

A major question in the operations strategy area is what firms should do with their core operations capabilities. Two competing views have been presented: “trade-off” and “cumulative capabilities” model. Whilst both models have intuitive appeal, they fail to answer the broader question as to why firms would trade-off or accumulate capabilities. The explanation provided is that this depends on available capacity however this also lacks strong empirical support. Hence, we propose another explanation besides capacity. This “new” explanation is based on the dynamic capability view, and proposes that firm choices would depend on levels of competition faced from others in its business environment. These explanations were empirically tested with longitudinal data from the Australian airline industry. Our analysis showed that available capacity was not supported however, competition based explanation was somewhat supported. This paper therefore provides a new perspective and better explanation as to why firms trade-off or accumulate capabilities.