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FORBEARANCE: STRATEGIC NONRESPONSE TO COMPETITIVE ATTACKS

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Evidence suggests that firms often do not respond even when they are aware of an attack and have the capability to counter it. We believe that this is because they engage in a form of nonresponse that we designate as *strategic* forbearance, a phenomenon that has been mostly neglected by scholars of competitive dynamics. We view such forbearance as a critical component of competitive strategy—an attempt to situate responses to attacks within a more complex and nuanced strategic, organizational, and environmental context. Forbearance, we argue, represents managers' mindful attempts to transcend reflexive responses by expanding the range of considerations beyond (a) an attacker to other stakeholders and rivals, (b) the immediate attack to its historical setting and long-term relational implications, and (c) unitary tactics to those concerning global strategic coherence and adaptation. We formally define and tentatively operationalize strategic forbearance before deriving propositions concerning its five general transcending drivers. Ultimately, we believe that the study of forbearance can bring scholars of competitive dynamics closer to the heart of reflective competitive strategy.

Predicting competitive response is a key objective of competitive dynamics research (Chen, 1996; Chen & MacMillan, 1992; Gao, Yu, & Cannella, 2017; Grimm, Lee, & Smith, 2006; Livengood & Reger, 2010; Smith, Ferrier, & Ndofor, 2001; Smith, Grimm, Gannon, & Chen, 1991). To understand what drives this response, researchers have explored how likely, quickly, and intensively a defender will react, with what type of countermove, and under which conditions (Chen & Hambrick, 1995; Chen & Miller, 1994; Chen & Miller, 2012; Gao et al., 2017; MacMillan, McCaffery, & van Wijk, 1985; Smith et al., 1991).

Much less attention, however, has been devoted to studying competitive *nonresponse*. With one exception (Chen & MacMillan, 1992), what we know about competitive nonresponse is derived from examining the drivers of competitive response. For example, firms *lacking capabilities* are less likely to respond as they simply do not have the financial, human, or organizational capacity to do so (Chen & Hambrick, 1995; Gnyawali & Madhavan, 2001; Smith et al., 1991). Other research has emphasized a *lack of awareness* to explain nonresponse. Because firms pay less attention to their peripheral markets (Livengood & Reger, 2010), they may be unaware of attacks there. Finally, firms may *lack the motivation* to respond, perhaps because an attacker has never before been aggressive (Kilduff, Elfenbein, & Staw, 2010).

We shall argue, however, that there are many instances where a firm is aware of an attack on an important market, capable of responding, and tempted initially to respond but decides not to for strategic reasons. Whereas most previous research has regarded nonresponse as a costly failure to defend or neutralize an attack, we propose that it can serve as a strategically advantageous option that confers benefits which enhance a firm's competitive position. We designate such purposeful nonresponse as *strategic* forbearance—a critical, yet underexplored, aspect of competitive dynamics. Strategic forbearance induces managers to *transcend* an immediate threat and consider a *broader cast of actors and stakeholders* in a competitive situation, a *longer time horizon*—past and future—and *systemic issues* related to strategic learning and alignment. In other words, the reasons for such nonresponse go beyond an attacker, the period surrounding the

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attack, and immediate outcomes, which remain the primary foci of competitive dynamics and game theoretic perspectives (Chen & MacMillan, 1992). We believe that the study of strategic forbearance will bring scholars closer to considerations at the heart of competitive strategy and strategic thinking.

In this paper, we shed light on the drivers of strategic forbearance. We define this type of forbearance as *a purposeful, mindful decision not to counterattack a rival.* In doing so, we distinguish strategic nonresponse from involuntary nonresponse—an inability to respond to attacks due to a lack of awareness or a lack of capability. By contrast, strategic forbearance occurs when a defender is aware of an attack, capable of developing a countermove, and tempted to respond but overrides that temptation and refrains from countering due to strategic considerations not fully captured by the concepts of awareness, capability, and motivation (Chen, 1996; Chen & Miller, 2015). We argue that managers may choose forbearance when they shift attention from a focal to a more encompassing social context, from proximal to distal temporal outcomes, and from tactical to systemic considerations. We explore five transcending drivers of strategic forbearance: mitigating rivalry, reaping relational benefits, preserving existing norms, enhancing optionality, and preserving strategic alignment and evolution.

Although the term forbearance has appeared in the strategy literature, it has been narrowly construed and associated with a specific context: multimarket contact. Scholars of multimarket competition have examined why firms "mutually forbear" from attack despite having the opportunity and capacity to do so (Baum & Korn, 1999; Karnani & Wernerfelt, 1985; Yu & Cannella, 2013). However, forbearance occurs in many contexts other than multimarket competition; it is relevant also for strategic nonresponse and is quite common. In fact, research has shown that 54% of firms do not react to price and advertising attacks (Steenkamp, Nijs, Hanssens, & Dekimpe, 2005: 45) and 40% of firms do not react to new product introductions (Bowman & Gatignon, 1995: 46). We believe that in many of those cases, firms are capable of responding but purposefully choose not to counterattack for reasons we shall discuss.

Our analysis is structured as follows. First, we define forbearance using a necessary condition analysis to differentiate it from other forms of response and nonresponse and to suggest avenues of operationalization. Second, we examine drivers of strategic forbearance, first by briefly examining those pertaining to the immediate competitive situation and then by extending our analysis to the broader strategic context. It is this latter section of the paper that introduces more mindful and strategic considerations into the domain of competitive dynamics. We conclude with a discussion of the significance of our analysis.

