

*Original Research Article*

# The impact of Distinctive Competencies on Competitive Advantage: An empirical study on Detergents Manufacturing Companies in Jordan

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**Abstract**

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Most industries nowadays are facing an ever-increasing level of environmental uncertainty. They are becoming more complex and more dynamic. To survive with such a competitive environment, organizations should create values through attaining and sustaining competitive advantages. So businesses should know which aspects could have the effective impact on competitive advantage. The main objective of this paper is to examine the impact of distinctive competencies' dimensions (capabilities, competencies, and core competencies) on competitive advantage. Two types of competitive advantage were studied: Cost efficiency and Quality. The suggested model was tested in the context of detergent manufacturing companies in Jordan. The survey was administered to a total of 148 managers. Results indicate that it appears to be consistent and reliable scales. The findings have provided empirical support for the contention that competitive advantage is positively and significantly affected by distinctive competences. Results confirm the varying importance of distinctive competencies dimensions on competitive advantage. It has also been found that core competencies have higher impact on competitive advantage than other dimensions. To remain competitive and improve organizational performance, managers can try to strength their competitive advantage by managing each dimension of distinctive competencies i.e. capabilities, competencies, and core competencies.

**Keywords:** Distinctive competencies, Capabilities, Core competencies, Competitive advantage

## INTRODUCTION

Nowadays, highly competitive environment is the most challenge facing business organizations, so they need to act fast in order to sustain their existence situations and their market positions. Different ideas and concepts were developed and implemented to help established organizations to survive and to grow in a dynamic environment. (Prahalad and Hamel, 1990)

Distinctive competencies is one of the main modern concepts that have gained significant importance over the past fifty years (Man, 2011). Practitioners and

academicians have centered their studies on firm specific characteristics that are unique, add value to the ultimate consumer, and are transferable to many different industrial setting. Thus, it is clear that across sectors, most organizations have to understand that gaining competitive advantages is the most challenging issue facing organizations in the 21st century (Coplin, 2002).

The concept of distinctive competencies has implications at the strategic level; the organizations have to work to identify their distinctive competencies and

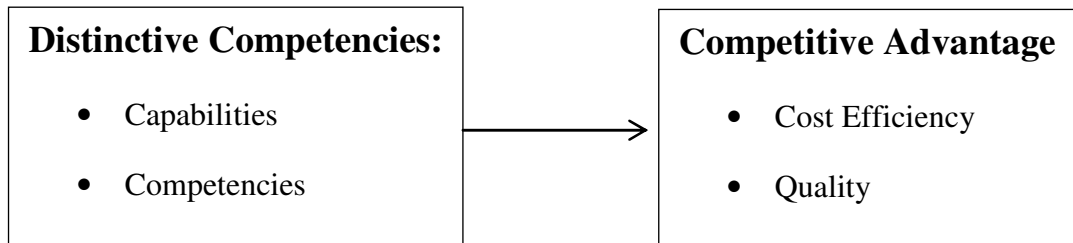


Figure 1. (Research model)

developing them for sustainable competitive advantage (Srivastava, 2005).

### Research Objectives

Addressing the major issues discussed above, the researchers seek to accomplish the following specific objective:

- Identifying the impacts of distinctive competencies with its dimensions (capabilities, competencies, and core competencies) on the competitive advantage in detergent manufacturing companies in Jordan.

### Study Model

The theoretical model is constructed to connect the main research variables (Distinctive competencies and competitive advantage)

The independent variable is the distinctive competencies which includes (capabilities, competencies, core competencies) these dimensions were developed by (Wheelen and Hunger, 2014), hence, this study adopted the independent variable and its dimensions by reviewing (Wheelen and Hunger, 2014). The dependent variable is the competitive advantage which is developed by reviewing (porter, 1985). See figure (1).

### Research Hypothesis

H.01: There is no statistically significant impact (at  $\alpha \leq 0.05$ ) of distinctive competencies (capabilities, competencies, and core competencies) on competitive advantage (low cost and Quality) in detergent manufacturing companies in Jordan.

### Theoretical Background:

#### Conceptualization of Distinctive Competencies

In 1957, the term "distinctive competence" was first used by Selznick to explain the style of a firm, refers to what a firm perform especially well comparing with rivals (Long

and Vickers-Koch, 1995). Thus, distinctive competence is an aggregate of multiple activities that firms do to perform better than other rivals within a similar environment (Nguyen, 2008).

David (2015, P.93) defines the distinctive competencies as "a firm's strengths that cannot be easily matched or imitated by competitors and building competitive advantages involves taking advantage of distinctive competencies."

