

# An Examination of the "Sustainable Competitive Advantage" Concept: Past, Present, and Future

**Nicole P. Hoffman**

*The University of Alabama*

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Nicole P. Hoffman is Ph.D. Candidate in Management and Marketing, Culverhouse College of Commerce and Business Administration, The University of Alabama, 105 Alston Hall, P.O. Box 870225, Tuscaloosa, Alabama 35487-0225, (205) 348-6696, (205) 348-6695 (fax), nhoffma1@bcc.cba.ua.edu

## Executive Summary

Because of its importance to the long-term success of firms, a body of literature has emerged which addresses the content of sustainable competitive advantage (hereafter SCA) as well as its sources and different types of strategies that may be used to achieve it. The purpose of this paper is to trace the origins of SCA and discuss how it has been applied to marketing strategy. It is organized as follows: First, early contributors are cited and potential sources of SCA are presented. A formal conceptual definition of the construct is given, followed by a discussion of how SCA is linked to other concepts in the strategy field. A theoretical model of how an SCA is achieved in a network setting is offered, and future research opportunities are suggested.

### Early Contributions to the SCA Concept

Early literature on competition serves as a precursor to the development of SCA. In 1937, Alderson hinted at a basic tenet of SCA, that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. Later, Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to learn how to create new advantages that will keep them one step ahead of competitors. Alderson was considered "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, Hall (1980) and Henderson (1983) solidified the need for firms to possess unique advantages in relation to competitors if they are to survive. These arguments form the basis for achieving SCA.

### SCA Defined

The idea of a sustainable CA surfaced in 1984, when Day suggested types of strategies that may help to "sustain the competitive advantage" (p. 32). The actual term "SCA" emerged in 1985, when Porter discussed the basic types of competitive strategies firms can possess (low-cost or differentiation) to achieve SCA. Interestingly, no formal conceptual definition was presented by Porter in his discussion. Barney (1991) has come the closest to a formal definition by offering the following: "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (*italics in original*)" (p. 102). Based on both Barney's work and the definitions of each term provided in the dictionary, the following formal conceptual definition is offered: An SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy.

### Sources of SCA

Day and Wensley (1988) focused on two categorical sources involved in creating a CA: superior skills and superior resources. Other authors have elaborated on the specific skills and resources that can contribute to an SCA. For example, Barney (1991) states that not all firm resources hold the potential of SCAs; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Hunt and Morgan (1995) propose that "potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational" (p. 6-7). Prahalad and Hamel (1990) suggest that firms combine their resources and skills into core

competencies, loosely defined as that which a firm does distinctively well in relation to competitors. Therefore, firms may succeed in establishing an SCA by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies.

### **The Relationship of SCA to Other Strategy Concepts**

Many topics in strategy research have been linked to aiding in the process of creating and maintaining an SCA. Included in these topics are the concepts of market orientation and business networks. Day and Wensley (1988) suggest using perspectives of both customer and competitor to assess firm performance; this outward focus links the SCA construct to the concept of market orientation. Through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations (Varadarajan and Jayachandran 1999). Because a market orientation employs intangible resources such as organizational and informational resources, it can serve as a source of SCA (Hunt and Morgan 1995). Business networks consist of multiple relationships, with each participating firm gaining the resources needed to build core competencies and obtain an SCA. Porter (1985) discusses the formation of "coalitions" that allow the sharing of activities in order to support a firm's CA. However, Porter's "value chain" approach focuses on activities within a single firm. A new model is needed which adapts his approach in order to understand the value-added processes comprised of dyadic and network interfirm activities which foster each firm's SCA.

### **Directions for Future Research on the SCA Construct**

Building on the proposed definition of SCA, this article proposes a general theoretical model of how dyadic relationships within a network environment affect SCA. Four propositions are presented in conjunction with this model.

1. P1: Network identity is an antecedent of trust.
2. P2: Communication is an antecedent of both trust and organizational learning.
3. P3: Commitment is the result of both trust and organizational learning.
4. P4: Both trust and commitment result in SCA.

In addition, operational and measurement issues for the proposed definition of SCA are discussed.

### **Conclusion**

Significant progress has been made with respect to definition, operationalization, and measurement of concepts in the marketing strategy field. However, we still lack research that maps how strategy can influence performance by providing firms with an SCA (Varadarajan and Jayachandran 1999). By developing a multi-item measure of the construct, we could empirically examine theoretical models of SCA in a network environment. If researchers are able to examine networks in this manner, our knowledge of how CA is achieved and sustained can only be enhanced.

