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MINDING YOUR DISTANCE: HOW MANAGEMENT CONSULTING FIRMS USE SERVICE MARKS TO POSITION COMPETITIVELY

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This research examines the dyadic dynamics of positioning (i.e., determining where to locate relative to rivals) of services by consulting firms. Positioning near to or far from competitors offers both advantages and disadvantages in terms of competition, legitimacy, uncertainty, and spillovers, with recent research suggesting that firms seek balance between these various forces. Using a sample of service mark filings by consulting firms, I examine the effects of similarity, age, size, and prospective services on service positioning. Results indicate that positioning is both dyadic and multidimensional in nature, with firms maximizing the advantages of positioning either near or far, while minimizing the disadvantages. Copyright © 2006 John Wiley & Sons, Ltd.

A constant concern for firms is the tension between positioning near to or far from other firms. Positioning near provides benefits such as increased legitimacy (Meyer and Rowan, 1977; Suchman, 1995), decreased uncertainty (DiMaggio and Powell, 1983; Haunschild, 1993), and the increased potential for spillovers (Baum and Haveman, 1997; Makadok, 1998), but also increases the likelihood of competition from a lack of differentiation (Barney, 1991; Porter, 1991). Conversely, positioning far from other firms decreases competition through differentiation, but also decreases legitimacy, increases uncertainty, and decreases the potential for spillovers. Hence, the positioning decision is largely focused on being close enough to competitors to establish legitimacy, mitigate uncertainty, and capture spillover and agglomeration benefits, but not so close as to engage in direct competition. In short, firms are motivated to locate both near to and far from other firms.

Considerable research exists on positioning, which may be broadly defined as determining where to locate relative to rivals. For example, studies have been done examining geographic positioning (Baum and Haveman, 1997; Greve, 2000), radio market positioning (Greve, 1996, 1998), product market positioning (Thomas and Weigelt, 2000), and technological positioning (Stuart, 1998; Stuart and Podolny, 1996). Recent research on this topic suggests that firms seek 'balance' between the forces pulling them toward or pushing them away from each other to maximize the advantages (and minimize the disadvantages) of both proximity and distance. For example, Deephouse (1999) examined the legitimacy–differentiation trade-off in terms of similarity between commercial banks, finding that banks seek balance between these opposing forces in their asset portfolios. Similarly, Baum and Haveman (1997) considered the agglomeration–differentiation trade-off, finding that hotels in Manhattan

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seek balance between differentiation and agglomeration, differentiating on size while agglomerating on price. Hence, a balance perspective has increasingly emerged as a way for firms to address the positioning decision. Implicit to the balance perspective is the logic that multiple dimensions must be considered to accurately assess what affects the positioning decision. In other words, consideration of a single dimension by itself provides an incomplete, and potentially inaccurate, perspective on the positioning dynamics.[1]

Despite the considerable research on positioning, two key areas remain unexplored. First, the work on positioning has focused on tangible products with known characteristics (e.g., the study of automobiles by Thomas and Weigelt, 2000, or semiconductors by Stuart and Podolny, 1996) or well-defined services (e.g., hotel lodging by Baum and Haveman, 1997, or radio market positioning by Greve, 1996). But do the dynamics found by these positioning studies hold for areas such as professional services, where it is difficult to define the position of one firm relative to another? Additionally, professional services have low barriers to imitation (Makadok, 1998) and limited intellectual property (IP) protection, which can make comparative assessments of the quality of the offerings across firms difficult. Under these conditions, firms will be motivated to find ways to identify and distinguish themselves and their services in the market place, making competitive positioning important to them.

Second, largely absent from positioning studies is consideration that firms generally pose an asymmetric threat or benefit to one another according to their individual characteristics (Chen, 1996). For example, Firm A may derive an uncertainty reduction or spillover benefit from locating near to Firm B, but Firm B may receive no such benefit; rather, it may suffer because of increased competition from Firm A's proximity. In other words, to accurately disentangle the forces affecting positioning, analysis must be done at the dyadic level by comparing pairs of firms. Examining positioning solely from the perspective of the focal firm omits the effect of the dyadic other on the positioning decision, with the opposite being true as well. Consequently, a dyadic approach is best suited to understanding the dynamics underlying the positioning decision.

Applying a dyadic approach, I empirically explore service positioning using a sample of service mark (a trademark attached to services rendered rather than tangible products, henceforth referred to as a 'mark') filings from the largest 50 management consulting firms. The purpose of this study is to better understand the dynamics of positioning by these firms by examining the relationship between the attributes of the firms and where marks are situated. An exploratory approach is adopted because there is little established literature in this area from which hypotheses might be generated; moreover, established theory is far from clear about what dynamics might hold in this new environment. The approach of the paper will be to empirically explore a sample of firms and use the findings to better understand positioning in this new area. Christensen and colleagues (Christensen, Carlile, and Sundahl, 2002) have argued that such an approach is appropriate when describing and measuring new phenomena.[2]

The format of the paper is as follows. First, I discuss the study setting, including the use of marks in commerce. This discussion is followed by a review of positioning literature in terms of competition, legitimacy, uncertainty, and spillovers. Next, the dimensions of interest are introduced and dyadic relationships discussed. The study method and results are then presented, and the paper ends with a discussion of the implications of the study as well as its limitations and potential future extensions.

STUDY SETTING

Positioning by management consulting firms

Despite the increasing size and presence of management consulting firms, relatively little empirical work exists examining the competitive dynamics among firms in the field. While it is widely known that firm reputation is important (see Fombrun and Shanley, 1990; Rao, 1994), particularly to management consulting firms (Abrahamson, 1991, 1996), little else has been identified as valuable to these firms. An exception is provided

[1] For example, inaccuracies may arise in the empirical modeling if the other dimensions are not controlled when considering the dimension of interest.

[2] The author thanks the anonymous referees for recommending this exploratory approach.

by Maister (1993), who identified three general professional service firm classes: expertise-based firms, experience-based firms, and efficiency-based firms. Simply put, expertise- and experience-based firms essentially follow differentiation strategies, focusing on innovation and specialization, while efficiency-based firms strive for cost leadership. In other words, efficiency-based firms seek to provide well-established services at the lowest possible cost, while expertise- and experience-based firms rely on innovation and/or specialization to position themselves and their services. Accordingly, this study focuses specifically on the innovation and specialization dimensions. I have adopted this approach because the management consulting firms examined here are generally considered experience- or expertise-based firms, making innovation and specialization important to them. I do not mean to imply that no services provided by these firms are efficiency-based, but rather that a majority of services are focused on differentiation and therefore are based on dimensions other than cost. Thus, the positioning measure used in this research utilizes the firms' mark filings to assess how near or far the services of that firm are from those of another firm according to the dimensions of innovation and specialization suggested by Maister (1993).

