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Sustainable competitive advantage or temporary competitive advantage

Improving understanding of an important strategy construct

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Abstract

Purpose – Competitive advantage is an important construct in the strategy discipline. The purpose of this paper is to explore an appropriate definition of competitive advantage, seek to identify sources of competitive advantage for firms and improve understanding of why in many industries for many firms competitive advantage is only a temporary outcome due to the influence of environmental uncertainty.

Design/methodology/approach – The paper undertakes a synthesis of classic and contemporary insights into competitive advantage in the literature to assist the development of several research propositions.

Findings – By introducing the perceived environmental uncertainty construct to discussion on the relationship between firm resources, competitive advantage and organization performance, understanding of sustained competitive advantage and temporary competitive advantage is enhanced.

Research limitations/implications – Through the development of the research propositions the paper helps to clarify terminology and provide several suggestions for future research.

Practical implications – The findings contribute to the evolution of strategic management practice by giving some insight to practitioners as to when and where firm resources may be useful by explaining these links between environmental uncertainty, firm resources, competitive advantage, and organization performance. A brief illustration of these connections in the context of BHP Billiton Limited is provided to link theory to practice.

Originality/value – Competitive advantage remains a poorly understood construct in the strategy literature and the subject of much discussion. This paper sets out to clarify understanding and stimulate debate in an area that is not well understood.

Keywords Competitive advantage, Organizational performance, Resource management, Strategic management

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1. Introduction

The strategy discipline for many years has been lacking a clear definition of competitive advantage (Rumelt, 2003) and a deep understanding of the influence of this construct on firm performance. There has been increasing discussion of and empirical research into competitive advantage in recent years (Ray *et al.*, 2004; Newbert, 2008), however understanding of what is competitive advantage and distinguishing this concept from organization performance remains a challenge for the discipline (Powell, 2001). In recent years there has also been some discussion of the fleeting nature of

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competitive advantage for firms in a challenging, competitive marketplace but little connection of this discussion to the perceived environmental uncertainty construct.

The purpose of this paper is to develop a definition of competitive advantage, distinguish competitive advantage from organization performance and identify why competitive advantages are becoming more temporary or fleeting for firms introducing the perceived environmental uncertainty construct into an evolving debate in the strategy literature. Fulfilling the purpose of this paper leads to the development of five useful research propositions which help explain the relationship between perceived environmental uncertainty, firm resources, competitive advantage and organization performance. The example of BHP Billiton Limited's (BHPB) recent history helps illustrate the importance of the research propositions. Several suggestions for future research are also made.

2. What is competitive advantage?

Michael Porter was the first writer to introduce the term competitive advantage to the vocabulary of the strategy discipline. The term competitive advantage is another of the strategy "buzzwords" words that cause confusion for academics, business executives and consultants (ABCs) (Markides, 2000). ABCs have a tendency to use the term competitive advantage, like other popularly used terms in the strategy vocabulary such as strategic thinking or strategic innovation with different meaning in different contexts, this includes different use of these terms in different countries. This challenge for the strategy discipline is exacerbated by ABCs all endeavouring to have their message accepted and embraced by the ABC community.

Barney (2002 p. 9) makes a useful connection when he says: "a firm experiences competitive advantages when its actions in an industry or market create economic value and when competing firms are engaging in similar actions." Barney (1991) argues competitive advantage is achieved when a firm is implementing a value creating strategy that is not being simultaneously implemented by any current or potential competitors. A sustained 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 benefits of this strategy. It is of interest that Barney (1991) does not comment on the possibility of competitive advantage being eroded by the innovation efforts of rival firms changing the market space (Tushman and O'Reilly, 2004; Kim and Mauborgne, 2005).

Similar to views expressed by Newbert (2008), in this paper competitive advantage is not organization performance. This position is a matter of some contention in the literature with writers such as Porter (1985) using the terms interchangeably but Powell (2001) making a distinction between the two constructs. The concept of competitive advantage relates to a firm maintaining a sustainable edge over rivals in a particular industry setting that cannot be eroded over time. The firm with competitive advantage pursues a strategy that is not being executed by a rival firm or firms. The strategy implemented by the firm with competitive advantage provides the opportunity for a reduction in costs (i.e. low cost) in the provision of a product and/or service with some proximity on product and/or service attributes to providers of the alternative differentiation strategy in a broad market segment. Alternately, the firm may have the ability to exploit market opportunities with a product and/or service with superior attributes (i.e. differentiation) with some proximity to low cost providers on

