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The Impact of Organizational Resources and Competitive Advantage of Internet Service Providers in Rivers State

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ABSTRACT

This research examined the relationship between organizational resources and competitive advantage of mobile internet service providers in Port Harcourt. The study adopted the cross sectional survey design. Primary data was collected using structures questionnaire. Data for the study was generated from sixty six (66) existing managerial level employees who were drawn across eleven (11) selected firms in Port Harcourt. The population size was adopted as the sample size due to its size. The hypotheses were tested using Spearman Rank Order Correlation Coefficient. These analyses were carried out using the statistical package for social sciences version 21.0. The evidence from the bivariate analysis showed that there is a significant positive relationship between organizational resources and competitive advantage of internet service providers in Port Harcourt. Thus the study concludes that organizational resources significantly influences cost leadership and differentiation. The study recommends that managers must intensively invest in the firm's strategic resources and critically identify their organizational resourcesor develop them where absent, finally they should move to formulate the firm's strategy around these core organizational resources so as to gain and sustain competitive advantage.

INTRODUCTION

Businesses are faced with environmental turbulence stemming from technological advances, changes in consumer demand and new regulations (Teece, 2007). The dynamism of business environments is at an accelerating rate, causing an increasing level of uncertainty to organizations. Hilda (2016) asserts that this growing uncertainty is the result of higher customer expectations, the dilution of borders between competitive environments and the move towards global competition. As the level of dynamics in business environments increases, the development of strategies that will differentiate the organization from its competitors becomes the key success factor (Gathungu & Mwangi, 2012). Organizational resources are expected to be valuable for organizations dealing with environmental turbulences, and early identification of threats or opportunities creates better opportunities for the organization. According to Rouse and Zietsma (2008), learning to respond to early signals of environmental changes constitutes the development of dynamic capabilities for environmental adaptation. Therefore, strategy has to move from competing for product or service leadership to competing in core competence leadership. The organizational resource has to be a primary factor for strategy formulation as it is an important source of profitability. One stream of research suggests core competencies to be at the base of all competitive advantage (Srivastava, 2005). Leonard &Barton (2000) defined core competency as one which differentiates a firm from its milieu. In the industry of mobile internet services providers in Rivers State, the issues are vast: multi-taxation; lack of infrastructure; low access to capital; lack of capacity and poor government policies (Port Harcourt chambers of Commerce, [PHCC], 2016).

For firms to succeed and survive they must create value on a sustained basis. Creating value on a sustained basis is achieving competitive advantage (Ceglinski 2016). Competitive advantage is also seen as outperforming your rivals (Grant 2010). Within the contemporary meaning, the term competitive advantage was coined by Micheal Porter, to him “competitive advantage is gotten by creating more value than Rivals in any industry”. Stressing the debate Furthermore, Rijamampianina (2003) insisted that to gain competitive advantage a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage.

Competitive advantage is obtained when an organization develops or acquires a set of attributes (or execution actions) that allow it 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, including, for example, the share in the market, product quality or technological advancement

Not much work have been done in this environment on the concept of competitive advantage, this study intends to fill this gap by looking at the relationship between organizational resources on competitive advantage.

The main purpose of this study was to examine the relationship between organizational resources and competitive advantage of internet service providers in Port Harcourt?

This provided answers to the following questions:

1. To what extent do organizational resources affect cost leadership of selected mobile internet service providers in Port Harcourt?
2. To what extent do organizational resources affect differentiation of selected mobile internet service providers in Port Harcourt?