Use of marks in commerce

A legally registered trademark is represented by the symbol ® (which stands for 'registered') next to a given term or image. A service mark is identical in function, but is represented by the letters SM. The original concept for service marks comes from the Lanham Act of 1946 (15 USCS §1127), which standardized trademark law and for the first time provided protection for intangibles such as services. This change coincides with the formalization and growth of the professional services sector in the United States (see McKenna, 1995). Under the Lanham Act, service marks are granted the same IP infringement protection as trademarks, so that the firm registering the mark has exclusive rights to use that mark in the sale of the particular class of goods or services for which the mark is registered (McCarthy, 1984).

The value of marks in commerce emerges from the benefits they provide. First, marks are often viewed as beneficial because they lower product or service search costs for consumers and decrease the likelihood of confusion (Burge, 1999). In this function, marks are also seen as beneficial to competition, encouraging firms to develop quality products to which they can attach a distinctive mark (McCarthy, 1984). Second, marks may be viewed as quasi-monopolistic (McClure, 1996). For example, Chamberlin argued that although marks do not provide the same exclusionary rights as patents, they do provide a basis for 'monopolistic competition' where the profits from marks are somewhat similar to the profits from patents (Chamberlin, 1933: see Chapter 4). In other words, firms may, through their use of marks, limit competition by forming high competitive barriers to entry (see Schmalensee, 1978), making marks strategically useful to the firm. Third, Wilkins (1992) argues that in the late twentieth century the value of marks to consumers has increased substantially. Consumers bombarded with products may, with some certitude, use the products of a given firm, while firms, often separated from their consumers by distribution networks, may establish and maintain a degree of connection with them (e.g., the 'Intel Inside' mark by Intel). Fourth, McClure (1996) notes that the rise of the Internet has introduced a new debate as to what protections may be afforded to what identifies and distinguishes a firm and its products or services, with mark protection being extended to protect infringement of Internet domain names and logo knockoffs on websites.

In addition, a relatively recent change to the law surrounding marks has further increased their importance. Beginning in 1988, firms were provided with a prospective filing mechanism through the addition of the 'intent-to-use' (ITU) form of mark filing. Before 1988, in order to obtain mark protection an organization had to provide *bona fide* proof of use in commerce prior to registration (15 USCS §1127 32). However, in 1988, the Lanham Act was amended to include ITU mark filing, whereby the applicant has 36 months from the approval of the mark to provide evidence of use in commerce and in so doing make the use of the mark valid (Neuner and Haroun, 1989). This filing option provides firms with a prospective mechanism to obtain mark protection and represents a significant increase in the competitive value of a mark (McClure, 1996).

Having discussed the background and motivation for marks, the question emerges as to what competitive advantage marks might provide to the

firm. Applying the resource criteria described by Peteraf (1993), it is clear that marks could provide the basis for competitive advantage. First, marks are, by their very nature, heterogeneous since they must uniquely identify and distinguish either a good or service, or the purveyor of the good or service. Second, there are *ex post* limits to competition for marks since the value of a mark cannot be appropriated once it is registered. Third, marks are imperfectly mobile from firm to firm given that, once registered, marks are idiosyncratic to a specific firm. Fourth, marks by their very nature provide *ex ante* limits to competition since the filing fees and process are fixed by government regulation. Thus, according to the criteria described by Peteraf (1993), marks qualify as resources that could provide the basis for competitive advantage.

Study focus

For the purposes of this study, pending and registered service marks for the 50 largest management consulting firms (measured in total revenues by Kennedy Research) were extracted from the U.S. Trademark database. There are several reasons why large management consulting firms were chosen. First, though consulting firms must identify themselves to actual and potential customers, the services provided by these firms are abstract and intangible in nature (Maister, 1993). This requires them to describe their services in ways that are relevant to what they do. Second, as firms seek to describe their services, they unavoidably engage in competition with other firms, leading to active competitive dynamics among consulting firms. For example, during the 1990s, management consulting firms enjoyed unprecedented growth, with U.S. Census Bureau data indicating that for the period from 1992 to 1997 there was more than an 80 percent increase in the number of management consulting firms, with a 130 percent increase in the revenues from management consulting. Data for the same period show that the 4-firm concentration ratio increased by 65 percent, with the 8-firm, 20-firm, and 50-firm concentration ratios increasing by 42 percent, 21 percent, and 10 percent, respectively. These data indicate that a large percentage of the growth in management consulting revenues has been among the very largest firms in the industry and, consequently, these firms are the focus of this study.

Finally, the management consulting sector is without other IP protection such as patents, necessitating the use of other mechanisms, such as marks, to control ownership of specific terms in the IP marketplace. Selling services based on ideas offers challenges that do not exist in other markets. In such a market place, firms must balance the courage of their convictions with their respect for the market. In other words, although they may wish to offer innovative or radical ideas to the market through their services, they must demonstrate deference to the market in which they compete by not straying too far from services offered by other firms. This leads to a tension between positioning far from or near to other firms. The next section examines this tension more closely in terms of competition, legitimacy, uncertainty, and spillovers.

A QUESTION OF DISTANCE

Prior theory and research suggest that firms wish to limit competition by differentiating themselves from other firms in their industry (Barney, 1991; Porter, 1985), with this differentiation providing the ability to generate above-average returns (Peteraf, 1993). For example, Thomas and Weigelt (2000) found that automobile manufacturers introduce new products near existing products, but far from competitors, capitalizing on core competencies while diminishing competition. In addition, differentiation can provide the basis for organizational survival, as Baum and Mezias (1992) found that size and price differentiation in the Manhattan hotel industry increased organizational survival by lowering competitive pressures. But the benefits of avoiding competition by locating far from competitors must be balanced against the benefits of locating near. These benefits include increased legitimacy, decreased uncertainty, and the ability to benefit from spillovers. The following paragraphs will address each of these areas in turn.

In terms of legitimacy, Scott states, 'organizations receive support and legitimacy to the extent that they conform to the contemporary norms—as determined by professional and scientific authorities—concerning the appropriate ways to organize' (Scott, 2002: 137). Legitimacy has also been shown to increase organizational survival among new firms (Singh, Tucker, and House, 1986) as

well as firms undergoing organizational transformation (Baum and Oliver, 1991). In addition, Rao (1994) argues that firm reputation is in large measure the outcome of the process of legitimization. Suchman (1995) also notes the role of professionals, such as consultants, in disseminating legitimizing norms among organizations. Thus, firms endeavor to be viewed as legitimate in order to increase the probability of their organizational survival and to develop and protect their reputation. The implication of legitimacy is that firms must become more similar to one another to achieve it (see Deephouse, 1996), suggesting that they will position near to one another to gain legitimacy.