## AN EXAMINATION OF THE "SUSTAINABLE COMPETITIVE ADVANTAGE" CONCEPT: PAST, PRESENT, AND FUTURE

The fundamental basis of long-run success of a firm is the achievement and maintenance of a sustainable competitive advantage (hereafter SCA). Indeed, understanding which resources and firm behaviors lead to SCA is considered to be the fundamental issue in marketing strategy (Varadarajan and Jayachandran, 1999). A competitive advantage (hereafter CA) can result either from implementing a value-creating strategy not simultaneously being employed by current or prospective competitors or through superior execution of the same strategy as competitors (Bharadwaj, Varadarajan, and Fahy 1993). The CA is sustained when other firms are unable to duplicate the benefits of this strategy (Barney 1991). Because of its importance to the long-term success of firms, a body of literature has emerged which addresses the content of SCA as well as its sources and different types of strategies that may be used to achieve it.

The purpose of this paper is to trace the origins of the SCA concept, provide a conceptual definition of SCA, and discuss how it has been applied to theories and ideas related to marketing strategy. This paper is organized in the following manner: First, a review of the literature pertaining to the concept of "SCA" is presented. Early contributors to the topic are cited, and a conceptual definition and potential sources of SCA are presented. Then, the construct is linked to other concepts that exist in the strategy field, including market orientation, customer value, relationship marketing, and business networks. A theoretical model of how SCA may be achieved in a network setting is provided, along with a brief discussion of problems related to both theory and measurement of SCA. The paper concludes with directions for future research.

### CONTRIBUTIONS TO THE SCA LITERATURE

Many researchers have contributed (either directly or indirectly) to the literature pertaining to SCA. Table 1 presents an overview of these authors along with their main contributions to the concept of SCA. Specific contributions, including a focus on distinctiveness or differentiation, potential SCA sources, and customer perspectives of SCA are discussed below.

**TABLE 1**  
**Summary of Contributions to the Development of the "Sustainable Competitive Advantage" Concept**

<b>Author(s) and Date</b>	<b>Article/Book Title</b>	<b>Main Contributions</b>
Alderson (1965) <sup>1</sup>	"The Search for Differential Advantage"	Precursor to SCA; proposes three bases for differential advantage: technological, legal, and geographical; four strategies for achieving differential advantage: segmentation, selective appeals, transvection, and differentiation.
Hall (1980) <sup>1</sup>	"Survival Strategies in a Hostile Environment"	Successful companies will achieve either the lowest cost or most differentiated position.
Henderson (1983) <sup>1</sup>	"The Anatomy of Competition"	Continues discussion of those unique advantage(s) of one firm over competitors; those who can adapt best or fastest gain an advantage over competitors.

<sup>1</sup> These articles should be considered precursors to the SCA construct. While SCA was not mentioned specifically, each of these articles stressed the importance of firms possessing some unique or differentiating characteristic over competitors.

TABLE 1 (cont)

## Summary of Contributions to the Development of the "Sustainable Competitive Advantage" Concept

Porter (1985)	<i>Competitive Advantage: Creating and Sustaining Superior Performance</i>	Introduces idea of the "value chain" as the basic tool for analyzing the sources of CA.
Coyne (1986)	"Sustainable Competitive Advantage: What It Is, What It Isn't"	Explanation of the conditions needed for an SCA to exist; idea of capability gaps.
Ghemawat (1986)	"Sustainable Advantage"	Discussion of those advantages that tend to be sustainable: size in the targeted market, superior access to resources or customers, and restrictions on competitors' options.
Day and Wensley (1988)	"Assessing Advantage: A Framework for Diagnosing Competitive Superiority"	Potential sources of advantage are superior skills and superior resources; in assessing ways to achieve SCA, both competitor and customer perspectives should be considered.
Dierickx and Cool (1989)	"Asset Stock Accumulation and Sustainability of Competitive Advantage"	Sustainability of a firm's asset position is based on how easily assets can be substituted or imitated.
Hamel and Prahalad (1989)	"Strategic Intent"	A firm should not search for an SCA, it should learn how to create new advantages to achieve global leadership.
Prahalad and Hamel (1990)	"Core Competence of the Corporation"	SCA results from core competencies; firms should consolidate resources and skills into competencies that allow them to adapt quickly to changing opportunities.
Barney (1991)	"Firm Resources and Sustained Competitive Advantage"	Discusses four indicators of the potential of firm resources to generate SCA: value, rareness, inability to be imitated, and imperfect substitution.
Conner (1991)	"A Historical Comparison of Resource-Based Theory and Five Schools of Thought within Industrial Organization Economics: Do We Have a New Theory of the Firm?"	With a resource-based view, to achieve above-average returns, a firm product must be distinctive in the eyes of buyers, or the firm selling an identical product in comparison to competitors must have a low-cost position.
Peteraf (1993)	"The Cornerstones of Competitive Advantage: A Resource-Based View"	Discusses four conditions which must be met for SCA: superior resources (heterogeneity within an industry), ex poste limits to competition, imperfect resource mobility, and ex ante limits to competition.

