

Strategy and business economics

## On the relationship between antitrust and strategy: taking steps and thinking ahead

*Sobre a relação entre o antitruste e a estratégia: onde estamos e para onde podemos ir*

*Sobre la relación entre la defensa de la competencia y la estrategia: dónde estamos y hacia dónde podemos ir*

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### Abstract

In this paper, I examine the role that strategic analysis has played on antitrust and discuss new analytical venues. In order to accomplish this goal, the paper presents two directions. Initially, I undertake a review of the current debate between antitrust and strategy. I argue that much of the contemporary discussion on the subject is founded on traditional economic approaches to strategy, what leads to the disregard of the role of firm heterogeneity in competitive dynamics. In the second part of the paper, I sketch an approach to antitrust based on the resource-based view of strategy. This approach is particularly useful in examining the conditions of market rivalry, being a complement – not necessarily a substitute – to the traditional antitrust economic analysis.

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*Keywords:* Strategy; Antitrust; Market power; RBV

### Resumo

Neste artigo, é examinado o papel que a análise estratégica tem desempenhado no antitruste e são discutidos novos caminhos. A fim de alcançar este objetivo, o trabalho apresenta duas direções. Inicialmente, realiza-se a revisão do debate atual sobre a relação entre antitruste e estratégia. Defende-se que grande parte da discussão contemporânea sobre o assunto se baseia em abordagens econômicas tradicionais de estratégia, o que leva à desconsideração do papel da heterogeneidade da firma na dinâmica competitiva. Na segunda parte do artigo, é esboçada uma abordagem de antitruste fundamentada na visão baseada em recursos. Esta abordagem é particularmente útil para examinar as condições de rivalidade do mercado, sendo um complemento – e não necessariamente um substituto – à análise econômica antitruste tradicional.

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*Palavras-chave:* Estratégia; Antitruste; Poder de mercado; RBV

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## Resumen

En este artículo se evalúa el papel que el análisis estratégico ha jugado en la defensa de la competencia y se discuten nuevos caminos. Para ello, se presentan dos direcciones. Inicialmente, se lleva a cabo una revisión del actual debate sobre la relación entre la defensa de la competencia y la estrategia. Se argumenta que gran parte de la discusión contemporánea sobre el tema se basa en los enfoques económicos tradicionales de estrategia, lo que lleva a ignorar el papel de la heterogeneidad de la organización en la dinámica competitiva. En la segunda parte del artículo, se describe un enfoque de antimonopolio que se apoya en la visión basada en recursos. Este enfoque es particularmente útil para examinar las condiciones de competencia del mercado, y puede complementar – y no necesariamente reemplazar – el análisis económico *antitrust* tradicional.

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*Palabras clave:* Estrategia; Defensa de la competencia; Poder de mercado; RBV

## Introduction

The antitrust analysis is widely recognized as an interdisciplinary field of research and practice, within which economics and the law establish a fruitful dialog. As an ultimate expression of this synergy, it is common to find economics professors teaching antitrust courses in law schools, mainly in Europe and the US. Building on this interdisciplinary perspective, I argue in the present paper that in addition to economics and the law, the antitrust analysis can draw inspiration from a third discipline: strategy.

Although the above claim is not fundamentally new (see Foer, 2002, 2003; Hawker, 2003; Oberholzer-Gee & Yao, 2010), it is proposed here that much of the previous discussion on antitrust and strategy has been narrowly based on the theoretical approach proposed by Porter (2001). The objective of this perspective paper is then twofold: (i) to undertake a review of the debate between antitrust and strategy and (ii) to present a framework inspired by the resource-based view of strategy (Barney, 1991; Peteraf, 1993), which can shed light on new aspects so far disregarded by the traditional antitrust analysis.

In general terms, the importance of this theoretical exercise should not be underestimated. The antitrust policy is an important component of the institutional environment in which firms establish their perpetual struggle to achieve sustained competitive advantages. The economic theory usually applied to antitrust analysis, in turn, is a limited analytical tool since it is more concerned with understanding the structure and functioning of specific markets, casting a macroscopic look at firms' strategies. For that reason, the strategy scholarship has the potential to help the advancement of the antitrust analysis.

The present article is divided into three parts besides this introduction. Section 'Taking steps: what do we know about the relationship between antitrust and strategy?' makes a broad review of the literature on antitrust and strategy, stressing its potentialities and weaknesses. Section 'Thinking ahead: is there a role for strategic analysis within antitrust?' then explores new analytical venues on the subject, specifically presenting a complementary framework for the antitrust analysis of market rivalry. Section 'Conclusion' concludes the discussion, posing questions for future research.

## Taking steps: what do we know about the relationship between antitrust and strategy?

The idea of incorporating concepts from strategy – and more generally from management – in the antitrust analysis is not unprecedented. Foer (2002, 2003), for example, usually resorts to the image of antitrust as a three-legged stool, which has been resting precariously on only two of them. These two legs are the Law School and the Department of Economics. The third missing leg is the Business School. The underlying claim is that the antitrust analysis does not take into account the firm itself and the individual decision makers within the firm. More importantly, the Business School would be a counterpoint to what is understood as the analytical limitations imposed by neoclassical economics. As noted by Hawker (2003), in the heart of the Chicago approach to antitrust is the hypothesis (arising from the neoclassical price theory) that firms rationally seek to maximize their profit. The focal point of strategic management, however, is not the maximization of profit per se, but obtaining a sustained competitive advantage.

The concept of sustained competitive advantage is associated with the idea of corporate success in terms of above-normal performance (i.e., economic rents) for an indefinite period of time. According to Barney (1991), a firm has a competitive advantage when establishing a strategy of value creation that is not simultaneously implemented by any competitor. This advantage is, moreover, sustained when actual and potential competitors are unable to duplicate the benefits associated with the strategy. Because the building of sustained competitive advantage is a tentative process, Foer (2003) argues that business schools have the ability to help the antitrust to move beyond the neoclassical abstractions of the economic man – i.e., the perfectly rational individual found in the ideas espoused by the Chicago approach.<sup>1</sup> In addition, business schools have something important to say about competitive dynamics, which are not fully captured by neoclassical assumptions (e.g., Oberholzer-Gee & Yao, 2010; Pleatsikas & Teece, 2001).

<sup>1</sup> Leary (2003) notes that “[a]ll I will say here, in summary, is that I believe our present methods of antitrust analysis are still mired too much in an obsolete view of what competition is all about and that they are likely to become increasingly unrealistic”.

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