THE CONCEPT OF STRATEGIC FORBEARANCE

The philosophy of action literature has studied the legal and moral implications of forbearance. Like actions, forbearance can influence outcomes (Green, 1980; Spranca, Minsk, & Baron, 1991). In a business setting, forbearance is a strategic decision that can affect rival behavior and firm performance. For example, when asked whether Sony would cut prices on the PlayStation 4 in response to Microsoft's price cut on the Xbox One, Kenichiro Yoshida, Sony's chief financial officer (CFO), said that while Sony knew what Microsoft was doing, Sony had no plans to react. Investors and analysts expected a response to the Microsoft attack, but Sony strategically chose not to engage in a price war by promoting its console through free game downloads (Farooqui, 2015). Similarly, Southwest Airlines chose not to respond to the introduction of no-frills basic economy products by Delta Airlines, United Airlines, and American Airlines. Speaking to financial analysts, Southwest Chief Executive Officer (CEO) Gary Kelly said: "You are not going to see basic economy from Southwest. That's not what we do … and we're not going to charge for bag fees. We have, we think, better opportunities that fit our brand" (Schaal, 2019)

According to von Wright (1963), decision makers forbear when they are aware of and tempted by action opportunities and are able to or believe they can act but decide not to act. Others provide similar definitions and refer to forbearance as "refraining" from doing something. For example, *A* refrains from doing *S* if: "(i) A believes [s]he can do S; and (ii) A does not do S and is aware of this; and (iii) A is inclined to do S; or S is the natural response to an offer or invitation [or a rival attack in our case] which A declines" (Milanich, 1984: 65). Thus, much like actions, forbearance occurs when managers are aware of an attack and can or believe they can develop and execute a countermove. Awareness, here, involves both consciousness of an attack and consideration of a countermove. Strategic forbearance occurs when firms are capable and aware of an attack but refrain from engaging in what might be considered a natural competitive response.

Necessary Condition Analysis

Given that strategic forbearance shares characteristics with both action and inaction, we apply a necessary condition analysis to distinguish it from other options, namely counteraction, word response, and nonresponse (Braumoeller & Goertz, 2000: 846; Dul, 2016). Two logical requisites define necessary condition, meaning that X is a necessary condition of Y when:

1) X is always present when Y occurs;
2) The absence of X is sufficient for the absence of Y.

Counteraction refers to "a clear-cut and discernible counteraction" (Smith et al., 1991: 61) prompted by an initial competitive action by a rival, such as a price cut or new product introduction (Chen & Miller, 2012). Awareness passes both tests for a necessary condition; it is always present when counteraction occurs and its absence prevents counteraction. Capability is also a necessary condition as it is always present when counteraction occurs, and counteraction cannot be developed in its absence. Finally, motivation must be present, and its absence rules out counteraction. In short, awareness, capability, and motivation are all necessary conditions for counteraction to occur.

Another option is word response—a public statement prompted by a rival's action that expresses commitments, threats, promises, and warnings that can influence the rival's expectations, intentions, and actions (Gao et al., 2017). The only necessary condition for word response is awareness. It is always present when word response occurs, however, capability is not. In fact, firms may be incapable of effective counteraction but use words to discredit a rival's action or urge customers to postpone buying by mentioning upcoming product offerings (Eliashberg & Robertson, 1988; Gao, Yu, & Cannella, 2016; Porter, 1980; Rindova, Becerra, & Contardo, 2004). Similarly, motivation to counteract is not needed for word response. Firms can be unmotivated to counter but express public displeasure about rivals' actions (Gao et al., 2016). In summary, word response depends on awareness but not on capability or motivation. It can occur whether or not firms are motivated or capable.

Involuntary nonresponse is due to the inability of firms to develop a countermove. Neither awareness, capability, nor motivation are necessary for involuntary nonresponse. The absence of awareness or capability does not rule out involuntary nonresponse but rather may provoke it. When firms are unable to execute an attack, they unwillingly fail to respond despite being aware and motivated to retaliate. Thus, involuntary nonresponse occurs when either awareness or capability (or both) are absent. Finally, involuntary nonresponse can occur when motivation is present (e.g., motivated but incapable) but also when it is absent (e.g., incapable and unmotivated).

Strategic forbearance differs from all of the previous situations and occurs under two necessary conditions: awareness and capability. Awareness is always present; forbearance is a purposeful choice not to counteract, which is possible only when a firm is conscious of an attack. Failing to notice an attack eliminates any possibility of deliberating on whether or not to act. Thus, the absence of awareness prevents forbearance. Furthermore, the ability to countermove must be present. Firms can purposefully choose not to carry out a competitive move only when they are capable of doing so. The lack of capability rules out forbearance as there is no option to act. However, motivation is not present. To the contrary, it occurs when ultimately there is a lack of motivation to respond, despite perhaps some initial temptation.

Table 1 compares the unique necessary conditions of forbearance to those of the other outcomes, suggesting that it is not only conceptually but also empirically distinct from involuntary nonresponse, word response, and counteraction. As noted, forbearance manifests when awareness and capability are present. Consequently, it can be operationalized by proxies of each. Indeed, there are numerous indicators of awareness and capability in the literature (Chen, 1996; Chen, Su, & Tsai, 2007; Chen & Miller, 2012). For example, attack visibility, market importance, and firm size have served as proxies of awareness. Slack resources and resource similarity have served as proxies for capability (Chen et al., 2007). Other proxies, such as select top team characteristics and firm identity domains, relate to both awareness

TABLE 1
Necessary Condition Analysis

	Awareness	Capability	Motivation
Counteraction	+	+	+
Word response	+	−	−
Forbearance	+	+	−
Nonresponse	−	−	−

Note: (+) indicates a necessary condition; (−) indicates not a necessary condition

TABLE 2
Considerations for Purposeful Traditional Nonresponse vs. Strategic Forbearance

	Traditional purposeful nonresponse	Transcending strategic forbearance
Time horizon	Period surrounding attack	Historical and future interactions, strategic learning, and transformation
Parties considered	The attacker, mostly	Diverse stakeholders, third-party rivals, and common alliance partners
Competitive scope	Specific tactical concerns	System-level issues: strategic options, coherence, and pacing of transition

and capability (Ferrier, 2001; Livengood & Reger, 2010). In addition, financial indicators, such as assets, revenues, income, slack, and borrowing capacity, can reflect the capability to respond to price cuts, promotions, and product introductions (e.g., Chen & Hambrick, 1995). Another indicator of forbearance may be behavior, such as a firm's lack of response when similar firms would respond. Of course, executives can be contacted to inquire directly into the drivers of forbearance. The propositions that follow suggest several of these rationales.

