Enhancing Sustainable Competitive Advantage: The Mediating Effect of Resource Rareness between Strategic Management Elements and Innovation. Experience from Nigeria’s Manufacturing Sector

Yahaya Sani,  
Jigawa State College Of Education Gumel,  
Nigeria.  
Email: yahayasani20@yahoo.com

Zainab Inuwa Adamu,  
Jigawa State College Of Education Gumel,  
Nigeria.  
Email: inuwazainab@gmail.com

Abstract

The purpose of this study is to investigate the mediation influence of resource Rareness towards enhancing sustainable competitive advantage in the relationship between strategic management element i.e. strategy implementation and control as independent variable and innovation as the dependent variable in the Nigeria’s manufacturing sector. Data were collected through personal questionnaire from 166 manufacturing firms in Nigeria who are members of manufacturing association of Nigeria within North West and North central zones with 70% response rate. The results indicate that there is positive and significant relationship between strategic management elements; implementation and control with resource value, positive relationship between strategic management elements with innovation and positive relationship between resource value and innovation, hence the condition for mediation satisfied. According to the result after testing correlation analysis between ant variables and regression analysis in testing the two hypotheses, manufacturers in Nigeria fully agree that strategy control is essential when a unique strategy has been implemented with mediation influence of resource value through innovation enhance sustainable competitive advantage. This study adds Knowledge to the theory and practice of sustainable competitive advantage particularly in Nigeria’s manufacturing firms. Its theoretical and empirical significance adds more insight on the previous empirical studies in the field that is to say it gives guidelines to manufacturers in Nigeria on the impact of strategic management approaches on sustainable competitive advantage. For government and firms, the study provides avenue of enhancing sustainable competitive advantage in Nigeria and Africa as a whole since the phenomena is general.

Key words: Strategy, Competitive advantage, sustainable competitive advantage and innovation
1. Introduction

Nigeria has allowed itself to be used for all sorts of imported goods from foreign industries and Asian Tigers in the name of globalization. Consequently, this has greatly affected the capacity utilization of various firms of the Nigeria’s manufacturing sector. Similar view were explained by Dembele (1998); Sagagi (2004); Aluko, Akinola and Fatakun (2004).

Another serious problem is that if not all greater Nigerian’s income (national income) is from the sale of crude oil and its allies which is oscillating from one ill to another, this is posing difficulty in applying strategic management principles by manufacturers as manufacturing firms are facing neglect from the regulators. However, it is a thing of concern that even the oil which Nigeria produces, part of it is refined abroad and imported back to the country to meet-up local consumption, because the country’s refineries have over the years been operating below capacity utilization (Daily Trust, 2010). The situation becomes more aggravated due to Nigerians preference for foreign good (Aluko et al. 2004; Ajayi, 1990).

There are few researches on strategic management in emerge markets i.e. developing economy. (Hussam and Hussien (2007), as such Manufacturers in Nigeria do not apply properly strategic management concepts for future development hence this study intends to turn around the minds of regulators and manufacturers in Nigeria to focus on competitive advantage and push to -words sustaining it.

When developing strategy, it is important for firms to remember the goal that is of sustainable competitive advantage. Sustainable competitive advantage occurs where the firm is implementing a value creating strategy not being implemented simultaneously by rivals and other firms are unable to duplicate the benefit of this strategy (Burney, 1991). Sustainable competitive advantage has the possibility of competitive advantage being eroded by the innovation efforts of rival firms in changing the market place. A company’s strategy indicates the choices its managers have made about how to attract and place customers (value) how to respond to changing conditions and compete successfully and grow the business (rareness) how to manage each functional piece of the business and develop needed capability and achieve performance target (inimitability) (Thompson, Strickland, and Gamble 2005).

2. Literature Review

The pursuit of competitive advantage is indeed an idea that is at the heart of much of the strategic management literature (Berden, and Proctor (2000); Fahy (2000); Barney (2000a, 2000b, 2007); Lin (2003); Fahy, Ferrelley and Gister (2004); Newbert, (2008) among others. Barney, (1991a) contributes to the discussion by exploring the link between a firm’s resources and sustainable competitive advantage. The study concludes that not all firm’s resources
hold the potential of sustainable competitive advantage instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Prahalad and Hamel (1990) the study concludes that firms should combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. They also positioned that competitive advantage are realized only when the firm combines assortments of resources in such a way that they achieve a unique competency or capability that is valued in the market place. Day and Wensley (1988) focus on two categorical sources, involved in creating a competitive advantage i.e. superior skills and superior resources. Other authors have elaborated on the specific skills and resources that can contribute to sustainable competitive advantage

A company’s strategy indicates the choices its managers have made about how to attract and place customers (value), how to respond to changing conditions and compete successfully and grow the business (rareness), how to manage each functional piece of the business and develop needed capability and achieve performance target (inimitability). (Thompson, Strickland, and Gamble 2005). Manager’s ability to separate powerful strategy from an ordinary or weak one is their ability to forge series of moves, both in the market place and internally, that makes the company distinctive as a reason for buyers to prefer its product and or services and produce a sustainable competitive advantage over rivals. Without competitive advantage a company risk of being beaten by stronger rivals hence to set strategy that put them apart from rivals in the mane of achieving sustainable competitive advantage and performance.