**TABLE 1 (cont)**  
**Summary of Contributions to the Development of the "Sustainable Competitive Advantage" Concept**

Bharadwaj, Varadarajan, and Fahy (1993)	"Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions"	Evaluates SCA in a services marketing context; an SCA exists only if it is recognized by customers.
Hall (1993)	"A Framework Linking Intangible Resources and Capabilities to Sustainable Competitive Advantage"	Identifies various intangible resources (including assets and competencies) that allow firms to possess relevant capability differentials which result in SCA
Day and Nedungadi (1994)	"Managerial Representations of Competitive Advantage"	A firm's use of strategy and reaction to the environment depends on its orientation (customer-oriented versus competitor-oriented); CA is based on this orientation.
Hunt and Morgan (1995)	"The Comparative Advantage Theory of Competition"	Compares neoclassical theory and comparative advantage theory of the firm; comparative advantage in resources can translate into a competitive advantage in the marketplace; offers categorization of resources.
Oliver (1997)	"Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views"	Proposes a model of firm heterogeneity which suggests that both resource capital and institutional capital are indispensable to SCA.
Srivastava, Shervani, and Fahey (1998)	"Market-Based Assets and Shareholder Value: A Framework for Analysis"	Delineates market-based assets into two primary types: relational and intellectual. Largely intangible, these assets may be leveraged to achieve SCA if they can add unique value for customers.

### Early Contributions to the SCA Concept

Early literature on the subject of competition serves as a precursor to the development of the SCA construct. For example, Alderson (1937) hinted at a basic tenet of SCA, that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Later, Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. He stated that differential advantage might be achieved through lowering prices, selective advertising appeals, and/or product improvements and innovations. While these concepts lay the core foundation for firms in moving toward an SCA, we now know that given the intense nature of competition today, firms must be more innovative and entrepreneurial in their strategy planning than just lowering prices or improving existing products. In following decades, authors such as Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to be willing to learn how to create new advantages that will keep them one step ahead of competitors.

Alderson was considered to be "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, authors such as Hall (1980) and Henderson (1983)

solidified the need for firms to possess a unique advantage in relation to competitors if it is to survive and continue to exist. These arguments form the basis for achieving an SCA.

### SCA DEFINED

The idea of a sustainable CA surfaced in 1984, when Day suggested types of strategies that may help to "sustain the competitive advantage" (p. 32). The actual term "SCA" emerged in 1985, when Porter discussed the basic types of competitive strategies that a firm can possess (low-cost or differentiation) in order to achieve a long-run SCA. Interestingly, no formal conceptual definition was presented by Porter in his discussion. Day and Wensley (1988) admit that there exists "no common meaning for 'CA' in practice or in the marketing strategy literature" (p. 2). Barney (1991) has probably come the closest to a formal definition by offering the following: "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (*italics in original*)" (p. 102).

Although lacking a formal definition, Coyne (1986) contributed to the construct by proposing that in order to possess an SCA, 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 possesses and competitors do not possess. Also, this difference must be some product/delivery attribute that is a positive key buying criterion for the market (Coyne 1986). The key is being able to predict the actions of others in the industry over time; by matching the firm's resources to the gaps and voids that exist in the industry, a CA can be created. This advantage is sustained if competitors either can not or will not take action to close the gap (Coyne 1986).

