would be that the rebate on turnover from those particular shops would be reduced for that day. When the author asked about a typical response, the interviewee suggested that

“…the other boys will get a slap on the wrist from the central billing folks once they get wind of what’s going on, and sure we would let them know”.

The response from the interviewee suggested to the author that not all competitive responses are limited to purely market centric activities. This response was something the author had not comes across in reviews of the literature.
5.2.4 Competitive Capabilities

The first questions relating to competitive capabilities were to inquire about what the focal organisation considers when planning competitive activity. The main aspects that are considered are around the ability to commercialise the product or service that is under consideration. The areas for consideration are

“…is this something the customer wants, have we market research to get it listed in the multiples, does it make sense commercially?”

The next question was based on if the focal organisation considers their competitors resources in comparison to theirs when planning competitive activity. The interviewee once again suggested that

“…when you’re the brand leader there is a lot more pressure to spend more and market the business more than the others”.

The last section of this case study interview was related to how the interviewee’s organisation measured success from a competitive action and would success influence their resource level. The interviewee was quite clear in his response that “success is measured in volume week on week” and that when the organisation has sufficient returns, they are used to “oil the wheels of the machine, to improve the plant’s maintenance, update new machines and invest in buying better”.

5.3 Review of Case Study B

Bakery B is a large wholesale bakery located in West Dublin. The interview was with the managing director and was conducted on Friday July 31st at 13.25 and last 20 minutes. Company B is a frozen food business supplying a range of scones and muffins into the food service segment and supplying companies across Ireland and the UK predominantly, but with increasing
export levels to Switzerland, Spain, Poland and Scandinavia. The business has been running since 1978 and now employs a total of 90 staff. The organisation moved to a purpose built site in 2007.

5.3.1 Competitive Awareness

Company B does not have a dedicated sales and marketing team, instead they have a chief Technical Sales Officer. Company B is slightly unusual as they have only two customers. The first customer is a large Irish frozen bakery business with stock market listings in Dublin and Zurich (Aryzta Food Solutions). This customer represents over 90% of the total business. The interviewee explained that this special relationship emerged over the last 10 years.

The first question related once again to how competitive the bakery environment was in Ireland. The interviewee explained that their

“Exposure to the Irish bakery market is getting smaller each year. The markets we’re in are slightly different. We’re a small part of a company offering a complete retailer solution so prices aren’t the only factor”.

The interviewee explained that they are aware of other companies that manufacture the same type of products, but Aryzta Food Solutions offer gives an added layer of value to their range.

When asked about what structures they use to monitor competitive activity, the interviewee explained that Aryzta have a large sales and marketing team that continuously feedback market trends and data. The role of the focal organisations Chief Technical Sales officer was to support the sales team of Aryzta in sales meetings which are related specifically to the focal organisations products.
5.3.2 Competitive Motivation

The second part of the interview related to the area again of competitive motivation. The interviewee explained that really the only “main driver is innovation. “It’s becoming more difficult to add more to a range without splitting up existing sales” The interviewee explained that the main competition the business felt existed for them was other products in the Aryzta range. “We don’t compete only with other muffins, there’s other category fillers like Danish pastries and croissant”. The interviewee went on to explain that price was not the only variable buyers would consider. The main variables also include quality and service levels.

The levels of attention paid to the cited variables of service and quality are also sources of competitive motivation. The focal organisation is currently engaged in a lean manufacturing program with the support of Enterprise Ireland. The focus is on developing systems of consistent product quality and building in efficiencies.
5.3.3 Competitive Capability

The final section of the interview was related to the competitive capability the organisation felt it possessed. In terms of the considerations prior to a competitive action the interviewee explained that all competitive actions are by way of collaboration with Aryzta. This unique association and relationship allows the organisation a certain amount of added benefit in terms of resources that they don’t currently possess be leveraged on their behalf. For example the sales and marketing departments in Aryzta heavily promote the focal organisations products through internet, audio visual, point of sale merchandise and supporting promotional activities in retail outlets.

One of the main benefits the interviewee cited was the ability of Aryzta to get the focal organisations products listed in countries as far away as Poland “this is something we couldn’t manage ourselves”.

5.4 Review of Case Study C

Company C is a small family run business that was established in 1988. The business currently employs a total of 73 staff across all functions of production, packing, technical/food safety and administration. The breakdown of the business profile is about 50% of the total product produced is frozen food and supplies food service and catering business. The remaining 50% of the business is based on supplying freshly baked soft breads and pastries to the retail market. The biggest customers of the business in terms of revenue percentages are:

- Tesco Ireland
- Pallas Foods
- Cuisine de France
- Aldi Ireland
- Tesco UK

The interview for this business was conducted with the Managing Director of the bakery who so happens to also be the authors father. The interview
took place in the bakery located in Naas, Co. Kildare on Friday 31.7.2015 and lasted 28 minutes.

