HOW ARE RESOURCES TURNED INTO PERSISTENT COMPETITIVE ADVANTAGE: TOWARDS A DYNAMIC THEORY OF STRATEGY

Much of the strategy research addresses persistent competitive advantage with tools specific to sustainable competitive advantage. We propose a model in order to formulate a dynamic process of gaining and maintaining competitive advantage through a structural combination of elements of a resource-based view and of industry analysis.

There is a growing literature in search of sources of sustainable competitive advantage, although few works focus on the dynamic process involved in gaining that advantage. Two fundamental streams of thought relevant here are the resource-based view and Porter’s framework for industry analysis. According to the resource-based view (RBV), sustained advantage can come from a set of resources which are valuable, inimitable, non-substitutable, and nontransferable. It is the task of managers to identify such resources and conceive of and implement strategy using those special resources in the firm’s existing market. RBV tells managers how to compete in the business in which they operate. In contrast, Porter’s suggests that firms choose an optimal market in which to compete where the firm’s bargaining power is maximized, or where firms can influence and/or exploit the changing balance of those five forces.

While the literature has progressed to the point of yielding factors that may produce sustainable competitive advantage, we see a need to move beyond the identification of resources to the exploration of the dynamics of competitive advantage. While certain resources within an RBV framework seemingly correlate positively and significantly with superior performance, the question of weightings among resources, the impacts of combinations, and the temporal needs of such resources remain. Assuming a non-static world, and given these unanswered questions, it follows that if an optimal resource mix ever exists, it can only exist momentarily. We must consider the contextual and temporal factors, as well as firm processes to gain a clearer picture of the way in which firms gain and sustain competitive advantage. A dynamic capability of developing new capabilities implies the changing nature of resource bundles through the lifecycle of organization within a dynamic environment, although it is sometimes misunderstood as a generic explanation for sustainable competitive advantage.

In this paper we address the conceptual ambiguity of competitive advantage. Based on a clarification of these concepts, we argue, in contrast to the fundamental assertion of non-substitutability of resources in RBV, that every resource has a strategic equivalent. Thus we argue that advantage may not come from the unique implementation of a particular strategy beyond competitive duplication, but out of a unique vector force of a contingent set of resources. We propose a model to describe the dynamic process of transforming resources into competitive advantage over time, and a dynamic theory of strategy will be defined as proactive and responsive identification, acquisition, and deployment of resources. Finally, we suggest that there may be a strategic niche, based on institutional, competitive, and organizational factors, where perhaps the most potential for a theory of persistent competitive advantage lies.