Competitive advantage: the known unknown concept

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Abstract

Purpose – The purpose of this paper is to investigate empirically managers' awareness regarding the concept of competitive advantage, the most taken-for-granted concept in the field of strategic management.

Design/methodology/approach – Managers' awareness regarding the concept of competitive advantage was explored by applying a cross-sectional, self-administered, e-mail survey.

Findings – The results of quantitative and qualitative data analyses provide empirical evidence that senior managers, who are heavily involved in the strategic management process of their firms, seem to confuse the concept of competitive advantage with the concept of sources of competitive advantage, especially those pertaining to resource-based theory.

Research limitations/implications – The findings establish the hypothesis that senior managers are not aware of the concept of competitive advantage. At the same time, future researchers are encouraged to continue testing the above hypothesis.

Practical implications – The findings as well as the provision of a conceptually clear stipulating definition of competitive advantage from literature could increase practicing managers' awareness relating to the conceptual nature as well as the latent expressions of competitive advantage.

Originality/value – Since little research, to date, has been carried out in order to investigate empirically the awareness of managers regarding competitive advantage, this study fills an important gap in the empirical literature of strategic management.

Keywords Competitive advantage, Concept of competitive advantage, Definition of competitive advantage, E-mail survey, Management concept, Managers' awareness

Paper type Research paper

Introduction

Competitive advantage has been a cornerstone concept in the field of strategic management (South, 1981; Baaij *et al.*, 2004) since it explains what accounts for differences in performance among firms (Zott and Amit, 2008; Ceccagnoli, 2009). The scope of business strategy, on the other hand, is to define the long-term plan of action a firm may pursue to achieve its performance goals (Zahra and Covin, 1993). For that reason, competitive advantage is widely accepted in strategic management courses and textbooks as an essential concept in business strategy (Barney, 1997; Grant, 1998). However, it has been argued that competitive advantage is a buzzword that causes confusion to academics, business executives and consultants (Markides, 2000). The source of this confusion is the fact that both academics and practicing managers have a tendency to use the term of competitive advantage with different meaning in different contexts (O'Shannassy, 2008). The reason behind this tendency could be that there are numerous definitions of competitive advantage, each with sometimes a different meaning in strategic management literature. Indeed, even though there is a great number of statements in the literature of competitive advantage, a precise and clear definition has always been quite elusive (Ma, 2000; Arend, 2003; Rumelt, 2003; O'Shannassy, 2008). Sigalas and Pekka-Economou (2013), who identify and map the problems that stem from current conceptualization of competitive advantage by the majority of the literature, call this phenomenon as the "definitional problem of

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competitive advantage.” Based on the above, it can be assumed that the managers will not be able to understand and observe competitive advantages, let alone develop one for their own firm. In response to this possibility, this study employs a field survey in order to investigate empirically managers’ awareness regarding the concept of competitive advantage.

Literature review

Competitive advantage is a long-lived and conceptually troubled concept

The concept of competitive advantage has a long history and tradition in the strategy literature. Ansoff (1965) is the first scholar who attempts to define competitive advantage as the isolated characteristics or particular properties of individual product markets which give a firm a strong competitive position. Nevertheless, the watershed event that introduced the concept of competitive advantage in business strategy was Porter’s (1985) book on competitive advantage. While Porter (1985) provides no explicit definition of competitive advantage, he states that competitive advantage stems from the firm’s ability to create superior value for its buyers. Porter (1985) adds that superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. Based on the above, Ansoff’s (1965) definition seems to match the sources of competitive advantage with the concept of competitive advantage itself. On the other hand, Porter’s (1985) definition seems to match value and particularly benefits net of price paid with the concept of competitive advantage (Sigalas and Pekka-Economou, 2013).

Since then, many scholars have engaged into the discussion and research of competitive advantage. This discussion and research has generated a large volume of scholarly output and provided abundant definitions and statements regarding competitive advantage. In an attempt to classify all definitions of competitive advantage by the most important contributors in the field of strategic management, Sigalas and Pekka-Economou (2013) have identified two streams concerning competitive advantage’s conceptual demarcation. The first stream defines competitive advantage in terms of performance, e.g. high relative profitability, above average returns, benefit-cost gap, superior financial performance, economic profits, positive differential profits in excess of opportunity costs and cross-sectional differential in the spread between product market demand and marginal cost. The second stream defines competitive advantage in terms of its sources or determinants, e.g. particular properties of individual product markets, cost leadership, differentiation, locations, technologies, product features and a set of idiosyncratic firm resources and capabilities.

