



## Strategic Leadership as an Antecedent of Competitive Advantage: A Review of Literature

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**Abstract:** *Successful leaders recognize the need to adapt to the ever-rapidly changing ways to do business in the global environment. These leaders seek to build competitive advantages around the core competencies of the organization, while also reducing costs to conduct their business. Many leaders in organizations fail to achieve profitability targets. A recent survey conducted by the Center for Creative Leadership revealed that 30-50% of leaders in the organization fail to achieve profitability targets. The general business problem is some senior executives in large organizations assume the role of strategic leadership with no exposure and inadequate training to execute the role resulting in over \$100 billion loss to organizations in 2016. However, a lack of strategic leadership by an organization has been identified as an impediment towards achieving successful strategy implementation and competitive advantage. It can also be argued that the lack of conclusive studies could be due to a lack of inclusion of moderating and intervening variables in previous studies. Consequently, this study has systematically reviewed extant literature in the field of strategic leadership to develop an encompassing definition of the construct, identify the processes of strategic leadership, the perspectives and measures of these perspectives. Ultimately, the review of literature has led to the development of a theoretical model that can be used in future empirical studies. This study sought to review the existing conceptual, theoretical and empirical literature on strategic leadership and competitive advantage to underline the knowledge gaps appropriate to form a basis for future research work. Existing empirical literature on strategic leadership is well stocked with evidence of results that are not conclusive, the different conceptualization of strategic leadership in addition to the diversity of contextual variables. A conceptual model was developed consisting of two constructs: strategic leadership and competitive advantage as a guide for future research work in the field of strategic management.*

**Keywords:** *Strategic Leadership, Competitive Environment and Competitive Advantage*

### 1. INTRODUCTION

In today's highly competitive global marketplace, the survival of any organization is extraordinarily dependent on the effectiveness and efficiency of its leaders. The profound changes in the business environment engendered by globalization, technological advances, social and demographic trends, and legal and ethical issues; and indeed, the changes in the organization of work, require that business leaders re-appraise their style and tactic in line with these exigencies (Jones & George, 2006; Kew & Stradwick, 2008). The goal of most (if not all) of contemporary business strategies is undoubtedly to realize and sustain a competitive advantage (Kew & Stradwick, 2008). Competitive advantage has been defined as an organization's ability to gain, at least, the economic gains achieved by other competitive organizations in the same business (Hili et al., 2017). Building on the resource-based model, Lado et al. (1992) evaluated competitive advantage as an exclusive competency by which the organization gains a competitive edge over other competitors.

Strategic leadership is acknowledged as one of the main research directions in mainstream strategic management (Malewska & Sajdak, 2014). Strategic leaders look forward in time to set directions for the organization. Their power is augmented when they examine and cope with the critical sectors of their environment (Hambrick, 2011). Two key differences between leadership and strategic leadership were suggested by Hambrick and Pettigrew (2001), as cited in Vera and Cross (2004). According to them, leadership is related to all leaders in the organization irrespective of the management level, whereas strategic leadership refers to leaders at the top level of the organization. Therefore, leaders at the uppermost level of the organization have different roles from those who are in the intermediate level (Vera and Crossan 2004).

In the resource-based view perspective, competitive advantage is created from resources and capabilities that are owned and controlled within a single organization. Therefore, resources that are internal to the organization drive competitive advantage. However, some scholars have extended the scope of the resource-based view to focus on resources that span the boundaries of the organization (Das and Teng, 2000; Matthews, 2003) – sometimes referred to as the ‘extended resource-based view’. The RBV takes an ‘inside-out’ view or firm-specific perspective on why organizations succeed or fail in the marketplace (Dicksen, 1996). Resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991) make it possible for businesses to develop and maintain competitive advantages, to utilize these resources and competitive advantages for superior performance (Collis and Montgomery, 1995; Grant, 1991; Wernerfelt, 1984). Therefore, these strategic resources can be utilized as a key to the superior competitive advantage of the firm to tackle the ever rapidly changing business environment by more easily exploiting internal factors to achieve sustained competitive advantage.

### 2. STATEMENT OF THE PROBLEM

Many leaders in organizations fail to achieve profitability targets (Davis, 2016). A recent survey conducted by the Center for Creative Leadership revealed that 30-50% of leaders in the organization fail to achieve profitability targets (Sejeli & Mansor, 2015). The general business problem is some senior executives in large organizations assume the role of strategic leadership with no exposure and inadequate training to execute the role resulting in over \$100 billion loss to organizations in 2016 (Seijts, 2016). However, a lack of strategic leadership by an organization has been identified as an impediment towards achieving successful strategy implementation and competitive advantage (Holman, 2011).

The specific business problem is that some senior executives in organizations lack the required strategies to ensure competitive advantage. Several scholars have also studied the role of strategic leadership on sustainable competitive advantage in different contexts. Mahdi and Almsafir (2013) researched the role of strategic leadership in building sustainable competitive advantage in the academic environment. In their findings they revealed that a significantly positive effect is present, indicating that sustainable competitive advantage is improved when strategic leadership is applied. Ireland & Hitt (1999) did a study on achieving and maintaining strategic competitiveness in the 21st century, the role of strategic leadership. White and Moraschinelli (2009) researched The Pursuit of Sustainable Competitive Advantage – A Profile of the Starbucks Corporation. They concluded that the important components of a company’s pursuit are its leadership, innovative nature, and relationship management.

It can also be argued that the lack of conclusive studies could be due to a lack of inclusion of moderating and intervening variables in previous studies. Consequently, this paper will systematically review extant literature in the field of strategic leadership to develop an encompassing definition of the construct, identify the processes of strategic leadership, the perspectives and measures of these perspectives. Ultimately, the review of literature will lead to the development of a theoretical model that can be used in future empirical studies.