With regard to uncertainty, DiMaggio and Powell state, 'uncertainty is ... a powerful force that encourages imitation' (DiMaggio and Powell, 1983: 151). They argue that under conditions of uncertainty firms will mimic the actions of other firms in their industry. Haunschild and Miner (1997) found that uncertainty increased the copying of common practices among firms selecting an investment banker. Haveman (1993) found that to decrease uncertainty, firms imitate large and profitable organizations rather than similarly sized organizations, although large organizations copy the actions of other large organizations. Furthermore, Greve (1996) found that uncertainty led to mimetic adoption of market positions in the radio industry. Thus, firms will imitate each other in an effort to reduce their uncertainty, and imitation implies that the firms will position more closely to each other.

In addition to legitimacy enhancement and uncertainty reduction, locating near to other firms may benefit the focal firm through positive externalities and spillovers. For example, Chung and Kalnins (2001) found that the presence of chain and larger hotels created spillovers that positively impacted smaller and independently owned hotels in rural Texas. Similarly, Baum and Haveman (1997) found that Manhattan hotels that were similar on price experienced positive externalities. Spillover effects also occur in the area of technology, with Stuart and Podolny (1996) finding that close relationships between joint venture partners significantly influenced the technological positions adopted by Japanese semiconductor firms. Moreover, in new and emerging markets with low entry barriers, spillover effects may lead to early movers enjoying the same benefits as first movers (Makadok, 1998). Consequently, firms will position near to each other if spillover benefits are anticipated.

In sum, two perspectives on positioning exist. The first argues that firms will distance themselves to avoid competition through differentiation, while the other argues that firms will locate near to garner legitimacy, reduce uncertainty, and benefit from spillover effects. In considering these two perspectives, Deephouse (1999) noted that firms must balance the pressures to conform or differentiate. This implies that the positioning decision is multidimensional, with firms choosing to locate near other firms on some dimensions and far on other dimensions (Baum and Haveman, 1997). Thus, in addition to the near or far perspectives, a hybrid third perspective suggests that firms will seek balance among the several dimensions. In other words, as firms determine where to position, they will optimize on multiple dimensions according to the advantages and disadvantages of each particular dimension by drawing near or moving away when it is more advantageous than disadvantageous.

Accordingly, this exploration of positioning by management consulting firms examines a number of dimensions that may influence the positioning decision. The empirical exploration will focus on four principal dimensions: similarity between dyadic pairs, focal and other firm age, focal and other firm size, and the prospective services of the focal and other firm. By examining multiple dimensions, a more accurate understanding of positioning will emerge. Furthermore, while each of the dimensions will be explored individually, the empirical tests will examine them together. This approach will offer the best means of identifying how each dimension influences positioning while controlling for the other areas.

It is important to note that to date research has not examined positioning between pairs of firms at the dyadic level. On this topic Chen states, 'there is almost no recognition of the relational nature of competition and rivalry' and that the important issue 'is not on understanding groups of firms or individual competitors in isolation, but on assessing competitive tension between firms' (Chen, 1996: 104–105). Failure to conduct the analysis at this level ignores the asymmetric threats or benefits they provide to one another. In other words, the characteristics of both the focal and other firm must be jointly considered in order to properly understand the nuances of the positioning. For example, a small firm may position itself

near (or far) because of its characteristics, but it may choose to position near to (or far from) other firms because of their characteristics, and a dyadic approach provides the ability to disentangle these effects. Additionally, firms operate in dynamic environments, where the forces described may change over time. For instance, a firm may initially accept the competitive consequences of locating near in order to benefit from increased legitimacy and decreased uncertainty; however, as uncertainty decreases and legitimacy increases so too does competition, potentially tipping the balance in favor of moving away from other firms. As a result, a longitudinal approach is necessary to capture the dynamic nature of the forces influencing positioning.

Dimensions of interest

Similarity

The first dimension proposed is similarity (i.e., having common characteristics) between management consulting firms. Fiegenbaum and Thomas (1995) argue that managers use similar others to provide important reference points as they formulate competitive strategy. Likewise, Peteraf and Shanley (1997) state that managers use similarity to cognitively partition their industry in order to reduce uncertainty and cope with bounded rationality. From a competitive perspective, Chen (1996) asserts that similar firms will seek to exploit similar resources and compete in similar ways to attract similar customers. This is consistent with Abrahamson and Fombrun (1994), who argue that structurally equivalent firms tend to be more competitive, suggesting perhaps that they are positioned near to one another.

In assessing similarity, it is natural for firms to consider characteristics for which information is readily available such as market choice (see Greve, 1998). Under conditions of uncertainty, DiMaggio and Powell (1983) argue that mimetic isomorphic forces will exist, causing firms to closely follow and imitate the actions of similar others (Greve, 1998; Haunschild, 1993). Furthermore, Deephouse (1996) found that similarity among firms provides an important source of legitimacy for the individual firms. Thus, the literature suggests that similarity among firms increases legitimacy and reduces uncertainty, but also increases competition.

The question then emerges as to whether similarity will compel firms to position near to or far from similar others. A negative relationship between similarity and distance suggests similar firms position near to one another to benefit from increased legitimacy and lower uncertainty, but they will experience higher competition. On the other hand, a positive relationship between similarity and distance suggests that similarity pushes firms to differentiate themselves from each other to reduce competition, but in doing so they will be subjected to higher uncertainty and lower legitimacy.

Firm age

In addition to similarity between pairs of firms, it is proposed that the age of the focal and other firm will affect the positioning of services. Firm age has been linked to reliability and accountability (Hannan and Freeman, 1984) as well as legitimacy, given that older firms have persisted in the market place over time (Singh *et al*., 1986). As a result of their persistence and history of action, older firms have well-established reputations (Fombrun and Shanley, 1990; Rao, 1994). Older firms, however, are often constrained in their actions owing to deeply engrained organizational processes and routines (Nelson and Winter, 1982) or dominant logics (Bettis and Prahalad, 1995; Prahalad and Bettis, 1986) that may convert core competencies into core rigidities (Leonard-Barton, 1992), constraining innovation (Henderson and Clark, 1990). Conversely, although younger firms frequently suffer from a lack of structure and external legitimacy (Singh *et al*., 1986), they are unencumbered by organizational routines and processes that emerge with time, often allowing them to be more flexible and innovative than older firms.