However, both streams seem to render the syllogistic reasoning of the Sources of Competitive Advantage-Competitive Advantage-Superior Performance conceptual framework in a tautology. The syllogistic reasoning is consisting of the following major premise, minor premise and conclusion:

> Competitive advantage leads to superior performance [Major Premise].
>
> Mobility barriers (Caves and Porter, 1977) and/or market positions (Porter, 1985) and/or idiosyncratic firm resources and capabilities (Barney, 1991) are sources of, or lead to, competitive advantage [Minor Premise].
>
> Mobility barriers and/or market positions and/or idiosyncratic firm resources and capabilities lead to competitive advantage which in turn leads to superior performance [Conclusion].

If the concept of competitive advantage is defined either in the same way, or in a manner that it is a subset of superior performance, then the Conclusion of the syllogistic reasoning becomes as follows: "Mobility barriers and/or market positions and/or idiosyncratic firm resources and capabilities lead to superior performance which in turn leads to superior performance." Clearly the second causal path in the conceptual framework is a tautology since it is logically true and the support with business data is not required to determine its empirical content.

On the other hand, if the concept of competitive advantage is defined in terms of its sources or determinants then the Conclusion of the syllogistic reasoning becomes as follows: "Mobility barriers and/or market positions and/or idiosyncratic firm resources and capabilities lead to mobility barriers and/or market positions and/or idiosyncratic firm resources and capabilities which in turn lead to superior performance." It is obvious that the first causal path in the Sources of Competitive Advantage-Competitive Advantage-Superior Performance conceptual framework is also a tautology.

But then again, what is competitive advantage? Is competitive advantage any cause or determinant of superior performance? In other words, does competitive advantage equate to the so-called sources of competitive advantage, such as locations, technologies and product features (see Powell, 2002)? In addition, is competitive advantage equal to superior performance, in any form, like above normal returns (see Peteraf, 1993), high relative profitability (see Thomas, 1986), above average returns (see Schoemaker, 1990), economic value surplus (see Peteraf and Barney, 2003) and above industry's average economic profits (see Besanko *et al.*, 2000)? In addition to above bewilderment, does competitive advantage mean winning the game, i.e. outperforming all rival firms, or merely maintaining a position in the game, i.e. being above the industry average (Rumelt, 2003)?

From the above, it should be well acknowledged that not only are there multiple meanings of competitive advantage and there is no agreement on a single conceptually clear and unambiguous definition among scholars, but also the prevailing two definitional streams make the "Sources of Competitive Advantage-Competitive Advantage-Superior Performance" conceptual framework tautological. In addition to the above, in literature there are also fuzzy and abstract definitions of competitive advantage. For example, South (1981, p. 15), defined competitive advantage as the "philosophy of choosing only those competitive arenas where victories are clearly achievable."

Are managers aware of the concept of competitive advantage?

In view of the fact that competitive advantage has always suffered from a lack of semantic content (Ma, 2000; Arend, 2003; Foss and Knudsen, 2003; Rumelt, 2003; O'Shannassy, 2008; Sigalas and Pekka-Economou, 2013), it is doubtful that the practicing managers are aware of the concept of competitive advantage. In particular, it has not been widely appreciated by academics and scholars that if they do not conclude into a conceptually robust definition for competitive advantage, which does not incorporate any latent characteristics of the concept of performance and of the sources of competitive advantage, then the managers will not be able to understand, observe and develop competitive advantage for their firms. Therefore, one can hardly complain that practicing managers do not understand the concept of competitive advantage when academics and scholars themselves, incline toward semantic imprecision.

Currently it seems that managers are walking in darkness regarding their endeavors of finding and developing competitive advantage. In business strategy-related university courses and executive seminars, practicing managers are guided to find competitive advantages among their firms' idiosyncratic resources and market positions without being instructed exactly what competitive advantage is. What constitutes competitive advantage is a question rarely asked and even less-frequently answered. However, without any consistent and precise stipulative definition for competitive advantage, the managers do indeed find abstract competitive advantages in their firms. This must be what prompted Powell (2001, p. 885) to mention that "one might suggest that, if asked and similarly prompted, managers could also perceive animal shapes in cloud formations or anger in a tree." Most practitioners are content to apply Justice Stewart's test, i.e. they know competitive advantage when they see it, or so they assume (Coyne, 1986).