### 3. CONCEPTUAL LITERATURE

#### 3.1. Concept of Strategic Leadership

Strategic leadership, as a concept, is focused on the level of entire organizations or corporations. Its philosophical basis, like most of the literature associated with the Business Community, is the survival of the organization in a Darwinian world filled with competition. In terms of scale, strategic leadership focuses on the macroscopic level or that of entire corporations (McKay, 2008). Most theories of strategic leadership deal with how organizations are led as a whole, i.e. the exercise of indirect leadership over an institution. This body of knowledge is rather inclusive. Subsets of strategic leadership include Vision, Decision making, Organizational processes, structures, and control mechanisms Development of successors, External relations, and Organizational ethics and Culture (Ulmer, 1998).

Ireland & Hitt (1999) conceptualize strategic leadership as a set of unique capabilities of anticipating, envisioning, maintaining flexibility, thinking strategically, and empowering employees to generate innovative ideas that lead to high performance. House & Aditya (1997) define it as an activity that is

directed towards giving purpose to organizations. Boal & Hooijberg (2001) views it as the ability to create and maintain absorptive and adaptive capacities and the ability to discern environmental opportunities through their managerial wisdom. Rowe & Nejad (2009) define it as an activity of communicating the shared values and a clear vision to employees, and the ability to make decisions with minimum organizational controls.

Strategic leadership is not a new categorization or type of leadership; rather, it is best considered as the strategic element within the broader leadership paradigm. Initially, a definition of strategy can make use of five concepts. First, it is concerned with the idea of direction setting. To decide on the direction for the institution, it is necessary to understand its history and its current situation (Garratt, 1995: 2). Second, strategy, while very often associated with planning in traditional definitions (Fiddler, 1996), might better be thought of as a perspective, as a holistic way of looking at things. Third, the strategy does not get involved in the detailed day-to-day activities but is concerned with broad major dimensions of the organization. Fourth, a medium to longer-term time framework is useful when considering strategy. A final useful concept is that strategy can be used as a template against which to set shorter-term planning and activities (Davies, 2006, 2009).

Due to the various definitions, the proposed definition that will guide this paper adopts Ireland & Hitt (1999) and Hagen et al's., (1998) conceptually accepted and empirically validated definition of strategic leadership that's based on the unique abilities to anticipate, envisioning, maintaining flexibility, thinking strategically and empowering employees to create new inventions that lead to organizational transformations or changes and ultimately performance improvement.

### *3.1.1. Perspectives of Strategic Leadership*

Several perspectives about the construct of strategic leadership exist in research. Most studies on the construct have perceived strategic leadership as a person's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization (Ireland & Hitt, 1999: 43).

Strategic leadership is also perceived as competencies associated with the facilitation of daily work in organizations that include a set of goals and setting plans toward attaining the goals, monitoring growth, establishing systems, sorting problems, and settling at resolutions (Kathee, 2013). An argument by Nel (2008) confirmed that human capital is the cumulative knowledge and skills of a firm's entire workforce. Globally, significant investments in the economy are needed so that the organizations to obtain complete competitive benefit from their employees. These investments are key towards robust long-term growth in modern economies that rely on knowledge, skills, and information (Nel & Beudeker, 2009).

Strategic leaders are perceived to have the ability to be strategically oriented. This quality involves the ability to consider both the long-term future (Stacey, 1992; Boisot, 1996; Beare, 2001; Adair, 2002), seeing the bigger picture, as well understanding the current contextual setting of the organization. Strategic orientation is the ability to link long-range visions and concepts to daily work. Korac-Kakabadse and Kakabadse (1999, p. 9) suggest that 'visionary leadership is transformational by nature, and as such, quite different from planning, which is a managerial or a transactional process. Javidon (1991), quoted in Korac-Kakabadse and Kakabadse (1998, p. 10), suggests that visioning depends on understanding existing realities (culture, history, formative context) and developing a clear sense of direction for the organization.

The importance of creating the strategy with others, and not just communicating it to others, maybe the critical skill that strategic leaders deploy in determining the strategic direction of the organization (Kakabadse et al., 1998; Boal & Hooijberg, 2001). Strategic orientation can be considered to be the establishment of an outward-looking organization that builds an understanding of possible future directions and involves engaging in strategic conversations and debates to focus on the most appropriate direction and approach.

Strategic leadership is perceived as translators of strategy into action. In addition to strategic leaders leading the creation of an appropriate strategy for the organization is the need to translate strategy into action by converting it into operational terms. Kaplan and Norton (2001) argue that this can be done by 'strategy maps' and 'balanced scorecards' and suggest that such approaches 'provide a framework

to describe and communicate the strategy consistently and insightfully'. Tichy and Sharman (1993) put forward a three-stage process that strategic leaders can undertake, the components of which are: awakening; envisioning; and re-architecting.

The awakening stage involves building an agreement within the school that a continuation of the current way of working is inadequate if it wants to be effective in the future. This may involve the process, described by Davies (2004), of enhancing participation and motivation to understand the necessity for change, through strategic conversations. The envisioning stage is building a clear and understandable picture of what this new way of operating looks like. This may initially involve the creation of strategic intent (Hamel & Prahalad, 1994) and building the capacity to achieve it. One of the competing perspectives to the concept of strategic leadership is visionary leadership. Visionary leadership has been defined as the ability to create and articulate clear visions providing meaning and purpose to the work of an organization (Nanus, 1992; Sashkin, 1992).

Visionary leaders develop their vision then merge it into a shared vision with their colleagues. Communication of the vision is what empowers people to act. When people do not act, it tends to be because the vision has not been communicated; people spend their time trying to figure out what direction to go, which makes them tired and unresponsive (Heath and Heath, 2010). Another competing perspective to the concept of strategic leadership is transformational leadership. A transformational leader is a person who stimulates and inspires (transform) followers to achieve extraordinary outcomes (Robbins and Coulter, 2007). A transformative leader pays attention to the concern and developmental needs of individual followers; they change followers' awareness of issues by helping them to look at old problems in a new way; and they can arouse, excite and inspire followers to put out extra effort to achieve group goals.

