

Gaining Share and Losing Ground

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We argue that there is a competitive risk involved in inflicting excess capacity on a competitor. A firm with excess capacity will face sharply reduced incremental costs associated with investing in human- and organizational capital, since the value of forgone production is low when human resources are idle. The reduction in the cost of these investments means that they are likely to be sharply increased. If so, the human and organizational capital accumulation is likely to be sped up for the firm that experiences excess capacity, but not for the firm winning market share since it has to bear the full incremental cost of using employees in development activities. We propose a set of propositions about conditions that affect the size of this risk.



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