Defining competitive advantage

Despite the fact that it is extremely difficult to identify a conceptually robust stipulative definition for competitive advantage in literature, Sigalas *et al.* (2013) have recently crafted a stipulative definition that it incorporates all the latent characteristics of the competitive advantage concept and it completely separates competitive advantage from its sources and from the concept of superior performance. In particular, Sigalas *et al.* (2013, p. 335) mention that competitive advantage is "the above industry average manifested exploitation of market opportunities and neutralization of competitive threats."

Based on Sigalas *et al.*'s (2013) definition, competitive advantage is an unobservable construct and therefore inherently complicated (Godfrey and Hill, 1995). Due to its latent nature, competitive advantage is not so easy to identify. Nevertheless, it must be clear that competitive advantage is not equivalent to its sources, e.g. the mobility barriers, the market positions as well as the idiosyncratic firm resources and capabilities. Furthermore, competitive advantage is not equivalent to superior performance, which according to Amit and Schoemaker (1993) is the above average financial and operational performance. Contrary to the dominant theoretical perspectives presented in many academic journals and textbooks, which define competitive advantage either in terms of performance or in terms of its sources or determining factors, competitive advantage is conceptually distinct. Therefore, the sources of competitive advantage, competitive advantage and superior performance are three distinct and different concepts.

Methodology

Research design

In order to investigate empirically managers' awareness regarding the concept of competitive advantage, this study employed a quantitative empirical research as the research approach. Furthermore, since primary data from the business environment were required for the empirical research, field survey was chosen as the research method. The field survey purposefully included firms across all economic sectors in Greece, turning the field survey into cross-sectional survey. Following Dillman *et al.*'s (2009) Tailored Design Method that encourages the use of modern technology in surveys in order to minimize total survey error, the cross-sectional survey was carried out using e-mail mode. Lastly, the cross-sectional, e-mail survey was designed to be administered without the presence of the researcher, making the survey a self-administered one.

Sample

The population of the cross-sectional, self-administered, e-mail survey is comprised of all medium-sized and large firms incorporated in Greece. The database of Hellastat was used to draw the sampling frame, because, pursuant to Loyd's Register Quality Assurance, it contains almost all firms with corporate legal form as per Greek commercial law. Applying the size criterion of 10 million Euros of revenues, i.e. European Union Commission (2003) recommendation concerning the size thresholds of medium-sized and large enterprises, Hellastat database resulted to a sampling frame of 2,033 firms.

For the calculation of sample size, Cochran's (1977) random sampling techniques were used. Assuming confidence level of 95 percent, margin of error of 5 percent and population's standard deviation of 0.5, as per Bartlett *et al.*'s (2001) recommendations, the required sample size is equal to 384 cases. However, since the required sample size of the 384 cases exceeds the 5 percent of the population, the required sample size corrected for population size, using Cochran's (1977) correction formula, is equal to 323 cases. In addition, assuming a response rate between 14 and 19 percent, a minimum drawn sample size between 1,700 and 2,307 cases should have been used. The lower and upper bound of the range is set from the expected response rate in surveys that target C-suite officers (see DeTienne and Koberg, 2002; Neck *et al.*, 2004). Since the estimated minimum drawn sample size of the upper bound was above the population size, i.e. 2,033 firms, census of the population was carried out instead of random sample selection.

Variables

Given that the purpose of this study is to investigate managers' awareness regarding the concept of competitive advantage, two set of variables for measuring competitive advantage had to be developed. The first variable was managers' self-reported existence of competitive advantage. In other words, the respondents indicated whether their respective firm has competitive advantage or not. The second variable was a perceived measure of competitive advantage. Specifically, competitive advantage was measured using a subjective scale with various items, each measuring one of competitive advantage's latent characteristics. It goes without saying that the managers did not know that the questions answered, were measuring competitive advantage's expressions. Since competitive advantage is a relative term and therefore requires an exogenous basis for comparison (Ma, 2000; Arend, 2003; Peteraf and Barney, 2003), the variable for measuring competitive advantage was constructed from the variable of firm competitiveness. Firm competitiveness was measured using Sigalas *et al.*'s (2013) subjective five-point Likert scale. Subsequently, the dichotomous variable of competitive advantage, which is the above industry average firm competitiveness, was constructed from the comparison of each firm competitiveness with the average competiveness of the industry. In particular, the companies that exhibit higher level of competitiveness than the mean value were assumed to have a competitive advantage. On the contrary, the companies that exhibit a level of competitiveness equal or lower than the mean value were assumed as not having a competitive advantage.