Applying a dyadic perspective, it is proposed that the age of both the focal and other firm will influence the positioning decision. From the focal firm's perspective, a positive relationship between age and distance suggests that young firms position near to other firms to reduce uncertainty and increase legitimacy, but proximity exposes them to competitive forces. Older firms, on the other hand, are viewed as legitimate and may therefore seek to separate themselves from other firms to avoid competition, but this may increase uncertainty and will decrease the ability of the firm to benefit from spillovers. In contrast, a negative relationship between focal firm age and distance suggests that young firms position far from other firms

to reduce competitive forces, perhaps leveraging innovation, but this will increase their uncertainty, decrease legitimacy, and decrease the opportunity for spillovers. For older firms, a negative relationship suggests they will position close, reflecting an unwillingness to decrease legitimacy and increase uncertainty, and may give the firm the ability to benefit from spillovers, but the firm will engage in more direct competition.

In terms of the dyadic other, the focal firm has a decision as well. A positive relationship between other firm age and distance suggests that the focal firm positions near to young firms and far from older firms, perhaps to be seen as innovative, but this choice will lessen the legitimacy and increase the uncertainty of the focal firm. Alternatively, a negative relationship between other firm age and distance suggests that the focal firm positions far from young firms and near to older firms, which will increase legitimacy and decrease uncertainty of the focal firm, but may cause the firm to be seen as less innovative.

Firm size

As with age, it is proposed that the size of the focal and other firm will also influence the positioning of services. Locating near to larger firms often yields benefits from spillovers and agglomeration effects (Baum and Haveman, 1997; Chung and Kalnins, 2001). In addition, Haveman (1993) found that smaller firms are likely to imitate larger firms in an effort to decrease uncertainty and increase legitimacy (DiMaggio and Powell, 1983). On the other hand, Carroll (1985) found that smaller firms locate themselves distant from larger competitors to avoid direct competition that could lead to their demise. This is consistent with the differentiation approach proposed by Porter (1980) and supported by the research of Chen and Hambrick (1995), who found that small firms compete differently from larger firms and will generally avoid direct contact with them in the market place.

While the ways that smaller firms might position relative to larger firms have been discussed in the literature, less has been said or is known about how large firms choose to position themselves. As the focal firm grows in size it may seek out new market space to develop in order to support its growth (Penrose, 1959). In addition, larger firms may be able to develop new markets better given their larger resource endowments (see Schumpeter, 1947). Furthermore, larger size provides legitimacy (Deephouse, 1996) and decreases uncertainty (Hannan and Freeman, 1984), decreasing the need for the focal firm to derive these from proximity to other firms. Larger firms are, however, often constrained in their abilities to pursue new markets given their size (Thompson, 1967), and may be unwilling (or unable) to move away from their established positions.

Again, adopting a dyadic perspective, it is proposed that the size of both the focal and other firm will influence the positioning decision. From the focal firm's perspective, a positive relationship between size and distance suggests that small firms position near to other firms to reap spillover and possible agglomeration effects, but this proximity exposes them to greater competitive forces. Large firms, on the other hand, may seek to separate themselves from other firms to avoid competition, but this distance will decrease the ability of the firm to benefit from any spillovers. In contrast, a negative relationship between focal firm size and distance suggests that small firms position far from other firms to reduce competitive forces, but this will decrease their opportunity for spillovers and agglomeration effects. For large firms, a negative relationship suggests the firm will engage in more direct competition, but it will be able to take advantage of agglomeration and spillover benefits.

In terms of the dyadic other, the focal firm has a choice as well. A positive relationship between other firm size and distance suggests that the focal firm positions near to small firms and far from large firms, providing respite from competitive forces, but depriving them of spillover and agglomeration benefits. Alternatively, a negative relationship between other firm size and distance suggests that the focal firm positions far from small firms and near to large firms, which will increase spillover and agglomeration benefits, but will also increase competitive forces.

Prospective services

The development of prospective services (e.g., forthcoming services that a firm does not yet provide, but may provide in the near term) represents an interesting aspect of positioning, given that by disclosing prospective services the focal firm signals its beliefs and intentions about the future of the market. Porter states, 'a market signal is any action by a competitor that provides a direct or

indirect indication of its intentions, motives, goals, or internal situation' (Porter, 1980: 75). Heil and Robertson define competitive market signals as 'announcements or previews of prospective actions intended to convey information or to gain information from competitors' (Heil and Robertson, 1991: 403). Thus, prospective service disclosure qualifies as a market signal. Consideration of the signal sent is particularly important in deciding to introduce new products near to or distant from those of other firms. Thomas and Weigelt argue that 'managers should introduce new products and technologies that best complement their existing set of capabilities' (Thomas and Weigelt, 2000: 897), suggesting that prospective signals are indications not only of future intentions, but also of where the firms' core capabilities lie.

When signaling by positioning prospective services, the focal firm has two primary alternatives. On one hand, a positive relationship between prospective services and distance suggests the firm positions its prospective services away from other firms, signaling the development of a new, distinct market space (Barney, 1991; Porter, 1985), decreasing competition, but also decreasing legitimacy, increasing uncertainty and decreasing the likelihood of spillovers and agglomeration benefits. Conversely, a negative relationship between prospective services and distance suggests the focal firm is imitating the actions of other firms, which will increase legitimacy, decrease uncertainty, and increase the likelihood of spillovers and agglomeration benefits, but will also increase competitive forces.

For prospective service signals from other firms, a negative relationship between other firm prospective services and distance suggests the focal firm locates proximate to the prospective services of the other firm, decreasing uncertainty, increasing legitimacy, and potential spillovers and agglomeration benefits, but also potentially increasing competition. In contrast, a positive relationship between other firm prospective services and distance suggests the focal firm positions its services far from the prospective services of other firms, perhaps to maintain a sense of distinctiveness from the new service offerings of other firms. Positioning far will decrease competitive forces, but will increase uncertainty, decrease legitimacy, and decrease potential for spillover or agglomeration effects.

In summary, I have proposed that similarity, age, size, and potential service introduction will affect dyadic distance between mark positions. These individual relationships are summarized in Table 1.

METHOD

Sample

As mentioned previously, pending and registered service marks for the 50 largest management consulting firms (measured in total revenues by Kennedy Research) were extracted from the U.S. Trademark database. The data included the service mark itself, the filing date, the registration date, and a description of the services to which

Table 1. Summary of possible relationships

Dimension	Level	Sign	Effect
Similarity (No → Total)	Mark	+	Far from similar marks
		−	Near to similar marks
	Firm	+	Far from similar firms
		−	Near to similar firms
Age (Young → Old)	Focal	+	Close when young/Far when old
		−	Far when young/Close when old
	Other	+	Close to young/Far from old
		−	Far from young/Close to old
Size (Small → Large)	Focal	+	Close when small/Far when large
		−	Far when small/Close when large
	Other	+	Close to small/Far from large
		−	Far from small/Close to large
Intent to use (ITU) (Yes/No)	Focal	+	Far when ITU
		−	Near when ITU
	Other	+	Far from ITU
		−	Near to ITU

the service mark pertains. The dataset includes all service marks filed by firms regardless of whether or not the service mark registration was ultimately granted or not. To these data were added location and descriptive data for each firm drawn from the *Directory of Management Consultants* (Kennedy Information, 1999) and the *Insite 2* Database (Gale Group, 2001). In all, 578 service marks are recorded over a span of 27 years (1972–99). Descriptive data on a selection of marks used in this study are found in Table 2.