2.1 Framework

Based on the literature reviewed the integrative framework of this study is on resources base view of the firm to determined power of resource rareness and resource on firm’s competitive advantage and continuous innovation as a route for sustaining the advantage. The study examines the mediation influence of resource Rareness towards enhancing sustainable firms competitive advantage in the relationship between strategic management element i.e. strategy implementation and control as independent variable and innovation as the dependent variable in the Nigeria’s manufacturing sector. See figure 1

<table>
<thead>
<tr>
<th>Strategic Management Elements</th>
<th>Elements of competitive Advantage</th>
<th>Sustainable competitive Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation</td>
<td></td>
<td>. Innovation</td>
</tr>
<tr>
<td>Control</td>
<td></td>
<td>. Rareness</td>
</tr>
</tbody>
</table>

Table1: Relationship between SME and Innovation Mediated by inimitability
Source: Questionnaire distributed to Manufacturing Firms in Nigeria

Hypotheses

According to Pearce and Robinson (2007) three economic goals that guide strategy of almost every business organization whether or not the mission statement explicitly states the goal or not it reflects the firm’s intention to secure survival through growth and profitability as it can sustain advantage. Also Newbert (2008), whose arguments used Barney (1991), and Castanias and Helfat (2001), as its foundation, concludes that a firm must identified and implement (strategic formulation and implementation) resource-based strategies to create economic value, also suggested to sustain the advantage of producing a product or service with more benefit of unique feature (differentiation) and or lower cost (cost leadership) than are associated with products or service of its competitors. The study further concludes that to produce a product or service with competitive advantage resulting from the organizational capabilities sustain firms advantage. Based on the above discussion the following hypotheses are generated:

**Hyp. There is positive relationship between strategic implementation/control and sustainable competitive advantage when mediated by firm’s resource Rarity**

RBV aspires to explain the internal sources of firm’s SCA. Its central proposition is that if a firm is to achieve state of SCA, it must acquire and control valuable, rare, inimitable non-substitutable (VRIN) resources and capabilities, plus the organization in place that can absorb and apply them. (Barney, 1991, 1994, 2002) also shared several related analyses: core competence (Hamel and Prahalad, 1994) dynamic capability (Helfat and Peterat, 2003); Teece, and Shuen, 1997). The theoretical and empirical development of the RBV has been analyzed in number of review studies: the recent studies are Acedo, Barroso, and Galan (2006); Armstrong Shimizu, (2007); Lockett, Thompson and Morgenstern (2009) and Newbert, (2008), all capitalized on the same view. Barry, Clulow and Gerstman (2005), conclude that a RBV of customer value can enhance sustainable competitive advantage and superior performance. Based on the above discussion the following hypothesis is generated:

**Hyp. There is positive relationship between strategic control and sustainable competitive advantage when mediated by firm’s Resource Rarity**

3. Research Design

The study considers a survey method being a popular and common strategy in business research, because it allows for the collection of large amount of data from sizable population in a highly economical way. Therefore, this research considers questionnaire tool for data collections. Saunders et al. (2007), are of the opinion that research project for academic
courses are time constrained, therefore in this study due to time management a cross-sectional strategy is employed, a study in which a group of individuals are composed into one large sample and studied only at a single point in time.

This research selects a cross-sectional approach which is a dominant method in marketing research and the questionnaire survey approach which sounds most appropriate means of collecting data from the manufacturing firms in Nigeria.

3.1 Data Analysis

A total of 166 questionnaires were distributed to and personally administered on the respondents. A total of 116 questionnaires were collected, the overall response rate was 70% and to ensure the goodness of measurement exploratory factor analysis (principal component analysis) was conducted on elements of competitive advantage and innovation. In addition reliability test (Cronbach’s Alpha) was done to measure the internal consistency of the items used on the questionnaire. These two methods were very important to assess the goodness of the measures (Sekaran, 2003). Correlation test was conducted to measure the relationship among the variable and regression analysis was also run in the study in order to test the relevance of the hypotheses.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>S/Deviation</th>
<th>Implementation</th>
<th>Control</th>
<th>Rareness</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation</td>
<td>4.02</td>
<td>.519</td>
<td>1.00</td>
<td>.381**</td>
<td>.243**</td>
<td>.304***</td>
</tr>
<tr>
<td>Control</td>
<td>4.31</td>
<td>.492</td>
<td>.381***</td>
<td>1.00</td>
<td>.396**</td>
<td>.390***</td>
</tr>
<tr>
<td>Rareness</td>
<td>4.51</td>
<td>.561</td>
<td>.243**</td>
<td>.396**</td>
<td>1.00</td>
<td>.412***</td>
</tr>
<tr>
<td>Innovation</td>
<td>3.77</td>
<td>.827</td>
<td>.304***</td>
<td>.390**</td>
<td>.412***</td>
<td>1.00</td>
</tr>
</tbody>
</table>

* p<0.01 and ** p<0.05

From the above table it shows that all the variables were inter relation, meaning they positively correlated. These give ways to test the research hypotheses.