Data collection

The data were derived from the responses to survey items of either Chief Executive Officers, or Chief Financial Officers, or any other C-suite officers, who are heavily involved in the strategic management process of their firms. Since all respondents are members of top management that participate in the strategic management process of their firm, it is assumed that they are all highly qualified to provide accurate responses to the survey's questions and items. All respondents that participated in the survey, were assured of confidentiality. The questionnaire, which is the survey instrument, was mailed electronically to all available firms of the sampling frame. As per Dillman *et al.*'s (2009) Tailored Design Method guidelines, several reminder e-mails, with an attachment of the questionnaire, were sent after the initial electronic mailing.

Out of total 2,033 listings in the sampling frame, 286 e-mail addresses proved to be defunct and 256 e-mail addresses were not available in the database of Hellastat. Pursuant to common practice in business empirical researches, the response rate was adjusted for defunct and missing e-mail addresses (see Doving and Gooderham, 2008). Of the 1,481 firms that received the questionnaire, 268 usable completed questionnaires were received, reflecting an adjusted response rate of 18.1 percent. The response rate of this survey compares favorably with the response rate accomplished by e-mail surveys in the field of strategic management (see Ensley *et al.*, 2002; Doving and Gooderham, 2008; Mahlendorf *et al.*, 2012). As per common practice (Armstrong and Overton, 1977), the independent sample *t*-tests and non-parametric independent sample Mann-Whitney *U*-tests between early and late respondents, suggest that the answers of the respondents and non-respondents do not differ. In addition, the ANOVA analyses as well as Kruskal-Wallis tests for the presence of bias among respondents indicate that the responses among the various job-titled respondents do not differ[1].

Analysis and results

The awareness of managers regarding the concept of competitive advantage was examined using both quantitative and qualitative data analyses. The quantitative analyses include cross-tabulation, χ^2-test for independence and logistic regression of data from closed-ended questions. On the other hand, the qualitative data analysis is comprised of keywords and key phrases of data from an open-ended question.

The research question of whether the practicing managers are aware of the concept of competitive advantage was carried out using cross-tabulation between the dichotomous variable of competitive advantage as has been self-reported by senior managers (self-reported competitive advantage), and the dichotomous variable of competitive advantage developed by the subjective scale of firm competitiveness (perceived competitive advantage).

First of all, the Pearson χ^2-statistic is statistically significant, χ^2 (df = 1) = 8.062, $p = 0.005$, indicating that there is a statistically significant difference in the proportion of perceived competitive advantage and the proposition of self-reported competitive advantage. Therefore, the interpretation of the cell frequencies in the contingency table is warranted. As can be seen from the results of the contingency table reported in Table I, 126 managers, or 47 percent of total number of managers, correctly report

			Competitive advantage – self-reported		
			Existent	Non-existent	Total
Competitive advantage – perceived	Non-existent	Count	97	30	127
		Expected count	105.7	21.3	
		% of total	36	11	
	Existent	Count	126	15	141
		Expected count	117.3	23.7	
		% of total	47	6	
Total		Count	223	45	268

Table I. Cross-tabulation between perceived competitive advantage and self-reported competitive advantage that their firms have competitive advantage. In addition, 30 managers, or 11 percent of the total managers in the study, correctly report that their firms do not have competitive advantage. Thus, 58 percent of total managers are in a position to identify the existence, or not, of competitive advantage and therefore it can be assumed that they are aware of the concept of competitive advantage. On the other hand, 36 percent of the total number of managers that corresponds to 97 managers, report that their firms have competitive advantage when in reality they do have. Lastly, 15 managers, or 6 percent of the total managers in the study, report that their firms have not developed competitive advantage when in reality they have. Thus, a significant high percentage of total managers, i.e. 42 percent, are not in a position to identify the existence of competitive advantage and therefore it can be assumed that they are not aware of the concept of competitive advantage. In addition, from those managers who are not in a position to identify the existence of competitive advantage, the majority (87 percent) seems to overestimate their company's ability to develop competitive advantage.