In order to offer a formal conceptual definition of the term, it may be helpful to consider the meaning and implications of all three terms. Webster's Dictionary defines the term "advantage" as the superiority of position or condition, or a benefit resulting from some course of action. "Competitive" is defined in Webster's as relating to, characterized by, or based on competition (rivalry). Finally, Webster's shows the term "sustain" to mean to keep up or prolong.

The next step in crafting a formal conceptual definition of SCA is to consider these dictionary definitions in a business-specific context. Based on the definition of "competitive" presented above, SCA should be viewed by a firm from an external perspective. Competition is based on rivalry between two or more parties; thus, the focus of SCA should be how long a firm can keep competitors at bay. A firm who approaches the achievement of SCA from an internal perspective is missing the point. A particular strategy based on firm resources irrespective of what competitors are doing certainly could be sustained. However, it is the external focus – the focus on competitors – that allows a firm to recognize and/or create unique resources. This uniqueness is what gives a firm the advantage. The advantage (or superiority) is sustained (or prolonged) as long as the unique strategy provides added value to customers, and as long as competitors cannot find a way to duplicate it.

Therefore, the following formal conceptual definition is offered: "SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy."

### SOURCES OF SCA

Following Coyne's discussion of the types of capability gaps that a firm could possess over competitors (business system gaps, position gaps, regulatory / legal gaps, and organization / managerial quality gaps), the literature turned to an exploration of the potential sources of an SCA. Recognizing the importance of an effective strategy to firms (creating tomorrow's CA faster than competitors copy the ones possessed today), Day and Wensley (1988) focused on the elements involved in CA. Specifically, they identified two categorical sources of CA: superior skills, which are "the distinctive capabilities of personnel that set them apart from the personnel of competing firms" (p. 2), and superior resources, which

are "the more tangible requirements for advantage that enable a firm to exercise its capabilities" (p. 3). In the present environment, one might question whether personnel could truly be considered a sustainable competitive feature of a firm. But if these personnel truly understand customers' needs and are able to foster business-intimate relationships with them, then they most certainly qualify as an SCA (Srivastava et. al., 1998). As an example, Treacy and Wiersema (1995) point to successful companies such as Home Depot and Nordstrom who have embraced the idea of customer intimacy in order to deliver a highly customized end product to customers.

Other authors have elaborated on the specific skills and resources that can contribute to an SCA. For example, Barney (1991) contributed to the discussion by exploring the link between a firm's resources and SCA. He stated that not all firm resources hold the potential of SCAs; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Peteraf's (1993) resource-based view of the firm designates four conditions that underlie SCA, including superior resources, ex-poste limits to competition (including imperfect imitability and imperfect substitutability), imperfect mobility, and ex-ante limits to competition. Dierickx and Cool (1989) discuss inimitable resources such as nontradeable assets which are immobile and thus bound to the firm.

Other researchers have contributed to the SCA construct by more carefully delineating the specific resources and skills that aid in the development of an SCA. For example, Hunt and Morgan (1995) propose that "potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational" (p. 6-7). They go on to state that a comparative advantage in resources can translate into a position of competitive advantage in the marketplace, but only if the criteria proposed by Barney (1991) are satisfied and the offering has some perceived value in the marketplace (Conner 1991). Prahalad and Hamel (1990) suggest 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. CAs 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 marketplace (Morgan and Hunt 1996).

Bharadwaj, Varadarajan, and Fahy (1993) discuss the specific combinations of skills and resources that are unique to service industries. For example, they propose that the greater the complexity and cospecialization of assets needed to market a service, the greater the importance of innovation as a source of CA will become. They also propose that brand equity becomes an important source of CA in service industries as the level of service offered becomes more intangible and when consumers have a great need to overcome perceptions of risk.

Intangible resources may indeed be better suited than tangible ones to achieve SCA. Given that the achievement of SCA is based on an external focus, it is interesting to note that those intangible assets that are external to the firm may contribute the most to value generation and subsequently SCA. Srivastava et. al. (1998) delineate market-based assets into two types: relational and intellectual. Relational market-based assets are those that reflect bonds between a firm and its customers and/or channel members. Examples of such assets would be brand equity or a business-intimate relationship that allows a firm to work with a customer to produce a highly customized product. An example of an intellectual market-based asset would be the detailed knowledge that firm employees possess concerning their customers' needs, tastes, and preferences. Both types are intangible and employ an outward focus on firm customers and/or channel members. To the extent that they are rare, unique, valuable, and difficult to imitate, market-based assets provide an excellent potential source of SCA for a firm.