5.4.1 Competitive Awareness

The interviewee was asked how competitive he felt the overall bakery industry was in Ireland. The response from the interviewee was that he felt the overall levels of competition in Ireland were currently very high. The main reasons given for this were the level of price demands driven from the retailers, a change in the way people shop and consume bread products, too many suppliers. The interviewee felt that the high levels of competition between the retail multiples resulted in very high levels of demands for promotional activity support, price reductions and increased levels of marketing support. Once again the issue of the actions of the retail discounters such as Aldi and Lidl was raised as a contributory factor in the current drive on product pricing. The researcher also had a discussion with a recently qualified baker who gained a BSc in Bakery science from Dublin Institute of Technology in the previous 12 months. According to this new baker the numbers of people entering the BSc program and completing the course has fallen to very low numbers. The author found this comment to be interesting and tried to investigate the matter further by contacting DIT directly to ask what they felt the reasons were for the low numbers of people entering the bakery course. The DIT representative informed the author that they would not be able to answer these questions and no further explanation would be given.

Company C does not have formal structures to monitor competitive activity in the market place. The responsibility of competitive awareness is generally a shared responsibility amongst the Directors of the company with any competitive issues discussed in an informal manner.

The organisation has become more aware of the need to develop and maintain a system of competitive awareness as of recent times and have plans in place
to create a sales and marketing role within the business, with part of the brief to include responsibility for competitive awareness levels.

5.4.2 Competitive Motivation

The first question on motivation was to understand what would motivate the organisation to engage in competitive actions. The interviewee made the point that all competitive actions are generally based on identifying and exploiting an opportunity. The business rarely will compete directly with other bakeries and tries to achieve a first mover advantage in terms of introducing new products, variations on existing products and improving on older range products. The motivation to continuously be working on new products or working on new customers is a result of the intense competitive pressures that can be felt in the bakery industry in Ireland. The interviewee did make the point however that the levels of competitive pressures within the food service segment were different from those in the retail environment. Accordingly it was explained that in the retail business there is continuous downwards pressures on prices and an almost threatening “bully boy tactics” from some of the buyers. The interviewee cited an example of a certain high profile discount retailer who tenders all current business on a 12 month basis. The interviewee said that on numerous occasions there was intense pressure to keep prices offered always going lower, with the fear being a loss of business if prices weren’t lower than the year before, irrespective of material price trends.

When the interviewee asked about how intensively they felt their organisation competed, the response was that he felt his company was competitive, but not in terms of pricing or discounting. The interviewee felt that where bakeries compete on price alone it soon becomes a “zero sum game” and pointed to the example of Irish Pride recently going into receivership as an example of how such competitive activity ends. The interviewee felt that the best way his company could compete in a sustainable way was to continuously be innovating, offer higher quality products and to
ensure the service levels they offered customers matched the finished product quality.

5.4.3 Competitive Capability

The interviewee was asked what the primary considerations are, when engaging in a competitive activity. The interviewee responded by suggesting that there are no sets of conditions, that every competitive action is unique and has its own set of unique considerations. Generally speaking, the company will ensure that all actions fit with the overall aims of the business to develop a range of high quality bakery products that give a sufficient return in margin terms to the business. The interviewee suggested that a bakery business with a strong reputation of quality and service delivery levels tend to have the ability to leverage that reputation to achieve higher prices within the food service markets.

The resources the bakery holds relative to other bakeries are considered when planning a new product launch or a change in product variety. Generally speaking the aim for the bakery is to produce a product that our competitors would find difficult to reproduce, be that due to unique knowledge of ingredient technology or due to the range of equipment that the focal organisation holds. The interviewee cited the example of a product that was launched at the beginning of 2012 that was a small thin low calorie bread product that was aimed at people on weight loss diets. The equipment that was required to produce this bread was unique to the focal organisation with very few other bakeries having the capability to produce a similar product. The bread product was launched in 2012 was considered a highly successful product. It took approximately one and a half years for a competitor to respond with a similar product.
5.5 Review of case study interviews

This section has the aim of reviewing the findings from the interviews conducted. As discussed in the section on research aims and objectives, a primary aim was to understand the mechanisms Irish bakeries use to interpret the competitive environment, what motivates them to act in a competitive manner and what capabilities they possess in order to conduct competitive activity.

A secondary objective of this research was to view the evidence as gathered from primary research and how it relates to the conceptual model of competitive dynamics as laid out in the literature review and how this may be influenced by the resources the organisation may have access to.

Company A was a large national supplier of sliced pans. The organisation has close contact with the leading multiple retailers in the Irish market. The industry is mature with volume of sales and market share being of leading importance, and as a result the levels of perceived competition being very high.

Company B is a bakery operating within a competitive environment that is very different to that of company A. From the interview conducted there appears to be a focus on developing synergies between the focal organisation and Aryzta in developing food solutions to potential customers. There also appears to be evidence suggesting that this combination of organisational resources between Company B and Aryzta delivers a certain amount of competitive advantage to Company B.

The interview with Company C was slightly different again in terms of how the organisation viewed the competitive environment and what motivated the organisation to act when compared to the other two organisations. Company C being the smallest of the three companies were primarily motivated by what could be described in Schumpeterian view as identifying
entrepreneurial opportunity. Company C was also slightly different in terms of the other two bakery samples as they had a combination of food service customers and supply direct to the retailers.

