SECOND-ORDER COMPETENCES AND SCHUMPETERIAN RENTS

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ABSTRACT

This article argues that second-order competences enable firms to engage in a process of Schumpeterian competition, thereby complementing the static view of resource-based theory and Ricardian rents with the dynamic view of dynamic capabilities and Schumpeterian rents. This study examines the effects of marketing and R&D second-order competences, the abilities to create new market-related and technological resources, on firm profitability. Based on data from 145 U.S. public manufacturing firms, distinct effects of these competences on two forms of profitability, Return-on-Assets (ROA) and Market-to-Book ratio (MTB), are found. These effects show different lag structures and are moderated by level of competitive turbulence in contrasting ways.