Therefore, no matter what type of business, firms may succeed in establishing an SCA by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies.

### **Consideration of Customer Perspectives**

Perhaps Day and Wensley's (1988) greatest contribution to the SCA construct is their framework for assessing a firm's competitive situation as the first step in achieving an SCA. Unlike past attempts of performance outcome measures (such as profitability and market share), Day and Wensley (1988) suggest using perspectives of both the customer and the competitor to assess the firm's performance. Measures of customer input such as satisfaction and loyalty balance the competitor focus and help to complete the assessment of SCA of a firm. Similarly, Day and Nedungadi (1994) propose

that firms use different types of information to assess whether a CA has been obtained according to the type of orientation they have; a competitor-oriented firm emphasizes relative resources or cost positions, whereas a customer-oriented firm emphasizes segment differences and differentiation advantages. Bharadwaj, Varadarajan, and Fahy (1993) also stress the importance of customers in determining the sources of CA; they state that a firm's skills and resources can be considered sources only if they offer benefits desired by customers.

This outward focus on customers links the SCA construct to concepts such as branding, market orientation, organizational learning, innovation, customer value, relationship marketing, and business networks. These linkages are discussed below in greater detail.

## **THE RELATIONSHIP OF SCA TO OTHER STRATEGIC CONCEPTS**

Many ideas in strategy research have been linked to helping in the process of creating and maintaining an SCA. Table 2 provides an overview of many of these topics, along with contributing authors and their relationship to SCA. Four of these topics will be more fully discussed here: market orientation, customer value, relationship marketing, and business networks.

### **Market Orientation**

The marketing literature provides different conceptualizations of the term "market orientation," yet they share similar components. Kohli and Jaworski (1990) see market orientation as the implementation of the marketing concept by activities such as generating information (analyzing changing customer needs and wants), disseminating information (sharing information with all departments in an organization), and actually responding to customers' needs. Other definitions of market orientation revolve around competitor-centered versus customer-centered firms. Day (1994), for example, views market orientation as a balance between being customer-centered and being competitor-centered, and that information technology can be used to help the firm to learn to act on available information faster than the competition.

Narver and Slater (1990) share a similar perspective of market orientation. They view market orientation as an organizational culture that contains three behavioral components: 1) a customer orientation (understanding the target market), 2) competitor orientation (understanding the strengths, weaknesses, capabilities, and strategies of key competitors, and 3) interfunctional coordination, which means using resources of all departments in a firm in order to create value for target customers. An example of this latter component is provided by Ghoshal and Westney (1991), who find that a corporate culture of willingness to share information with all departments (interfunctional coordination) facilitates the learning process. Fiol and Lyles (1985) agree that a corporate culture in which all departments are flexible and are willing to accept change increases the probability that learning will occur. And the ability to learn (acquiring, disseminating, and interpreting new knowledge) is essential in a market-oriented firm.

Market orientation, then, presumes an outward focus on customers and competitors. For example, through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations (Varadarajan and Jayachandran 1999). Also, through interfunctional coordination, teams may be formed and empowered to respond to specific customer requests and solve complicated problems that span across functional areas (Tansik 1990). Because a market orientation employs intangible resources such as organizational and informational resources, it can serve as a source of SCA (Hunt and Morgan 1995).

### **Customer Value**

Woodruff (1997) also sees the next major source of CA coming from a more outward orientation, specifically toward customers. He suggests a customer value hierarchy in which firms should strive to match their core competencies with customers' desired value from the product or service. Slater (1997) aids Woodruff's call by suggesting a new theory of the firm that is customer-value based. Under this theory, the reason that the firm exists is to satisfy the customer; the focus on providing customers with value forces firms to learn about their customers, rather than simply from their customers. With respect to performance differences, this theory suggests that those firms that provide superior customer value will be rewarded with superior performance as well as an SCA. Therefore, the idea of customer value extends the resource-based

theory of the firm to take a more outward perspective (a market orientation) as one way in which a CA can be achieved and sustained.