5.5.1 Case Study Cross Sectional Findings

This section of the research findings review will be to identify any potential cross sectional findings between the sample groups with the aim of being able to draw generalisations that may aid in answering the research question. A second aim of this cross sectional review will be to help verify the accuracy of the conceptual model developed by the author.

5.5.2 Awareness:

The various systems that the different bakeries had employed to stay aware of the competitive environment reflected the level of competitive pressures that each bakery described but. The ranged from the complex systems described in Bakery A through to the supportive functions described in Bakery B with the help offered by the Aryzta food group. Bakery C as the smallest bakery in the sample was expected to have the smallest set of resources dedicated to the monitoring of the competitive environment. It can be suggested from the cross sectional analysis of the findings that the organisations that perceived a higher level of competitiveness within their environment also had the larger level of resources dedicated to the monitoring of the competitive environment.

5.5.3 Motivation:

Each bakery within the sample set cited unique motivations to compete. These ranged from maintenance of sales volumes through to innovation in product range and new product development through to the entrepreneurial
activity of trying to develop and exploit new market opportunities. Bakery A in a highly competitive market with sales volume being of primary concern with engage in a lot of promotional activity to ensure it maintains shelf space, discounting and negotiating multi buy deals. Bakery B saw the need for constant innovation in order to ensure their products remained a prominent feature of the Aryzta food solution offerings and Bakery C being the smallest of the set used the identification of market opportunities to engage in competitive activities. The motivation to engage in competitive actions by each organisation, although different, reflects the capabilities of each organisation to act relative to their resource position.

5.5.4 Capability:

As in the case of the factors motivating each bakery, the different aspects off capabilities reflected in the interviews were determined by the access to unique organisation resources. Bakery A used its large economies of scale to supply products at commodity prices, it used its large sales team to engage in sophisticated sales information and marketing planning. Bakery B leveraged its close relationship with the Aryzta Food group to acquire the necessary information relating to the competitive environment and to allow its products to be shipped across Europe through its network of distribution hubs. Bakery C used its entrepreneurial abilities to identify opportunity in product markets rather than engage in destructive competitive price actions.
Chapter 6: Discussion and Final Conclusions

6.1 Introduction

The aim of this section of the dissertation is to review the findings of the primary research and assess the findings alongside the secondary research data gathered from the building of the literature review in chapter 2 and to try and draw any linkages across from both sources of research. As mentioned within the previous sections and at the end of the literature review, a secondary objective would be to gain sufficient data with the aim of giving empirical weight towards verifying the authors own conceptual model of competitive dynamics within the Irish bakery industry (Chapter 2, page 26).

Upon review of the data gathered and the resulting analysis as summarised in the last section of chapter 5, any changes that may be required to the conceptual model will be detailed also in this chapter.

A secondary aim of this final section will be to address any identified limitations to the research that was conducted and how further research methodologies may benefit from lessons learned by way of this research.

A final aim of this chapter will be to identify any further areas of research that maybe open to scholars of competitive dynamics with the aim of further understanding the role of Awareness-Motivation-Capability on the cognitive processes of management teams in competitive environments in the Irish bakery industry.

6.2 Awareness of the Competitive Environment

The study that was conducted among the three different bakeries showed how the awareness methodologies of each business was shaped by the resources the organisation held in stock. As would be expected the larger bakeries had much larger resources dedicated to the accumulation and dissemination of information gathered from the competitive environment. As mentioned
within the literature review, the level of competitive awareness an organisation perceives is related to the mechanisms they employ and the systems they have on hand to gather, use and communicate this information. Bakery A (the large national supplier) had the systems in place to gather weekly sales volumes, price details, AC Nelison market research data and of course the weekly meetings with the buyers in the multiples.

An interesting aspect of this element of the research that is missing from the literature and identified from the interviews, was that according to the interviewee the level of competitive tension that arises in the plant bakery industry could be a partial function of the intense rivalry amongst the large retailers. This aspect would have an impact on the conceptual model put forward by the author and upon further research that may suggest that another theory within strategic management maybe relevant and that is Strategic Group theory developed by Porter (1980) to describe groups of organisations with similar customers, products, strategies and resources as being groups of competitors within an overall industry, rather than just assuming every organisation within an industry competes with one another. If we take this concept and apply it to the large retailers that represent sales that make up 85% of the total volumes of bread manufactured by Bakery A, the intense level of competitive tension that exists between the retailers as a strategic group may be transmitted or “conducted” up or through the supply chain to intensify competitive tensions amongst the different bakeries that exists within a strategic grouping of their own. This aspect was an unexpected element of the research as such competitive transmission or conducted competitive tensions do not appear within the literature.

Bakery B and C although smaller in size and resources still have some mechanisms by way of monitoring the competitive environment. Such systems being in place both add weight to the Awareness component of the A-M-C model but also to feeds into Barney’s RBV.
6.3 Motivation to act

Across all three case study bakeries, there were clear motivations for each business to pursue a competitive action. An interesting outcome from the research and again in line with the established literature is the concept that each business has a specific reason or motivation to act in a competitive manner and again this can be related back to its perceptions of what can be gained. In the case of bakery A and as mentioned previously, the maintenance and development of adding volume to overall output is the primary motivation.