DRIVERS OF STRATEGIC FORBEARANCE

Two general groups of factors drive purposeful nonresponse: concerns about the immediate competitive situation (the attacker, the attack, and its short-term outcomes) and concerns about the broader context (other parties and rivals, strategic goals, and distal outcomes). The first group of factors provides limited latitude for strategizing and has been explored by others. These factors often induce nonresponse by making it less costly than counteraction, and there is usually little deliberation in coming to that conclusion. For example, many defenders are aware of price attacks and able to counterattack but lack the motivation to engage in price wars; thus, they choose nonresponse (Porter, 1980). Research shows that 54% of defenders opt not to counter price attacks and 82% of them experience neutral or positive effects on sales, suggesting perhaps that "the decision not to react is *managerially sound* in the sense that sales protection was not needed" (Steenkamp et al., 2005: 48 [emphasis in original]). Defenders may choose nonresponse simply because it is less costly than reducing prices. Similarly, when competitive attacks are irreversible, attackers cannot retreat if defenders retaliate (Ghemawat & Del Sol, 1998). Even when defenders can respond, the cost of engaging in a prolonged rivalry may exceed that of ceding market share (Chen & MacMillan, 1992). In both situations, managers are primarily concerned with a single attacker and the immediate cost implications of the attack, and they choose nonresponse as the less costly choice.

In this study, we focus on exploring a second group of factors to which firms choose not to respond for more complex, longer-term, and more comprehensive strategic purposes—those for which forbearance provides significant latitude. We argue that managers will often strategically forbear when they look at the broader context of an attack, considering it in the light of parties other than the attacker, longer-term past and future events, and more systemic aspects of strategic cohesiveness and adaptation. Some of these strategic considerations resonate with the notion of relational competition (Chen & Miller, 2012; 2015), whereby competitors take into account the priorities of a multiplicity of stakeholders in formulating competitive action. Table 2 contrasts the traditional nonresponse with the strategic forbearance considerations to be explored in our analysis below.

Transcending from Nonresponse to Forbearance

We argue that the notion of forbearance—of strategic nonresponse—makes it possible to connect a common occurrence in competitive interaction to core aspects of mindful competitive strategy. Under forbearance, firms are aware of an attack, capable of responding, and initially do consider a countermove. Attacks threaten and capture managers' attention, provoking their desire to defend. Such threats may generate stress that restricts information processing and focuses attention on a few central actors and cues, decreasing sensitivity to other parties and circumstances (Staw, Sandelands, & Dutton, 1981) so managers become immersed in an ongoing competitive situation, concentrating on the attacker, the attack, and its immediate outcomes. But sometimes, their more strategic concerns will induce them to transcend the immediate situation to consider the broader context and more distal outcomes (Fujita, 2008). According to Baumeister and Heatherton (1996: 4), "transcendence is a matter of focusing awareness beyond immediate stimuli … a particularly important capability of human consciousness." It is linked to "higher levels of thinking" (Baumeister, Heatherton, & Tice, 1994: 27) characterized by long-term and broadly meaningful considerations.

Such transcendence, we argue, is a core aspect of strategy, a manifestation of reflection, deliberation, and "strategic composure," and a fundamental criterion for distinguishing strategic from tactical competition (Porter, 1996; Rumelt, 2011).

The process of transcendence lessens the dominance of a threatening event by shifting attention to more extended temporal, spatial, and systemic considerations. Accordingly, we focus on drivers that involve (a) distal rather than proximal time intervals—historical and future, (b) multiple actors beyond the attacker, and (c) systemic strategic considerations rather than tactical issues.

We propose five such transcending drivers of strategic forbearance: (a) the intent to mitigate rivalry by respecting past and future interactions with an attacker and its allies, (b) the wish to reap relational benefits by preserving alliance ties with rivals and partners, (c) respect for the norms of other stakeholders, (d) the wish to preserve strategic options, and (e) the need to protect strategic alignment and manage the pace of transition. These drivers differ in their underlying rationales for forbearing and in different measures reflect transcendence toward longer time perspectives, more relevant parties, and more systemic and strategic treatments of the rivalry context. They extend well beyond the awareness, motivation, and capability dimensions employed in many studies of competitive dynamics and situate rivalry within a more comprehensive and realistic strategic context (Chen, 1996; Chen & Miller, 2015). Table 3 juxtaposes these drivers of forbearance with the modes of transcendence and embeds our propositions.

Mitigating Rivalry

An important driver of forbearance is the intention to de-escalate further rivalry. This causes managers to look beyond an immediate attack by respecting a historical context of less hostile interactions with an attacker and future benefits of not responding. It also involves going beyond the attacker to consider the effect a response might have on other rivals. Might it, for example, cause others to enter the fray? These considerations may make forbearance and its eventual potential benefits attractive options.

Transcending time: Forbearing to forestall escalation by respecting past and future competitive interactions with an attacker. In order to defuse, forestall, or de-escalate further rivalry, some firms transcend the duration of an attack to consider a longer-term perspective of past and future competitive interaction. Rivals interact over time, and their past interactions can influence their subsequent competitive behavior. Previous competitive interactions are critical for interpreting a rival's competitive moves and for evaluating prospects for less conflictual association. Thus, forbearance may be chosen when previous interactions suggest some potential for less avid confrontation and where a focal firm embraces a longer-term, more contextualized view of rivalry and its consequences (Chen & Miller, 2012; 2015).

Rivals' interaction history is often long and complex, combining instances of both rivalry and harmonious coexistence which enhances mutual familiarity and norms of reciprocity. Axelrod (1984: 21–22) described a situation during World War I when two well-entrenched battalions that were archenemies developed tacit cooperation through repeated encounters:

> In the midst of this bitter conflict, the front-line soldiers often refrained from shooting to kill—provided their restraint was reciprocated by the soldiers on the other side. What made this mutual restraint possible

TABLE 3
Forbearance Drivers and Modes of Transcendence

	Modes of transcendence		
Forbearance drivers	**From immediate to longer time horizons**	**From focal rival to multiple actors**	**From tactical to systemic and strategic considerations**
To mitigate rivalry	Avoid escalation by respecting past and future competitive interactions: P1a	Placate rivals' partners: P1b	
To reap relational benefits	Leverage a history of collaboration: P2a	Enlist a common alliance partner: P2b	
To preserve existing norms	Honor stakeholder values and expectations: P3		
To enhance optionality	Increase flexibility by keeping options open and enhancing strategic learning: P4		
To preserve strategic alignment	Avoid a response that would clash with the core strategic configuration: P5a Avoid a response that would disrupt the pace of evolution and adaptation: P5b		

Note: P – proposition

> was the static nature of trench warfare, where the same small units faced each other for extended periods of time. The soldiers of these opposing small units actually violated orders from their own high commands in order to achieve tacit cooperation with each other … In particular, the "live and let live" system demonstrates that friendship is hardly necessary for the development of cooperation. Under suitable conditions, cooperation based upon reciprocity can develop even between antagonists.