Transformational leadership theory is all about leadership that creates positive change in the followers whereby they take care of each other's interests and act in the interests of the group as a whole (Warrilow, 2012). The concept of transformational leadership was introduced by James Macgregor Burns in 1978 in his descriptive research on political leaders, but its usage has spread into organizational psychology and management with further modifications by B.M Bass and J.B AVALIO (Jung & Sosik, 2002).

### *3.1.2. Dimensions of Strategic Leadership*

Strategic leadership has been described by most scholars as encompassing a core of critical practices, which include: determining the long term goals of the organization; exploring and exploiting an organization's core capabilities; managing the human and social assets; inculcating a sustainable organizational culture; emphasizing ethical values and formulating and implementing balanced control systems that will not hinder continuous transformation but at the same time ensure organizational stability (Ireland & Hitt 1999; Hagen et al., 1998). Several dimensions and aspects of strategic leadership can be identified from the existent strategic leadership studies.

In his studies, Florida (2002 cited in Nissley 2007, pp. 21-22) underlines the importance of creativity both on an economical side as well as on personal aspects of life. Creativity is a driving force of our economy and our society. At work or in our personal life it is valued and cherished, characterizing humans from other species. Creativity is necessary to bring new ideas and implement change which is a driver for innovation and competitiveness. In his book *The Rise of Creative Class* (2002 cited in Nissley 2007, pp. 21-22), Richard Florida considers creativity as the most capital source for economic growth. He suggests the existence of a creative class, whose members (artists or engineers for example) are looking for novelty - new ideas, new products, etc. Florida (2002) asserts that creativity is the fuel of our contemporary economy and recognizes creativity as a core competence.

In 2010, IBM surveyed 1,500 corporate heads and public sector leaders on what drives them in managing their companies in today's world. They found that creativity was ranked the most important leadership quality for business success, outweighing integrity and global thinking. Strategic motivation has been identified as one of the dimensions of strategic leadership, which is the developing a strategic cause in which individuals are motivated to contribute leads to an improved commitment and effort. Gratton (2000: 19-20) advocates developing 'emotional capabilities', 'trust-building capabilities', and capabilities to build a 'psychological contract' as the means of engaging and motivating staff. It can be said that strategic leadership is a process that transforms an

organization into a successful organization through proper strategies. It is the responsibility of leadership to motivate and inspire the people in the organization to work jointly so that organization's vision can be translated into reality.

Mostly in organizations, efficient leaders perform the common tasks in the strategy-making and executing process. They develop a strategic vision and mission, set goals and objectives, craft the strategies, execute them and then evaluate the performance. Leaders today, more than ever before, have to win people's cooperation. And there are two main ways of doing so: motivation and inspiration. Although the two words are often used interchangeably, they mean quite different things – depending on what you want to achieve. Motivation is about moving people to act in a way that achieves a specific and immediate goal. When you're motivating people to do something they may not necessarily want to do, you have to offer them something they want in return (Witt, 2009). Motivation is a fundamental element that pushes civilization, innovativeness, and growth whether personal or organizational. In essence, motivated individuals can do any task no matter how insignificant, difficult, or impossible it may seem. In the workplace, employee motivation happens at different levels and scale depending on cultural and leadership values observed by an organization but arguably the approach deployed has implications either positive or negative on employee commitment to their respective tasks, personal and organizational objectives, and team and their ultimate goals (Recklies, 2014; Professionals Australia, 2017).

In the 21st century, the creative process which ultimately drives innovation depends on an appropriate leadership style (Martins and Terblanche, 2003; Emam, 2015). Innovation is a company-wide objective, but employees cannot innovate unless the organization's leadership empowers them to do so, whilst creating an atmosphere that rewards and values their contribution (France, Mott and Wagner, 2007). According to Einsteine and Hwang (2008), the relationship between organizational creativity and innovative behavior is both direct and complex, if only because of the blurred boundaries between creativity and innovation (or innovativeness). The quality of implementation of creative ideas is critical. As organizations are pressed to continuously improve, innovate and adapt, creativity has become an increasingly critical component of both individual and organizational performance. Employees are one of an organization's most valuable resources-people create and introduce innovations, and their attitude towards innovations is the most important.

The strategic leader plays a crucial role in shaping innovative attitudes in the company. Strategic leaders should be open to new ideas and initiatives of employees; they should support them instead of undermining them. Moreover, they ought to trust their employees by creating a favorable working atmosphere based on teamwork, loyalty, and trust. Employees must be aware of their real impact on innovation processes within the company. The more managers themselves comprehend the essence and nature of innovation, the easier it is to prepare and convince employees to do so (Janasz & Kozioł-Nadolna 2011). Many scholars have identified creativity and innovation as dimensions of strategic leadership (Martins & Terblanche, 2003; Emam, 2015; France, Mott & Wagner, 2007).

Meyer (2009) has identified collaboration as a dimension of strategic leadership. The concept of "Collaborative Leadership" is a management practice focusing on leadership skills across functional and organizational boundaries (Meyer, 2009). Collaborative leadership, also called facilitative leadership, adaptive leadership, integral leadership, and catalytic leadership, focuses on power-sharing among groups, units, and organizations (Newell & Ronyne, 2012). In the modern-day, Collaborative Leadership is widely accepted as an integral part of achieving expected performance in the work environment. Lack of collaborative leadership style hamper motivation and enhances conflicts as employees compete in work performance. Collaborative leadership allows teamwork to function effectively as gaps become reduced between leadership and workers (Rubin, 2002). Knowing how to collaborate and build influential partnerships in their organization is a key skill for leaders to develop. It's also an increasingly important capability in leading the modern workforce. The collaboration combines the knowledge, experience, and creativity of others and creates shared accountability (Stowell, 2017).