An interesting development to have occurred since the interview took place with Bakery A, is that it has since completed a strategic purchase of the assets of Irish Pride bakeries in Co. Wexford Ireland. Although this would have been a clear strategic plan in place during the interview process, the author was not made aware of this development. The author feels that this information was too sensitive to have been discussed for the purposes of this research project. Accordingly, it could be viewed that this strategic purchase of the assets of Irish Pride bakeries maintains the stated motivations of developing, sustaining and growing volumes of bread produced by the bakery.

Although bakery B has a strong strategic relationship with an international food group such as Aryzt A.G, and does not perceive the highly competitive market that Bakery A finds itself in, it is still motivated to act in an innovative manner. New products development and existing product development are the primary mechanisms by which they compete. The threat of other innovative products within the overall Aryzt group such as pastries, doughnuts and sweet treats and not other muffin manufactures may be another supporting finding of the need to identify strategic groups of bakeries in the first instance to help develop a conceptual model of competitive dynamics within the Irish bakery industry.
Bakery C as the smallest in terms of overall size and resource endowment, this bakery looks to find opportunity to develop new products that are emerging in consumer trends. This type of activity, although not explicit competitive actions in terms of direct competitive interactions between itself and another bakery, are still considered competitive actions within competitive dynamics.

As suggested by Chen (1996) when he first developed the AMC model that there is a pre-requisite for an organisation to have an awareness, a motivation and a capability in order to engage in a competitive activity. Upon review of the information gathered from the interviewees’ Chen’s model still holds value in describing the antecedents to competitive interactions, irrespective of the size of the organisation.

6.4 Capability to Act

As described within the AMC model a key requirement for any series of competitive actions to occur is that each party must have the capabilities to engage in a series of competitive actions. The link to the Resource Based View theory of the organisation suggests that the set of unique and inimitable resources that each organisation may have or have access to allows the organisation to achieve competitive advantage (Wernerfelt, 1984, Rumelt, 1984, Barney, 1986).

However, the key requirement for any organisation to ensure, is that in order for it to achieve a competitive advantage, is that it must act in a competitive manner using the unique set of resources they can call upon. During the course of this research, the author was able to identify from the interview process certain competitive actions or plans that could potentially be derived from the unique resource endowment of each organisation. Although the RBV theory is not the focus of this research, its importance to the overall research into Competitive Dynamics is clear. Figure 8 below is an attempt by
the author to summarise the essential AMC attributes of each organisation along with its identified source of competitive advantage.

<table>
<thead>
<tr>
<th>Bakery</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of Competitive Awareness</strong></td>
<td>High with well-established mechanisms for maintaining awareness</td>
<td>Mechanisms are in place, but uses established relationships and strategic partners to add more depth to competitive awareness</td>
<td>Basic systems in place for the analysis of competitive activity.</td>
</tr>
<tr>
<td><strong>Source of Motivation</strong></td>
<td>To ensure sales volumes are maintained and or increased and to defend existing sales volumes.</td>
<td>To ensure that product range stays current and does not fall into secondary choices for food solution offerings</td>
<td>Consistent and persistent scanning of emerging trends. Avoiding outright price competitions</td>
</tr>
<tr>
<td><strong>Source of Capability</strong></td>
<td>Using and leveraging economies of scale across all functions</td>
<td>Using and leveraging the strategic partnerships to internationalise the business offerings</td>
<td>Leveraging the entrepreneurial activities of the owners in spotting and leveraging emerging trends</td>
</tr>
<tr>
<td><strong>Source of successful organisational performance and competitive advantage</strong></td>
<td>Dominant market position and economies of scale</td>
<td>Leveraging unique strategic partnerships</td>
<td>Entrepreneurial vision</td>
</tr>
</tbody>
</table>

*Figure 9: An Overview of Research Samples AMC Components and Potential links to the RBV theory.*

### 6.5 Modified Conceptual Model

As described in the summary of the findings and in the introductory elements of this final discussion, the conceptual model designed by the author was found to require some minor adjustments. The model was designed as a combination of the existing action model of competitive dynamics that also incorporated the Resource Based View and the AMC model. The initial model suggested that the levels and mechanisms of organisational awareness, motivation and capability were influenced by the intrinsic levels of competition in the market place. From the results of the data collected during
this research project the author has found some evidence to suggest the followings adjustments are required:

- That the resources an organisation holds for the purposes of monitoring the competitive environment influences the levels of competitive awareness they have or perceive.

- That the authors AMC/RBV competitive dynamics model should be bounded within a structure of a strategic group of competitors. Not every bakery in Ireland competes with one another. Rather there maybe various levels of competitive connections between strategic groups.

- There is evidence to suggest that there may be an element of competitive tensions transmitted from one strategic grouping to another. In the case of this research the competitive tensions between various retailers transmits and conducts competitive tensions to another strategic group- the Irish plant bakery sector.
6.6 Implications of the Research

The purpose of this dissertation and research was to help build on the current understandings and knowledge of competitive dynamics and the cognitive processes managers use. The findings from the research and the conceptual model that was formulated are based on the researcher’s efforts to describe and codify evidence gathered from primary research that has its roots based firmly in the current published literature on competitive dynamics. Although this research has described some new concepts within the field of competitive dynamics (the concept of competitive tensions being transmitted...
between strategic groups has not been described within the literature as far as the author is aware), the research has some clear limitations.

