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SUSTAINED COMPETITIVE ADVANTAGE: A SYSTEMS PERSPECTIVE ON THE CONTRIBUTION OF RESOURCE-BASED VIEW, MARKET-BASED VIEW, AND DYNAMIC CAPABILITIES

***Vincent Nyakondo Nyang'au, **Elijah Maronga and **Stella Omari**
*Doctoral student, School of Business and Economics, Kisii University
P.O Box 408 - 40200, Kisii, Kenya.

Corresponding author email: makayaganiv@gmail.com
**Senior Lecturers, School of Business and Economics, Kisii University
P.O Box 408 - 40200, Kisii, Kenya.

Abstract

This review seeks to establish the relationship among resource-based view (RBV), market-based view (MBV), dynamic capabilities (DCs) and sustainable competitive advantage (SCA). The review was aimed at adding knowledge to the existing literature on the interaction between firm resources, market forces, dynamic capabilities and sustainable competitive advantage. The literature reviewed has theoretical implications for the development of the RBV, MBV and DCs model and literature on strategic management in the following ways: it has helped to draw a distinction between RBV, MBV and DCs; assessed the relationship between RBV, MBV and DCs and helped to establish how this relationship influences SCA; and helped draw practical implications on the theoretical and empirical contributions of RBV, MBV, DCs on SCA. This review supported the relationship hypothesized between firm resources, market factors, dynamic capabilities and sustainable competitive advantage: that they positively influence a firm's sustainable competitive advantage. The review shows that there is need for every company to comprehend its own resource base, market forces and its own source of dynamic capabilities. The study recommends clustering various elements under resource-based view, identify and appreciate market forces and get a clear insight of dynamic capabilities for a firm to achieve sustainable competitive advantage. This means, therefore, that any firm that fails to embrace these key elements of performance may not survive in the dynamic business environment. There is continued need for the interplay and interconnectivity of firm resources, market dynamics and

dynamic capabilities for a firm's sustainable competitive advantage. Finally, this study has proposed a model on the relationship between resource-based view, market-based view, dynamic capabilities view and sustainable competitive advantage of a firm.

Key words: Resource-Based View, Market-Based View, Dynamic Capabilities, Sustainable Competitive Advantage

Introduction

In strategic management literature, theoretical approaches that explain a company's ability to outperform its competitors include the resource-based view and Porter's (1981) industrial paradigm. The first approach ingrained on the structure-conduct-performance (SCP) paradigm focuses on the structure of the industry and ability of the organization to use its market power to arrive at competitive advantage. Several years after Porter's ground-breaking papers, this method is still largely applied (Wu & Yang 2014). Unlike the industrial organization view, whose focus is on external factors, the resource-based theory attempts to explain the heterogeneity of performance among firms based on company-specific factors. This theory posits that resources controlled by a company remain determinants of its performance and that these may lead to its sustainable competitive advantage (Barney, 2001). An extension of the resource-based view of an organization's success is the dynamic capabilities approach. This approach holds that the sustainability of a firm's competitive advantage lies on the firm's ability to recreate resources as its external environment changes (Teece, Pisano, & Shuen 1997; Teece, 2007). Furthermore, Teece (2007) asserts that capabilities that are important for a firm's competitiveness and sustainable competitive advantage comprise the ability to sense and seize opportunities and the ability to reconfigure its resources. More importantly, this approach refers to a firm's ability to change its resource configuration by applying certain capabilities and, therefore, adjust to changing environments to attain fresh forms of competitive advantage. Another approach of building sustainable competitive advantage for a firm is through the lens of the industry. This is summarized by the market-based view (MBV). This view claims that external market orientation and industry factors are the crucial determinants of competitive advantage (Peteraf & Bergen, 2003).

To expound on a company's sustainable competitive advantage, we will use several strategy paradigms. To support this, Hoskisson, Hitt, Wan, and Yiu (1999) posit that the field of strategic management is likely to experience increasing integration of multiple theoretical paradigms to create a balance between internal and external explanations of the complex relationships in the new competitive landscape. This review paper focuses on the resource-based view, the market-based view, and the dynamic capability view and their contribution towards sustainable competitive advantage. These three strategic concepts are interrelated because they address the issue of a firm's sustainable competitive advantage. This is because in strategic management, these concepts have become important factors in determining a firm's success. Although several theoretical and empirical studies on these theories have been concluded, their significance for a

company's sustainable competitive advantage is not entirely clear (Pezeshkan, Amir, Fainshmidt, Nair, Lance, & Markowski, 2015). This indicates that further literature review of these theories and their influence on a firm's sustainable competitive advantage needs to be undertaken. Therefore, this review will attempt to establish the influence of firm resources, market environment and dynamic capabilities on a firm's sustainable competitive advantage. To examine the relationships, a comprehensive literature review has been conducted. Furthermore, we propose a model to show the relationship among these variables that will lead to sustainable competitive advantage.

