Chapter 7

Study on the Path and Mechanism of Evolution of Competitive Advantage of Chinese Auto Enterprises

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ABSTRACT

Based on reviewing resource theory, social capital theory, organizational learning, and technological evolution and related theories, and analyzing of environments that auto mobile enterprises in China face, the authors put forward a conceptual framework of competitive advantage and technology catching up of Independent Brand automobile enterprises in China. The model indicates that market identifying capability, technology identifying capability, resource mobilization (or configuration) capability, and organizational learning are four key components of competitive advantage automobile enterprises in China are pursuing. The four factors jointly affect the performance of latecomer auto enterprises catching up. Then, a validity testing for the model is performed by the practice in Independent Brand automobile enterprises in China. In the end, the authors draw the implications of the model for Chinese independent brand automobile enterprise technology catching up.

INTRODUCTION

Compared with the automobile enterprises of developed countries, Chinese automobile enterprises are weak in the global competition on the whole. The process of development of Chinese automobile enterprises is actually to overcome the disadvantages and implementation of catch up. Therefore, we study on the problems of China’s auto enterprises. That is how the enterprises can catch up with even exceeding their counterparts in developed countries. Study of these problems has important theoretical and practical significance.

The Related Literature Review

With the rapid development of economic globalization and science and technology, dynamics become an important feature in the current environment and enterprises are facing increasingly
fierce global competition. Thus, enterprises have the dynamic ability which becomes fundamental for enterprise to obtain the competitive advantages in the market. Enterprises integrate, build and reconfigure internal and external resources to respond to environmental changes through dynamic ability (Teece et al., 1997). Therefore, whether the enterprise can identify the opportunity given by the environment, and mobilize and allocate resources to make use of the opportunity of environment that becomes the key to the development of enterprises. But how can enterprises identify opportunities and allocate resources to take advantage of opportunities in the complex environment?

From a resource-based point of view, the internal resources of the enterprise, especially the unique resource residing inside with viscous and difficult to imitate is the key factors that the enterprises find and use environmental opportunity in a dynamic environment (Penrose, 1959, Bamey, 1991; Wernenelt, 1984). From a Social capital point of view, external network of enterprise in the complex environment change is the key factors using environmental opportunity (Leenclers, Gabbay, 1999; Lee, Pennings, 2001). According to organizational learning theory, organizational learning is the key factor that grasps the opportunity in environment change for enterprises in dynamic environment (Dodgson, 1993; Bierly, Hamalainen, 1995). In addition, according to the theory of technology evolution, the technology development has the logic rules. Technology evolution follows import, growth, maturity to recession according to the life cycle theory. Thus, the enterprises find technology opportunities and take action according to the resources status through mastering the rules (C. Peres and L. Saudi, Chinese version, 1992).

Resource theory, social capital theory, organizational learning, and technological evolution analyze the competitive advantage from internal and external resources, organizational learning and technological evolution. But the theory studies mainly on the general enterprise and don’t make a concrete analysis of the existing features for Chinese Enterprises. Therefore, these theories have the certain limitation to guide technological catching-up of Chinese enterprises. Moreover, these theories study the ways for enterprises to find and make use of the opportunity of environment to promote the study of the theory of competitive advantage. But these theories haven’t studied where the opportunities are given by the environment change systematically.

We think that the performance of catch-up of Chinese automobile enterprises depends on whether the enterprises could recognize the market and technology opportunities attributed by the environmental changes and mobilize and configuration of internal and external network source to seize these opportunities in the complex environment. Accordingly, we divide competitive advantage into market recognition, technology recognition and resources allocation ability. We will analyze the catching up strategy from the three kinds of ability of competitive advantage, according to the specific environment characteristic of Chinese automobile enterprises facing in the process of development.

**The Conceptual Model of Competitive Advantage and Technology Catching Up**

First is the market recognition ability. The key of the market recognition ability is to judge what product is acceptable to the market. Whether the products can be accepted by the market depends on whether the product meets the market demand of the dynamic change and product has a price advantage. From the dynamic view of the market demand, comparing with the markets of developed countries, the market of developing countries have a certain lag. But with the acceleration of economic globalization, the lag period shortened rapidly. A lot of mature products of developed countries are entering into the market of devel-
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