Some of the limitations include the time constraints due to the scope of this dissertation did not allow the author to observe competitive actions from the cognitive beginnings at the awareness points through to the point of engagement of competitive actions. The time frames also did not fully allow for the author to follow the result of tactical competitive actions through to their strategic outcomes.

Competitive dynamics has been described within the literature as a relatively new stream of strategic management that has many streams of disconnected research being conducted. From the perspective of the author and his experience during this research project, there are a number of opportunities to conduct further research:

- Further research can be conducted on the dynamics of competition between different strategic groups.
- Further research can be conducted on the concept of transmitted competitive tensions between strategic groups.

### 6.7 Conclusion

The study of competitive dynamics has been shown to be an important stream of strategic management. The predictive models that have emerged have allowed managers and business studies academics to make informed decisions and gain deeper insights into the way in which organisations compete. Future research into competitive dynamics can only help to develop and build on the original the research and help business owners and managers with responsibility for strategy to make better informed decisions.
References


- Bain, Joe S. 1959 "Pricing, Distribution and Employment".


of industry leaders and challengers." Academy of Management Journal 42.4 : 372-388.


Appendix A- Interview Agreement and Interview Questions

David Coghlan, MSc Dissertation.

Dear Colleague,

As most of you are aware, I am currently completing a MSc in Management in the National College of Ireland. As part of the final degree I am required to complete an independent piece of research. I would be most grateful if you could spare me a little time for the purposes of gathering some information related to my dissertation.

**Aim:**
The aim of my Masters dissertation is to explore Competitive Dynamics research within the context of the Irish bakery industry. Competitive Dynamics research is a stream of strategic management that aims to create predictive models of competitive behaviour based on empirical research. Competitive Dynamics has its theoretical roots located within the Austrian School of Economics and is emerging as an important stream of management research.

As part of the research component of the MSc I have reviewed all the existing academic literature on the area of competitive dynamics but I have also identified some research gaps and opportunities for further study. I have also formulated my own conceptual model of competitive dynamics that has integrated an action based model of competitive advantage along with the Resource Based View of the organisation.
In order to help verify the accuracy of the model depicted above I need to conduct some empirical research within the Irish bakery industry. This research will be in form of a series of case study analyses comprising in the main of some interviews with members of management in various Irish bakeries. I would very much appreciate if you could spare me approximately 20-25 minutes to answer some interview questions relating to this research.

In all instances data collected is confidential and will be for academic purposes only. Neither individual nor companies will be identified and pseudonyms will be applied to each interviewee. If you are happy to be part of this research, please sign the agreement form below and return to me at your earliest opportunity.

Questions that I will be looking to collect data on will be around the following:
Context
In order to establish the relative resource scale of the company I will need to establish some contextual factors. These are simply
- Number of employees.
- Approximate turnover (optional).
- Years in business.
- Business type (B2B, B2C, frozen, ambient,
- Any other facts about the organisation that may help contextualise the business.

Competitive Awareness
- How would you describe the competitive nature/intensity of the Irish bakery industry?
- What are the reasons you feel contribute to this level of competition?
- What/How do you monitor the competitive nature of the industry? Do you collect data and if so what do you with it? Can you give examples of how you use it?
- Does your company have any structures by which the competitive environment is monitored?
- Any other areas you feel maybe relevant.

Competitive Motivation
- What would motivate your company to engage in a competitive action?
- How would you described your business in terms of competitive intensity?
- Can you described a situation or give an example of a competitive interaction in the past?
- Did your company engage in explicit reactions? If so why did you chose the actions you did?
• What sort of competitive actions would you see as threatening? Can you give an example with consideration given to the timing, speed, duration level and intensity of the reaction?
• Any other areas you feel maybe relevant.

**Competitive Capability**

• When considering a competitive action what are the main points of consideration?
• Do you purposefully consider the resources your organisation holds relative to your competitor when planning a competitive action?
• How would you measure success of competitive actions? How would the resource endowment of the business change based on the outcome of a competitive engagement?
• Any other areas you feel maybe relevant.

I would really appreciate all the help I could get with this research, and if anyone would be interested in reading the finished thesis towards the end of September, I would be more than willing to share.

Many thanks and best regards,

David Coghlan
Appendix B- Interview Transcripts

Interview with Head of Sales and Marketing of a leading Irish Plant Bakery
July 30th 2015, at the offices of the interviewee. Interview lasted 30 minutes

**DC**: Thank you EB for taking the time for this interview. If we can start out by discussing how competitive you feel the bakery environment in Ireland is right now?

**EB**: well, what can I say.. the industry is very competitive at the moment and it just seems to be getting more and more difficult every year to maintain sales volumes. That’s the key to our business, but I’m sure you know that yourself.

