Competitive Advantage: A Mirage or Mirror to Strategic Efforts?

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Abstract

Competitive advantage despite being pivotal in strategic management literature remains equivocal right from its definition, sources and measurement thereby becoming a mirage to strategic efforts. This paper, through literature review, presents a conceptual argument for a paradigm shift where competitive advantage is not adduced to the whole firm but rather to products and value chain activities using multiple measures relevant to the organization's processes and contexts. This would imply that a firm can have an advantage in one activity and a disadvantage in another within the same value chain. Further, competitive advantage as a variable becomes a mediator to performance or a dimension of performance to mirror strategic efforts but not an independent variable. This shift is informative to scholars and managers since it allows for the evaluation of the firm's activities individually and enables scholars to operationalize competitive advantage based on the value chain activities and organizational contexts.

Key Words: Competitive advantage, competitive position, competitive disadvantage, competitive strategy

1. *Introduction*

Competitive advantage is increasingly drawing the attention of strategy scholars and managers with organizations seeking ways of delivering competitive advantage and making it sustainable. Notwithstanding, competitive advantage remains an elusive and equivocal concept among strategists. Flint (2000) observed that the term had earned the prize of being the most overworked and least understood buzz word in strategic management and that extending it to sustainable competitive advantage was simply an elaboration of ambiguity. This he attributed to the lack of consensus on this concept. Indeed, many scholars and managers alike, invoke the term without clarity on what it really entails and therefore hope that they have communicated while they may not have. Different people might apply the term but with totally different ideas in terms of what they mean which muddles scholarly and managerial efforts. In some cases, the term is applied synonymously to performance, at other times as an antecedent to performance or even as a performance measure. Table 1 provides various views and meanings attached to the concept of competitive advantage.

Table 1: Meanings of Competitive Advantage

Author	Definition
Ansoff (1965)	The isolated attributes or properties of individual products to confer a strong comp etitive position to a firm
Porter (1985)	Competitive advantage emanates from the ability to provide superior value for cust omers by offering lower prices than competitors for similar benefits or offering un ique advantages that supersede the higher prices charged
Schoemaker (1990)	Competitive advantage is systematically creating above average returns
Winter (1995)	Competitive advantage is typically superior performance
Grant (1998)	Competitive advantage is when a firm persistently earns a higher rate of profit
Besanko et al (2000)	Competitive advantage is the advantage in economic profits relative to the average competitor in an industry
Saloner, Shephard & Podolny (2001)	Competitive advantage implies that the firm can produce products or services that customers value than competitors or produce them at a lower cost than competitor s
Wiggins & Ruefli (2002)	Competitive advantage is the capability (ies) or resource(s)that gives a firm an adv antage over its competitors which leads to higher relative performance ceteris parib us
Huff et al (2009)	Competitive advantage occurs when an organization's activities are more profitable than competitors or when it outperforms other organizations in terms of significan t results of activities
Grahovac & Miller (2009)	Competitive advantage is the cross sectional differential in the spread between pro duct market demand and marginal cost
Wang (2014)	Competitive advantage is derived by a firm developing or acquiring attributes or e xecuting actions that enable it to outperform its competitors

The definitions in Table 1 point to varying conceptualizations of the concept of competitive advantage. At its most basic level, competitive advantage is seen as the circumstances that put the organization at a favourable position or the leverage that allows the organization to outperform its competitors. In line with this view, competitive advantage takes a positional perspective whereby the organization is rated amongst its competitors and emerges in a better position. This basic view of competitive advantage is rarely contentious among both scholars and practitioners. However, this concept takes on a wider perspective given that the strategic management field revolves around creating competitive advantage and thus the concept warrants in-depth scrutiny.

Porter (1980) in his seminal work argued that firms secured competitive advantage through cost leadership, differentiation or focus strategies. In this case, competitive advantage implies having lower costs, differentiation advantage or successfully focusing on a niche market. Consistent with this perspective, competitive advantage is seen as a firm's ability to afford customers greater value either through lower prices or added benefits that justify higher prices which results in better performance compared to competitors. Wang, Lin and Chu (2011) observed that competitive advantage exists when a firm can deliver similar benefits as competitors at a lower price or deliver superior benefits to competitors. Notable with this view, is the fact that competitive advantage becomes an end goal. Strategic imperatives are therefore aimed at yielding a given result which is competitive advantage.