**TABLE 2**  
**The Relationship of SCA to Various Concepts in Strategy Theory**

<b>Concept</b>	<b>Contributing Author(s)</b>	<b>Relationship to SCA</b>
Branding	Gardner and Levy (1955), Aaker (1991), Keller (1993)	Branding is what differentiates a product from competitors; brand equity is a potential source of SCA
Market orientation	Kohli and Jaworski (1990), Narver and Slater (1990), Jaworski and Kohli (1993), Day (1994), Slater and Narver (1995), Hunt and Morgan (1995), Hunt and Morgan (1996), Jaworski and Kohli (1996)	Market orientation is an intangible resource which involves a dual focus on both customers and competitors and can contribute to SCA
Organizational learning	Fiol and Lyles (1985), deGeus (1988), Ghoshal and Westney (1991), Glazer (1991), Day (1994b), Slater and Narver (1995)	The management of information is an asset used to gain SCA; SCA lies in the ability to learn faster than competitors
Innovation	Foxall (1984), Wolfe (1994), Rogers (1995), Gatignon and Xuereb (1997)	CA may result from those innovations which are consistent with the firm, both socially and technologically, and provide some distinct value to customers, either directly or indirectly
Customer value	Day and Fahey (1988), Woodruff (1997), Parasuraman (1997), Slater (1997)	The provision of customer value is a source of SCA; customers' desired value changes, firms should monitor these changes via continuous learning about customers
Relationship marketing	Morgan and Hunt (1994), Morgan and Hunt (1996)	The building of trust and commitment make relationship marketing rare and difficult to imitate, thus rendering it a potential source for SCA
Networks	Thorelli (1986), Jarillo (1988), Iacobucci and Hopkins (1992), Anderson, Häkansson, and Johanson (1994), Achrol (1997), Gulati (1998)	Networks involve technology transfer and informational exchange; trust fosters network relationships; networks allow for core competencies to be strengthened, resulting in SCA; network relationships should be a part of strategic planning

### **Relationship Marketing**

Morgan and Hunt (1996) examine the role of relationship building as a means of obtaining resources in order to create an SCA. They propose that resources can be combined in order to form higher-order resources, or competencies, from which the firm can eventually achieve a CA. For example, it is difficult for outsiders to replicate the process of building a long-term relationship. Resources such as loyalty, trust, and reputation are immobile and cannot be purchased. Therefore, Morgan and Hunt (1996) state that relationships formed to acquire organizational, relational, or informational resources will commonly result in sustainable resource-based CAs.

### **Business Networks**

Webster (1992) offers a continuum of marketing relationships which moves from discrete transactions towards network organizations and just-in-time exchanges. As the continuum moves further from discrete transactions, more administrative and less market control occurs, as well as a shift toward elements such as trust that are key to building relationships meant to last over the long term. Similarly, Iacobucci and Hopkins (1992) and Anderson, Häkansson, and Johanson (1994) view networks as a 'step beyond' dyadic relationships, or partnerships, just as Webster (1992) does in his "continuum of marketing relationships" (p. 5). Networks consist of multiple relationships, with each participating firm gaining the resources needed to build core competencies and obtain an SCA.

According to Jarillo (1988), the establishment of trust and perceived goal congruence are two factors that assist in the development of organizational networks. Jarillo states that trust is an essential element to maintaining both effectiveness and efficiency in a network relationship. Similar to Frazier, Spekman, and O'Neal's (1988) view of opportunistic behavior within the Just-In-Time exchange relationship, Jarillo (1988) sees the presence of trust as an indicator that the relationship is one of value; therefore, opportunistic behavior is less likely. If parties participating in this network exchange realize the opportunity for joint value creation, then the network can act to emphasize the individual firm's CA by allowing that firm to specialize in the activities it performs best.

Porter (1985) also discusses the formation of "coalitions" that allow the sharing of activities in order to support a firm's CA. However, Porter's "value chain" approach focuses on activities within a single firm. A new model is needed which adapts his approach in order to understand the value-added processes comprised of dyadic and network interfirm activities which foster each firm's SCA. This is discussed in further detail in the following section.

### **DIRECTIONS FOR FUTURE RESEARCH ON THE SCA CONSTRUCT**

There are many obstacles to further theory development for the SCA construct. First, researchers lack a solid operational definition for SCA. Without this, we cannot measure it, nor can we begin to empirically understand its antecedents and consequences. Current theory also has no agreed upon method of assessing whether an SCA has been achieved by a firm. For example, should performance indicators such as market share or profitability be used to determine if an SCA has been achieved? If such performance indicators are used, how can they be empirically linked as the result of an SCA rather than other factors? These are just a few measurement issues that need to be addressed if we want to successfully develop further theory related to SCA.