Robbins et al (2010) define leadership as the ability to influence a group toward the achievement of a vision or a set of goals. Robbins et al (2010) distinguish the leadership role from the managerial role, stating that managers merely use the authority inherent in formal positions to obtain compliance from organizational members. An effective manager will however have to possess and utilize significant

leadership ability. Influence is an essential leadership quality that gives you the ability to move just one individual or a large group. You can use your influence to launch a new initiative, make strategic decisions, and create change in your organization. Influential leaders perform what others believe to be important (Peters, 2018).

### 3.2. The Concept of Competitive Advantage

The study touching upon the essence of competitive advantages should start from Flint's words, who states that the terminology used in the field of strategic management that might garner the prize for the most overworked and least understood catch-phrase is "competitive advantage". The extension of that phrase into a "sustainable competitive advantage" is currently an elaboration of ambiguity (Flint, 2000). Similarly, Porter notices that the phrases competitive advantage and sustainable advantage have become commonplace (Porter, 1998). A business strategy has become a synonym of searching for competitive advantages, whereas the very concept of competitive advantages is surprisingly confusing (Klein, 2002).

Within the contemporary meaning, the term of competitive advantage was coined by Porter in 1985 (Porter, 1985). He did not refer to previous publications (Klein, 2002). Despite elapse of years and a considerable quantity of scientific works in the field of strategic management, it is, at the least, problematic to define the term "competitive advantage". Competitive advantage is obtained when an organization develops or acquires a set of attributes (or execution actions) that allow it to outperform its competitors (Wang, 2014). In other words, competitive advantage is revealed, when activities of a given organization are more profitable than those of its market competitors or when it outperforms them as regards other significant results of activities (Huff et al., 2009), including, for example, the share in the market, product quality or technological advancement.

The notion of competitive advantage is entrenched in value creation, unique resources, innovation, and distribution which is at the heart of the firm performance. Hui-Ling (2014) viewed competitive advantage as a set of attributes an organization develops or possesses to outperform its competitors. Ahmad and Khalaf (2010) depicted competitive advantage as the adeptness of the organization to engage in value-added activities which allows it to attain a position of relative advantage over its rivals. Heizer and Render (2006) portrayed a competitive advantage as the creation of a system with an inimitable advantage over competitors. Day and Wensley (2008) avers that competitive advantage is a strategic configuration to assist the company in maintaining its viability over its competitors.

Al-Rousan and Qawasmeh (2009) and Ma (2000) articulated it to be a basis for superior performance. Sarprong and Tandoh (2015) recognized competitive advantage as the ability to offer unique services dissimilar to competitors by exploiting organizational strengths to add value that will be difficult for competitors to imitate. The position of Sarprong and Tandoh (2015) corresponds with Dressler (2004) that competitive advantage can only be attainable and achievable when services offered have unique characteristics that agree to the key buying criteria of a substantial number of customers.

However, Dirisu, Iyiola, and Ibidunni (2010) state that competitive advantage laboriously achieved can be lost quickly and engender certain barriers that make imitation difficult. Without sustainable competitive advantage, above-average performance is usually a sign of competitive harvesting (Porter, 1985). Barney and Hesterly (2008) identified two types of competitive advantage as a temporary and sustainable competitive advantage. Temporary competitive advantage is concerned with high profits as these profits attract competition, and such competition limits the duration of competitive advantage in most cases while the sustainable competitive advantage is the inability of competitors to imitate the source of advantage (Barney & Hesterly, 2008; 2010). In the context of this study, competitive advantage is the inherent strategic leaders' capabilities to offer unique services within the same industry that grants superior performance vis-à-vis industry competitors.

#### 3.2.1. Perspectives of Competitive Advantage

Competitive advantage is obtained when an organization develops or acquires a set of attributes (or execution actions) that allow it to outperform its competitors (Wang, 2014). In other words, competitive advantage is revealed, when activities of a given organization are more profitable than those of its market competitors or when it outperforms them as regards other significant results of activities (Huff et al., 2009), including, for example, the share in the market, product quality or

technological advancement. Inherently, a lot of enterprises are not able to exceed such prescribed standards (Huff et al., 2009). Several perspectives exist in research to explain the complex concept of competitive advantage.

The most dominant in strategic management is the resource-based perspective of firm competitive advantage. Porter (1985) introduced the concept of Porter's Competitive Advantage has received criticism from various parties, including Teece (1984) and Barney (1991). They criticize that Porter's model only shows the profitability of the industry and not the individual company. Porter's five forces model is not helping companies to identify and maintain a unique and sustainable advantage. From the criticism are then developed the concept of Competitive Advantage is more focused on the resources and capabilities, which is also called the Resource-Based View (RBV).

The statement of Hitt et al., (2001) that resource-based view is based on the idea that firstly, firm's resources, capabilities, and competencies facilitate the development of sustainable competitive advantage, and secondly, competitive advantages are achieved when the strategies are successful in leveraging these resources. This view holds that superior firm competitiveness is attributed to organizational resources and capabilities (Bharadway, 2000). Barney (1991) posits that competition between firms is based on the possession of valuable, rare, difficult to imitate, and non-substitutable resources. Firms that possess such resources and capabilities may generate above-normal profits (Barney, 2001). The immobility of these resources within a firm enables it to achieve a sustained competitive advantage (Peteraf, 1993). Barney (1991) defines resource companies to incorporate elements of capability and organizational processes as the resources controlled by the company to enable the company to improve the quality strategy.

Another competitive advantage perspective is the Industry-based view which suggests that the conditions within an industry (e.g., market) wholly or largely determine strategy (Porter, 1979). Porter (1979) introduced the concept of the five strategic forces: rivalry among competitors, power of suppliers, power of customers, the threat of new market entrants, and the threat of substitute products or services. This was primarily an industry-based view that assumed a firm could/would respond to these forces with appropriate resources. Porter et al. (2008) appear to adapt to elements of the resource, industry, and institution tripod in his article *The Five Competitive Forces that Shape Strategy* as he speaks to government (aligning with an institutional-based view) and the firm's key resources and processes (aligning with a resource-based view).