**DC**: What are the key reasons from your point of view as to why you feel the bakery industry is so competitive?

**EB**: There’s lots of reasons for why it’s so competitive. The main reason is there’s too many suppliers in the market right now and the overall trend with sliced bread is that the volumes are getting smaller, but the biggest impact on the levels of competition over the last couple of years has been the discounters, Aldi and Lidl. But there’s also the changes in demographics. Families aren’t as big as they were. Im sure when you were growing up Mum would probably buy a sliced pan almost every day. Now a day’s mum might only pick up a sliced pan 2 or maybe three times a week. People are also more educated these days and this means they are looking for the healthier options to go with, they have more money in the pockets to spend on different types of sandwich carriers.

**DC**: What processes or systems would Bakery A use to stay aware of the business environment? How would you monitor the competitive environment?

**EB**: Look, you know that plant bread is a commodity product now, so if we lose volume it hurts..and sure every bit of sales volume needs to be watched; we’d have weekly price surveys on the other guys, we’d be monitoring the levels of
promotions going on, there’s internal sales meetings with the rest of the team and with DF (DF is the MD of Bakery A), there are almost weekly meetings in the multiples and symbol groups and we’d have lots of data coing in from Neilson and Kantar.

**DC:** What structures then would you say you have for ensuring you know what’s going on in the trade?

**EB:** Well we have all the lads on the roads. Don’t forget there are 11 depots on the island all with a team of agents, mostly working for themselves. These lads always look for volume, no one wants space left on the vans, so if there’s any reason why volumes are down, we’d pick up on it fairly quick. 85% of the business is still with the retailers. That’s why we get in to see them at least weekly, but all they’re interested in is getting more shoppers through the door. They’re all killing each other right now. Dunne’s is spending a fortune on couponing, Aldi and Lidl are doing the same, the only one who isn’t right now is Tesco, but I’m sure they’ll be at it soon.

**DC:** EB, do you feel the meetings with the retailers increase the levels of competitive tensions?

**EB:** Absolutely. They always try playing us off one another, you go in there and they ask straight away for a €0.50 off this or they want you to do a promotion on that...and you can never say no outright, I like to turn it into a negotiation otherwise they will just give more space on the planogram to the other fella..look these guys are professional buyers and they know we’re professional sellers and they know how important volume is to us. So my tactic is to not say no outright, but to try and get something back off them for agreeing, it’s a negotiation..I might get a shelf end or better facings for a few weeks in return for the promotion or multibuys.

**DC:** EB I wasn’t aware of how determined the buyers are to get promotions and discounts. Why do you think that is?
**EB**: Each of the retailers have their shoppers that will always stay with them. Like our business has the Mum or Dad that will always buy our bread, but the retailers know that the shoppers they’re after are the ones that go between shops, or go to whoever has the promotion on, they are called the promiscuous shoppers and the retailers will do everything they can to get these guys through the door.

**DC**: What would you say are the motivations for your business to engage in competitive activity?

**EB**: Its the same reason as before, we have to at least maintain volumes. There’s a lot of money invested in ensuring we keep our volumes..if we don’t it effects a lot of our costs, there are ingredient and labour costs that are affected. I’m not the financial man, the accountants are the fellas that know this better than I do, but when volume drops so does our buying power. You know that our price off Rank Hovis is based on them having 10 tankers in Dublin every day, if we suddenly decide to only take 8 Montgomery’s costs go up and the price into us from Ranks then changes

**DC**: If you were to describe how competitive Bakery A is or how intensively you felt you competed, what would you say?

**EB**: It’s the same, everything is about keeping the volumes. If we have to match the prices of the other guys that’s what we’ll do, but it always has to make sense.

**DC**: EB you guys are one of the leading bakeries in the country. Can you give me an example of a situation where you acted competitively or maybe where you were reacting to a competitive action against you guys?

**EB**: We’re always happy to let the other guys spend a fortune on advertising and NPD. Look, we’re the second leading brand in the country. The guys with the yellow wrapper are number one, and they need to spend a fortune to ensure they keep that position. The way we compete is by negotiating, offering a quality service and a quality product rather than just spending a fortune.
DC: Would you have an example of where your company was the target of a competitive action?

EB: Something that is starting to occur in the symbol groups is what I like to call guerrilla marketing with discounting and money off vouchers.

DC: I've not heard of guerrilla marketing, can you explain this?

EB: The guys in yellow would know where our promotions are on, so they’d send in an a teams of merchandisers’ with money off coupons to hand out, usually on a Friday or Saturday and it would be for the day only.

DC: How would bakery A respond to this?

EB: Usually the head offices don’t know this is happening. The reason they don’t like it is because the rebates on the sales volumes don’t get kicked back to head office. So when we’re in meetings with Musgraves, the other boys will get a slap on the wrist from the central billing folks once they get wind of what is going on, and sure we would be the ones to let them know.

DC: What does Bakery A give consideration to when deciding on a new product, promotion, discounts, advertising or any other competitive actions?

EB: It’s simple DC, we always have to ask is this something the customer wants, have we the market research to get a new product listed in the multiples and does it make sense commercially. There’s no point in supporting a promotion if we’re going to lose our shirt on it, look what’s happened to Irish Pride. They cut the price of the standard white pan to get it into Aldi, and now they’re gone

DC: Does Bakery A consider the level of resources your competitors have before you guys engage in competitive actions?
EB: This is an interesting question because when you’re the brand leader in the country you’d expect that the number two will always try spending the money to get them to number one. But the reality is that when you’re the number one brand in the country you have to spend lots of money staying there, when you’re the brand leader there is a lot more pressure to spend more and market the business more than the others.