Literature Review

Resource-Based View (RBV)

Propounded by Barney (2001), the resource-based view posits that the resources controlled by a firm remain determinants of its sustainable competitive advantage. According to this view, resources include all organizational assets, information, processes, firm attributes, capabilities, and knowledge controlled by a firm that permits the firm to conceive and adopt strategies that improve its effectiveness and efficiency. This theory gives a more tangible and exhaustive framework that pinpoints the required characteristics of company resources to achieve sustainable competitive advantage. These characteristics include whether resources are VRIN: valuable (do they exploit opportunities and/or defuse threats in a company's environment?), rare among a firm's existing and possible competitors, inimitable (not easily imitated), and non-substitutable. Notably, researchers have espoused and even extended Barney's view to include resource durability, non-tradeability, and peculiar nature of resources (Barney, 2001). It is our view that a firm should ensure that its resources add value, are rare, and are costly to imitate. These resources would then be translated into sustainable competitive advantage by the firm.

Another way of looking at a firm's sustainable competitive advantage is by considering Barney's (1991) initial perspective that viewed resources as strategies put in place to improve the overall efficiency and performance of the organization. In this regard, resources were grouped into three categories. The first category is physical capital resources which include the physical resources of the organization such as plant and equipment, technology, location, and access to raw materials. The second category comprises human capital resources which include the training, experience, judgment, intelligence, insight from managers and workers within the organization. The third category includes organizational capital resources such as the formal structure of the organization, planning, controlling and coordinating systems, formal and informal reporting and planning systems as well as informal relation among groups within the organization and between external organizations in the competitive environment. This view indicated that it is the interplay between the company's physical capital resources, human capital resources, and organizational capital resources that contribute towards sustainable competitive advantage.

RBV's contribution to SCA of a firm is three-fold. First, Barney's concept of 'valuable' is an indistinct standard to measure the competitive advantage of an organization. Whether the resource is valuable or not should be measured by its profitability. This must take the form of an economic asset notwithstanding the fact that it is tangible or intangible. The value of any resource should be measured by the discounted value of the expected future income stream that can be attributed to it. Thus, the valuable attribute of a firm is taken as given in the resource-based view. Second, the concept of resource which is 'rare' is of the view that a resource must be rare among the firm's present as well as potential competitors. This concept goes further to indicate that if the number of companies possessing this resource is less than the number of firms needed to generate perfect competition, the resource is adequately rare to potentially create sustainable competitive advantage. Notably, valuable resources that are not rare cannot be a source of competitive advantage. For a firm to achieve competitive advantage, resources must be valuable and rare (Barney, 1991 & Talaja, 2012). Third, a firm's resources must be inimitable. This means that if the resources controlled by a firm can easily be replicated by competitors, even though the resources are the source of competitive advantage of the company, then the advantage will not last long (Barney, 1991). Thus, a firm's resources must not be easy to replicate if these resources were to offer sustainable competitive advantage to the firm.

Dynamic Capability View (DCV)

The dynamic capabilities approach emerged in the 1990s and added the missing perspective to the resource-based view. This approach is one of the predominant concepts for competitive advantage which forms the basis of this study. The concept of dynamic capabilities provides helpful insights regarding the sources of sustainable competitive advantage. This concept extends the resource-based view to an approach for a dynamic environment that aims at increasing global competition, ensuring shorter product life cycles and rapid technological advancements (Teece, Pisano, & Shuen, 2007). Grant (1991) argued that capabilities are the source of competitive advantage while resources are the source of capabilities. Amit and Shoemaker (1993) adopted a similar position and suggested that capabilities but not resources do contribute to sustained competitive advantages for a firm. Haas and Hansen (2005) as well supported the importance of capabilities and suggested that a firm can gain competitive advantage from its ability to apply its capabilities to perform important activities within the firm.

Amit and Shoemaker (1993) defined capabilities in contrast to resources as a firm's capacity to deploy resources, usually in combination using organizational processes, and effect a desired end. They further indicated that they are information-based, tangible or intangible processes that are firm-specific and developed over time through complex interactions among the firm's resources. Teece, Pisano and Shuen (1997) view dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. Grant (1996) considers organizational capability as a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for

creating value through effecting the transformation of inputs to outputs. Grant also grouped capability into four categories: cross-functional capabilities, broad-functional capabilities, activity-related capabilities, and specialized capabilities.

Sirmon, Hitt, and Ireland (2003) saw capabilities from the organizational learning perspective. They suggested that capabilities and organizational learning implicitly and explicitly are part of any strategy within a firm while Zack (1999) argued that the ability to learn and create new knowledge is essential for gaining sustainable competitive advantage. Teece, *et al., (*2007) in furtherance of their initial study on dynamic capability view refer to the ability of a firm to apply certain capabilities to change its resource configuration and therefore adjust to changing environments to attain fresh forms of competitive advantage. According to Teece, *et al.,* (2007), the term 'dynamic' denotes the ability to renew capabilities to move in tandem with the changing environment. The term 'capabilities' stresses the crucial role of strategic management in adapting, integrating, and reconfiguring external and internal organizational skills, resources, and practical competencies to match the needs of a changing environment for sustainable competitive advantage.