Nevertheless, since the result of χ^2-test for independence is statistically significant, it seems that the competitive advantage as perceived by the managers and the competitive advantage as has been self-reported by the managers are related. Therefore, based on the interpretation of the contingency table and on the χ^2-test for independence, no compelling conclusions regarding the relationship of the two variables could be drawn at this stage.

In order to reaffirm the above inconclusive results, a robustness test was performed using logistic regression with independent variable the self-reported competitive advantage and dependent variable the perceived competitive advantage. From Table II, one can see that the difference in the log likelihood values (−2LL) between the base and proposed model is minimal and that both −2LL values are considerably greater than zero, therefore suggesting poor overall fit of the model (Hair *et al.*, 2010). In addition, the value of Hosmer and Lemeshow test indicates that the model fit is not acceptable. Moreover, the pseudo R^2 measures, i.e. Cox and Snell R^2 and Nagelkerke R^2, show that the logistic regression model accounts for less than 4 percent of the variation between the two groups of the dependent variable, i.e. existence and non-existence of competitive advantage. Based on the above the logistic regression model does not fit the data well. Thus, the results of the logistic regression provide evidence that the practicing managers cannot identify the existence or non-existence of competitive advantage and therefore, they are not aware of the concept of competitive advantage.

The empirical investigation of managers' awareness regarding the concept of competitive advantage using quantitative data analyses was supplemented with qualitative data analysis. Specifically, the results of managers' answer to the open-ended question "what is the competitive advantage of your firm?" seem to verify the results of

Table II. Robustness test: logistic regression model

−2 log likelihood (−2LL) of base model	370.795
−2 log likelihood (−2LL) of proposed model	362.648
Difference of −2LL for base and proposed model	8.147
Sig. of χ^2-test of −2LL difference	0.004
χ^2 of Hosmer and Lemeshow test	0.000
Cox and Snell R^2	0.030
Nagelkerke R^2	0.040

Note: Dependent variable the perceived competitive advantage and independent variable the self-reported competitive advantage the quantitative data analyses. Using keywords and key phrases (see Table III), managers' responses were classified into the three dominant theoretical perspectives of strategic management regarding the sources of competitive advantage. In particular, of the 223 total managers who reported that their firm possesses competitive advantage, 188 accepted to state what their firm's competitive advantage is. From those 188 managers, 13 (7 percent) indicated as their firms' competitive advantage a source of competitive advantage pertaining to the industrial organization theory, such as an entry or exit barrier. In addition, 55 (29 percent) managers mentioned a source of competitive advantage pertaining to market-led theory as their firms' competitive advantage, such as cost leadership, differentiation and niche market focus. Lastly, 120 (64 percent) managers declared a source of competitive advantage pertaining to resource-based theory as their firms' competitive advantage, such as valuable, rare, inimitable and non-substitutable resources as well as bundle of tangible or intangible resources, i.e. capabilities. It is worth mentioning that 58, or 31 percent, out of total 188 managers, reported multiple sources of competitive advantage, belonging to more than one perspective, as their firms' competitive advantage. From the above, it is obvious that practicing managers seem to confuse the concept of competitive advantage with the concept of sources of competitive advantage. In addition, the majority of senior managers seems to confuse competitive advantage with several of their firm's resources and capabilities, which are in fact sources of competitive advantage under the resource-based theory. The above finding is not entirely surprising, given that the resource-based theory not only serves as a major theoretical foundation in strategic management (Rouse and Daellenbach, 2002), but also it is prominently featured in all major textbooks on the subject of business strategy (Newbert, 2007). Thus, since much of what the strategy scholars write about, and teach has been greatly influenced by the resource-based perspective, the managers that have received business education will tend to adopt its fundamental arguments.

Concisely, the combined results of the quantitative data analyses and the qualitative data analysis, provide empirical evidence that self-reported competitive advantage and perceived competitive advantage are not empirically equivalent. In other words, the practicing managers seem not to be aware of the concept of competitive advantage and they tend to confuse it with its sources, especially those pertaining to resource-based theory.