Inherent in this view is also the notion that competitive advantage is a position that is it implies being ahead of competitors or simply market leadership. In line with this Kotler (2012) advanced four positions that organizations can occupy in the competitive space namely the leader, the contender, the follower and the niche filler (Figure 1). The leader being the organization with the largest market share and that sets the standards to be adopted in the industry. The contender is the second in the industry which tries to capture a larger market share often by attacking the leader. The follower is the organization that is largely driven by the fear of losing out rather than the drive to gain more profits and therefore attempts to maintain the current market share and largely avoids actions that can upset the industry. The niche filler serves small segments of the market that are likely to be neglected by the other players and largely remains under their radar.

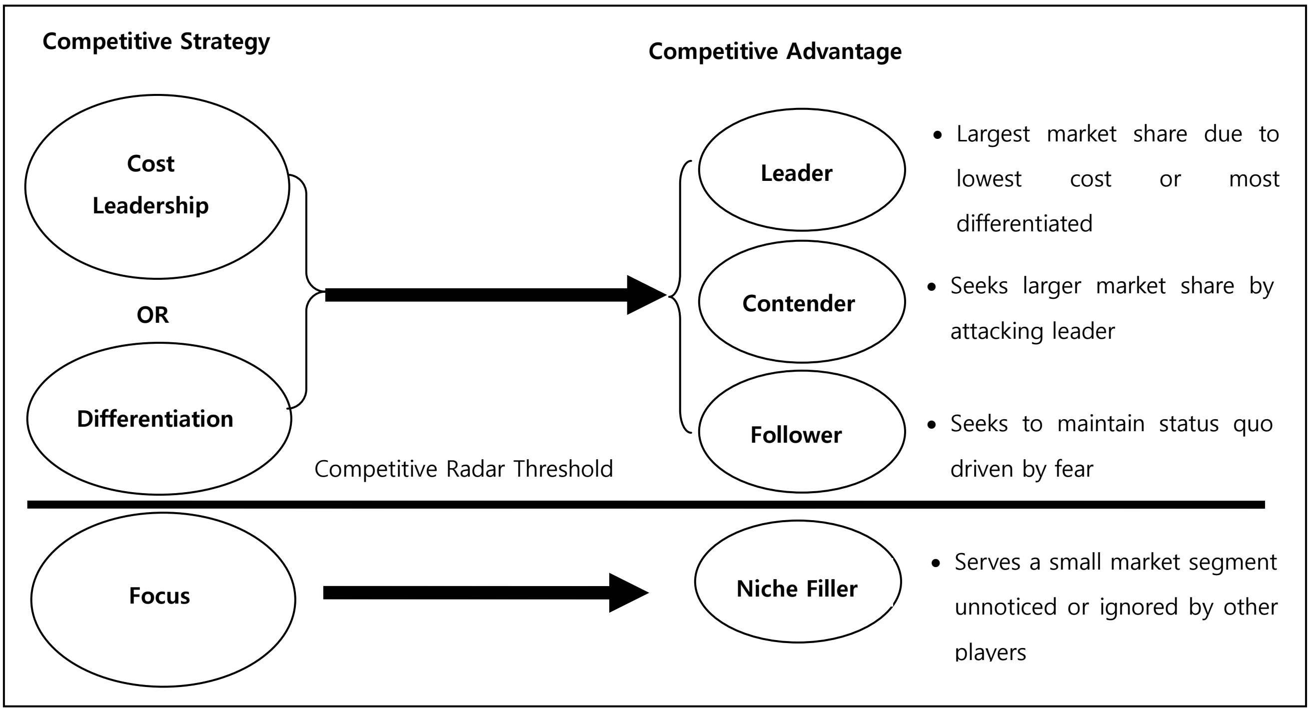

Figure 1: Competitive Advantage as Resultant Positions from Strategy

On the other hand, competitive advantage viewed through the lenses of the resource based view implies a means rather than an end goal. Wang, Lin and Chu (2011) argue that competitive advantage occurs when an organization develops attributes that help it outdo competitors. Smith and Flanagan (2006) observed that competitive advantage is what organizations possess that separates them from others and enable them to grow. In addition, they noted that it was possible for organizations not to exploit their competitive advantage fully or partially or to assume that they possess competitive advantage and yet they do not. In this view competitive advantage is seen as a resource possessed by the organization which when exploited appropriately results in superior performance. In this case competitive advantage is seen as a means to an end that is an attribute or resource utilized to deliver on performance goals. Consequently, organizations focus on how they can affect this competitive advantage to deliver superior performance.