In general, and in view of this study, dynamic capabilities enable sustainable competitive advantage by focusing on strategy-relevant processes in companies and trying to improve responsiveness in a fast-changing environment. These dynamic capabilities reflect a firm's ability to attain new and groundbreaking forms of competitive advantage given path dependencies and market positions. It is the view of this theory therefore that the company's competitive advantage lies mainly in its dynamic capabilities, which refer to the capacity to build, renew and reconfigure capabilities and competences to achieve congruence with the changing business environment (Teece *et al*., 2007),

The Market-Based View (MBV)

The market-based view of strategy contends that industry factors and external market orientation are the key determinants of organization performance (Peteraf & Bergen, 2003). Bain's (1968) Structure-Conduct-Performance (SCP) framework and Porter's (1980) five forces model (founded on the SCP framework) are two of the best-known theories in this category. In the view of MBV, the basis of value for the firm is entrenched in the competitive situation characterizing its end-product strategic position. Strategic position is the firm's unique set of activities that are different from their competitors. Alternatively, the strategic position of a company is defined by how well it performs similar activities compared to its competitors. In this perspective, an organization's sustainable competitive advantage is determined primarily by the structure and competitive dynamics of the industry within which it operates (Schendel, 1994).

MBV compares well with the positioning theories of strategy and theories developed in the industrial organization economics phase of Hoskisson's account of the development of strategic

thinking (Hoskisson, Hitt, Wan, & Yiu, 1999). In their analysis, the emphasis was on the company's environment and external factors. Researchers noted that the organization's performance was significantly dependent on the industry environment. They saw strategy in the context of the industry at large and the position of the organization in the market compared to its competitors. According to this theory, in formulating strategy, firms assess their competitive advantage by analyzing the external environment based on the five forces model (Porter, 1985). The five forces consist of barriers to entry, threat of substitutes, bargaining power of suppliers, bargaining power of buyers, and rivalry among competitors (Porter, 1985). In this view, a company's source of market power explains its sustainable competitive advantage. This market power has three sources that include monopoly, barriers to entry, and bargaining power (Grant, 1991). When a company has a monopoly, it has a strong market position thus performs better (Peteraf, 1993). High barriers to entry for new competitors in an industry lead to reduced competition thus contributing to sustainable competitive advantage. Higher bargaining power within the industry relative to suppliers and customers can also lead to sustainable competitive advantage (Grant, 1991). It is, therefore, our view that industry factors play a key role in influencing a firm's sustainable competitive advantage.

Influence of Resource-based View on Sustainable Competitive Advantage

Rantakari (2010) regards RBV as the company's ability to invest in internal capabilities and thus sustain competitive advantage. Lacity and Will (2008) suggest that RBV is deliberate on the resources that are controlled by a firm and additionally show that resources are the principal determining factors of the firm's performance and that they ultimately contribute to a sustainable competitive advantage. In line with the RBV, Rantakari (2010) views a firm as a collection of physical and intangible resources that enable it to compete with other firms. To provide sustained competitive advantage, a resource must have four qualities and RBV presents them as heterogeneous resources. Thus, RBV holds that resources must be valuable, rare, in-imitable, and non-substitutable (VRIN). In their study, Cardeal and Antonio (2012) acknowledge that a company that possesses VRIN and exploits its capabilities stands a better chance of creating competitive advantage within the industry. The scholars conclude that such a firm will certainly achieve sustainable competitive advantage and above-average performance. The following discussion gives further insight on VRIN:

(a) Value

Barney (1991) suggests value-creating strategy as a possible solution to outperforming competitors or reduce own weaknesses. He propounds that this is only possible if the company has a resource base that is unique in order to acquire superior performance. Notably, the costs invested in the resource should remain lower than the future rents demanded by the value-creating strategy. This proposition was embraced by Talaja (2012) who noted that an attribute creates value and becomes a resource if it enables the exploitation of opportunities and/or the neutralization of threats according to strengths, weaknesses, opportunities, and threats (SWOT)

analysis. In his study, Talaja (2012) concluded that certain resources may have potential to create valuable services and that the value of these services will remain latent until the firm has the capabilities needed to deploy them. This implies that the firm must arrive at a specific way of cooperation and coordination of resources in order to create superior performance. Therefore, the ability to leverage distinctive internal and external competencies relative to environmental situations ultimately affects the performance of the business.

Conversely, Lacity and Will (2008) observed that Barney's (1991) concept of valuable is an ambiguous criterion to measure the competitive advantage of a firm. Whether the resource is valuable or not should be measured by its profitability, and thus it should take the form of an economic asset notwithstanding how tangible or intangible it is. In a later study, Talaja (2012) also concurred with the assertion and added that a company's asset influences market performance, but not profitability. In their study, McIvor, Wall, Humphreys, and McKittrick (2009) recommend management of relationship with external entities and accessing its key resources in a way that span those boundaries of the firm as a way of sustaining competitive advantage. Rantakari (2010) specifies the value generation potential of an outsourcing relationship and concludes that this relationship has three factors: client characteristics, vendor-client relationship, and vendor characteristics. A key client characteristic is an understanding of how to harness resources that a firm does not own. Vendor client relationship is a contractual (formal) aspect of the relationship. The third factor that shapes the outsourcing value proposition is the vendor's own capabilities. From an outsourcing vendor's view, there are many possible opportunities and benefits for the client.

(b) Rare

A resource must be rare among the company's potential as well as present competitors. If the number of companies possessing this resource is less than the number of companies needed to generate perfect competition, the resource is adequately rare to potentially create competitive advantage. Valuable resources that are not rare cannot be a source of competitive advantage. To achieve the competitive advantage, resource must be valuable and rare (Barney 1991; Lacity & Will 2008 & Talaja, 2012). However, this does not necessarily mean that valuable resources that are common are immaterial to a company.