Measures

The central data element of this analysis is the description of services for a given service mark. The description of services contains a written narrative that clearly identifies the nature of the services as set forth in the *Acceptable Identification of Goods and Services Manual* (United States Patent and Trademark Office, 2000). The description specifically identifies the services to which the mark is attached and therefore provides a complete, yet parsimonious listing of what the mark is seeking to protect. Federal Code 15 USCS §1051 29 states:

> To secure registered trademark under Lanham Act, owner must file written verified application in patent office, in which he must specify mark and goods on which mark is to be used, as well as mode and manner in which mark is to be used in connection with goods, and Patent Office must state on certificate of registration particular goods for which it is being registered ... *Specificity in description of goods in application for federal registration of trademark is required*, in order to avoid danger that issuance of registration for vaguely defined goods may become prima facie evidence of right to use of mark on particular goods not in fact sold by registrant under mark. (italics added)

Thus, the description of services provides an excellent way to assess the management consulting firms' intent in filing the mark.

Dependent variable

The dependent variable of this study is dyadic distance between marks. To determine the position of the marks, two dimensions were developed: mark innovation and mark specialization. These dimensions emerge from the framework described by Maister (1993) that was discussed previously and are appropriate for several reasons. First, specialization is an appropriate dimension because it measures a separation in content. In other words, specialization assesses the degree to which two marks describe distinct services vs. similar services. This dimension is important in assessing the uniqueness of the services provided by the firm. Second, innovation is an appropriate dimension because it measures a separation in time. For example, if a firm is a first mover, the innovative distance separating its marks from those of a late mover will be greater than the distance between a first mover's marks and those of another early mover. This dimension is important in assessing the degree to which a firm introduces new services to the market place vs. variations of existing services.

The dimension of mark innovation is conceptualized as an order-of-entry variable that registers to what degree the mark filing uses concepts and ideas introduced previously vs. new concepts and ideas. To obtain this measure, it is necessary to evaluate the order-of-use of various key management consulting terms, with firms filing marks using the terms earlier having higher scores than those filing marks using the terms later. Additionally, since a given mark can list many management consulting terms, it is important to score the order-of-use of each of the terms used in the mark. The formula for this variable is as follows:

$$\text{Innovation} = \frac{\sum_{t=1}^{252} \frac{1}{r_t}}{w} \text{ for all } r_t > 0 \qquad (1)$$

where:

r_t = the rank order in which a given mark used key management consulting term t
w = the number of words in the description of services for the mark.

This creates the relative innovation for the use of a given term t. For example, if a firm were the first to use term t it would receive a score of one. If it were the second to use the term, it will receive a score of 1/2, and so forth. If the firm did not use the given term (i.e., $r_t = 0$), the value of $1/r_t$ was set to 0 to avoid a divide-by-zero error. In total, 252 key management consulting terms were identified by using the service classification listing from the *Directory of Management Consultants*

Table 2. A selection of service marks filed by management consulting firms

Service mark	Firm	Filing date	Registration date	Description of services	ITU
Citizenlink	Arthur Andersen	02/02/94	01/09/96	Business consulting services for government and public service organizations in the form of presentations, demonstrations, and marketing services in a workshop setting	Yes
Zero Defections	Bain & Company, Inc.	09/25/89	05/29/90	Management consulting services for techniques to ensure retention of customers	No
Competency Manager	KPMG Peat Marwick	12/22/94	07/21/98	Consulting and training services related to analyzing jobs throughout client organizations; developing survey questionnaires for collecting workforce/job information; analyzing, measuring, and providing reports of the results of such survey questionnaires to client organizations	Yes
Segment-of-One	Boston Consulting Group	7/2/90	05/05/92	Business management consulting services	No
Beyond Compliance	Arthur D. Little, Inc.	03/27/91	06/15/93	Educational services; namely, providing and conducting seminars in the field of environmental, health, and safety management	No
EHR	Watson Wyatt	07/02/99	—	Business consultation services related to the delivery of benefit and human resource information and services to employees via electronic systems	Yes
.Company	Ernst & Young	07/08/99	—	Business consulting services in the field of electronic commerce; tax compliance and tax consulting services; business audit and assurance services	No
Knowledge Accelerators	Pricewaterhouse Coopers LLP	03/09/99	—	Educational services, namely, providing training strategy, design, development, delivery, train-the-trainer, evaluation, site preparation and execution, project team start-up, leadership development, knowledge management, knowledge mapping and establishing training centers and training programs	Yes
Brand Teardown	Monitor Company	08/19/98	–	Business management consulting services for others concerning market positioning of goods and services	Yes
Intensive Coaching	Mercer Group	10/07/97	12/08/98	Counseling individuals, groups and organizations; focusing on developing vision statements, planning strategy, goal-setting and improving mood, in personal life, career and business endeavors	No

(Kennedy Information, 1999).[3] The scores for each of these terms were summed for each of the terms for each of the marks. This yielded a raw score that was then divided by the number of words in the description of services to normalize for the length of the description of services. This normalization prevents possible inflation introduced when marks have longer descriptions. This yielded a weighted score that was then logged to normalize its distribution.

Next, the mark specialization dimension requires an evaluation of the terminology used to explicate the mark relative to all the terminology used by marks filed previously. While the innovation variable evaluated the mark on its use of key concepts, specialization takes into consideration all words listed in the description of services. Additionally, this is a dyadic variable, yielding the degree of difference between all mark pairs. To obtain this variable, the words used in the description of services for a given mark were compared to the words in every other mark. The variable was obtained using network analysis (Borgatti, Everett, and Freeman, 1999) with the Bonacich normalization routine (Bonacich, 1972), which essentially evaluates the correlation between all the words used in the description of services for mark i with all the words used in the description of services for mark j (Wasserman and Faust, 1994). This yields a value between zero and one, with zero indicating no words in common and one indicating that all description words are common to both marks. This value was then subtracted from one to yield the specialization score. Finally, this value was multiplied by 100 to place it on a similar scale to the other values used in the model.

The innovation and specialization dimensions were then used to construct the dependent variable of dyadic distance between mark pairs. A Euclidean distance measure was developed according to the following formula:

$$\text{Dyadic distance}_{ij} = \sqrt{innov_i - innov_j)^2 + (spec_{ij})^2} \qquad (2)$$

where:

$innov_i$ = the innovation score of mark i (focal)
$innov_j$ = the innovation score of mark j (other)
$spec_{ij}$ = the difference in specialization between mark i and mark j.