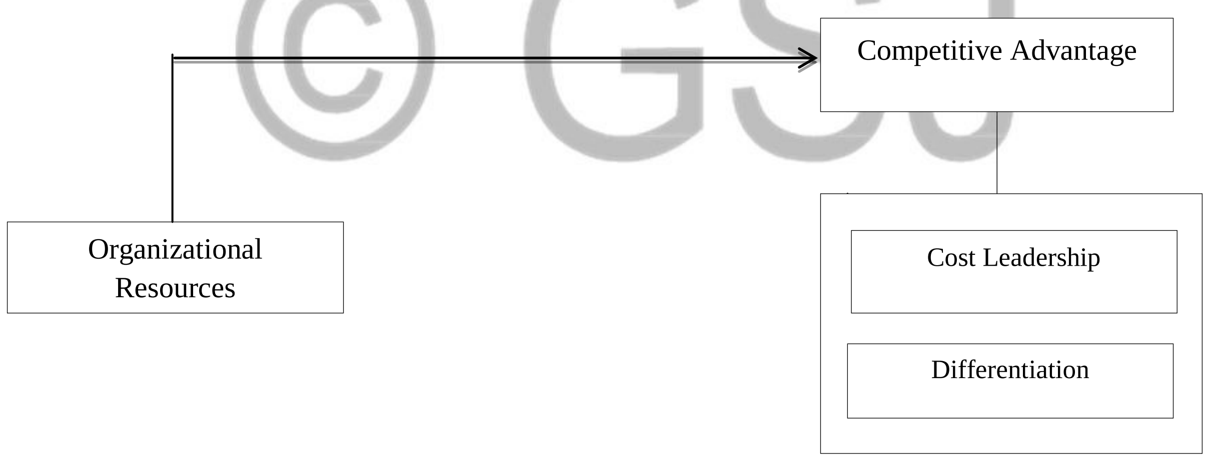

Fig.1 Conceptual framework for the relationship between organizational resources and competitive advantage

Source: Author's Desk Research, 2019

LITERATURE REVIEW

Concept of Organizational Resources

An economic or productive factor required for accomplishing an activity or as means to undertake an enterprise and achieve desired outcome. Three most basic resources are land, labor, and capital & other resources include energy, entrepreneurship, information, expertise, management and time. Resource is defined as an input to the value process, found in the basic activities and processes within a company in which core competencies often form a major part.

Resources are inputs to a company's value process and they are the 'basic units of analysis' Grant (2010). According to Barney (2011) Resources are categorized in numerous ways: Organizational (culture and reputation) Physical (asset, finance, equipment, location, and plant) Human (manpower, management team, training, and experience). According to Peteraf (1993), resources are categorized as tangible and intangible other than above categorization. Resources are also identified as sources for sustainable competitive advantage if they are valuable, rare, inimitable, and organization-able (Barney, 1991). Resources are among the most basic elements in a company, and they are natural objects to study since they are input to a company's value process (Grant, 2010).

Measures of Competitive Advantage

Business strategy is all about competitive advantage. In general, strategy has to do with long-term prosperity. It is concerned with long-term asset growth, not short-term profit. Thus businesses need strategy in order to ensure that resources are allocated in the most effective and efficient way. This is particularly important when it comes to major resource allocation decisions. Real competitive advantage implies companies are able to satisfy customer needs more effectively than their competitors. (Hul'vej, 2010)If a firm possesses resources and capabilities which are superior to those of competitors, then as long as the firm adopts a strategy that utilizes same effectively, it should be possible for it to establish a Competitive advantage (Agha.,Laith., &Manar, 2012: Porter 2012). The sustainability of competitive advantage depends on three major characteristics of the resources and capabilities: Durability; which is the period over which a competitive advantage is sustained, Transferability; the harder a resource is to transfer the higher sustainable the competitive advantage, and finally replicability; means cannot be replicated or purchased from a market (Sadler, 2003; Barley 1999; Grant 2010).

Cost Leadership

According to Porter cited in Ritika (2013) this advantage emphasizes efficiency, by producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no frills product that is produced at a relatively low cost and made available to very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features. To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labor, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors.

Differentiation

Porter opined cited in Ritika (2013) Differentiation advantage is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customer's service. Differentiation strategy is a viable strategy for earning above average returns in a specific business (differential advantage) because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyer's loyalty can also serve as entry barrier-new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully. Examples of the successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Apple Computer, and Mercedes-Benz automobiles. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier.

Organizational Resources and Differentiation

The resource-based view (RBV) of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage (differentiation) which eventually leads to superior firm's performance (Wernerfelt, 1984, 1995; ;Barney, 1991). Wernerfelt (1984), in his study of resources and returns, explores the usefulness of analyzing firms from the resource side rather than from the product side. He concludes that resources such as brand names, technology, skilled personnel, trade contacts, machinery, efficient procedures and capital are the foundation for attaining and sustaining competitive advantage position (differentiation).