(c) In-imitable

If the resources controlled by a firm can easily be replicated by competitors, even though the resources are the source of competitive advantage of the company, then the advantage will not last long. A resource may be imperfectly imitable due its dependence on unique historical settings or if its relation to competitive advantage is causally ambiguous (Barney, 1991). A resource is imperfectly imitable if it is substantially costly to obtain or develop for competing firms (Barney & Hesterly, 2012). Imperfectly imitable resources suggest that firms without that resource cannot obtain it through direct duplication or substitution. If a resource is valuable and

rare but not costly to imitate then exploring it will result in temporary competitive advantage for the firm. Once other competing firms obtain and exploit this resource (at minimal cost disadvantage) any competitive advantage dissipates. However, if a resource is valuable, rare, and imperfectly imitable, exploiting it should result in sustainable competitive advantage. According to Barney and Clark (2007), resources may be imperfectly imitable due to unique historical conditions, causal ambiguity, or social complexity.

(d) Non-substitutable:

Non-substitutability means that there are no strategically equivalent substitutes that are valuable but are either imitable or not rare (Barney, 1991). If potential competitors can easily attain or imitate these substitutes for the resource, then the resource does not provide a means for sustained competitive advantage. Substitutability falls into two categories. First, if a company can use similar valuable-rare resources, it could possibly create and implement a similar strategy. Second, vastly different company resources could provide substitute strategies. Resources that are valuable and rare afford a competitive advantage to the company if they are imperfectly imitable and non-substitutable.

This means that the resources within the firm do not confer any advantage for the firm if it is not organized to capture the value from them. Thus, a firm must strive for non-substitutable resource value meaning it must organize its policies, processes, management systems, organizational structure, and culture to fully realize the potential of its valuable, rare, and costly to imitate resources and capabilities. Only then will such a company earn sustainable competitive advantage.

Influence of Dynamic Capabilities on Sustainable Competitive Advantage

RBV has been advanced as an explanation of the determinants of a firm's superior performance. Although the significance of the internal factors for the firm's competitive advantage and performance was highlighted in Penrose's theory of firm growth in the 1950s, the resource-based view has advanced with the works of Wernerfelt (1984), Rumelt (1984) and, predominantly, those of Barney (1986, 1991). Empirical research reviews in the field have been availed by Barney and Arikan (2001), Crook, Russell, Ketchen, Combs, and Todd (2008). In Barney's (1991) review, resources refer to all assets, organizational processes, capabilities, firm attributes, information and knowledge controlled by a firm that enable the firm to conceive and implement strategies which improve its efficiency and effectiveness. More precisely, they include physical, human, financial, organizational assets as well as intellectual resources.

As an extension of the resource-based view, pioneered by the works of Teece and Pisano (1994), Teece, Pisano, and Shuen (1997), Eisenhardt and Martin (2000), and Zollo and Winter (2002), Winter (2003), and later advanced by the studies of Teece (2007), Wang and Ahmed (2007), Augier and Teece (2009), Teece (2014), Wang, Senaratne, and Rafiq (2015) and Teece (2017),

the idea of dynamic capabilities has been advanced in order to offer further clarification for the firm's sustainable competitive advantage from an internal viewpoint. This perspective tries to explain how valuable, rare, inimitable, and non-substitutable resources can be generated, as well as how the resources can be restored in changing environment in which the company operates to create and sustain competitive advantage (Ambrosini & Bowman, 2009) and improve the company's overall performance.

Having valuable, rare, inimitable, and non-substitutable resources alone without dynamic capabilities may not help a firm to sustain a competitive advantage and performance. In a rapidly changing environment, resources cannot remain static and still be valuable. On the contrary, dynamic capabilities are required to regenerate the resources (Ambrosini & Bowman, 2009). With the change from external to internal orientation in strategic management, special attention has been accorded to the cognitive and behavioral processes that are important for capabilities that stimulate a firm's performance (Hodgkinson & Healey, 2011). According to Burisch and Wohlgemuth (2016), the dynamic capabilities approach has been established against the background of numerous contributions which are either theoretical or empirical although the concept is characterized by its fragmentation. This is true for both definitions and conceptualizations of dynamic capabilities, which has an impact on empirical research. According to Teece, Pisano, and Shuen (1997), dynamic capability is a firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. A few other supporters of the dynamic capabilities' perspective have provided varied views on capabilities. For example, Eisenhardt and Martin (2000) contends that dynamic capabilities are the firm's processes that use resources - particularly the processes to integrate, reconfigure, gain and discharge resources to match and even build change in the market. Therefore, dynamic capabilities are the organizational and strategic routines by which companies get new resource configurations as markets emerge, collide, split, evolve, and die.

In our assessment, dynamic capabilities may be viewed as the ability to configure a firm's resources and routines in a manner envisaged and deemed appropriate by its key decision-makers. Thus, it is the ability to create, extend or modify its resource base. We can thus argue that when a firm is able to integrate, reconfigure and reconstruct its capabilities and resources in response to the changing environment, such a company could sustain its competitive advantage.