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cost of production or provision of service in a broad market segment. Both the low cost and the differentiation strategies can be pursued in a narrow market segment and this is termed cost focus and differentiation focus, respectively. Porter (1985 p. 17) notes that a firm may be able to span low cost and differentiation for a period of time but that this is difficult to sustain with firms at risk of being "stuck in the middle", not executing either generic strategy well and subsequently not achieving sustained competitive advantage. Many industries have a number of firms that are "stuck in the middle". A firm seeking to span low cost and differentiation will only earn healthy profits if it has favourable industry structure or it has rivals also seeking to span low cost and differentiation. Clearly in Porter's (1985) world this scenario is not a recipe for optimal industry performance with firms competing with each other seeking to execute compromised choices on generic position. Porter (1985) notes that evidence of performance weakness for "stuck in the middle" firms compared with firms with a clear generic position tends to occur in a mature industry with a slow industry growth rate. Here, "stuck in the middle" firms tend to be exposed for their poorly conceived positioning strategies which in the past may have been carried by a healthy industry growth rate. The achievement of competitive advantage by a firm in an industry is also aided by the firm being able to neutralize threats from rival firms in the marketplace (Barney, 1991; Newbert, 2008), and establishing and maintaining a clear generic position plays an important role in this desirable set of circumstances (Porter, 1985).

In the strategy literature the organization performance construct is usually associated with the achievement of strategic (e.g. sales growth, market share, percentage of sales from new products, customer satisfaction, quality) and financial objectives (e.g. return on assets, return on equity, return on sales) (Powell and Dent-Micallef, 1997). Kaplan and Norton (1992, 1996) blending insight from the academic, business and management consulting community, in particular building on the Analog Devices case study and their "Corporate Scorecard", go further indicating that there are leading and lagging effects that need to be understood in predicting strong financial returns for individual firms (Kaplan and Norton, 1996, p. vii). Kaplan and Norton (1992, 1996) pointed out there are several dimensions to firm performance beyond only the financial perspective including the internal perspective, the customer perspective and the innovation and learning perspective. They see a need to balance understanding of firm performance across these dimensions and also the leading effects of the internal perspective, the customer perspective and innovation and learning perspectives predicting the financial perspective outcome. Thus, synthesis of the received literature in this area indicates that competitive advantage and organization performance are different research constructs, that informs the following simple proposition around which there is so much debate in the strategy discipline:

P₁. Competitive advantage and organization performance are different research constructs.

Powell (2001) has called for more research into the distinction between competitive advantage and organization performance. Porter (1985) linked generic market strategies to the achievement of competitive advantage and used the term competitive advantage interchangeably with organization performance. Newbert (2008) examined the importance of the characteristics of rare and valuable resources and capabilities on the attainment of competitive advantage and organization performance. Newbert (2008)

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found a positive correlation between the attainment of competitive advantage by a firm and better organization performance. This insight from Newbert (2008) was assisted by his clarification of the definition of the constructs competitive advantage and organization performance which we have seen is a matter of some contention in the strategy literature. Hart and Banbury (1994) suggested but did not prove highly developed strategy-making resources can have a positive longitudinal effect on organization performance. O'Shannassy (2005) demonstrated the favourable longitudinal effect of highly developed strategy-making resources on organization performance suggested by Hart and Banbury (1994). Newbert (2008) argued that the effects of rare and valuable resources on organization performance are not direct or inevitable, however the attainment of competitive advantage does act as a significant predictor of organization performance. So Newbert (2008), similar to Kaplan and Norton (1992, 1996) in their discussion of leading and lagging effects in relation to the organization performance perspectives that they identified, argues that there is a leading and lagging effect present between the attainment of competitive advantage and the facilitation of a strong organization performance outcome. An extension of this synthesis of literature and research is that competitive disadvantage for a firm in an industry will be a leading predictor of weak organization performance and a prompt for quick managerial action to address any point or points of competitive disadvantage (Powell, 2001). In this scenario the firm is unable to execute with sufficient effectiveness and efficiency a value adding strategy. In terms of an efficiency outcome, economic returns are not generated to a level that justifies a firm's investment in tangible and intangible resources (Ray *et al.*, 2004). Understanding of the presence of competitive disadvantage for a firm can be a helpful prompt to reassess the strategic situation and commence a revision of the firm's market offering to mitigate performance concerns and utilize more effectively and efficiently firm resources. Blending learning from the insights from Kaplan and Norton (1992, 1996) and Newbert (2008) yields the following propositions:

P_{2a}. The attainment of competitive advantage by a firm is a leading predictor of the achievement of strong organization performance.