The example suggests that initially sporadic restraints from attacking or counterattacking may evolve into "clear patterns of mutually understood behavior" (Axelrod, 1984: 83), typically without the need for verbal agreements. Prolonged periods of sustained competitive interaction increase familiarity between rivals and often evolve spontaneously into implicit norms of less aggressive, more tolerant competition. Established norms of competition may engender in a defender a felt obligation to give an attacker the benefit of the doubt and a tendency to judge an attack in a more favorable light. Thus, a defender with a history of competitive interactions with an attacker is more likely to tolerate a transgression. For example, such competition might be focused on dissimilar types of action (Connelly, Lee, Tihanyi, Certo, & Johnson, 2019) or different market segments (Brandenburger & Nalebuff, 1996).

The impact of past interactions (i.e., "the shadow of the past") is often complemented by "the shadow of the future," which is an expectation of future repeated interactions (Poppo, Zhou, & Ryu, 2008). When defenders envision continuous competitive interactions over long periods, forbearance is more likely because the expected future returns outweigh any short-term gains of counteraction. Thus, by temporally contextualizing an attack to consider past and future expected interactions, defenders may decide to forbear to avoid escalation and mitigate rivalry.

Proposition 1a. Forbearance is more likely than counteraction when a defender has past and expected future competitive interactions with an attacker.

Transcending beyond the attacker: Forbearing to avoid attacks by other competitors. Assessing whether a counterattack would stimulate future attacks by other rivals can also drive strategic forbearance. For example, an attacker with a powerful ally can motivate forbearance. That ally can be another competitor with which the attacker has developed a formal partnership such as a strategic alliance or an informal relationship to achieve a common objective. According to Heider's (1958) balance theory, the enemy of a friend tends to be perceived as an enemy. Therefore, responding quickly to an attack can stimulate an attacker and its ally to unite against the responder. In other words, retaliation risks making additional enemies and provoking either more powerful future attacks from the attacker (who obtains reinforcement from its ally) or multiple joint attacks from both the attacker and its ally.

Other rivals may also enter the fray when rapid retaliation signals that there is excessive competition on a single dimension. This might induce those rivals to adopt novel or differentiated (and therefore more disruptive) strategies, resulting in a potentially dangerous situation for both the defender and the attacker (D'Aveni, 2010). Finally, responding to an attack might create a more hostile competitive environment in an industry by bringing other competitors into the market, such as low-cost foreign producers, for example (D'Aveni, 2010). Thus, by looking beyond a single rival, forbearance can be a means of avoiding competitive conflicts with other rivals.

Proposition 1b. Forbearance is more likely when counteraction risks motivating other rivals to adopt more aggressive competitive positions.

Reaping Relational Benefits

Strategic forbearance may be driven by managers wishing to maintain or enhance significant collaborative ties with an attacker. A collaborative history with a rival of joint investments, alliances, and initiatives can augment collective interests, producing exchange benefits and even operating dependencies. Forbearance can safeguard those benefits. Similarly, forbearance may occur because a defender looks beyond an attacker to enlist help from other alliance partners. A common alliance partner can improve communication and initiate or salvage collaborative projects between rivals. Here again forbearance is driven by a focus on the historical context, longer-term benefits, and the consideration of parties beyond the attacker.

Transcending time: Forbearing to extend the benefits of longer-term collaboration. Strategic forbearance can create relational benefits by preserving collaborative ties with rivals. Previous research has suggested that collaborative relationships can affect the likelihood of competitive attack and response (Gnyawali & Madhavan, 2001). The effect on competitive behavior can be especially strong when rivals form alliances in some parts of their business that involve coordinating mechanisms for dispute resolution, institutionalized interactions, and non-market pricing systems (Gulati & Singh, 1998). Such "shared equity" signals mutual commitment and promotes trust between parties which in turn leads to a freer exchange of information (Das & Teng, 1998: 498).

Relationships between rivals become especially strong when they have formed multiple alliances: "An important cause and consequence of such repeat alliances among firms is the emergence of interfirm trust, which obliges partners to behave loyally" (Gulati, 1995: 91). Past collaboration also can lead to interpersonal ties between the managers of the rival firms that facilitate the exchange of information and enhance the predictability of partners' behavior (Gulati, 1995: 93). For example, Mazda and Ford have collaborated intensively for more than 35 years, forming joint ventures globally. In December 2010, after Ford reduced its stake in Mazda from 11% to 3.5%, Mazda's president announced that "his company has no intention of forming a capital alliance with any automaker other than Ford Motor in the global car industry" (Dow Jones Business News, 2010). Even when Ford ended the alliance and sold the remaining 2.1% stake in Mazda in November 2015, the companies vowed they would continue to work closely together (EFE News Service, 2015). It is likely that their history of collaboration has led to the development of relational trust (Gulati, 1995) that could not be replaced easily by ties with other rivals.

The loyalty and trust developed between rivals through repeated collaboration over time may reduce the motivation to retaliate for several reasons: (a) resource investments and dependence on partner resources provide incentives to preserve the relationship, (b) a long-term orientation toward collective interests motivates partners to overlook transgressions (Miller & Le Breton-Miller, 2005), and (c) a shared history and close ties boost the understanding of a partner's motives and sentiments (McCullough, Rachal, Sandage, Worthington, Brown, & Hight, 1998). Thus, a defender is more likely to forbear from counterattacking a rival to restore and maintain collaborative ties because of resource dependence and the pursuit of collective goals.