To this end, it is important to note that although there are several approaches to defining dynamic capabilities, one common feature may be isolated -- that dynamic capabilities are a company's processes that adopt resources in accordance with changes in the environment. There are two levels of capabilities: ordinary and dynamic (Winter, 2003). In comparison to operational and other ordinary capabilities that are important for the firm's current activities, dynamic capabilities facilitate a change of resources and ordinary capabilities (Cepeda & Vera, 2007).

Thus, dynamic capabilities use existing resources and build new resources and capabilities which in the end help to align an organization to the change in the environment.

According to Wang and Ahmed (2007), there are three main components of dynamic capabilities: adaptive capability, absorptive capability, and innovative capability. Adaptive capability denotes the ability of the company to recognize and take the advantage of the market opportunities. The capacity to spot new information, integrate and exploit it is signified as absorptive capability. Zahra and George (2002) view absorptive capacity as a dynamic capability that influences an organization's ability to create and deploy the knowledge required to build other organizational capabilities. Lastly, innovative capability is viewed as the ability of developing new products or services and/or markets. Teece (2007) posits that dynamic capabilities are divided into three components namely: capacity to sense and shape opportunities and threats; capacity to scan; and creation, learning, and interpretive activities.

These opportunities are mainly related to markets and technologies. The processes include analyzing customers (their changes in needs and innovations), suppliers and competitors, processes directed at internal research and development, and processes intended to tap technological developments. Further, in comparison to the industrial perspective, the dynamic capabilities approach includes a more holistic view of the environment in which the company operates. It comprises the business ecosystem - the community of individuals and firms, including labor market, buyers, suppliers, complementors, educational and research institutions, regulatory authorities, financial institutions, and the legal system (Teece, 2007). Thus, in addition to exploring the market and technology, it is vital to scan other elements of the ecosystem. Without these activities, the companies would not be able to identify the opportunities that could be visible to other organizations (Teece, 2007).

The second aspect is the ability to seize opportunities. This requires addressing opportunities through new products, services, or processes, which requires a mobilization of financial and human resources, investment in development, and commercialization (Teece, 2007). According to O'Reilly and Tushman (2008), this is the capacity to make the correct decisions and implement them, while from the organizational perspective, this needs leaders who can craft a vision and strategy that guarantee proper organizational alignments (for exploration or exploitation), assemble complementary assets, and resolve on resource allocation and timing.

The third aspect is the capability to maintain competitiveness through enhancing, combining, protecting, and reconfiguring a firm's assets, tangible, and intangible, as well as operating capabilities. It may include a change in business model, acquisitions, mergers, and divestments (Teece, 2007). Helfat and Peteraf (2003) put it that there are two forms of capability redeployment: sharing of a capability between the old and the new market, and inter-temporal transfer of capabilities from one market to another. There are several ways dynamic capabilities

can influence a company's performance. Successful recognition and assessment of opportunities related to markets and technologies, as well as the design of new business models and products, can contribute to competitive advantage and profitability (Teece, 2007). Adapting the resource base to the changes in the business environment, as well as shaping it (creating market change), may enhance profitability. Furthermore, dynamic capabilities may improve the efficiency of a firm's reaction to environmental dynamism, which in turn positively affects performance. Dynamic capabilities thus enhance inter-firm performance because they provide new decision options that could create higher profitability (Wilden, Gudergan, Nielsen, & Lings, 2013). Dynamic capabilities enable the firm to take advantage of revenue enhancing opportunities and adjust its operations to reduce costs (Drnevich & Kriauciunas, 2011).

According to Eisenhardt and Martin (2000), dynamic capabilities do not necessarily result in increased performance because performance is not related to dynamic capabilities but to the configuration of resources affected by dynamic capabilities. Other researchers also posit that the effect of dynamic capabilities on performance is indirect, with a mediating role of the firm's operational capabilities (Helfat & Peteraf 2003; Zahra, Sapienza, & Davidsson 2006; Pavlou & El Sawy 2011). Furthermore, there are costs associated with dynamic capabilities that could have negative effects on a firm's performance (Zollo & Winter 2002; Winter 2003). Zott (2003) shows that differences in performance among firms have a relationship to the costs of dynamic capabilities. Taking into consideration the empirical validation of the theory of dynamic capabilities, Ambrosini and Bowman (2009) highlight limited empirical support. Arend and Bromiley (2009) note that the dynamic capability view still lacks consensual concepts that would allow comparisons of empirical studies. Some studies find empirical support of the dynamic capabilities approach (for example, Zott 2003; Fang & Zou 2009; Drnevich & Kriauciunas 2011), while others confirm that the effect of dynamic capabilities on a firm's competitive advantage is dependent on specific factors, such as the company's structure and the intensity of competition a firm faces (Wilden, Gudergan, Nielsen, & Lings, 2013), or the level of dynamism of the company's external environment, showing a weaker effect in the context of low and high environmental dynamism compared to the context of a moderate one (Schilke, 2014).

In the assessment of empirical research on the relationship between dynamic capabilities and performance, Pezeshkan, Amir, Fainshmidt, Nair, Lance, and Markowski (2015) found that the dynamic capabilities approach is confirmed empirically in 60 percent of the studies. The differences in empirical support result from the type and nature of dynamic capabilities, the type of performance measures used in the analyses, whether dynamic capabilities are analyzed independently or in interaction with other variables (organizational or contextual), as well as from the research design features.