P_{2b}. Competitive disadvantage for a firm is a leading predictor of a deterioration in organization performance and a prompt for quick, effective managerial action to address the competitive disadvantage and mitigate weakness in organization performance.

3. Where does competitive advantage come from?

Porter's (1980, 1985) research legacy has provided analytical tools to help us identify attractive industries, how to position in attractive industries, and how to identify nations with attractive industries. Porter (1980, p. 3) argues "Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it." So a firm makes a choice in relation to entering an industry in a particular country or countries, and then as we have seen positions itself in relation to the Porter (1985) generic strategies – low cost, differentiation in the broader market or cost focus or differentiation focus in particular segments. Porter (1985) notes firm scale in an industry can also be a source of competitive advantage and increase the probability of a firm achieving and sustaining strong performance. These insights flow

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from Michael Porter's deep understanding of industrial economics and the analytical tools he devised to help strategists understand the external business environment and make better positioning choices in their strategy work. Porter's contribution has been criticized by some academics (Mintzberg, 1990; Bartlett and Ghoshal, 1991) for narrowing the focus of strategic management. Further, the strategy discipline's understanding of the internal processes of organizations failed to develop at a similar pace (Bartlett and Ghoshal, 1991). Porter's work was assigned to the positioning school by Mintzberg (1990) on the basis of its focus on a firm's strategic positioning in its market or industry and this approach dominated the 1980s.

By contrast Wernerfelt's (1995) prize-winning article in Strategic Management Journal, that gave the resource-based view (RBV) its name, argued that viewing firms in terms of resources as distinct from products provides a different strategic perspective, especially for diversified firms. Specific resources can be identified in organizations that generate strong financial returns. In the RBV firm resources include the assets, knowledge, information, capabilities, processes and firm attributes that enable the organization to formulate and implement their strategies effectively and efficiently. Wernerfelt (1995) observed that strategy in large organizations involves achieving balance between exploitation of current resources and developing new resources. Acquisition of another business is effectively the purchase of a bundle of resources in an imperfect market. Basing the purchase decision on a rare resource provides the greatest probability of maximizing market imperfection, buying at a low price and obtaining a strong financial return.

Barney (1991) went on to further develop insight on the RBV and link the RBV more closely to the concept of competitive advantage. Barney (1991) in his writing notes that Porter (1980, 1985) has spent much time identifying the environmental conditions which support organization performance but little emphasis has been given in research to the idiosyncratic firm resources that influence competitive position. This is the focus of the RBV. Barney's (1991) RBV framework is not always fully explained in empirical research publications. Barney's (1991) RBV highlights the importance of leveraging internal strengths to take advantage of opportunities in the external environment or respond to threats. The theoretical model of the RBV starts with two alternative assumptions. First, firms within an industry may be heterogeneous in terms of resources. For example, firms may enjoy first-mover advantage in terms of information or opportunity or enjoy superior reputation or goodwill. Second, these resources may not be perfectly mobile across firms (e.g. due to strong entry or mobility barriers) and therefore heterogeneity can be long lasting. However, not all resources have the potential to create and sustain competitive advantages; for a resource to have this potential four additional attributes must be satisfied. Resources have value to the firm when they allow the organization to exploit opportunities or neutralize threats. Resources (e.g. physical capital, human capital and organizational capital resources) must be rare among a firm's current and potential competition. Firm resources that are possessed by a large number of competitors cannot be the source of competitive advantage because they each have the same capability. It is also advantageous if the resources that generate competitive advantage are imperfectly imitable. This may be due to:

- Unique historical conditions in relation to the history and social background of the firm and its place in space and time.

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- The link between firm resources and sustained competitive advantage is ambiguous in causality in the sense that it is not understood or is understood imperfectly by competitors and is therefore difficult to imitate.
- Competitive advantage flows from a complex social process (e.g. interpersonal relations between managers, culture (Barney, 1986)) which is beyond the scope of firms to manage and influence systematically.