The first step would be to create an operational definition of SCA, possibly one based on the conceptual definition offered here. Perhaps a formative scale could be developed to assess whether a particular firm resource is a source of SCA. Scaled questions such as "Does it add value?," "Do current competitors possess it?," "How difficult is it to duplicate?," and "Can it be sustained over time?" could be summated to arrive at some numerical value. The higher the numerical value, the more likely the resource is an SCA.

We are also faced with the task of further understanding how a network environment can enhance the core competencies of a firm which lead to an SCA. We must strive to understand how relationship marketing and networks can aid in delivering value to both channel members and the final customer. Given the number of businesses involved in networks as well as Achrol's (1997) call for a paradigm shift to network relationships, the importance of understanding how networks operate as well as the advantages firms can gain from network relationships cannot be ignored. Strategy researchers have been presented with a great opportunity to fill the "holes" in our understanding of how networks contribute to a firm's SCA.

Although many empirical problems are associated with attempting to explore all of the relationships that exist within a network, these challenges can be overcome. One challenge exists in the mere fact that the number of firms which must be surveyed is larger for a network than for a dyad. In addition, if one firm was unwilling to participate in the study, complications could arise in trying to assess how the network relationships "fit" together. Finally, firms are continually interacting within a network environment. The fact that the context shifts each time two firms within a network interact poses serious measurement problems as well, since our current research tools are not able to capture dynamic relationships.

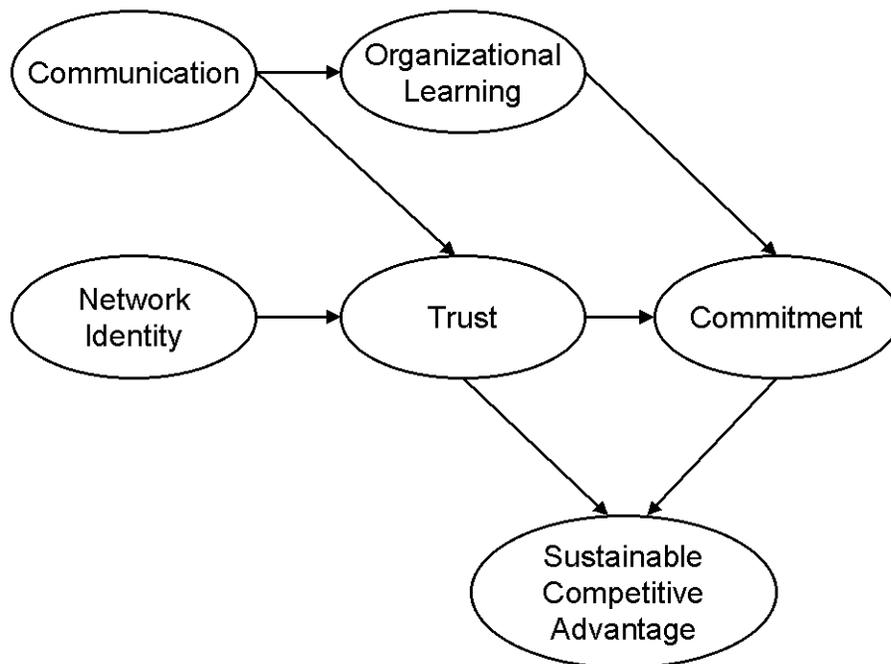
One solution might be for researchers to begin by thoroughly examining dyadic relations within a network environment. In this case, the researcher only needs cooperation from two firms; s/he can avoid the problems of trying to coordinate data collection across the many firms that could be involved in a network relationship. A proposed general theoretical model of dyadic relationship success within a network environment appears in Figure 1. The constructs presented in the

model are defined in Table 3. This model links several concepts that are established in the literature pertaining to relationship marketing and applies them in a network environment. Specific propositions include the following:

**P1: Network Identity is an Antecedent of Trust.**

Anderson, Håkansson, and Johanson (1994) have discussed the concept of network identity, which they define as the perceived attractiveness (or repulsiveness) of a firm as an exchange partner due to its unique set of connected relations with other firms, links to their activities, and ties with their resources. In other words, the firm must possess something that makes it warrant inclusion in the network. Network identity, then, is similar to a firm's expertise or competence in a particular area. It is logical that trust stems from the perception that a firm is attractive in some way, and that it has something to offer. This is similar to Ganesan (1994), who sees reputation as an antecedent of trust.