Another perspective is the institution-based view (Peng, 2002) of strategic management as both an attempt at an expansion of the definition of strategic management and an essential component in the application or the actual strategic management process. In operationalizing the term, Peng cites North's (1990) definition of institutions, as "the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction" (Peng, 2002).

Peng also quotes Scott's (1995) definition of institutions as "cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior" (Scott, 1995 as cited by Peng, 2002). Peng then references Davis and North (1971) in defining an "*institutional framework*" as "the set of fundamental political, social, and legal ground rules that establishes the basis for production, exchange, and distribution" (Peng, 2002). Institution, as a construct, is well defined as governments, practices, or relationships (Keohane, 1989) and could be illustrated by the institution of marriage or government institutions.

Competitive advantage has another perspective which is dynamic capabilities theory proposed by Teece and Pisano (1994) is the extension from the resource-based view (RBV) of the firm (Barney, 1986, 1991). Based on the RBV, firms in the similar industry perform differently because they have different kinds of resources and capabilities (Barney, 1986, 1991; Peteraf, 1993) whereby RBV is considered as static and insufficient to explain the competitive advantage of the firm in changing market environment (Priem & Butler, 2001). The definition of dynamic capabilities as defined by Teece, Pisano, and Shuen (1997) is the ability of the firm to combine, develop and reconfigure external and internal expertise to respond to a speedily changing environment. Previous research has provided a significant definition of dynamic capabilities. Eisenhardt and Martin (2000) define dynamic capabilities as the process of useful resources to create new resources that can create market

change. The market is changing when the market is evolved, emerge, split or even die. Apart from that, dynamic capabilities are the results of the alteration of resources that have been acquired, integrated, and recombine that develop new creation of strategies (Grant, 1996b; Pisano, 1994).

### 3.2.2. *Measuring Competitive Advantage*

Competitive advantage could be analyzed by using past performance indicators or potential competitiveness indicators (Frohberg & Hartmann, 1997). For example, market share, productivity, product cost, gross margin, returns on assets, net income, unit cost ratio (Toit, Ortmann & Ramroop, 2010); total factor productivity (Yee, Ahearn & Huffman, 2004); financial performance (profit, sales growth, returns of investment), non-financial performance (customer satisfaction, employees growth (Rahman & Ramli, 2014); and benchmarking, balanced scorecard (Kozena & Chladek, 2012).

While measuring firm-level competitiveness; profitability, costs, productivity, and market share are often used indicators (Depperu & Cerrallo, 2005) because competitiveness is identical with performance. Competitive advantage enables a firm to earn profits that are higher than the average profit earned by its competitors (Dziwornu & Raymond, 2014). Thus, profitability is a key variable for measuring competitiveness and turnover is a kind of profit margin that firms often have to rely on (Fischer & Schornberg, 2007). The growth of market share is one logical realized consequence of the improvement of competitiveness. Therefore, the market share of a particular product is considered as an indicator to measure the competitiveness of a firm or industry. The studies of (Frohberg & Hartmann, 1997; Farole, Guilherme & Wagle, 2010; Kortelainen &, Karkkainen, 2011; Rahman & Ramli, 2014; Voulgaris, F., et. al., 2013) concluded that to measure the firm's competitive advantage, market share is an important indicator.

Any measurement indicator of a firm's competitive advantage should take into account a long-term rather than short-term orientation. The concept of profitability may be ambiguous because it requires the definition of a period over which the measurements are carried out. Hence, profitability could be referred to as the short-term or long period. Those issues lead to research the indicators to measure competitive advantage rather than productivity.

Similar to the limitations of productivity and profitability dimensions, the lack of availability and reliability of financial data on total market sales keeps market share away from the dimension of competitive advantage measurement. While the competitive advantage is often observed through changes in market share, a [firm]/country may hide its competitive weakness by manipulating [price]/exchange rate (Farole, Guilherme & Wagle, 2010).

## 4. LITERATURE REVIEW

An extensive review of the vast body of relevant theoretical and empirical literature was carried out as guided by the key construct in this conceptual review. This section, therefore, presents the theories that underpin the construct of strategic leadership and competitive advantage as well as related empirical literature.

### 4.1. Theoretical Review

Two theories namely, resource-based view and competitive dynamic theory were reviewed as presented in the preceding section.

#### 4.1.1. *Resource-Based View*

The resource-based view provides a conceptual framework to assess the strategic fit of resources originating from China in the context of the developing world. Originally proposed by Birger Wernerfelt (1984) and later developed and refined by Jay B. Barney (1991) and other scholars, the resource-based view of the firm has found considerable support in the business literature. A major premise of the resource-based theory is that competitive advantage is a function of the resources and capabilities of the firm (Wernerfelt, 1984; Conner, 1991; Peteraf, 1993). Barney (1991) has listed four attributes of resources that can give rise to a firm's competitive advantage: value, rarity, imperfect imitability, and lack of substitutability.

Many proponents of the resource-based view have argued that competitive advantage is created from resources and capabilities that are owned and controlled within a single organization. Therefore, resources that are internal to the organization drive competitive advantage. However, some scholars



have extended the scope of the resource-based view to focus on resources that span the boundaries of the organization (Das and Teng, 2000; Matthews, 2003) – sometimes referred to as the ‘extended resource-based view’. The RBV takes an ‘inside-out’ view or firm-specific perspective on why organizations succeed or fail in the marketplace (Dicksen, 1996). Resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991) make it possible for businesses to develop and maintain competitive advantages, to utilize these resources and competitive advantages for superior performance (Collis and Montgomery, 1995; Grant, 1991; Wernerfelt, 1984).