Finally, there must not be a strategically equivalent valuable firm resource that is either not rare, not imitable or can be exploited separately which would erode the firm's competitive advantage. Where these conditions are achieved sustainable competitive advantage is possible. More recently Newbert (2008) extended the link from the RBV, to the development of competitive advantage, to firms achieving strong organization performance. This background in the received literature, in particular synthesis of the Newbert (2008) contribution, underpins the following proposition:

P_3. Resource value and resource rareness are necessary conditions for the attainment of competitive advantage and better organization performance.

So the development of understanding of the RBV has helped the strategy discipline understand better the complex internal processes of firms, there uniqueness and the importance of rare, difficult to imitate resources that can take many years to nurture and develop and are often quite unique to particular firms. Such an example is the mineral and hydrocarbon resource exploration resources nurtured within BHPB for many years (BHPB, 2007). Changes in economic or industry conditions can change the source of sustained competitive advantage for a firm. For instance, in the 1990s and 2000s there has been significant challenges to business in understanding the environment. Most recently there has been considerable uncertainty in relation to the supply of finance with the 2008 sub-prime crisis. There has also been advances in technology in the 1990 and 2000s with the availability of increasing capability in information technology, multimedia, information availability and transaction capability on the internet with implications for customer behaviour, regulators of financial systems and industries, and also competition in international markets (O'Shannassy, 2001). Miles and Snow (1978) identified the influence of the business environment on firm market positioning and strategic capabilities of the uncertainty elements suppliers, competitors, finance, customers, trade unions and regulators. In their research they aggregated the influence of perceived environmental uncertainty elements in relation to market positioning and strategic capabilities. More recent research with the perceived environmental uncertainty construct seeks to obtain a more fine grained understanding of the influence of elements of this construct on strategy variables (Miller, 1993; Lewis and Harvey, 2001). Insight from this research indicates that the individual elements of environmental uncertainty do not always act in the same way on strategy variables. Certain elements of the business environment such as robust competition, changes in regulation and enhancement in technology can act as a catalyst to stimulate the development of strategy resources in firms, helping firms achieve and sustain competitive advantage with implications for future organization performance (O'Shannassy, 2005). This argument is consistent with Mintzberg (1994a, 1994b) in that greater environmental uncertainty, gives greater emphasis to strategy-making capability with implications for organization performance.

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However, empirical research (O'Shannassy, 2005) indicates greater perceived certainty in relation to the elements supply of finance and customers, respectively, is more suited to helping the development of strategic resources and building better organization performance over time than uncertainty in these elements. Certainty in the supply of finance provides the munificent resource environment that helps firms invest in and nurture the blend of "hard" (e.g. information technology, capital equipment) and "soft" resources (e.g. employees, intellectual property) required to develop and sustain competitive advantage and deliver strong performance. A munificent resource environment allows the firm the accumulation of slack resources, time and the opportunity required to patiently nurture these "hard" and "soft" resources (Hart and Banbury, 1994). More certainty in relation to customer behaviour assists the firm in thinking through with some precision the price and product and/or service quality needs of the target market to nurture and sustain revenue streams. Firms evidence a capacity to focus better on value adding activities and perform more effectively and efficiently in this more stable environment. Here, firms can be more analytical, careful and measured in there approach to price, product and/or service quality needs, giving greater predictability for the firm in meeting customer needs and controlling expenses (Hart and Banbury, 1994). Hence, the following propositions are proposed:

P_{4a}. Greater perceived environmental uncertainty in the elements competitors, regulation, and technology can act as a catalyst to enhance resource value and resource rareness and help a firm achieve competitive advantage and better organization performance.

P_{4b}. Less perceived environmental uncertainty in the elements supply of finance and customers helps firms build resource value and resource rareness and assists the firm in achieving competitive advantage and better organization performance.

4. Where does competitive advantage go to when you lose it?

The preceding discussion has established sources of competitive advantage including the most appropriate conditions in relation to the business environment in which to develop valuable, rare strategic resources that help build sustainable competitive advantage and deliver robust organization performance. Keeping this learning in mind it is timely to reflect again on Mintzberg's (1994a, 1994b) core message and the general insight he provides into the environmental uncertainty, strategy-making capability and organization performance relationship. O'Shannassy (2005) has demonstrated that firms confronted by uncertainty in relation to supply of finance or customer behaviour can experience an erosion of strategy resources and the understanding of the marketplace required to build and sustain competitive advantage and deliver robust organization performance. Remarks here will be limited only to supporting the empirical relationships evidenced in O'Shannassy (2005) and this paper does not exclude the possibility there can be moments where competitors, technology or regulation can overwhelm the information sensing capabilities of the board of directors (BOD) and management of a firm, however, this is less probable. Uncertainty in supply of finance can be the catalyst for firms to shed employees, sell assets that contribute to the value chain that delivers competitive advantage, taking a more short-term focus in