Because this procedure yields the dyadic distance between all the marks, the marks were sorted by filing date and all values between marks that appeared prior to other marks were dropped for the first mark to prevent a temporal confound in the analysis. For example, if one mark was filed on January 1, 1990, and another mark was filed on January 1, 1992, the relationship between the first mark and the second mark is irrelevant to the first mark given that the second mark did not exist at the time of the filing of the first mark. This approach is analogous to firms entering any new market: the decision of where to position for the first entrant is not influenced by the second entrant, but the location of the first entrant should influence the positioning of the second entrant. Furthermore, the location of the second entrant is not influenced by the location of the third entrant although the positioning of the third entrant is influenced by the location of the first and the second entrant, and so forth. Thus, this procedure yields the dyadic distance between a given mark and all the marks filed prior to its filing. Finally, dyadic distances between mark filings from the same firm were excluded from this analysis given that this research focuses on measuring the dyadic distance between mark filings of different firms.

Independent variables

Independent variables for age, size, firm-level marks, ITU marks, and competitive overlap were developed to test the proposed hypotheses. Regarding **firm age**, the founding year of each firm was extracted from the *Directory of Management Consultants* (Kennedy Information, 1999) as well as the *Insite 2* Database (Gale Group, 2001). The founding year was then subtracted from the filing year of the service mark, yielding the age of

[3] The listing springs from extensive research by the Institute of Management Consultants, modifications by Fuchs (1975), and Kennedy Information's own changes based upon previous editions of their *Directory of Management Consultants* (1999). To this list of consulting services were added geographic terms (e.g., state, national, international, multinational, global) as well as the 1987 SIC divisions (e.g., agriculture, forestry, fishing, mining, construction, manufacturing, transportation). In total, 252 unique consulting, geographic, and industry terms were identified.

the firm at the time of the filing. For **firm size**, the firm's ranking (according to revenue) by Kennedy Information was used as an indicator. While actual revenue would serve as a better indicator, the tightly guarded nature of the management consulting industry coupled with the private status of two-thirds of the firms in the sample precluded the explicit collection of size data. However, Tabachnick and Fidell (1989: 8) state that it is acceptable for an ordinal variable of this nature to be used as a continuous measure so long as the number of categories is large (20 or more). To diminish potential multicollinearity with firm age, both age and size were centered (Aiken, West, and Reno, 1991). For the **prospective mark** measure, the intent-to-use (ITU) status was extracted from the automated Trademark database of all trademark and service mark filings. The 1988 change in the Lanham Act of 1946 to allow ITU filings has been described previously. This variable is dichotomous, indicating if the service mark was filed as an ITU or not. In terms of similarity, two measures are offered. First, **mark competitive overlap** was determined by examining the similarity in the use of key management consulting terms between the dyadic pairs using the same technique as was used for the uniqueness score, but limiting the assessment to the key terms.[4] This yielded a score between 0 and 1 that indicated the degree of overlap between the two marks, with 0 representing no overlap and 1 representing complete overlap. Second, **firm competitive overlap** is the average overlap between the focal and other firms at the time the focal firm filed for the mark. The measure captures the degree to which the two firms are competing in similar domains over time by taking the average of the previous mark competitive overlap scores. As with mark competitive overlap, the score is between 0 and 1, with 0 representing no overlap between the two firms and 1 representing complete overlap.

Controls

Several controls are appropriate for this study. First, controlling for location is somewhat problematic. Although the *Directory of Management Consultants* (Kennedy Information, 1999) and *Insite 2* Database (Gale Group, 2001) were used to determine the headquarters location of the firm, these data provide little insight into the particular dynamics at play in mark positioning. Thus, **location** is operationalized as a dichotomous variable with a value of 1 if the firm is based in the United States and a value of 0 if the firm is headquartered in another country. This is appropriate given that 20 percent of the 50 largest management consulting firms are headquartered outside the United States. Second, **temporal distance** is necessary to control for the time between the filing of the marks. Temporal distance controls for trends that may emerge and then recede over time and is calculated as the square root of the number of days between mark filings.[5] Third, the **firm-level mark** variable indicates that the mark represents the firm itself rather than services provided by the firm (see Chamberlin, 1933) and was created by evaluating each of the 578 marks to determine if it identified the firm or a service provided by the firm. For example, the service mark 'McKinsey & Company' would be considered a firm-level mark, while the service mark 'Global Best Practices' would not. In all, 47 firm marks were identified from the sample of 578, representing just over 8 percent of the sample. Fourth, the ownership status of the firm was also extracted from the *Directory of Management Consultants* (Kennedy Information, 1999) and the *Insite 2* Database (Gale Group, 2001). No firms changed status during the period of the sample (i.e., private to public or public to private) and roughly one-third of the firms are publicly held while the other two-thirds are privately held. The **ownership** variable was set to 1 if both firms were either public or private and 0 otherwise. Finally, there is an implicit control on performance through the selection of the 50 largest consulting firms in the industry. Although this does not imply performance homogeneity across the firms, it does suggest that all exhibit strong performance. The means, standard deviations, and correlations of the dependent, independent, and control variables are provided in Table 3.

A random-effects, time series cross-sectional (TSCS) model was estimated (Greene, 2000). The dataset contains 50 firms and 23 time points, which yields 578 unique observations in an unbalanced panel format that are converted into dyadic pairs and then temporally corrected as was mentioned

[4] See footnote 3 for a description of these terms.

[5] The square root of this variable was taken to normalize its distribution given that the raw measure was highly skewed.

previously. Because the same unit was observed several times, the observations are not statistically independent, which suggests the need for a TSCS approach to control for unobserved heterogeneity (Baltagi, 2001). Both fixed and random effects models were estimated, with the subsequent Hausman test (Hausman and McFadden, 1984) indicating that a random-effects model is appropriate for estimation. To address contemporaneous correlation (Beck and Katz, 1995), the models were run with and without year dummy variables. The inclusion of the year dummy variables did not affect the results, so they were omitted for parsimony. All models were estimated with Stata SE 8.2.

RESULTS

All model results are reported in Table 4 in a stepwise fashion, beginning with the similarity measures followed by the age, size, and prospective services measures. The full model (Model 10) will be discussed here. First, the similarity measures provide a mixed effect on distance, with firm competitive overlap positive and significant ($\beta = 0.012$, $p < 0.01$) and mark competitive overlap negative and significant ($\beta = -0.025$, $p < 0.001$). This suggests that although firms will position their marks near to similar marks from other firms, the firms themselves located distant from other similar firms. In other words, the greater the mark-level competitive overlap, the closer the marks were positioned to each other; but the greater the firm-level competitive overlap, the further the firms positioned their services from each other. Taken together, this evidence suggests a balanced perspective on positioning in terms of similarity.