**FIGURE 1**  
**A Theoretical Model of Dyadic Relationship Success Within A Network Context**



**P2: Communication is an Antecedent of Both Trust and Organizational Learning.**

Morgan and Hunt (1994) proposed the link between communication and trust in a business-to-business relationship marketing context. The linkages between these constructs should be present in a network environment as well. In fact, communication becomes even more essential in relationships involving more than two parties; it is the key to coordinating each firm's unique skills and resources. In addition, effective communication leads to the benefit of organizations being able to learn from their exchange partners' core competencies. Networks exist because of their capacity to generate, integrate, and leverage knowledge and relationships that extend considerably beyond the resources of a sole firm (Srivastava et. al., 1998). If communication is present, then each individual firm in a network can learn from the others in order to properly integrate and leverage unique assets and resources.

**P3: Commitment is the Result of Both Trust and Organizational Learning.**

Trust in a network is indicated by each member's confidence in its partners' sincerity, reliability, loyalty, and willingness to refrain from opportunistic behavior (Achrol, 1997). Commitment may be defined as an enduring desire to maintain a valued relationship (Moorman, Zaltman, and Deshpande 1992). Certainly a firm is more likely to feel committed to a network if this trust truly exists. Additionally, firms will want to maintain the relationship if they perceive it is valuable;

organizational learning, defined as the development of new knowledge or insights that have the potential to influence behavior (Slater and Narver 1995), contributes to this value.

**TABLE 3**  
**Definitions for Constructs Presented in the**  
**"Theoretical Model of Dyadic Relationship Success Within A Network Context"**

<b>Construct</b>	<b>Definition</b>
Communication	formal as well as informal sharing of meaningful and timely information between firms (Anderson and Narus 1990, p. 44)
Network identity	the perceived attractiveness (or repulsiveness) of a firm as an exchange partner due to its unique set of connected relations with other firms, links to their activities, and ties with their resources (Anderson, Håkansson, and Johanson 1994, p. 4)
Organizational learning	the development of new knowledge or insights that have the potential to influence behavior (Slater and Narver 1995)
Trust	a willingness to rely on an exchange partner in whom one has confidence (Morgan and Hunt 1994)
Commitment	an enduring desire to maintain a valued relationship (Moorman, Zaltman, and Deshpande 1992)
Sustainable competitive advantage	the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy

#### **P4: Both Trust and Commitment Result in SCA.**

As developed earlier, SCA may be defined as the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy. If trust is present, then firm performance is enhanced (Achrol, 1997). Trust, which induces a more open exchange of ideas, fosters the creativity that is necessary to produce a unique value-added strategy. Therefore, trust leads to SCA. Additionally, commitment is an enduring desire to maintain a valued relationship. Therefore, if each firm in a network is committed to the relationship, then it is implicit that the network provides value which may be sustained over time.

By examining dyadic relationships within a network context, some of the measurement concerns raised above may be avoided. While this model does not truly capture the dynamic relationships that occur within the network environment, it can be seen as a first step to understanding the contributions that participating in a network system can bring to the achievement of an SCA. In order to empirically test this model, one could utilize existing scales for constructs such as communication, trust, and commitment. New scales could be developed for network identity, organizational learning, and SCA. If this is done, then the model could be tested using structural equation modeling. The benefit of using this type of analysis is that these relationships can be assessed simultaneously.

## **CONCLUSION**

Significant progress has been made over the years with respect to construct definition, operationalization, and measurement of concepts in the marketing strategy field. However, there is still a lack of research that maps how a particular strategy can influence performance by providing firms with an SCA (Varadarajan and Jayachandran 1999). This paper has traced the origins of the SCA concept and has linked it to other concepts in the strategy field, including market orientation, customer value, relationship marketing, and networks. A conceptual definition has been provided, along with

suggestions as to how it might be achieved in network relationships. By developing a multi-item measure of the SCA construct, we would be able to empirically examine theoretical models of SCA such as the one presented here. If researchers are able to examine networks in this manner, our knowledge of how a CA is achieved and sustained can only be enhanced.

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