Influence of Market-Based View on Sustainable Competitive Advantage

MBV strategy contends that industry factors and external market orientation are the important elements of firm performance (Peteraf & Bergen 2003). Bain's (1968) Structure-Conduct-Performance (SCP) framework and Porter's (1980) five forces model based on the SCP framework are two of the most significant theories in this category. Both theories hold that the sources of value for a firm are ingrained in the competitive situation characterizing the strategic position of its end-product. The strategic position depends on the company's unique set of activities that are different from those of its rivals. Additionally, the strategic position of a firm is well-defined by how it performs similar activities compared to other firms, but in quite different ways. Accordingly, therefore, it is the view of this theory that a firm's profitability or performance is mostly determined by the industry's structure and competitive dynamics within which it operates (Schendel, 1994). Consequently, the key focus is the company's environment and external factors. This is because the company's performance is largely dependent on the industry environment. Therefore, strategy is viewed in the context of the industry at large and the position of the firm in the market relative to its competitors.
To formulate strategy, companies commonly assess their competitive advantage by reviewing the external environment based on the five forces model (Porter, 1985). This framework is arguably one of the most robust frameworks that has been taught in business school to date and used by management scholars. It offers a systematic approach to assess competition within an industry and can be used by companies to choose attractive industries to get into for business (Hill and Jones, 2010). According to (Porter, 1985), an industry's attractiveness is determined by five competitive forces that shape the opportunity for superior performance in an industry. These forces are threat of entry by potential competitors, threat of substitute products, bargaining power of suppliers, bargaining power of buyers, and intensity of rivalry among established firms. In this perspective, a firm's sources of market power explain its relative performance.

Advocates of MBV argue that competitive advantage arises because of superior positioning against other players in the industry. By differentiating their products and services from the ones of competing firms, companies attain a privileged product market position and inhibit the market's inherent tendency to move toward perfect competition. Through the achievement of superior positioning, a firm can command monopoly rents by intentionally limiting production below competitive levels (Rumelt, 1991). Instead of being a price taker in a perfectly competitive arena, superior positioning allows the firm to retain some control over price and increase profits by curbing competition. The resulting above-normal future returns are supposed to result in higher current firm value which is the firm's competitive advantage.

Moreover, Porter (1985) proposes three generic strategies a firm may pursue to achieve competitive advantage in an industry. These include cost leadership which means producing at a lower cost than competing firms. The second generic strategy is differentiation which entails distinguishing products through attributes that appeal to customers like higher product quality, branding, and innovative product features. The third strategy is focus which refers to

concentrating on a narrowly defined segment of the market. To achieve competitive advantage, therefore, firms should simultaneously pursue different strategies but in doing this, they should pick the most relevant strategy and perfect its operations in order to maximize returns for sustainable competitive advantage. Furthermore, in the view of MBV, there exists three sources of market power which are frequently highlighted. These include barriers to entry, monopoly, and bargaining power (Grant, 1991). It is implied that when a company has a monopoly, it has a strong market position and therefore performs better (Peteraf, 1993). High barriers to entry for new competitors in an industry lead to reduced competition. Higher bargaining power within the industry relative to suppliers and customers can also lead to better performance (Grant, 1991).

MBV theory contends that a company's competitive advantage is majorly determined by the structure and competitive dynamics of the industry within which it operates (Schendel, 1994). Therefore, it can be concluded that a firm's environment and external factors define its competitive advantage. Consequently, a firm's competitive advantage depends on the industry environment to a large extent. Thus, strategy in the market is viewed in the context of the industry as a whole and the position of the firm in the market relative to its competitors.

Sustainable Competitive Advantage (SCA)

Coyne (2006) observes that for a firm to gain sustainable competitive advantage, consumers must perceive some difference between a firm's product offering and the competitors' offering. This difference must be due to some resource capability that the firm owns which the competitors do not have, and that it must be some delivery or product attribute that is a positive key buying criterion for the market. Barney (2001) holds that a firm is said to have a sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or possible competitors and when the other firms are incapable of duplicating the benefits of this strategy. (Bharadwaj, Varadarajan, & Fahy, 1993). Therefore, sustainable competitive advantage may be viewed as the ability to predict the forthcoming action of competitors in the industry through matching the company's resources to the gaps that exist in the industry. The sustainability of the advantage is then dependent on whether the competitor will or will not be able to take the necessary actions to close the gap. This relates well with the interplay between dynamic capabilities, firm resources, and market factors for sustainable competitive advantage.

There are two specific elements that determine sustainable competitive advantage namely financial and non-financial indicators.

(a)Financial Indicators

A firm's revenue is a common measure that links up the financial indicators. Financial performance is not only seen in terms of increased profit before tax, increased profit after tax, financial stability, and increased firm size but also in terms of return on investment, increased

share price, total return on assets, return on equity, gross profit margin and net profit margin. These indicators are normally measured in the short term. Financial stability is epitomized by a solid cash flow pipeline. Indicators of growth include increased firm size (usually determined by the number of employees, or sales, or both), growth to new geographical locations, intensifying strategic alliances and mergers and acquisitions (Simon, 2010).