The two critical assumptions of RBV are that resources must also be heterogeneous and immobile. The first assumption is that skills, capabilities, and other resources that organizations possess differ from one company to another. If organizations would have the same amount and mix of resources, they could not employ different strategies to outcompete each other. What one company would do, the other could simply follow and no competitive advantage could be achieved. This is the scenario of perfect competition, yet real-world markets are far from perfectly competitive and some companies, which are exposed to the same external and competitive forces (same external conditions), can implement different strategies and outperform each other. Therefore, RBV assumes that companies achieve a competitive advantage by using their different bundles of resources (Barney, 1991; Liu & Chen, 2008). The second assumption of RBV is that resources are not mobile and do not move from company to company, at least in the short run. Due to this immobility, companies cannot replicate rivals’ resources and implement the same strategies (Barney, 1991; Liu & Chen, 2008). Intangible resources, such as brand equity, processes, knowledge, or intellectual property are usually immobile.

Barney (1991) categorizes three types of resources: Physical capital resources (physical, technological, plant, and equipment); Human capital resources (training, experience, insights), and Organizational capital resources (formal structure). Brumagim (1994) presents a hierarchy of resources with four different levels of corporate resources; Production/maintenance resources (considered the most basic or lowest level); Administrative resources; Organizational learning resources, and Strategic vision resources (considered the most advanced or the highest level). All firms possess a wide spectrum of resources and capabilities. RBV helps managers of firms to understand why competencies can be perceived as a firms’ most important asset and, at the same time, to appreciate how those assets can be used to improve business performance. RBV of the firm accepts that attributes related to past experiences, organizational culture, and competencies are critical for the success of the firm (Campbell and Luchs, 1997; Hamel and Prahalad, 1996).

Along with its development, the RBV has been extensively criticized. Some of the critiques have been leveled indirectly by suggesting amendments to the RBV (Foss et al, 2008; Makadok, 2001b). There are also polemical papers critiquing the RBV directly (Foss & Knudsen, 2003; Spender, 2006). In this respect, Priem & Butler’s (2001a, 2001b) critiques and Barney’s (2001) responses are widely-known. For those interested in advancing the RBV, the critiques are particularly valuable for they suggest where improvements might be made. Along these lines we assess the critiques so far offered, adding comments about their severity and impact. This, we hope, helps prepare the ground for future theorizing and research. This theory underpins this paper because human capital is developed through experience to form unique knowledge bases and inimitable skills. These are strategic resources that can be utilized as a key to the superior competitive advantage of the firm. RBV holds that sustained competitive advantage can be achieved more easily by exploiting internal factors.

### *4.1.2. Competitive Dynamics Theory*

Competitive dynamics theory helps explain the interaction and impact of firm actions and competitor reactions in a given industry (Smith, Ferrier & Ndofor, 2001). Action can relate to any observable decision made by a firm to defend its current competitive position or attempt to gain a new competitive position. Examples of actions may include making price changes, initiating special marketing activities, introducing new products, or withdrawing from a market. Reactions represent the corresponding response taken by a rival firm.

The competitive dynamics model looks at both the firm initiating a competitive move as well as the reacting rival firm. Several characteristics of the initiating firm’s activities are considered by the competitor before formulating a response. First, the magnitude of the action is assessed. For example, an action that required significant financial investment or resources would be considered high

magnitude and warrant more competitive attention. Second, the scope of the action is relevant. An action that has an impact on multiple competitors is more potentially threatening than an action that has an impact on only one competitor firm. Third, the *type* of action (tactical/temporary versus more strategic) is considered (Smith, Ferrier & Ndofor, 2001).

Several attributes of the responder's reaction are also relative to the competitive dynamics, including the likelihood of a response (if the attack is substantial, the likelihood is higher) as well as the frequency and timing of the response. The longer the time lag between action and response, the greater the advantage to the initiator, also known as a first-mover advantage. In addition to the attributes of the actor/action and reactor/ response, the characteristics of the industry itself also impact the competitive dynamics model. For instance, a high rate of industry growth can reduce competitive interactions, as the growing demand minimizes the need for individual firms to jockey for positions. Likewise, a more concentrated market with a smaller number of competitors leads to more collusion and less competitive activity. An industry with high entry barriers limits the number of new entrants that incumbent firms need to be considered (Smith, Ferrier & Ndofor, 2001). This model underpins this paper because it recognizes the critical role played by strategic leadership, human capital, and firm characteristics in the competitive advantage of the firm. Competitive dynamics deals with the set of actions and responses taken by all firms that are competing within a particular market. So, firms study competitive rivalry to predict the competitive actions and responses that each of their competitors is likely to take.

### 4.2. Empirical Literature Review

The existing body of empirical literature was reviewed to expose a couple of research gaps that served as a basis for buttressing the case for and proposition made in this study.

#### 4.2.1. Creativity and Competitive Advantage

Krslak & Ljevo (2021) conducted a study on Organizational Creativity in the Function of Improving the Competitive Advantage of Tourism Companies in Bosnia and Herzegovina. The goal is to research how tourism companies encourage organizational creativity and thus gain a competitive advantage. This paper aims to answer the question of whether the competitive advantage of tourism companies in Bosnia and Herzegovina can be improved by encouraging organizational creativity. For collecting data, a survey questionnaire was developed. The survey questionnaire was distributed electronically to tourism enterprises in Bosnia and Herzegovina.

An econometric analysis is employed to prove the positive correlation between creativity and the competitive advantage of tourism companies in Bosnia and Herzegovina. The results of the research showed that to achieve a competitive advantage, companies can manage creativity by encouraging: individual creativity whose existence is conditioned by the ability to think creatively, intellectual capacity, motivation, and freedom of decision of employees. Based on the obtained research results, team creativity can be realized when employees develop a tendency to share knowledge, have confidence in the team, and that the organization ensure a free flow of information. The limitation of this study is that the correctness of the model will be examined only in the second phase of the research, when all elements of the model will be empirically examined individually and their interrelationships.