Organizational Resources and Cost Leadership

Organizational resources are the primary factor for strategy, because it is an important source of profitability. Organizational resources are taken to mean the skills and capabilities by which resources are deployed through an organization's activities and processes in order to achieve Competitive advantage in ways that others cannot imitate or obtain. (Johnson , Scholes, & Whittington , 2008: 97). On the other hand, a company's strategy will be successful in creating competitive advantage when it deploys its resources and capabilities to match the key success factors within the industry environment. Sadler (2003) argues that no skill or cognitive trait, no matter how refined, should be described as a 'Resource' if it does not lead a firm; directly or indirectly, to a persistent competitive advantage by satisfying a customer need better than competitors in a marketplace.

METHODOLOGY

The study adopted the cross sectional survey design. Primary data was collected using structures questionnaire. Data for the study was generated from sixty six (66) existing managerial level employees who were drawn across eleven (11) selected firms in Port Harcourt. The population size was adopted as the sample size due to its size. The hypotheses were tested using Spearman Rank Order Correlation Coefficient. These analyses were carried out using the statistical package for social sciences version 21.0.

DATA ANALYSIS AND RESULTS

Bivariate Analysis

			Organizational Resources	Cost leadership	Differentiation
Spearman's rho	Organizational Resources	Correlation Coefficient	1.000	$.760^{**}$	$.744^{**}$
		Sig. (2-tailed)	.	.000	.000
		N	51	51	51
	Cost Leadership	Correlation Coefficient	$.760^{**}$	1.000	$.932^{**}$

		Sig. (2-tailed)	.000	.	.000
		N	51	51	51
	Differentiation	Correlation Coefficient	.744**	.932**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	51	51	51

Source: Research Data 2019, (SPSS output version 21.0)

Ho$_{1}$: There is no significant relationship between organizational resources and cost leadership strategy of selected mobile internet service providers in Port Harcourt

From the result in the table above, the correlation coefficient shows that there is a positive relationship between organizational resources and cost leadership. The *correlation coefficient* 0.760 confirms the magnitude and strength of this relationship and it is statistically significant at p 0.000<0.05. The correlation coefficient represents a high correlation between the variables. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate accepted. Thus, there is a significant relationship between organizational resources and cost leadership strategy of selected mobile internet service providers in Port Harcourt.

Ho$_{2}$: There is no significant relationship between organizational resources and differentiation strategy of selected mobile internet service providers in Port Harcourt

From the result in the table above, the correlation coefficient shows that there is a positive relationship between organizational resources and differentiation. The *correlation coefficient* 0.744 confirms the magnitude and strength of this relationship and it is statistically significant at p 0.000<0.05. The correlation coefficient represents a high correlation between the variables. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate accepted. Thus, there is a significant relationship between organizational resources and differentiation strategy of selected mobile internet service providers in Port Harcourt.

DISSCUSION OF FINDINGS

This study employed descriptive and inferential statistical methods in investigating the relationship between Organizational resourcesand competitive advantage in mobile internet service providers in Port Harcourt and the moderating role of technology. This buttresses prior studies that confirm that Organizational resources are a primary factor for strategy, because it is an important source of profitability. Organizational resources are taken to mean the skills and capabilities by which resources are deployed through an organization's activities and processes in order to achieve Competitive advantage in ways that others cannot imitate or obtain.

The current finding further highlights the views of Sadler (2003) who argued that no skill or cognitive trait, no matter how refined, should be described as a 'competence' if it does not lead a firm; directly or indirectly, to a persistent competitive advantage by satisfying a customer need better than competitors in a marketplace. Other scholars have acknowledged the importance of the Organizational resources concept by suggesting core competence models do sustain competitive advantage (Petts, 1997; Hafeez et al., 2002).One stream of research suggests core competencies to be at the base of all competitive advantage (Srivastava, 2005).

CONCLUSION AND RECOMMENDATIONS

Based on the findings obtained from the discussions and empirical findings, this study therefore concludes that organizational resources is a significant predictor of competitive advantage of internet service providers in Port Harcourt.

The study recommends that managers must intensively invest in the firm's strategic resources and critically identify their organizational resourcesor develop them where absent, finally they should move to formulate the firm's strategy around these core organizational resources so as to gain and sustain competitive advantage.

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