Proposition 2a. Forbearance is more likely than counteraction when a defender has a history of collaboration with the attacker.

Transcending beyond the attacker: Forbearing to get help from common alliance partners. Forbearance may also occur as firms look beyond an attacker, focusing on the broader social context to assess how other parties may react to a countermove. A common alliance partner can increase the likelihood of forbearance through two mechanisms: facilitating communication and aiding collaboration (Obstfeld, Borgatti, & Davis, 2014). First, it can facilitate communication between rivals about the true intent behind an attack. Some attacks are complex, directed toward multiple competitors, involve several markets, and employ a wide range of competitive actions. A defender may struggle to decipher an attacker's intentions and wrongly perceive a competitive attack to be hostile. A common alliance partner can play a brokerage role here, conveying information between attacker and responder to prevent misinterpretation (Obstfeld, 2005). Instead of retaliating, a defender may consider how such a partner might improve communication with an attacker and de-escalate rivalry.

Second, a common alliance partner may induce rivals to collaborate because it possesses knowledge of their complementary capabilities (Brandenburger & Nalebuff, 1996; Obstfeld, 2012). By presenting such collaborative opportunities, it can reduce competitive tension. Its motivation to do so may stem from the resource commitments it has to each party and the risk of endangering its relationship with either party when they are in conflict (Heider, 1958). Being mindful of this association with a common partner may encourage forbearance.

Proposition 2b. Forbearance is more likely than counteraction when a defender shares a common alliance partner with the attacker.

Preserving Norms with Other Stakeholders

Thus far, our analysis has touched upon norms of reciprocity with an attacker. However, forbearance may also result when managers take into account the norms and expectations of various stakeholders internal to an organization or within its social community.

Transcending to a broader strategic context: Forbearing to honor valued stakeholder norms. In their discussions of relational competition, Chen and Miller (2012; 2015) have reminded us that competition between two parties often has critical implications for other stakeholders and that these must be taken into account when considering if and how to respond. Forbearance provides the opportunity for such reflection and in fact may be its product. Competition takes place within a complex market context. It involves different kinds of stakeholders (e.g., customers, suppliers, shareholders, regulators, and the community) that are connected to a greater or lesser degree (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). Under forbearance, defenders have more time and latitude to take into account all of these parties in deciding whether and how to respond to a competitive attack.

Stakeholder reactions can be important factors in considering a competitive response. For example, an aggressive response may alert third parties, such as regulators, about the possibility of unfair competition if a defender has a large share of the market or of collusion where a matching response occurs between same-size competitors (Frass & Greer, 1977). Similarly, a strong response might erode a firm's reputation among customers by its being painted as an unfair predator (Freeman et al., 2010; Rindova et al., 2004). An active response may also cause product redesigns or cost reductions that alienate customers, disrupt supply chains, fuel labor problems, and threaten product quality (Kuester, Homburg, & Robertson, 1999; Romanelli & Tushman, 1994).

In September 2016, after Sprint and T-Mobile offered unlimited data packages at a lower price, Verizon's CFO said: "At the end of the day, people don't need unlimited plans … T-Mobile and Sprint have introduced cheaper plans in exchange for slowing the connection and lower-resolution video." Verizon said it could match the offer but chose forbearance because unlimited plans would hurt product quality. Its forbearance also signaled Verizon's unwillingness to engage in a price war, with the CFO stating that the industry "cannot make money on an unlimited video world" (Cheng, 2016).

Product quality was also a concern when McDonald's chose not to respond to Burger King's introduction of new French fries with 30% fewer calories. McDonald's spokeswoman Ofelia Casillas wrote: "We know that our customers love McDonald's iconic world famous fries and we remain focused on serving them to our McDonald's 69 million customers every day around the world" (Smith, 2013).

Stakeholders, such as investors, customers, and other interest groups, have certain expectations about what is an appropriate competitive response, which in turn can influence top managers' strategic decisions (Chen & Miller, 2012; 2015; Rindova et al., 2004). For example, in established family firms operating in local community environments, there is frequently a great reluctance for the family owners to behave in a competitively aggressive manner (Miller & Le Breton-Miller, 2005). They strive to preserve their reputation in the close community in which they are embedded and believe that any type of strident response could hurt them in the long run. When the dominant norm in a competitive setting is forbearance, acting forcefully may represent a violation in the eyes of key stakeholders. Moreover, its negative consequences are judged more harshly than any negative outcomes from forbearing (Kahneman & Miller, 1986). This phenomenon is known as omission bias, referring to "a greater willingness to accept harms from omission, the default, than harms from action" (Baron & Ritov, 2004: 75).

Although perhaps less salutary for strategic outcomes, managers may favor forbearance over counteraction for political reasons—the expectations and norms of powerful stakeholders. Conversely, action could be favored when forbearance violates those norms (Bar-Eli, Azar, Ritov, Keidar-Levin, & Schein, 2007). Where forbearance is the norm, stakeholders such as shareholders are more likely to attribute the negative outcomes of counteraction to managers' incompetence, and to attribute the negative outcomes of forbearance to situational factors (Kahneman & Miller, 1986: 150). Thus, managers may feel more regret from the failures of norm-deviating actions than those from forbearance. In addition, they will tend to regret failed actions more than failed forbearances because they can compare outcomes when action is taken, but less so otherwise. To avoid the anticipated regret and blame, managers may choose forbearance over counteraction (Anderson, 2003). Therefore, established norms in the competitive context and stakeholders' pressure to conform to those norms may favor forbearance over counteraction.

In short, forbearance may occur when a firm's leaders take into account multiple third-party reactions to a potential response. It can reflect both mindful strategic and political considerations regarding stakeholders beyond an attacker and other industry members.

Proposition 3. Forbearance is more likely when counteraction risks violating the norms, priorities and expectations of stakeholders beyond an attacker and other industry members.

Enhancing Optionality

Strategic forbearance is also driven by the need to reduce uncertainty via real-time learning and preserving the flexibility to direct resources to alternative investment projects (McGrath, 1997). Optionality spans all three forms of transcendence; it requires managers to extend attention beyond the attacker, the attack, and its immediate outcomes toward future opportunities, often in other markets and with other firms.