Barney (1991) advanced the resource based view which argued that for the organization to have competitive advantage it must possess resources that are valuable, rare, inimitable and non- substitutable. Further, such resources must be organized in an appropriate manner to deliver superior performance. Competitive advantage is therefore an internal attribute that the organization must deploy to achieve superior performance. Notable with this perspective is the notion that competitive advantage is part of the process to superior performance and so organizations do not seek competitive advantage for its sake but rather to get better performance. This is distinct from the view of competitive advantage as a position.

2. Internal or External Sources?

Strategic management scholars and practitioners have been polarized into two regarding where firms derive their competitive advantage. The first view here is derived from the traditional industrial organization understanding. In this case, a firm's competitive advantage is determined by the industry in which it operates in. When the firm is operating in an attractive environment it is more competitive than other firms and therefore it just needs to align its products and services to the environmental opportunities to deliver superior performance. Porter (1990) advanced the five forces model of competitive advantage which argues that an industry's structure is determined by the threat of new entrants, threat of substitutes, suppliers' bargaining power, buyers' bargaining power and rivalry among existing competitors. A firm that is able to position itself appropriately against these forces is deemed to have competitive advantage. Consequently, the strategist's focus is on analyzing external environment factors to identify opportunities for the firm to exploit with its products.

A key weakness leveled against this view is that the firm is seen as a passive actor which is at the mercy of the environment. Further, external focus fails to explain why some firms in the same industry outperform the others. These weaknesses paved way for the internal focus of competitive advantage. This view argues that firms should seek what they can do better than their competitors based on their endowments. Wernerfelt (1984) in coining the resource based view held that firms' resources were as important as their products in delivering superior performance such that the firm with valuable, rare, inimitable and non-substitutable resources can secure competitive advantage. Consequently, firms should focus internally to identify and build competitive advantage with resources such as technology, organization structure and culture and human resources being pivotal to performance. The resource based view presumes that the organization takes a more active role in determining its fortunes. However, it has been argued that resources that embody the valuable, rare, inimitable and non-substitutable characteristics are not sufficient to guarantee sustainable competitive advantage (Srivastava, Franklin & Martinette, 2013) especially in rapidly changing environments. Teece, Pisano and Shuen (1997) advanced the dynamic capabilities theory which argues that for organizations to sustain competitive advantage they must possess an innate ability to adapt, integrate and reconfigure their resources within a changing environment. This view recognizes the role of both the internal and external environments in securing and sustaining competitive advantage. Isoraite (2018) argued for an integrated model of competitive advantage that combines the internal resources of the organization and the environmental factors. In the modern business environment, it is imperative to adopt holistic models of competitive advantage if the organization is to avoid being blindsided.

3. Competitive Advantage as a Variable

Despite the lack of unanimity regarding the concept of competitive advantage, it has gained popularity with scholars and practicing managers alike. Ceglinski (2016) noted that this concept was generally accepted in the management sciences and has an unchallengeable pivotal role in the theory and practice of strategic management. Specifically, strategic management as a field revolves around how organizations can secure and sustain competitive advantage. The importance of this concept to the strategic management field can therefore not be overemphasized. The divergent views regarding the classification of competitive advantage as either an end goal to organizational actions or a means to achieve other goals presents a unique dilemma to scholars. Due to its pivotal role in strategic management, competitive advantage is an important variable in studies in the field. However, the divergence in its perception implies that competitive advantage suffers from causal ambiguity and can be treated differently by scholars.