Next, focal and other age provide divergent results as well. The coefficient for focal age is positive and significant ($\beta = 0.096$, $p < 0.001$), while the coefficient for other age is negative and significant ($\beta = -0.036$, $p < 0.001$). This suggests that the older the focal firm, the further from other firms it will position and the older the other firm, the nearer to it the focal firm will position. Interestingly, the results are reversed for focal and other size. The coefficient for focal size is negative and significant ($\beta = -0.074$, $p < 0.05$) and the coefficient for other size is positive and significant ($\beta = 0.016$, $p < 0.001$). This suggests that the larger the focal firm, the nearer to other firms it will position, and the larger the other firm, the further from it the focal firm will position.

Finally, prospective services for the focal and other firm are evaluated. For both the coefficients are negative and significant ($\beta = -0.044$ and $\beta = -0.031$, both $p < 0.001$). This suggests that the focal firm locates its prospective services near the marks of other firms and that the focal firm locates its marks near to the prospective services of other firms. In other words, prospective services act as a signal that draws other marks near, and prospective services are used to locate near to other marks rather than to secure new positions in the market.

Because standardized coefficients are reported in Table 4, the effects of each of the coefficients may be assessed relative to the others for a change of one standard deviation. It is noteworthy that focal characteristics (age, size, and prospective services) had a greater effect on positioning than did characteristics of the other firm or the similarity measures. In considering other firm measures, age had the greatest effect on position, followed by prospective services. The relative effects of the variables of interest, along with the other empirical results, will be discussed further in the following section.

DISCUSSION

This paper has examined the service positioning strategies of management consulting firms using mark filings and applying a dyadic approach. Characteristics of both dyad members (focal and other) were considered, providing a deeper understanding of the forces at work. Results indicate that, first, while focal firms may position individual marks near to other similar marks, they position the firm far from firms with whom they have high competitive overlap. Second, younger firms position themselves near to other firms while older firms position themselves far from other firms, and firms position near to older firms, but far from younger firms. Third, small firms locate themselves far from other firms while large firms locate near to other firms, but firms position far from large firms and near to small firms. Finally, prospective services are used to position close to other firms, and firms position close to prospective services.

In addition to these findings, it is notable that the focal firm's characteristics had a greater effect on the positioning decision than did the other firm's

Table 3. Means, standard deviations, and correlations

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Euclidean distance	6.33	4.23														
2 Focal U.S.-based	0.95	0.23	−0.014													
3 Other U.S.-based	0.94	0.24	0.013	−0.012												
4 Focal firm-level mark	0.07	0.25	0.023	−0.140	−0.001											
5 Other firm-level mark	0.12	0.33	0.055	0.008	−0.233	−0.001										
6 Normalized elapsed time	34.15	18.07	0.053	0.008	−0.152	−0.018	0.200									
7 Ownership	0.58	0.49	0.013	0.058	−0.050	−0.055	0.015	0.017								
8 Mark competitive overlap	0.57	0.43	−0.023	−0.014	−0.011	0.022	−0.008	0.049	0.043							
9 Firm competitive overlap	0.55	0.21	0.002	0.016	−0.041	0.001	0.037	0.121	0.079	0.452						
10 Focal age	−0.57	38.10	−0.030	0.287	−0.011	−0.102	0.013	−0.020	0.138	0.018	0.007					
11 Other age	−3.02	36.33	−0.030	−0.015	0.254	0.007	−0.168	−0.164	0.132	0.077	0.153	−0.053				
12 Focal size	0.24	13.96	−0.022	0.051	−0.003	−0.205	0.008	−0.013	0.131	−0.011	−0.015	0.644	−0.036			
13 Other size	−1.52	13.12	−0.008	−0.022	0.182	0.018	−0.235	−0.073	0.136	0.068	0.145	−0.051	0.593	−0.058		
14 Focal ITU	0.57	0.50	−0.040	0.011	0.004	−0.162	−0.007	0.047	−0.037	0.066	0.084	−0.100	0.011	−0.067	0.012	
15 Other ITU	0.43	0.50	−0.051	−0.002	0.058	−0.004	−0.157	−0.251	−0.059	0.035	−0.003	−0.013	0.074	−0.011	−0.023	0.004

All correlations $> |0.05|$ significant at $p < 0.05$

Table 4. Random-effects time-series cross-sectional model results

	Base	1	2	3	4	5	6	7	8
Constant	1.149***	1.177***	1.165***	1.265***	1.223***	1.154***	1.164***	1.204***	1.241***
Focal U.S.-based	0.029	0.029	0.029	0.018	0.019	0.022	0.021	0.022	0.023
Other U.S.-based	0.032***	0.032***	0.032***	0.032***	0.038***	0.038***	0.038***	0.038***	0.038***
Focal firm-level mark	0.032***	0.032***	0.032***	0.032***	0.032***	0.032***	0.032***	0.025***	0.025***
Other firm-level mark	0.054***	0.053***	0.053***	0.053***	0.050***	0.050***	0.053***	0.053***	0.049***
Normalized elapsed time	0.048***	0.049***	0.048***	0.049***	0.045***	0.045***	0.044***	0.046***	0.039***
Ownership	0.013***	0.014***	0.014***	0.013***	0.018***	0.018***	0.017***	0.017***	0.015***
Mark competitive overlap		−0.025***	−0.028***	−0.028***	−0.028***	−0.028***	−0.028***	−0.026***	−0.025***
Firm competitive overlap			0.007†	0.007†	0.013***	0.013***	0.012**	0.012**	0.012**
Focal age				0.095***	0.096***	0.101***	0.101***	0.095***	0.096***
Other age					−0.029***	−0.029***	−0.039***	−0.039***	−0.036***
Focal size						−0.075*	−0.075*	−0.073*	−0.074*
Other size							0.019***	0.020***	0.016***
Focal ITU								−0.044***	−0.044***
Other ITU									−0.031***
Observations	114,946	114,946	114,946	114,946	114,946	114,946	114,946	114,946	114,946
χ^2	795.55***	866.72***	870.00***	913.23***	995.01***	998.99***	1025.88***	1216.93***	1321.81***
$\Delta\chi^2$		71.17***	3.28†	43.23***	81.78***	3.98*	26.89***	191.05***	104.88***

(Standardized beta coefficients reported)
*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$; † $p < 0.10$

characteristics or similarity measures. This suggests that although multiple dimensions may be considered, the firm's own characteristics dominate. Such a finding is understandable since the firm's characteristics are known and deeply entrenched, but the intention and plans of the other firm must be speculated upon or inferred from its characteristics. It is also worth noting that the focal firm's age is the principal determinant of position, and, among the characteristics of the other firm, age was the principal determinant as well. Professional services firms are very reputation conscious (Abrahamson, 1991, 1996; Maister, 1993) and firm age may provide a proxy for a firm's reputation, making it a very salient characteristic.