DC: If you are successful during the year and volumes go up or profitability improves, what usually does Bakery A do?

EB: I’m not sure I’m the one who could answer this question fully for you David, but I’m sure the Higgins lads will buy DF a new BMW if profits improve. We measure success is measured in volume terms week on week, for us everything comes back to sales volumes, and we’d be watching this every week carefully. DF is always sure to oil the wheels of the machine, to improve the plants maintenance, to reduce down time or breakdowns, the machines need updating and investing in more talented accountants who could improve our buying powers

End

Case Study Bakery B

The interview with the managing director of case study bakery B was conducted at the offices of Bakery B in City West Co. Dublin on July 31st at 13.25. The interview lasted 20 minutes.

DC: Thank LC for agreeing to take part in this research. Can we start out by asking how competitive you feel the Irish bakery industry is?

LC: That’s no problem DC, glad I could help out. The bakery industry in Ireland has changed a lot since your dad and I worked in KC. Back then the shop on Henry Street could have had up to 30 girls working there, the que of people
could be three deep, but that’s all changed. It all started with Brennans working Sunday nights to have fresh bread available for shoppers on Monday mornings, and from there the retailers demanded fresh bread every day. I really think that as the capacity of the bakeries in Ireland has grown over the years the level of production volumes have also gone up, a regional bakery like O’Haras that used to supply just the Mid-west area now has capacity to supply the whole country if it wanted to. That was a business we decided not to get into as the only way that ends up is with prices getting squeezed, we started doing business with Cuisine de France around the same time your dad did, but we concentrated the majority of the business on partnering with them. We see how Aryzta has developed today into a huge multinational with our products a leading sku for them, so our exposure to the Irish bakery market is getting smaller each year. The markets CDF have us in now are slightly different. We’re a small part of a company offering complete retailer solution so prices aren’t the only factor. But going back to your original question, the bakery industry in general is competitive, but in Ireland it seems to be more so than in other European countries. There are other bakeries producing our types of products, you know Brogan’s in Galway were producing the muffins for Tesco UK, but that was all down to price, a prices they couldn’t maintain, sure they went into examiner ship in 2009. The madness really set in around 2005 when the discounters like Lidl and Aldi introduced the really cheap goods, this shook up the retail trade pretty substantially with the retailers reacting too late, now they want to just discount as much as they can to keep customers passing through the doors. What Aryzta is looking for is more than just prices, the site has to meet Tesco, M & S and Mcdonalds standards, there needs to be a constant flow of NPD, the service levels need to be high all the time. When Aryzta are talking to their customers, they are able to provide complete solutions, from all the products a store might need, through to all the bags, coffee machines and cups, they will even put an oven in if needed.

DC: What systems would bakery B have to monitor the business environment?
LC: Well we have GMC who looks after all the technical sales. He’ll work with the sales and marketing teams in Aryzta when putting together presentations to customers. It is also good for us to stay close to what the end customers need from products. Aryzta have a large sales and marketing team, these guys are always able to supply back the information that’s relevant.

DC: So what factors would you say motivates Bakery B to compete?

LC: What motivates this company is that Aryzta has such a large range of products like doughnuts, pastries, scones, we need to always have new additions to the range, and the main driver is innovation. It’s becoming more difficult to add to the range without splitting up existing sales, so the NPD team have to be clear in the attributes each new product has. We don’t just compete only with other muffins, there are other category fillers like Danish pastry and croissants that McDonalds in the McCafe have. We have to make sure the customer is choosing our products and comes back for a repeat purchase.

DC: So you need to focus on a lot more variables than just pricing?

LC: Definitely. We have worked a long time on getting the business focused on quality and service, it means we have sources of advantage over competitors who try competing on price. We also have a lean manufacturing program going on at the moment. The purpose it to make sure we have all thee systems in place to always deliver the right product at the right time to the customers. This is a key part of the solution we offer to our customers.

DC: What capabilities do you feel you possess over you competitors? Do you consider the other companies capabilities when developing competitive actions?

LC: I suppose we don’t compete directly with any other companies, its not like the business you guys are in, but we do need to us the resources that are available to us. The partnership with Aryzta is very important in this respect. We have products listed with retail, QSR (quick service restaurants), coffee shop chains
like Nero and Starbucks, throughout Europe and as far as Poland. If it wasn’t for the relationship with Aryzta this is something we couldn’t manage ourselves.

**DC:** Thank you LC for the time, it’s an interesting business you have at the moment.

**End**

Case Study C Interview was conducted on the 31st July 2015 at the offices of Bakery C. The interview was conducted with the Managing Director of the business who also happens to be the author’s father. The interview lasted 28 minutes.

**DC:** Thank you for taking the time to conduct the interview. There is a lot of stuff that we have probably discussed ourselves over time, but for the purposes of the dissertation, I’d like to just take your views on competition in the bakery industry. Can we start of by telling me how competitive you feel the bakery industry is in Ireland right now?