To begin with, competitive advantage as an end goal becomes a dependent variable. In this case, the work of the scholar becomes finding antecedents that can be affected to deliver competitive advantage. Additionally, the scholar must identify measures of competitive advantage. Due to the notion that competitive advantage is a position above competitors, measures such as market share are commonly applied. However, this precipitates a skewed view of organization actions due to the myopic and narrow view of the results of organization action.

Further, this view presupposes that higher competitive advantage is correlated with better performance and so competitive advantage can substitute performance in evaluating organizational actions which may not always hold. For instance, an organization that serves a niche market space will definitely reflect a very weak or negligible position in the market place. However, such a firm may be performing very well when viewed through other performance lenses.

The second approach is where competitive advantage is viewed as a means to performance which implies that it is a mediator variable to performance predictors. This means that organization actions are really aimed at performance but they deliver competitive advantage which then results in superior performance. Barney (1995) noted that to deliver competitive advantage, firms must consider the unique resources they bring to the competitive space and utilize them appropriately. Wang, Lin and Chu (2011) concurred that internal resources provided competitive advantage leading to superior performance. The task for the scholar in this case is to study the relationships between the antecedents to competitive advantage and performance.

The final view of competitive advantage as a means to performance involves treating it as an independent variable. In this case, competitive advantage among other competences is manipulated to deliver performance. Reed and DeFillipi (1990) argued that in this case competitive advantage was something that can be applied within the firm's strategy for better performance. Further, they noted that such competitive advantage emanates from the barriers to imitation that are derived from the degree of ambiguity by the firm. This ambiguity they posited was associated with the tacitness, complexity and specificity of the firm. This view implies that competitive advantage becomes an idiosyncratic attribute possessed by some organizations and not others which accounts for performance variations. The role of the scholar is therefore to understand how some organizations have competitive advantage while others do not in a bid to inform managerial practice.

Sigalas, Economou and Georgopoulos (2013) noted that competitive advantage was a latent and largely unobservable variable. They sought to find a robust stipulative definition that would especially delink competitive advantage from performance. They therefore defined it as "the above industry average manifested exploitation of market opportunities and neutralization of competitive threats". From this they operationalized the variable of competitive advantage to encompass full exploitation of all market opportunities and full neutralization of all competitive threats. Notable is that measured this way, the firm either has competitive advantage or not. This measure may therefore not provide complete information to the firm in relation to all its competitors and may not enable ranking of firms in the industry as envisioned by Kotler (2012).

On the overall, competitive advantage warrants more than superficial acceptance from scholars. Specifically, scholars must address the question of whether competitive advantage is only a relational concept where the firm is evaluated against its competitors and further determine holistic measures of competitive advantage. This requires a convergence of the gains made in relation to performance measurement in the strategic management field with competitive advantage measurement. Kaplan and Norton (1992) advanced the balanced score card encompassing four performance perspectives as a holistic measure of performance. These measures include performance from customer, internal processes, learning and growth and financial perspectives. Richard, Devinney, Yip and Johnson (2009) argued that scholars must adopt triangulation of multiple measures, longitudinal data and alternative methodologies that align performance measures with research contexts. These views warrant consideration in developing comprehensive measures for competitive advantage. Competitive advantage as an increasingly pivotal variable in strategic management therefore needs to be viewed from multiple perspectives and evaluated using multiple measures depending on the research context.

4. Competitive Advantage and the Value Chain

Klein (2002) raises the question of what competitive advantage is vested in and notes that literature on competitive advantage is largely ambiguous as whether it is vested on the firm or the firm's products. Discussion on competitive advantage presumes the firm is the unit of analysis especially when competitive advantage is seen as a position. Porter (1985) argued that by delivering the most differentiated products or delivering products at low prices, the firm acquires competitive advantage placing the firm at the centre of competitive advantage. In this case the firm that emerges as the leader has competitive advantage and consequently the competitive advantage is at the firm level. When competitive advantage is viewed as a means to an end, consistent with the resource based view, the point of focus becomes the firm once more. In this case the firm with superior resources has competitive advantage. These two predominant views present an inherent weakness in understanding competitive advantage.

