COMPETITIVE REPERTOIRE COMPLEXITY: 
GOVERNANCE ANTECEDENTS AND PERFORMANCE OUTCOMES

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ABSTRACT

Past inquiry has found that implementing complex competitive repertoires (i.e., diverse and dynamic arrays of actions) is challenging, but firms benefit from doing so. Our examination of the antecedents and outcomes of complex competitive repertoires develops a more nuanced perspective. Data from 1,168 firms in 204 industries reveal that complexity initially harms performance, but then becomes a positive factor, except at high levels. We use agency and tournament theories respectively to examine how key governance mechanisms – ownership structure and executive compensation – help shape firms’ competitive repertoires. We find that the principals of agency theory and the pay gap of tournament theory are both important antecedents of competitive complexity, and an interaction exists wherein firms build especially complex repertoires when both influences are strong.

KEYWORDS:

Competitive dynamics, institutional investors, executive compensation, agency theory, tournament theory

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