**BC:** I think it depends on what part of the industry you’re in. Look at our business. Its split about 50/50 across retail and food service. The retail business is crazy, especially with the retailers that tender out the business every year. Sure Sean Stafford said it himself that you could never build a business around that model. The buyers have zero respect for the suppliers, all they want is lower prices every year, and promotions that we have to end up paying for. Its because they all compete so aggressively with each other and the suppliers are the ones made to pay for the costs of promotions, multibuys, marketing supports, in fact I heard of one bakery that was asked to provide a contribution towards profits for the retailer, from the buyers. And what about the story Damien Manning told you about the buyers coming over from the UK demanding a LTA fee (a fee paid for a Long Term Agreement) because volumes weren’t what was expected, then when he didn’t pay the fee he lost half the apple tart business he had. Aldi is particularly difficult to deal with, they drove the price of bread down so much that the likes of Irish Pride were using marginal cost pricing to get tenders
awarded, and then 18 months later the company goes into receivership. That’s the retail business, then compare that with the food service, we have that business with Pallas that has nearly trebled over the 6 months, we have the Eddie Rockets business and we have “5 Guys” coming over in September (5 Guys is an American Fast casual restaurant). We get more money for our products, we get respect from the buyers, there’s a lot more loyalty in the food service business, that’s why all our focus will be on developing this business. You were with LC earlier, he probably told you the same.

**DC:** What systems would you say we have for monitoring the levels of competition in the bakery industry today?

**BC:** We really just rely on ourselves. You’re the one who seems to know more about what’s going on than us (The interviewee was making a reference to the fact that the author is also a director of the business, and as such hold some responsibility for ensuring we know what’s going on in the business environment.), but I’d agree we need to have a proper system in place for keeping aware of what’s going on out there, it should be a more formal system, but that’s for you to sort out.

**DC:** How would you describe how our business competes? Competing could include any type of action that the customer or competitor maybe made aware of, for example, do we compete on price, new products, marketing..what would you say would be an example of how we compete as a business?

**BC:** Well we know that trying to compete on price is a sure way of going out of business quickly, and there’s absolutely no loyalty to be had from the buyers. We compete by having new products there for whoever will be willing to pay the price for them..look at the Slimbo’s (a new product that was developed by the focal organisation in 2012), we showed them to Dunnes and Aldi and they only wanted them at a far less price than we get for them now. If we have a good basic level of quality throughout the process and then have a product that is produced on the line that no-body else has, we can get a decent margin, and
we’re not interested in producing product for the retailers to capture the margin. These bully boy tactics used by the retailers are going to force all the suppliers to find alternative customers, it might take a lot of time, but if you threaten your supplier base that they will potentially lose the business if they don’t reduce prices, all you’re going to do is drive away suppliers. Look what happened with the baps..they told us there were 8 suppliers submitting samples of the baps and that they were surprised at how low the prices were, now you know they can’t explicitly say they want a product for a particular price, but they sure are able to make you know.

**DC:** When it comes to how intensively we compete as a business, what would you say?

**BC:** It’s like I said before, we don’t want to compete on pricing, it’s a zero sum game with both bakeries being the losers.

**DC:** When we are planning competitive action, what considerations do we give to it? I mean, would we look at the competitors resources?

**BC:** Every competitive action is unique, it all depends on a few things like if it’s in line with what we want the business is trying to achieve. It’s like we talked about before, if we can build a strong reputation as a company that will produce high quality product and at a reasonable price and also build in a good level of service quality across all functions, that includes the technical function, the admin of the business and keep talking with our customers we can leverage those assets to gain an advantage. Its important we keep our eyes peeled on the new trends in the frozen business, look at the brioche burger buns, last year we sold about 2 pallets a week and this year we’re selling about 40 pallets a week.

**DC:** Thanks for taking part in the research.

*End*
Appendix C - Personal Reflection

Producing this dissertation has been one of the most difficult, frustrating and demanding things I have ever done, but has also been one of the most rewarding. I had spent many months trying to find a subject area that both held a deep interest for me personally, but one that I thought would be a helpful exercise for my business also. As I complete this dissertation I can honestly say that I feel that I accomplished both.

There are many things that I am proud of with this dissertation, but there are also, upon reflection, some aspects that I would done differently. I can say that the process of interviewing people is one that I would have given more time to, and to plan for things to happen that are not possible to anticipate. Unfortunately due to unforeseen circumstances one of the participants of my research suffered a close relative suffering a sudden and severe ill health and therefor unable to be part of my research panel of samples. If I were to go back and start this research project again with the benefit of hindsight, I certainly would have allowed far more time to planning the interview process.

At the start of this research process, my supervisor Mr Desmond Gibney suggested that I take some time to map out the stages of this research project with dates beside the key deliverables. Upon reflection this was an excellent idea that helped me enormously with ensuring everything was delivered on time.

I also feel that the importance of getting a friend or colleague to read over the dissertation prior to submission was also an excellent exercise, as after nearly 3 months of writing up the dissertation mistake can go unseen. A final reflection would be to suggest to anyone completing a long dissertation to try and write something every day, even if you have to throw out what’s written. It really helped get over the mental blocks that were so frustrating.

David Coghlan 30.08.2015