To begin with, Porter's (1985) basis for the firm's competitive advantage is cost leadership, differentiation or focus strategies. These strategies may have been applicable for simple firms with single product lines that existed during the industrial revolution but in the modern reality, they may not hold for entire organizations. In fact, these strategies are applied at the product level not firm level. Klein (2002) argues that the competitive advantages described by Porter are best understood as product attributes rather than firm attributes.

On the other hand, while the resource based view focuses on organizational resources, these resources are ultimately organized and expressed in product or service terms. This still raises the question on where the value is perceived from. Porter (1985) observed that competitive advantage cannot be understood by focusing on the whole firm since it is made up of many discrete activities that create and deliver the final product. He observed that different firms had different value chains even when they competed in the same industry which formed key sources of competitive advantage.

Value chain analysis would incorporate both the value and cost of performing activities. He therefore concluded that value chain rather than value added is the more appropriate way of examining competitive advantage. Further, he observed that competitive advantage could also emanate from the linkages among the value creation activities through optimization and coordination and that such linkages can be within the firm or with external firms.

The value chain provides a more encompassing view of competitive advantage and specifically draws attention to the process of creating products or services. In this case competitive advantage rests on how value is created or arrived at in carrying out a competitive strategy (Ensign, 2001). Competitive advantage therefore emanates through the process of the organization creating value or how it manages its value chain. This perspective then opens up avenues for scholars to ask what has to be done to create value and how do we know that value has been created?

5. Future Avenues

Competitive advantage still remains an elusive concept among strategic management scholars, consultants and practicing managers. From its definition to its measurement, this concept has remained to be a mirage. However, there is consensus regarding the importance of this concept among scholars and managers alike. Competitive advantage whether as an end to itself or as a means to performance is definitely a key driver to strategic imperatives. Depending on how it is conceived in research studies, competitive advantage as a variable may be an antecedent to performance or a dependent variable. Key for scholars is operationalizing this variable in a holistic manner consistent with the gains that have been made in the field. This will require multiple measures depending on the research contexts.

This article proposes a paradigm shift in how competitive advantage is viewed by scholars and managers if this concept is to be useful in providing a true reflection of strategic efforts. To begin with, clarity is required on the object of assessment regarding competitive advantage. The ambiguity between the firm and products only enhances the confusion on this important concept. A shift to a more process oriented view of competitive advantage is likely to yield more understanding on this concept and give alignment to the prevailing dominant views. This involves agreement that there is no competitive advantage without value and that value is seen in the ultimate offering given to a customer. Additionally, this suggests that a firm with different products may not perform equally across all the products. Evaluating competitive advantage through the process of delivering the product to the customer may prove more informative. This implicitly means that products and or processes become the basis of competitive advantage. Therefore, a firm may have competitive advantage in one product and not another or in one process and not another.

Secondly, a process oriented view of competitive advantage also has implications on how it can be operationalized as a research variable. One measure of competitive advantage may not be applicable across different processes. This calls for multiple measures and composited measures of competitive advantage. This provides further scholarly avenues as scholars design appropriate measures of competitive advantage for different processes and organizational contexts. For instance, the competitive advantage in the inbound logistics for a hospital may require different measures from that of a manufacturing firm and that the overall competitive advantage for each firm will be a culmination of all the value chain activities performed by the firm. This also requires proper understanding of value creation processes and how organizations can leverage them for competitive advantage. This would shift competitive advantage from a mere buzzword to a more meaningful concept.

Lastly, competitive advantage emanates from how the organization performs its value chain activities. Further, there has been a lot of literature seeking the sources of competitive advantage. This suggests that competitive advantage does not arise by itself rather it is created or triggered by certain organizational activities. Competitive advantage may therefore not be an independent variable but rather it has certain antecedents. Additionally, without delivering any value in terms of organizational performance, competitive advantage would not be sought for. For this reason, it is sought as an avenue to superior performance. Basically, competitive advantage is not sought for its own sake but rather as a performance metric or in order to obtain performance imperatives.

This study proposes that competitive advantage is not an end to itself and is better seen as a mediator to performance or part of performance. On the overall for competitive advantage to be a mirror to strategic imperatives rather than a mirage, a more process driven approach, coupled with multiple measures along the different value chain activities is likely to be more definitive.

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