Transcending from tactics to strategy: Forbearing to preserve strategic options and promote learning. Forbearance may result from deliberations about the future. Where there is uncertainty in the likely consequences of an attack, forbearance allows a defender to keep its options open. It provides two kinds of flexibility: to switch to alternative investment opportunities and to learn about how other rivals, stakeholders, and the market will react to an attacker's initiative.

First, from a real options perspective, a defender's available and considered countermove is an opportunity but not an obligation to act (Bowman & Hurry, 1993; McGrath, 1997). The benefit of forbearance here is the flexibility to switch to alternative actions when they become available at a later time, thereby avoiding resource commitments to irreversible or costly counteractions (Li, James, Madhavan, & Mahoney, 2007). For example, forbearance buys time for discovering new countermoves or overlooked market segments. It might be especially common when a defender has been considering an alternative means of renewing or building on its existing strategy. Indeed, a firm's strategy can be seen as "a bundle of options for future strategic choice" (Bowman & Hurry, 1993). Rejecting the option to counterattack may preserve resources for other strategic investments and directions.

Second, responding to an attack entails risks, and any lack of information about the attack's potency and its ability to inflict damage upon a defender makes a cost–benefit analysis of whether to respond difficult (Smith & Cao, 2007). Thus, a defender may choose to forbear in order to learn what the impact of an attack will be. For example, Airbus's incoming chief executive felt no urge to respond to Boeing's concept for a new mid-market airplane, stating: "We don't feel under pressure to react even before Boeing has moved. We will wait and see and observe" (Hemmerdinger, 2019)

This learning occurs by observing responses to rival actions. Will the defender lose clients if it does not respond? Will the technology or type of product or service introduced by the rival succeed or fail? How will other rivals react to the attack? By not responding, firms not only preserve resources, they also learn from rivals' negative experiences to better avoid their mistakes (Bingham & Davis, 2012). Moreover, they learn from rivals' successful actions about effective new tactics, new complementary products, or different buyer preferences to develop unique product or service offerings (Shamsie, Phelps, & Kuperman, 2004). Finally, observing how other rivals react to an attack can reveal its broader effects, which may enable defenders to hone their response (Tsai, Su, & Chen, 2011).

In short, we expect managers to prefer forbearance when the benefits of increased flexibility and strategic learning are critical for their firm's competitive success.

> *Proposition 4. Forbearance is more likely than counteraction when defenders want to keep their options open for evolving their business or to learn more about the potential effectiveness of an attack.*

Preserving Strategic Alignment and Pacing Transition

Another driver of forbearance is the desire to preserve strategic alignment and control the pace of evolution, both of which are considerations involving all three forms of transcendence: consistency with the historical pattern of strategic decisions (Mintzberg, 1978), fit with a cohesive organizational configuration (Miller & Friesen, 1984), and unique competitive market positioning (Porter, 1996).

Transcending from tactics to strategy: Forbearing to preserve strategic cohesion. Strategies are multivariate constellations of interrelated, often mutually reinforcing, elements (Porter, 1996), and any competitive response must consider how it will impact the overall cohesiveness and internal complementarity of a firm's strategy, its fit with its internal organization, and its longer-term adaptive requirements (Milgrom & Roberts, 1990; Miller, 2018; Miller & Le Breton-Miller, 2005).

The most effective firm strategies tend to be well-orchestrated configurations evolved over time, such that the elements of the strategy are mutually reinforcing (Miller, 1990, 2018; Miller & Le Breton-Miller, 2005; Porter, 1996). At IKEA, pricing, facility location, store layout, sourcing, self-assembly, and logistics are all part of an integrated strategy (Porter, 1996). All the pieces fit together. Changing any one aspect of the strategy in response to a move from a competitor could throw off the effectiveness of the configuration by destroying the complementarity among its parts (Milgrom & Roberts, 1990; Miller &

Friesen, 1984). For example, a change in pricing strategy or line breadth might alienate or confuse customers or adversely impact the cost structure. Thus, firms with coherent complementary strategies and with a particular image in the eyes of their customers would have to think hard about whether to respond to any attack as the costs of that response to the coherence of the existing strategy may well exceed the benefits. A response might, for instance, disrupt business models, suppliers, and hierarchies, all of which carry significant risks.

Organizational factors must also be considered. Many firms have a coherent set of processes, routines, structural and hierarchical arrangements, cultural attributes, and an identity to preserve. These are costly to change in reaction to rival competitive moves (Miller, 1990, 2018; Porter, 1996). Moreover, organizations are created to support firm strategies and vice versa. Again, there are important complementarities. Thus, when a response to an attack has a significant impact on strategy, this can be highly disruptive to organizational arrangements and participants. Forbearance allows firms to maintain their strategic coherency while at the same time remaining vigilant to further developments in the market.

Indeed, as noted, responding to an attack requires the expenditure of resources, the cost of which must be compared to the anticipated benefits. These resources may be human, financial, reputational, and relational. For example, some responses might involve introducing new products or services, altering distribution patterns, and developing less advantageous pricing models. That can not only be expensive, but like any significant change, it can also jeopardize reputation (Fombrun, 1995).

Of course, forbearance too can sometimes be costly in the long run. For example, market leaders have regularly failed to respond to successful low-end disruptive technologies because it contradicts the expectations of their customers and shareholders, as well as their core strategy (Christensen & Bower, 1996). "Low-end" new products or technologies "take root at the low end of the original or mainstream value network" (Christensen & Raynor, 2003: 46), as when Korean automakers entered the North American market. One key reason for not responding to these technologies had "little to do with technology itself—with its degree of newness or difficulty, relative to the skills and experience of the firm" (Christensen & Bower, 1996: 198). Capable market leaders did not respond because new low-end offerings were initially inferior to established ones and served small markets. Customers and shareholders expected firms to compete with better products and garner higher profit margins (Christensen, 1997), and firms wanted to preserve both their reputation and coherent strategic identity and bide their time until—and if ever—an orchestrated reaction was deemed appropriate.