Hierarchical Regressions: Relationships between Strategic management elements (Implementation and Control) with Sustainable competitive advantage (Innovation) when mediated by Elements of competitive advantage (Rareness) (Beta coefficient)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Innovation 1</th>
<th>Innovation 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation</td>
<td>.182**</td>
<td>.092</td>
</tr>
<tr>
<td>Control</td>
<td>.321**</td>
<td>.341**</td>
</tr>
</tbody>
</table>

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Table presents the result of regression analysis indicates which with a positive and significant relationship between implementation and innovation when mediated by Inimitability, hence Hypothesis (Implementation/control and innovation with Inimitability) is accepted. Therefore, the regression coefficient from the test shows that Rareness fully mediates the relationship between implementation/control and innovation. ($\beta = .34$) from Implementation/control and ($\beta = .49$) that of rareness.

Concerning the mediating role of elements of competitive advantage (value) in the relationship between strategic management elements (implementation and control) and sustainable competitive advantage (innovation), the test indicated positive relationship between the variables. Past studies also explain similar significant relationship between the variables, for example, Barney (1991); Newbert (2008); Castanias and Helfat (2001); concluded that a firm must identified, implement and control resource-based strategies to sustain the advantage of producing a products with more benefits inform of unique feature. Also in Barney (2000); Clulow and Gerstman (2005); Jeroen et al (2010); Locket et al (2010) substantiatted that to produce a product with competitive advantage resulting from the organizational capability sustain firm’s advantage. Previous studies from Alderson (1965); Porter (1980); Hoffmann (2000); The positive relationship between strategic management elements i.e. implementation and sustainable competitive advantage i.e. innovation when mediated by element of competitive advantage i.e. value indicated that manufactures in Nigeria took cognizance of implementing value creating resource to enhances sustainable competitive advantage through innovation, in essence implementing new value creating strategy means innovation.

4.1 Theoretical Implication

The theoretical implication isolated in this study revealed that strategic management elements (Implementation and Control) are very important sources of resource creation and generate firm’s capabilities in form value, (Competitive advantage). This result is consistent with Resource Base View which states that a firm is said have competitive advantage when it is implementing a value creating strategy not implemented simultaneously by any current or
potential player. This study of manufacturing firms in Nigeria contributed and supports the theory and various studies carried out by several scholars in the area of resource base view, above all its contributions to the Nigeria’s firms and theory as well as to emerging economies.

The findings from this study indicated that Manufacturers in Nigeria adopt proper implementation and control of value creating, rare and inimitable strategy which leads to sustainable competitive advantage in form of innovation, therefore they should continue with similar effort nonstop in the name of turning around the Nigeria’s manufacturing sector and the attainment of its vision 20:20:20.

Furthermore the findings of this study indicated that regulators in Nigeria paid much attention to one sector of the economy that is crud productions giving less priority to manufacturing sector, therefore it very important from the finding of the study for firm or economy to have sustainable competitive advantage which requires proper application of strategic management techniques, in essence giving due concern to the manufacturing sector,

5. Conclusion

The main aim of this study was to examine the impact of strategic management elements (implementation and control) in creating resources (Rareness) in form of competitive advantage and means of upgrading it to sustainable competitive advantage (Innovation) in the Nigeria’s manufacturing firms. Manufacturers in Nigeria appreciated strategic Implementation and control as a means of creating resource Rareness to some reasonable extent.

The study indicated that manufacturers in Nigeria exerted efforts in promoting competitive advantage to be sustained through the influence of value as a mediator between implementation and control relationship with innovation. Furthermore the study on enhancing sustainable competitive advantage in the Nigeria’s manufacturing sector discovered that resources based view theory has impact on firm’s competitive advantage as well as sustaining the advantage further. This has been seen from various past researches and the findings from this study also supported the theory. The study on enhancing sustainable competitive advantage in the Nigeria’s manufacturing sector discovered that resources based view theory has impact on firm’s competitive advantage as well as sustaining the advantage further. This has been seen from various past researches and the findings from this study also supported the theory.

The study encourages managers and government in the utilization of the concept of strategic management in the name of sustaining competitive advantage, and also solicits future studies to be conduct to see the impact of strategy formulation as it was merged with strategy implementation as well as similar study be conducted in other sectors of the economy with the same framework.

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The findings provided empirical support for the theoretical framework, demonstrating the fact that the study had sufficiently addressed the research Hypothesis. The study also highlighted the implication, limitations and suggestions for future research.

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