In order to reap competitive advantage of innovation, a firm’s technology activities should square with its technology strategy. But how do technology strategies relate to activities and financial performance in relevant business areas? This paper investigates this question by means of a comparison between two leading firms in the electrical engineering industry: ABB and General Electric. We show that substantial performance differences between these companies in the Power Generation field are related to differences in their espoused technology strategies (as indicated by statements in annual reports) and technology activities (as indicated by patenting) and the degree of alignment between these.

Influential literature on industry life cycles has been concerned with shakeouts at an early stage in industry formation, followed by a largely stable pattern of competition on process efficiency and incremental product improvement. In contrast to this view, the focus of this paper is on discontinuities leading to late shakeouts in assumedly mature, science-based industries. The empirical case analyzed is the competition in combined-cycle gas turbine technology, CCGT, 1986-2000. Of the four main incumbent firms in this industry at the start, GE, ABB, Siemens and Westinghouse, two exited the industry at the end of the studied period. How can this dramatic outcome be explained? We show that variation in technological capabilities, indicated by technology strategy and technology activities are strongly related to the differences in the four companies’ performance. Our findings suggest that models of industry life cycles need to be amended to incorporate successive discontinuities, the possibility of late shakeouts and the importance of technological capabilities of firms.

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