Juliana, et al. (2021) studied the impact of creativity and innovation on entrepreneurship development: evidence from Nigeria. The purpose of the study was to investigate the relationship between creativity and innovation on entrepreneurship development. The data for this work comprised both primary and secondary data, while the primary data was used to a greater extent. A survey design was adopted for the study. A target population of 800 enterprises was considered for the study. However, out of the estimated sample size of 267 enterprises, 257 valid responses were used in the data analysis were gotten from Nnewi South and North in Nigeria. The research employed the Ordinary Least Square method and ANOVA Test for data analysis. Self-administered questionnaires were used to collect quantitative data, and answers were coded and entered into SPSS for analysis.

The test results indicate that technological advancement and strategy are necessary and influential factors to be considered in the quest of developing the entrepreneurial sector. The result also showed that the impact of government policy support, creative thinking, and innovative ability of

entrepreneurs as well as the availability of resources are impacting insignificantly on entrepreneurship development. This could be considered as empirical reasons for failed enterprises not only in Nigeria. The study encountered the following as research limitations: Some respondents did not answer the questions. Time constraints and financial resources to meet the transportation cost of data collection.

### 4.2.2. *Motivating and Competitive Advantage*

Indrayanto, Nugroho & Nurfitri (2017) examined the influence of work motivation and work environment on competitive advantage: a study of Indonesia and China tourism workers. The objective of this research was to analyze the influence of work motivation and work environment on creativity and innovation in creating competitive advantage. The sample was determined by purposive sampling. The total respondent from this research is 368 respondents consisting of 181 from Indonesian and 187 from China. Employing Partial Least Square (PLS) analysis, the results from outer models, inner models, and hypotheses testing by t-test were as follows: Work motivation has a positive significant influence on creativity.

Cherai, Simon, and Ayuo (2014) studied the effect of motivational strategies on organization performance: a case study of public universities in Nakuru County, Kenya. The study aimed to determine the effect of motivational strategies on organizational performance in public universities in Nakuru County. The targeted population consisted of managers, academic staff, and non-academic staff in public universities in Nakuru County. The study employed a descriptive survey design. Data was collected using a questionnaire. The design is appropriate in studying the prevalence of a phenomenon, situation, problem, or attitude by obtaining the opinion or attitude of respondents regarding a situation at a particular time (Kumar, 2005). The target population for this study was public universities in Nakuru County. A sample of 1993 managers, academic and non-academic staff were used in the study. A total of 402 questionnaires were returned, representing a 92.4% return rate.

Motivational and inspiration were measured by five measures namely; Career development programs, Recognition of good work, rewards, effective communication, and participative management. Descriptive and inferential statistics were used to explain the results of the findings. Descriptive statistical analysis was used to analyze motivational strategies used by universities. Based on the findings from the study, motivational strategies used by universities in Nakuru County had a moderate effect on both decisions making and customer satisfaction but a weak effect on service quality.

Kuranchie-Mensah & Amponsah-Tawiah (2015) in their study examined employee motivation and work performance: a comparative study of mining companies in Ghana. The purpose of the study was to empirically compare employee motivation and its impact on performance in Ghanaian Mining Companies, wherein measuring performance, the job satisfaction model is used. The study employed an exploratory research design in gathering data from four large-scale Gold mining companies in Ghana with regards to their policies and structures in the effectiveness of motivational tools and strategies used by these companies.

The study observed that, due to the risk factors associated with the mining industry, management has to ensure that employees are well motivated to curb the rate at which employees embark on industrial unrest which affects performance, and employees are to comply with health and safety rules because the industry contributes hugely to the Gross Domestic Product (GDP) of the country. Limitations to the study included the researcher's inability to contact other mining companies. However, the study suggested possibilities for future research including contacting other mining companies, expanding the sample size, managers ensuring that the safety and health needs of staff are addressed particularly those exposed to toxic and harmful chemicals.

### 4.2.3. *Collaborating and Competitive Advantage*

Maalouf (2018) investigated the effects of collaborative leadership on organizational performance. The purpose of the study was to demonstrate if leaders can improve organizational performance by adopting the latest trends and improvements in leadership, and principally the collaborative leadership style. The researcher chose a sampling frame composed of professionals in businesses. The findings were based on responses of 262 managers (Sample Size), and the sampling technique was a simple random sampling. Comparison with data from other sources for this population proves that the sample is representative.

The researcher constructed for the study a questionnaire that consisted of demographic characteristics in addition to two parts measuring the following dimensions: Collaborative Leadership and Organizational Performance. For performance, organizational leadership was found to be an essential factor. Improved performance would result in a competitive advantage and higher outcomes for the company. Collaborative leadership was found to promote organizational performance to be able to remain competitive and survive, and it would impact the whole organization. Future researchers were recommended to study organizational performance from a multidimensional perspective, and researchers may collect data from different countries, and employees at different organizational levels. Al-Zoubi (2012) studied leadership competencies and competitive advantage "empirical study on Jordan telecommunications". The purpose of the study was to examine the impact of leadership competencies on competitive advantage in the Jordanian telecommunications industry (JTI). The population of the study consisted of all working companies in the (JTI). A simple random sampling technique was used to select (2) working companies out of (3). The unit of analysis who surveyed for the study were the middle line departments' managers, supervisors, and team leaders, a total of 120 questionnaires were administered to respondents.

The Study revealed that leadership competencies had a significant impact at the level of ( $P \leq 0.05$ ) on competitive advantage by the Jordanian telecommunication companies in the Jordanian market, as well as an existing relationship between leadership competencies and competitive advantage. Also, the study found that Leadership in the Jordanian Telecom industry is strongly aligned with the International standards and adopts the competencies which are honored by the American Management Association such as Strategy development, communication skills, fostering innovation and creativity, developing leaders, and hiring talent.