The purpose of this study has been to examine the effect of mark, firm, and dyadic characteristics on the mark positioning decision. This research provides strong evidence that competitive interactions matter to individual firm behavior, with positioning influenced by both focal and other characteristics. The principal finding of this study is that firms strike a balance between the benefits of locating near to or distant from other firms along a number of dimensions. For example, results indicate that firms locate near to older firms, gaining legitimacy, reducing uncertainty, and potentially benefiting from spillovers while locating distant from larger firms to avoid the competitive forces of engaging in direct competition with larger competitors. However, while young firms will position near to other firms, as the focal firm becomes older it will locate its services farther from those of other firms, perhaps because it no longer needs the legitimacy provided by positioning near, while as the focal firm becomes larger it will locate its services near to other firms, perhaps as an indication of its growth and ability to weather the effects of competition. Furthermore, although greater competitive overlap between marks decreases distance, greater competitive overlap between firms increases distance, which implies that firms seek to differentiate themselves from their known competitors in the market place. Therefore, a balanced approach to positioning emerges from this study that is in keeping with recent research (Baum and Haveman, 1997; Deephouse, 1999) which suggests a balanced approach is appropriate in evaluating competitive interactions.

An implication of this research is that it strongly supports the assertions of Chen (1996), who argued that the characteristics of the other as well as the focal firm need to be considered. Competitive asymmetry has been largely absent from the strategy research, particularly in research on positioning. For example, the research of Baum and Haveman (1997) examined how the characteristics of the focal firm influenced the positioning of the

hotels in Manhattan, but did not consider individually the characteristics of the other hotels. Likewise, Deephouse (1999) used the strategic deviation from an industry mean to assess similarity or difference, but did not consider dyadic similarity or difference. This research includes the characteristics of the dyadic other and demonstrates that the characteristics of the other firm significantly impact the positioning decision, providing a richer understanding of the dynamics of positioning. This finding is a valuable contribution to the strategy literature and suggests that future strategy research should include the characteristics of both dyad members when examining positioning.

There are three major contributions of this research. First, it explores positioning at the dyadic level, taking into account the competitive asymmetry implicit in the positioning decision. Chen notes: 'asymmetry is likely to be present in most competitive engagements ... however, with only a few exceptions, this concept has not been discussed in the strategy literature'; and 'to capture the unique nature of each competitive relationship ... analysis is best carried out as an intraindustry comparison derived from the study of the relationships between pairs of firms' (Chen, 1996: 117 and 104, respectively). This study is the first to disentangle the dynamics of positioning by considering the characteristics of both dyadic members in assessing the effect on distance, thereby providing a more fine-grained perspective of the positioning decision.

Second, this research explores the actions of management consulting firms, an industry that is becoming increasingly important as consulting firms grow in size and ubiquity, but has been the subject of relatively little empirical analysis, perhaps due to the private ownership of many of the large consulting firms. Although professional services are not afforded the IP protection given to patents, marks provide a way for the consulting firm to identify and distinguish itself and its services (Burge, 1999; Chamberlin, 1933) and therefore provide a way to assess the positioning of the firms relative to each other.

Finally, this research is the first treatment in the strategy literature of marks as strategically important. While marks have provided exclusionary property rights for several centuries (McCarthy, 1984), the advance of information technology, particularly the Internet, and recent legislative moves (see McClure, 1996) have increased the importance of obtaining IP protection for what identifies and distinguishes the firm and its goods or services. Yet Wilkins states that though marks represent 'a significant business asset ... they have not ... been systematically studied' (Wilkins, 1992: 68). Notwithstanding the early work of Chamberlin (1933), the management literature is without any careful analysis of the value provided by marks and the strategy literature is without research exploring how firms use marks to position themselves. Consequently, this research opens a potentially fruitful area for future examination of how this established IP right is used to address the strategic issues of the firm.

Limitations and future directions

Several opportunities for future research emerge from the limitations of this study. First, this research was temporally coarse-grained in nature, modeling mark behavior at year intervals. There are several timing issues that could be examined with the fine-grained data that marks provide, such as market entry decisions by firms (Gimeno and Woo, 1996; Smith, Grimm, and Gannon, 1992). For example, how quickly do other firms respond to the filing of a mark, and does the speed of the response vary for prospective marks compared to regular marks? Also, this research focused on dyadic distance and thus did not examine the movement of firms over time, as did Stuart and Podolny (1996). Examining the movement of firms will provide a better understanding of the unfolding and diffusion of particular management innovations (Damanpour, 1991). Additionally, Abrahamson and colleagues have suggested that fads and fashions (Abraham, 1991, 1996) or bandwagon effects (Abrahamson and Rosenkopf, 1993) affect the diffusion of these innovations, and examining the mark filing behavior of the firms provides a way to model the dynamics of professional service diffusion.

Second, this research has focused on the largest 50 management consulting firms. Although this constraint facilitated some degree of homogeneity among the firms evaluated, it does not tap the competitive dynamics that may be manifested among medium and small management consulting firms. This research dealt with the 578 service mark filings of the largest 50 firms; however, there are

well over 2,000 service mark filings by all management consulting firms in the study period. As such, it provides an opportunity to examine if large and small firms compete differently in professional services, much the way Chen and Hambrick (1995) did in the airline industry. Hence, an opportunity exists to model the competitive dynamics across different size levels to assess positioning strategies at various size levels.

Finally, like other positioning studies (e.g., Stuart and Podolny, 1996), this paper does not link mark positioning to firm performance. Although the tightly guarded nature of the management consulting industry precluded the collection of these data, future research may focus on industries or strategic groups where performance data are available. Conducting this research is important to the economic and strategy literatures to determine if and how marks might provide the basis for competitive advantage (see Schmalensee, 1978), so future research should determine if indeed marks provide competitive advantage, as Chamberlin (1933) asserted.

In conclusion, this paper is the first use of marks in the strategy literature to model competitive positioning among firms. Marks present an excellent secondary data resource, similar in many respects to patents (Chamberlin, 1933). For example, mark filers must specify the goods or services to which the mark is attached, indicating the strategic intent of the firm. Moreover, ITU filing status provides a signal of future intentions, projecting up to 36 months into the future. Furthermore, mark filings provide a fixed point in time when the firm makes the decision to seek legal intellectual property protection for their use of a concept in the marketplace. Researchers are encouraged to take advantage of this resource when determining the strategic intent and actions of competing firms.

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