Concluding remarks

Even though in literature there are studies that investigate managers' awareness of various popularly used management concepts (see Van Rossem and Van Veen, 2011), little research has been carried out in order to investigate empirically the awareness of managers regarding competitive advantage. This paper intends to shed some light into managers' awareness of competitive advantage, which is the most taken-for-granted concept of strategic management.

Competitive advantage is a buzzword, fuzzy and fashionable concept that causes confusion to practicing managers, as academics have a tendency to use the term of competitive advantage with different meaning in different contexts. In view of the fact that competitive advantage has always suffered from a lack of semantic content along with the fact that many journals and textbooks seem to define competitive advantage in terms of its sources, or the concept of performance, it is doubtful that the practicing managers are aware of the concept of competitive advantage. Indeed, this study provides empirical evidence that practicing managers seem to confuse the concept of competitive advantage with the concept of sources of competitive advantage, especially those

Table III.
Keywords and key phrases for the classification of manager's responses into the dominant theoretical perspectives of strategic management

Industrial organization theory	Market-led theory	Resource-based theory
1. Biggest in the industry (EEB)	1. Better quality compared with peers (DIF)	1. Active/supportive shareholders (IFR)
2. Binding agreements with suppliers and customers (EEB)	2. Competitive prices (DIF)	2. Adoption of new technologies (IC)
3. Distance – low transportation cost (EEB)	3. Competitive products/services (DIF)	3. Capacity for new product development (IC)
4. Economies of scale (EEB)	4. Different products/services from competition (DIF)	4. Company's nationality (IFR)
5. Exclusive products (EEB)	5. Differentiation (DIF)	5. Company's reputation (IFR)
6. Geographical location (EEB)	6. Entrance in new markets (NMF)	6. Competent human capital (IFR)
7. Large network size (EEB)	7. Focus (NMF)	7. Customer service (IC)
8. Monopolistic position (EEB)	8. Innovation of products/services (DIF)	8. Customer-focussed approach (IC)
9. Plant/production site (EEB)	9. Local company (NMF)	9. Experience (IC)
10. Reciprocate subsided fee (EEB)	10. Low price compared to value (CL and DIF)	10. Facilities/warehouse /fleet of trucks (IFR)
11. Size (EEB)	11. Lowest cost (CL)	11. Financial liquidity (IC)
12. Strong market share (EEB)	12. Market leader (CL and DIF)	12. Financial strength (IFR)
	13. Market position (CL and DIF)	13. Focus on customers' needs (IC)
	14. Particularization/customization (DIF)	14. Internal procedures (IC)
	15. Premium products/services (DIF)	15. Know-how (IC)
	16. Price of products/services (CL)	16. Knowledge/expertise (IC)
	17. Product/service concept (DIF)	17. Low labor cost (IFR)
	18. Quality of products/services (DIF)	18. Low operating cost (IC)
	19. Relationship between quality and price (CL and DIF)	19. Marketing and distribution (IC)
	20. Reliability of products/services (DIF)	20. Member/subsidiary of a strong group (IFR)
	21. Renown products/services (DIF)	21. Not an impersonal company (IC)
	22. Strong brand name (DIF)	22. Operational flexibility (IC)
	23. Value for money (CL and DIF)	23. Operational robustness (IC)
	24. Wide recognition of products/services (DIF)	24. Process innovation (IC)
		25. Product portfolio (IC)
		26. Production capacity (IC)
		27. Production cost (IC)
		28. Prompt decision making (IC)
		29. Quality of processes (IC)
		30. Research and development (IC)
		31. Solvency/credibility (IC)
		32. Strong management (IC)
		33. Tangible assets and equipment (IFR)
		34. Teamwork (IC)
		35. Technological infrastructure (IFR)
		36. Training of human capital (IFR)

Notes: EEB, entry and exit barriers; CL, cost leadership; DIF, differentiation; NMF, niche market focus; IFR, idiosyncratic firm resources; IC, idiosyncratic capabilities pertaining to resource-based theory. The above finding can be attributed to the fact that since the resource-based theory is universally accepted in strategic management courses and textbooks, managers are educated and instructed to find competitive advantages extensively among their firms' idiosyncratic resources and capabilities.

From an academic standpoint, by empirically investigating the awareness of managers regarding competitive advantage, this study fills an important gap in the empirical literature. The finding that practicing managers confuse the concept of competitive advantage with their firms' idiosyncratic resources and capabilities, provides support to the hypothesis that senior managers are not aware of the concept of competitive advantage. The results of this study could stimulate the discussion about the conceptual nature of competitive advantage and could foster the convergence toward a precise and robust definition of competitive advantage.