(b)Non-financial Indicators

Strategic management scholars recognize a variety of non-financial indicators. These include increased customer satisfaction, increased employee satisfaction, better product and service quality, increased customer loyalty, improved teamwork, expanded firm size and shareholder retention. Employee satisfaction denotes the degree to which employees have a positive attitude towards their work (Simon, 2010). A satisfied employee is expected to make a more significant contribution to and remain with the company. Employee satisfaction has been found to augment profitability and customer satisfaction (McShane, Olekalns & Travaglione, 2010). Customer satisfaction and client retention have also been recognized as vital performance pointers in many recent studies. High customer satisfaction levels stimulate organizational loyalty, shareholder retention and repeat business on the part of the customers which in the end lead to expanded firm size. This is crucial for the sustainability of the business (Simon & Power, 2004).

Teamwork has also been identified as key for the learning processes of a company (Kaplan & Norton, 2005), and specifically for knowledge sharing. Kaplan and Norton found that team unity had a positive impact on firm and administrative improvement. When knowledge sharing and teamwork are configured, firms are more likely to achieve sustainable competitive advantage. Quality measures the defect level of inbound services or products as perceived by the customer. Quality may equally measure timely delivery as well as the accuracy of the organization's delivery forecasts. Its importance is well demonstrated by Prahalad and Ramaswamy (2004) who posit that the future of competition is shaped by changes in the meaning of value which is concentrated in the experiences of the consumers.

Conceptual Model

This study proposes a model which indicates that sustainable competitive advantage can be built when a company has a sound resource base, balanced dynamic capabilities, and it is responsive to its market. These variables are associated with sustainable competitive advantage. The model is summarized and presented in Figure 1, highlighting the conceptualized relationship. Sustainable competitive advantage is measured using financial and non-financial indicators. The financial measures include sales revenue growth, increased profitability, increased return on equity, increased return on investment, and increased return on assets. Non-financial measures are expanded customer base, better product and service quality, increased ability to satisfy customer needs, increased ability to retain shareholders, increased employee satisfaction, increased teamwork, ability to expand the firm size and increased ability to address customer

complaints. The model presents four characteristics of resources that influence sustainable competitive advantage. These include value, rare, in-imitable and non-substitutable. Elements of dynamic capabilities include cross -functional, broad-functional, activity-related, and specialized dynamic capabilities while those of market forces include barriers to entry, threat of substitutes, suppliers' bargaining power, buyers' bargaining power and competitors' rivalry.