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the nurturing and sustaining of strategic resources, consequently undermining competitive advantage and medium (i.e. two to four years) to long-term (i.e. more than five years) organization performance. Uncertainty in relation to customer behaviour has a direct effect on the precision of the firm's positioning choices on price and product attributes with management confused as to future trends (Milliken, 1987). Firms as a consequence are unable to invest time in nurturing resource rareness, resource value, and achieve competitive advantage with implications for organization performance. Thus, a firm's ability to pursue certain activities, routines or business processes may be constrained by the resources and capabilities they control or may no longer control (Ray *et al.*, 2004). The connection of these insights from the literature and recent empirical research helps take our insight into understanding of the influence of particular business environment elements to strategy resources, competitive advantage and organization performance a step further and help explain the phenomena of temporary competitive advantage for firms. Hence:

P_5. Greater perceived environmental uncertainty in the elements supply of finance and customers can erode resource value, resource rareness and competitive advantage resulting in weaker future organization performance.

5. Discussion

Rumelt (2003) has noted the somewhat confused "state-of-play" in the strategy discipline in relation to the competitive advantage construct, in particular a clear definition. Powell (2001) has questioned an appropriate measure of competitive advantage for empirical research. We have seen ABCs have a tendency to use the term competitive advantage, like other popularly used terms in the strategy vocabulary, with different meaning in different contexts. Related to this issue the strategy discipline has developed a dialogue in recent years around not just the concept of sustained competitive advantage, but also temporary competitive advantage and competitive disadvantage. Powell (2001, p. 877) also notes that a clarification of competitive disadvantage beyond "the dark side of competitive advantage" has been slow to emerge.

This paper makes a contribution in several useful ways. Several research propositions have been developed that build on accepted insight in the received literature from experts such as Barney (2001), Kaplan and Norton (1992, 1996), Mintzberg (1994a, b), Hart and Banbury (1994) and Powell (2001), as well as recent empirical research from Newbert (2008). A number of the challenges for the strategy discipline in relation to understanding competitive advantage identified by Rumelt (2003) and Powell (2001) have been addressed. First, insight from Barney (1991), Powell (2001) and Newbert (2008) is leveraged to advance and clarify terminology in an area of some debate in the strategy discipline. Competitive advantage is not organization performance. The synthesis of the literature here evidences that competitive advantage and organization performance are different constructs with the attainment of competitive advantage predicting strong organization performance. This point of clarification on terminology makes possible the development of the further research propositions presented (i.e. P_2-P_5). Second, we have seen competitive advantage can come from a firm making a sound decision or sound decisions overtime in relation to its generic position. Firm scale in an industry can be the source of competitive advantage helping the firm to be the lowest cost producer or have proximity to the lowest cost

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producer while giving greater benefits to customers in the provision of goods and/or services (Porter, 1985). Either of these outcomes increases the probability of a firm achieving and sustaining competitive advantage and the promise of strong performance. Firms making sound strategic decisions introduces a third argument in this paper, that firms with rare and valuable strategy resources give themselves the best probability of making sound positioning choices, achieving competitive advantage and in time strong organization performance (Newbert, 2008). Fourth, the dynamic nature of the business environment, especially in relation to the influence of competitors, customers, regulation, technology and supply of finance is such that the achievement of competitive advantage is a dynamic bargain – dynamic in terms of some firms in some circumstances being able to achieve sustained competitive advantage and some firms in some industries achieving only temporary competitive advantage. An argument has been presented that not all of the elements of environmental uncertainty act in the same direction on strategic resources, competitive advantage and organization performance (O'Shannassy, 2005, 2008). Sustaining a permanent competitive advantage is very difficult, particularly in the age of the some uncertainty on supply of finance from the sub-prime crisis and the impact of the internet on customer behaviour and transaction capability.