From a practitioner standpoint, the findings of the study along with the provided stipulative definition of competitive advantage from literature, can increase practicing managers' awareness relating to the conceptual nature of competitive advantage. The improved understanding of its conceptual nature by practicing managers, in turn, can specify the latent expressions of competitive advantage, describing what is and what not competitive advantage is. This is extremely important because such cognitive error, regarding the concept of competitive advantage, results to deviation from the aim of business strategy. In other words, because managers' decisions concerning the development of competitive advantage are based on erroneous information about the true content of competitive advantage, firms may often and mechanically implement resource-based strategies that do not result in superior performance. Therefore, practicing managers should bear in mind that sources of competitive advantage, competitive advantage and superior performance are distinct concepts (see Figure 1). The sources of competitive advantage are the mobility barriers (factors that impede the ability of firms to enter or exit an industry), the market positions (low cost,

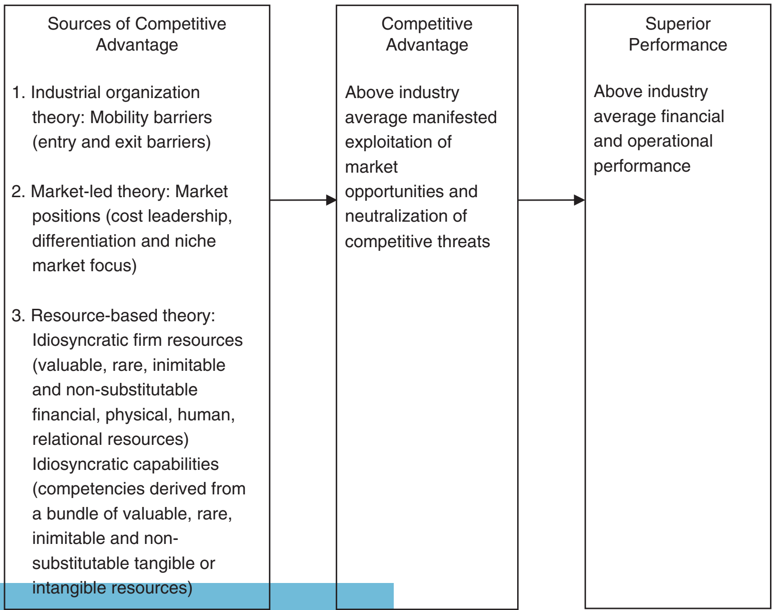

Figure 1.
Concepts and relationships of the "sources of competitive advantage-competitive advantage-superior performance" conceptual framework

differentiation or niche market focus), as well as the idiosyncratic firm resources (valuable, rare, inimitable and non-substitutable financial, physical, human, relational resources) and capabilities (competencies derived from a bundle of valuable, rare, inimitable and non-substitutable tangible or intangible resources). On the other hand, competitive advantage is the above industry average manifested exploitation of market opportunities and neutralization of competitive threats, whereas superior performance is the above industry average financial and operational performance. For managers, the challenge should be to *ex ante* identify, develop, protect and deploy idiosyncratic firm resources and capabilities, and/or market positions, and/or mobility barriers (which are all sources of competitive advantage), as grounds for establishing competitive advantage (i.e. above average exploitation of market opportunities and neutralization of competitive threats) and, thereby, generate superior performance (i.e. above average financial and operational performance).

Naturally, due to the lack of previous efforts to investigate empirically managers' awareness regarding the concept of competitive advantage and because of the contradicting results of χ^2-test for independence as compared to the interpretation of contingency table, logistic regression results and to keywords and key phrases data analysis, the findings presented herein need further investigation. In finding further support of the hypothesis that senior managers are not aware of the concept of competitive advantage, scholars will have more rigorous evidence about the impairing effect to practicing managers' awareness caused by the lack of a clear theoretical definition for the concept of competitive advantage. This, in turn, would hopefully strengthen the efforts of academics to reach a consensus regarding the conceptual nature of competitive advantage.

Note

1. Results of *t*-tests, Mann-Whitney *U* tests, ANOVA analyses and Kruskal-Wallis tests are not reported herein but they are available upon request.

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