McDonald's has been resisting the move to meatless burgers that rivals like Burger King and others have introduced. CEO Steve Easterbrook said the company has to weigh whether adding plant-based options is "worth it." McDonald's has been streamlining its offering to increase speed and efficiency, and selling a meatless burger could interrupt that. Easterbrook said, however, that the company is paying attention to the trend (Weiner-Bronner, 2019).

Proposition 5a. Forbearance is more likely when defenders anticipate that a counteraction will clash with their core strategic configuration and involve significant financial and reputational resources.

Transcending from tactics to strategic evolution: Forbearing to pace transition. Environments change and firms must adapt to them. But, as noted, given the cohesiveness of strategies, piecemeal changes intended to respond to an attack can be costly in their impact on strategic cohesiveness and organizational alignment (Miller, 2018; Miller & Friesen, 1984). Thus, Milgrom and Roberts (1990) have argued that organizational adaptation can be most effective when it follows a model of punctuated equilibrium. Firms remain in a relatively stable state or one of internal alignment for long periods of time, followed by rarer, shorter, and more turbulent periods of revolutionary, quantum, or second-order change (Miller & Friesen, 1984; Romanelli & Tushman, 1994). As suggested above, forbearance might be especially common during these periods of stability or very gradual evolution to avoid destroying complementarities and also perhaps to husband resources for periods of more dramatic change (Romanelli & Tushman, 1994).

In a competitive context, therefore, it may be best at times to forbear to pace adaptation and not respond to too many competitive attacks, which would be uneconomical and disruptive. Instead, as they become increasingly less aligned to their environments, firms may decide to undergo a very significant strategic change that takes into account multiple past attacks and formulates a new strategic direction that responds to several of these. In other words, firms forbear on making response-driven changes. Afterward, they are in a better position to evaluate the collective implications of multiple attacks that have occurred and to determine whether and how to react to them via a significant strategic transformation involving multiple changes to build a new cohesive constellation of strategic and organizational factors.

Proposition 5b. Forbearance is more likely when defenders are in an internally well-aligned state of equilibrium; they are more willing to react, perhaps to a selection of attacks, during periods of strategic transformation.

DISCUSSION

Firms sometimes respond to attacks by counteracting and sometimes by issuing public warnings and threats. Yet some defenders very intentionally choose to do nothing despite being able to counterattack and knowing they have the opportunity to do so. We have argued that many firms choose not to retaliate for strategic reasons. They engage in strategic nonresponse or forbearance which provides them with the latitude for strategizing and deliberation. We have proposed that forbearance is driven by three forms of transcendence in contemplating a response: expanding time perspectives to consider both historical and long-term issues, considering a variety of stakeholders and rivals versus only an attacker, and moving from tactical responses to more comprehensive systemic considerations of strategic cohesion and adaptation. Our analysis provides insight into these more farsighted relational and strategic responses to competitive attacks by considering a wider range of factors—drivers of nonresponse that are quite distinct from the drivers of response that have been the focus of the competitive dynamics literature thus far.

We have tried to shed light on the neglected role of forbearance in competitive interactions, suggesting that the absence of counteraction can sometimes be more effective than actions and words. Whereas counteraction entails retaliation and confrontation, forbearance can signal accommodation, cooperation, strategic composure, and farsightedness, as well as stakeholder-oriented reflection. For example, when firms purposefully refrain from reacting to attacks by rivals, they may encourage a mutually beneficial relationship. Through forbearance, they may preserve valuable resources for more strategic purposes. Forbearance may also provide defenders the latitude for greater strategic composure—that is, paying closer attention to the integrity of a strategic configuration, analyzing the impact a response would have on that configuration, and considering more deeply the long-term evolution of the business (Miller, 1990), the options for new strategic initiatives (Li et al., 2007), and the consequences of a response for all stakeholders (Chen & Miller, 2012, 2015). Of course, as noted, forbearance can also be caused by a manager's political interests and inertia that is less than functional (Allison, 1971; Christensen, 1997).

The concept of forbearance complements the multidimensional, long-term-oriented relational framework of competitive interactions that Chen and Miller (2015: 762) proposed: "The competitive–-cooperative view represents a different approach to gaining advantage. It stipulates that firms may cooperate in a variety of ways." In this respect, forbearance is a tool for stimulating cooperation with rivals. The aim is neither to destroy nor to help a rival; rather, the aim is to take a long-term view and cooperate when that is beneficial for the firm. We hope that our transcendence framework will stimulate researchers to explore fresh paths for managers to avoid confronting rivals and adopt a more socially, temporally, and strategically embedded perspective.

Implications for Research

Our analysis has conceptual, empirical, and methodological implications for further research. Previous research has examined drivers of involuntary nonresponse and purposeful nonresponse that focused narrowly on a specific attacker, attack, and immediate outcomes. These approaches emphasized the negative performance implications of nonresponse. By contrast, our study sheds light on a potentially beneficial competitive option: strategic forbearance. We have suggested some of its multifaceted drivers as well as its transcendence toward longer time horizons, more stakeholders, and more strategic versus tactical concerns—all of which can be advantageously explored by other researchers.

Our propositions can serve to launch platforms to stimulate further theoretical work on different drivers of forbearance, the conditions that foster them, and their performance implications. They can also serve as preliminary starting points for empirical analysis. Such research may advance our understanding of the context of rivalry by disclosing the role of historical factors, actors beyond an attacker and defender, and the importance of strategic flexibility and alignment.

Future research questions might include: What is the role of past competitive interactions with rivals, alliance partners, and stakeholders in choosing whether or not to counterattack? What are the repercussions of that choice? When will forbearance be interpreted as weakness? When is it most critical that a counterattack fits with existing strategies and evolutionary trajectories? How does the prospect of forbearance by a defender impact a decision to attack?

Our transcendence framework also raises another important question regarding why and when managers fail to transcend an immediate threat. Social psychologists have found that individuals differ in their preferences for immediate over delayed outcomes, ability to overcome proximate temptations, and capacity to attend to long-range concerns (Baumeister & Heatherton, 1996; Fujita, 2008). Future studies could investigate why managers or their teams vary in their capacities to resist impulses and avoid fixating upon immediate threats (Baumeister, Vohs, & Tice, 2007; Staw, Sandelands, & Dutton, 1981). Do demography, personal experience, or resources play a role? What are the consequences of these preferences and capacities for forbearance and its outcomes?