In terms of linking theory to practice the example set by a firm such as BHBP in the mining industry provides some evidence of each of these five points. BHPB's recent history indicates BHP Limited maintained competitive advantage and strong organization performance in its time as "The Big Australian" with its evolution in the 20th century into a corporation with a rich and robust mix of mineral, steel, oil and gas, and transport resources. Then BHP had its competitive advantage and organization performance edge eroded in the mid to late 1990s due to some challenges which arose in understanding of the business environment (i.e. supply of equity finance and performance pressure from share market analysts, commodity prices, technology applications), strategy execution and simply bad luck (Spencer, 1998). The Magma Copper acquisition, Harley Platinum Mine Project, OK Tedi copper mine environmental damage litigation and delays with the construction and commissioning of a hot briquetted iron plant at Port Hedland in Western Australia all presented significant strategic and operational challenges to BHP at this time. The BHP BOD and management acknowledged this and made a series of accounting provisions and write offs in relation to these matters. There was change of personnel both at BOD and executive level, including the new appointment of Mr Paul Andersen as CEO. The BHP BOD and management team then worked assiduously to regain its competitive advantage and strong organization performance in the later portion of 1998, 1999 and then into the 2000s with sustained strong strategy-making including a robust review of its people, the business portfolio, and business process capabilities. This process ultimately led to the successful merger with Billiton plc and a further rationalization and then integration of the asset portfolio (BHPB, 2007). This brief BHPB illustration evidences much of what has been discussed in relation to the interaction of the business environment, resource value, resource rareness, competitive advantage and organization performance.

Competitive disadvantage for a firm is a term of some interest that has also emerged in the development of the research propositions and is worthy of discussion. Powell (2001, p. 877) notes that many writers refer to competitive disadvantage as simply

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"the dark side of competitive advantage " and he goes on to observe that understanding of competitive disadvantage is considerably underdeveloped. In Powell's (2001, 877) view competitive disadvantage relates to the "non-existence" of resources that give competitive advantage and also a "failure to satisfy the minimum success requirements … required of any firm" in an industry with implications for firm economic rents. The key point made in this paper on competitive disadvantage is that BOD and management teams need to constantly monitor their firm and the environment, including competitors, to ascertain if and when competitive disadvantage exists or is emerging. Where a competitive disadvantage is identified it should be considered a prompt for quick, effective managerial action to address the situation and mitigate weakness in organization performance that may emerge or is already present. The consequences for the firm not addressing the existence or emergence of competitive disadvantage are potentially devastating (Tushman and O'Reilly, 2004) and may include a deterioration in non-financial and/or financial dimensions of organization performance.

This research area in relation to competitive advantage lends itself to a variety of future possibilities. Both quantitative and qualitative longitudinal research in this area would be useful in shedding further light on the definition of constructs, research propositions, arguments and insights presented here. In particular, the addition of the perceived environmental uncertainty construct to the model tested by Newbert (2008) may provide interesting quantitative results. This RBV research area does though lend itself to a variety of methods. Newbert (2008) successfully evidences a quantitative approach while there is also some recognition in the strategy discipline that a case study based approach allows the researcher to get close to the firm, its key decision-makers and some understanding of the unique, socially complex, difficult to imitate, rare set of circumstances that underpins resource configuration in a successful firm (Yin, 1994). An action learning interview and case study approach by a researcher embedded in an organization could be quite effective here. Certainly the case study based approach helps to understand the unique circumstances of particular firms in particular industries, especially the socially complex human side to the development of rare and valuable resources (Miles and Huberman, 1994). Discussion of the application of quantitative and qualitative methods separately invites discussion of a mixed method approach to exploring the issues discussed in this paper (Jick, 1979). Certainly an approach that commences with qualitative interviews and/or a case study and then proceeds to a quantitative survey would yield interesting results and allow an interesting cross-check of findings across the methods. In this way there is room to integrate inductive qualitative research with positivistic deductive methods. This is an intriguing research area and one in which the strategy field should look critically and with an open mind to improve our understanding.

6. Conclusion

Competitive advantage remains a poorly understood construct in the strategy literature and the subject of much discussion. This paper sets out to make its contribution by clarifying terminology in this area and developing propositions for future research. To achieve this outcome the paper has undertaken a synthesis of classic and contemporary insights into the competitive advantage construct and distinguished competitive advantage from organization performance. There has been

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some confusion in the strategy literature on this point for many years. This paper also provides a useful and timely contribution in relation to the circumstances around which a firm may experience sustained competitive advantage or possibly temporary competitive advantage. By introducing the perceived environmental uncertainty construct to discussion on the relationship between firm resources, competitive advantage and organization performance, understanding of sustained competitive advantage and temporary competitive advantage has been enhanced. A number of useful suggestions for future research have been made including the benefits of a mixed method approach, going beyond only a positivistic deductive approach.

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