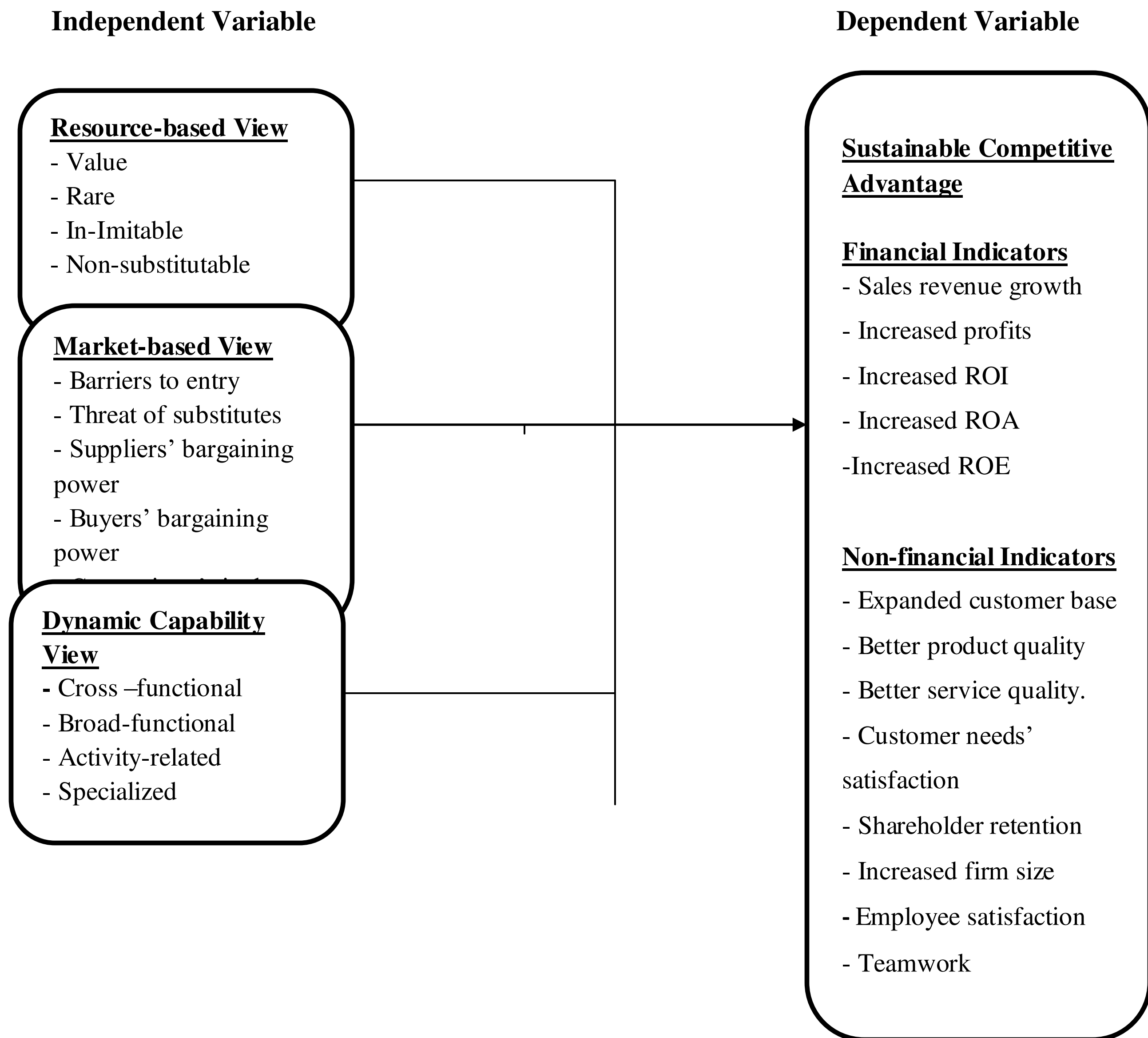

Figure 1: Proposed Model for the Study

Conclusion

Strategic management literature supports the relationship postulated between firm resources, market factors, dynamic capability, and sustainable competitive advantage: that firm resources, market factors and dynamic capabilities positively influence a firm's sustainable competitive advantage. The review shows that there is need for companies to understand their own resource base, market forces and source of dynamic capabilities. Perhaps, organizations can achieve SCA through clustering various elements under resource-based view, identify and appreciate market forces, and get a clear insight of dynamic capabilities and how all these elements collectively

contribute towards a firm's sustainable competitive advantage. For resource-based view, a thorough understanding of VRIN is required: first, that a firm requires resources which are valuable to enable the firm to achieve superior performance. Second, that the resource base should be rare. Third, that the resources should not be easily imitated, and fourth, that the resources should be non-substitutable so that possible competitors may not easily imitate the firm's resource if such a firm were to maintain superior performance.

This review has established that in the market-based view, three sources of market power exist which if managed will help in achieving sustainable competitive advantage. These include barriers to entry, monopoly, and bargaining power. We discerned that when a firm has a monopoly, it has a strong market position and, therefore, easily achieves sustainable competitive advantage. High barriers to entry for new competitors in an industry lead to reduced competition for competitive advantage while higher bargaining power within the industry relative to suppliers and customers can also lead to sustainable competitive advantage. It is the view of MBV that an organization's sustainable competitive advantage is mainly determined by the structure and competitive dynamics of the industry within which it operates. Thus, we conclude that a firm's environment and external factors determine its sustainable competitive advantage and that a firm's competitive advantage is significantly dependent on the industry environment. Therefore, strategy in the market is viewed in the context of the industry as a whole and the position of the firm in the market relative to its competitors.

This review has also shown that the dynamic capability of a company positively influences a company's sustainable competitive advantage. Sensing capabilities are useful in identification and assessment of any opportunity within the firm's environment. They include exploring technological opportunities, probing markets and listening to customers, and scanning other elements of the business ecosystem. Seizing capabilities help mobilize resources to address new opportunities and to capture value by designing business models to satisfy customers and capture value and through securing access to capital, and the necessary human resource. We also established that the continued transformation of capabilities within the firm is also important for sustainable competitive advantage because it ensures continued renewal of resources and capabilities and comes in handy whenever new opportunities that need exploitation emerge. Transformation is also important because it helps to soften rigidities that emerge from time to time due to asset accumulation, standard operating procedures, and insider misappropriation of rent streams. Managerial capabilities orchestrate the rest and coordinates adoption, change, and proper managerial action with the aim of achieving sustained competitive advantage.

This review has also shown that firm resources, market forces, and dynamic capabilities positively influence sustainable competitive advantage. This means therefore, that firms that embrace these key approaches of performance are likely to survive in the dynamic business environment, and thus, there is continued need for the interplay and interconnectivity of firm

resources, market dynamics and dynamic capabilities for a firm's sustainable competitive advantage. Moreover, strategy is always vital for business success. Whether strategy is applied in large firms, or for personal objectives, there are certainly key characteristics that every successful strategy has. The first one is clear, objective and simple goals; two, deep knowledge and understanding of the competitive environment; and three, objective understanding and exploitation of resources. Effective plan implementation is a major focus of RBV, MBV and DCs.

In a world where a competitive advantage often evaporates sooner than it gains ground, companies cannot afford to spend months at a time crafting a single long-term strategy. To stay ahead, they need to constantly start new strategic initiatives building and exploiting many competitive advantages at once. It is because of this that, in recent times the three approaches - RBV, MBV and DCs - have become robust in leading paradigms in strategy and are mostly focused on resources that can provide a sustained competitive advantage to the company.

Finally, through this review, we hope that researchers and scholars will have a better understanding of RBV, MBV and DCs. It is also important to appreciate the fact that these are not the only 'panacea' of strategy for SCA. Each approach has its advantages and disadvantages. Success in achieving SCA will depend on several factors among them the managers, their experience, and the way they combine and apply all these strategies for SCA.

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