### 4.3. Proposed Theoretical Model

A theoretical model is imperative in helping to reveal the relationship between independent variables, moderating variables, mediating variables, and dependent variables. In the case of this independent study, a theoretical model was proposed that illustrated the relationship between strategic leadership and competitive advantage. This relationship is demonstrated in a chart marked as Figure 1.

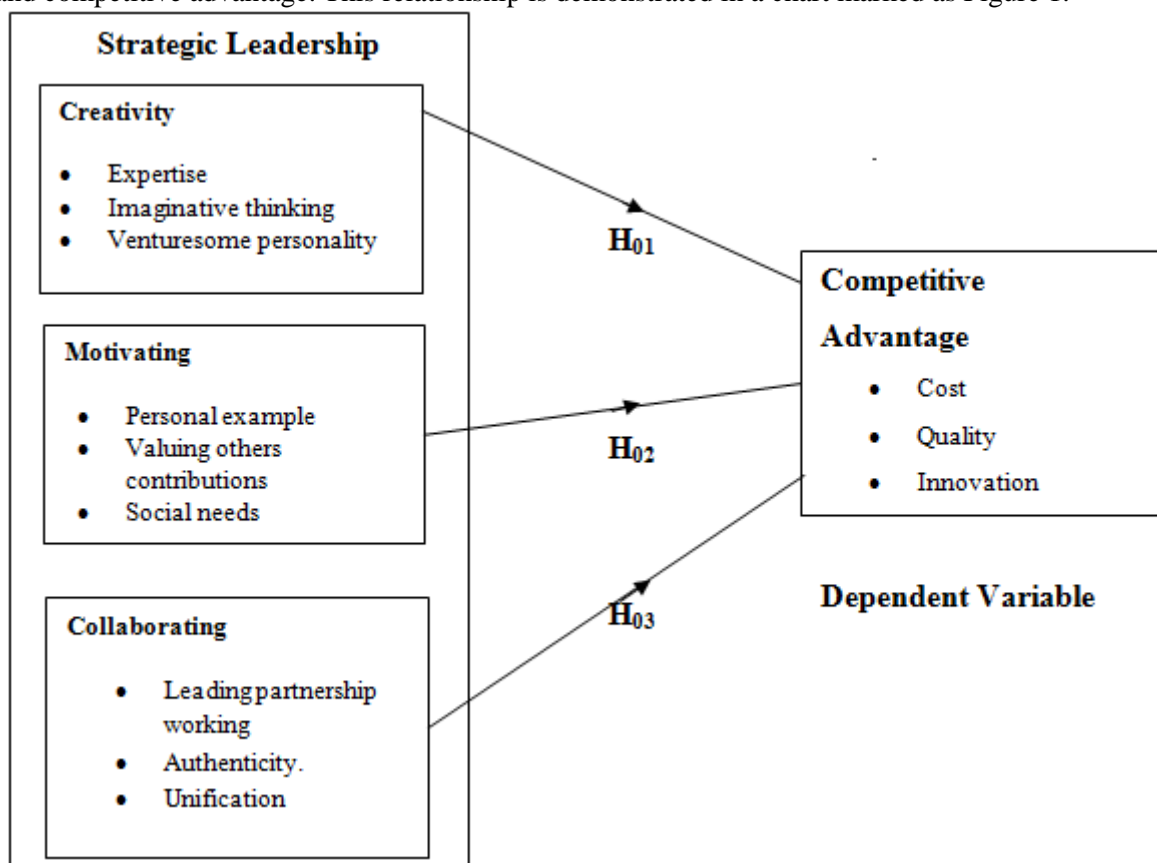


Figure1. Proposed Theoretical Model

Source: Author (2021)

The proposed model shows strategic leadership is the independent variable and competitive advantage is the dependent variable. In this study, strategic leadership is measured by creativity, motivation, and collaboration. Creativity is a very critical construct under strategic leadership. This is a strategic asset that helps provide an organization with one of the most important characteristics of an effective leader and fosters a successful and healthy workplace environment. Creativity opens up opportunities in problem-solving, achieving goals, and inspiring teams to be creative and find unlikely perspectives.

Motivating, as a construct of strategic leadership, enhance organization performance. This enhances self-confidence, self-esteem, self-discipline, job satisfaction, work performance, employee health, vision, and purpose resulting in increased overall performance. Also collaborating is to value the ideas and opinions of team members. Giving everyone the possibility to contribute to the project. Competitive advantage as the dependent variable is determined by cost, quality, and innovation. An organization that has effective strategic leadership experience cost advantage, quality products, and innovation, hence the benefits to the individual leader, the work unit, and the overall organization. Unexpected volatility in the market environment forces business organizations to strategically lead their operations to achieve a competitive advantage and beat their competitors.

### 5. CONCLUSION

The relationship between strategic leadership and competitive advantage is assessed in this independent study. The main goal of this study was to suggest the most appropriate theoretical model that illustrates the relationship between strategic leadership and competitive advantage. Through reviewing theoretical literature and empirical literature, this independent study assessed the characteristics of strategic leadership including its parameters and understands how they affect competitive advantage. The guiding principles and theories in this study were based on the resource-based view and competitive dynamic theory.

In the study, an appropriate theoretical model is proposed and it helps in illustrating the relationship between the independent variable and dependent variables comprising of strategic leadership and competitive advantage. Review extant literature revealed creativity, motivating, and collaborating as fundamental dimensions of strategic leadership that have the potential to impact organizational outcomes. Similarly, the review of the literature identified cost, quality, and innovation as suitable indicators for measuring competitive advantage. The propositions of the study besides enriching the empirical and theoretical literature on strategic leadership and competitive advantage, also serve to guide scholars in the field of strategic management on prospective studies with the potential to impact organizational outcomes and market performance in diverse industries and sectors.

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