Outcomes of strategic forbearance. In a series of experiments, Axelrod (1984: 113) showed that competitive interactions initiated by a decision to forbear generated superior outcomes. Forbearance was also an effective tool for restoring cooperation and increasing performance after a competitive attack. Both results suggest that managers who "enlarge the shadow of the future" can benefit from forbearance by garnering longer-term advantages from cooperation and reduced rivalry. Our analysis further suggests that forbearance can improve firm performance by economizing on resources, preserving strategic coherence, aligning better with stakeholder priorities, retaining collaborative ties with partners, and enhancing flexibility by keeping options open. Future research might therefore examine the effects of single and multiple forbearances on a firm's competitive repertoire. By taking into account forbearances, researchers will be able to examine the consequences of competitive moves that were considered but purposefully not carried out (perhaps vis-à-vis those that were carried out). Our analysis suggests that firms might usefully balance competitive actions with forbearances to enhance firm performance. Indeed, performance can easily falter if a firm reacts on every occasion without mindfully assessing how its actions meld with the competitive setting, rival behavior, and firm strategy (Andrevski & Ferrier, 2019). Forbearance might also constitute a source of competitive differentiation by avoiding head-to-head rivalry and exploring opportunities for creating new market segments and action types (Brandenburger & Nalebuff, 1996; Connelly et al., 2019).

Researchers could also examine how firms can combine forbearance with collaborative actions to improve their competitive position. For example, a forbearing firm might collaborate with its other rivals to prevent a future attack. The sequencing of forbearance with word responses and counteraction also merits analysis. When forbearance fails, can words be used to clarify intent? And how do these different responses affect performance? Counteraction may produce immediate benefits by neutralizing an attack (Boyd & Bresser, 2008; Derfus, Maggitti, Grimm, & Smith, 2008), while forbearance generates longer-term relational and strategic benefits.

Such research into forbearance may condition previous findings. For example, in a multimarket rivalry, a defender may wish to counterattack in other common markets (Chen, 1996). However, a history of collaboration may reduce that motivation, with de-escalation via forbearance being a better longer-term option. Also, competitive attacks on identity domains by historical rivals have been found to increase the motivation to retaliate (Kilduff et al., 2010; Livengood & Reger, 2010). Forbearance may mitigate this effect. We believe that further study of such issues will bring scholars of competitive dynamics closer to the heart of mindful, reflective competitive strategy.

Methodological implications. Our study has important methodological implications. As noted, proxies can be used to operationalize the two necessary conditions for strategic forbearance: awareness and capability. A robust set of proxies can substantiate both these conditions. However, we have referred to a complex set of drivers of forbearance that extend far beyond awareness and capability. Inquiring into such rationales warrants more fine-grained qualitative research, perhaps via interviews with managers and analysts and by searching textual databases. Polling industry experts can provide useful insights, as can related content analyses of firm-related texts and survey-based data (e.g., Chen et al., 2007)

Implications for Practice

Knowing "when to fight and when not to fight" (Tzu, 2002: 51) is one of the foundations of forming a successful strategy. The competitive dynamics literature thus far has provided limited insights into the advantages of not fighting—in other words, of strategic forbearance. Our framework encourages managers to transcend any immediate threat from a rival and thereby attend to competitive implications from multiple actors beyond the attacker, longer-term benefits over short-term costs, and systemic, strategic considerations versus tactics. Indeed, managers should consider forbearance as a potentially useful tool in their competitive arsenal, offering benefits such as competitive de-escalation, enhanced strategic optionality, improved fit with existing strategic orientations and capabilities, as well as alignment with stakeholders' expectations and better pacing of transformation and adaptation.

Finally, managers must realize that the absence of a response by a competitor may not in fact be an indication of weakness but rather a signal of a desire for more harmonious competition or a sign that those rivals are competing on alternative dimensions that may be worth further investigation. In considering whether to launch an attack, managers can use our transcendence framework to assess a defender's incentive to forbear. Making a public statement or otherwise signaling a rival can aid in developing a more constructive competitive relationship (Gao et al., 2016). In short, our analysis suggests that rivalry can be highly complex and that competitive decisions open up a wide range of challenges and opportunities.

CONCLUSION

Our analysis has broached the topic of strategic forbearance, which is a decision made by firms not to retaliate to a competitive attack when they are aware and capable of responding. Forbearance is a common yet relatively unexplored occurrence, the consideration of which we hope will motivate scholars of competitive dynamics to pay more attention to a host of strategic factors that underlie mindful, deliberative, and perhaps more effective ways of competing.

We have proposed that mindful managers may forbear because they wish to transcend the immediate impulse to retaliate and look beyond a single attacker, attack, and its short-term outcomes. Our analysis suggests that competitive interaction between firms takes place within a broader social, temporal, and strategic context—one with critical implications for response. Responses are embedded in a setting that includes market participants and stakeholders, a history of past interactions, and a strategic and organizational configuration that may reasonably condition their nature and impact. At the same time, responses may shape these relationships with rivals, allies, and stakeholders and also the overall cohesiveness of a firm's strategy and adaptive capacities.

Forbearance invites reflecting on these broader, more transcendent, factors, extending research beyond the realm of counteraction decisions and the immediate situation. It draws attention to relationships with stakeholders and third-party market participants and how to leverage the competitive environment within which responses take place. It may also stimulate inquiry into the nature and timing of particular responses and their compatibility with a firm's strategic cohesiveness and future competitive options.

In the practical sphere, our study encourages managers to go beyond a single attacker, attack, and immediate outcome to consider how a potential counterattack could shape the future behavior of other rivals, allies, and stakeholders. Forbearance may provide managers with the latitude to determine whether the benefits of a counteraction are sufficient to offset the costs of dismantling a cohesive strategy, abandoning an alternative strategic option, or jeopardizing important relationships. We urge further study of this potentially vital strategic tool, which we hope will deepen our knowledge of competitive dynamics and its relationship to key considerations in the broader field of strategy.

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