Hill and Jones (2012 P. 108) defines distinctive competency as "a unique firm- specific strength that allows a company to better differentiate its products and/or achieve substantially lower costs than its rivals and thus gain a competitive advantage."

Mooney (2007) explained a distinctive competence is must be highly visible to consumers and sustainable and it not necessarily restricted to the outcome of an organizations' special adaptation to its own special purposes and programs. A somewhat more general competence may develop, as when we say that a firm is good at marketing, but less successful in production and it is important to note, however, that individuals outside the firm must notice a competence as distinctive.

Empirical examinations of the concept generally conclude that the source of distinctive competencies are internal rather than external environments, and originate from the way a company uses its resources relative to its competition. (Hitt and Ireland, 1985)

Competitive advantages and distinctive competencies for successful growth, within any company is the output of many variables, which are both internal and external nature. Such variables are related to the available firm's resources, which include all assets, skills, capabilities, organizational competencies, attributes, and information under the firm's control that can be used to develop competitive positional strategies (Coplin, 2002).

Although a distinctive competency is surly considered to be an organization's strategic strength, a strategic strength could not always be a distinctive competency. As rivals try to emulate another company's competency (especially during hyper competition), what was once a distinctive competency becomes a minimum requirement to compete in the industry (Andersson and Ramos –Reid, 2011).

Two characteristics define the sustainability of an organization's distinctive competency (ies): durability and

imitability. (Wheelen and Hunger, 2014)

Durability is the rate at which an organization's essential resources, capabilities, or core competencies scale down or become outdated. New technology could make an organization's distinctive competency outdated or immaterial.

Imitability is the rate at which an organization's essential resources, capabilities, or core competencies could be repeated by other rivals. To the extent that a firm's distinctive competency gives it competitive advantage in the marketplace, competitors will try to learn and emulate that set of skills and capabilities.

Therefore, based on previous review of distinctive competencies the researchers conclude that distinctive competency is a special specific strength that let a company to distinguish its products from its competitors and thus attain a competitive advantage.

In the current study, the researchers focus on three key dimensions of distinctive competencies: Capabilities, Competencies, and Core competencies as (Wheelen and Hunger, 2014) suggested.

### **Capabilities**

They refer to an organization's skills at harmonizing its resources and setting them to productive use. These skills exist in an organization's rules, routines, and procedures, that is, the style or manner through which it makes decisions and manages its internal processes to achieve organizational objectives. (Hill and Jones, 2012)

### **Competencies**

Wheelen and Hunger (2014, P.138) define organizational competency as "a cross-functional integration and coordination of capabilities in a way to accomplish the respective job effectively and efficiently."

### **Core competencies**

Gupta (2013, P. 4) defined Core competency as " a unique capability acquired by a firm over a period of time in form of a resource, operations facility, specially skilled manpower, knowhow or delivery of service which gives the firm sustainable competitive advantage in future in quality, design, production or distribution of a product/service or in cost of the product and is viewed as a relative value addition by a prospective customer."

### **Competitive advantage**

Competitive advantage is perhaps the most widely used term in strategic management, yet it remains poorly

defined and operationalized (Ismail et.al, 2010).

Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the customers. He argued that differential advantage might be achieved through lowering prices, selective advertising appeals, and/or product improvements and innovations.

Moony (2007, P.110) defined Competitive advantage as a "capability or resource that is difficult to imitate and valuable in helping the firm outperform its competitors."

A competitive advantage is an advantage over competitors which is gained when an organization is able to provide greater services, benefits and values at higher prices or providing the same value as its competitors but at lower prices (Riley, 2012).

Rungwitoo (2012, P: 62) defined the competitive advantage as "the integration between performance and capability to create superior value for a customer better than competitors."

Porter (1985 P.73) defined competitive advantage "it is at the heart of a firm's performance in competitive markets" thus "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."

Dranove et al. (2016, P.295) said "when a firm earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market, the firm has a competitive advantage in that market."

Barney (2013, P.102) tried to define competitive advantage with strategy view. He stated "a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors".

Porter (1985) asserted that competitive advantage comes from the value that firms create for their customers that exceeds the cost of producing that value. The key concern for a business is to capture that value which is greater than its cost.

Porter (1985) identified two basic types of competitive advantage, which were Low cost and differentiation.

The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus. (Porter, 1985)

Porter's (1985) suggests that being able to produce an event at a lower cost compared to the competitors is one-way to competitive advantage. Typically, this comes from large-scale organizations developing efficiency due to their repetitive experience of the tasks involved or using their power to leverage lower costs. The other two routes to competitive advantage relate to the value seen by customers who either see specific attractive elements in

the offering (differentiation) or feel that all their needs are being met in the best way by that competitor's offering (focus) (Henderson, 2011).

According to those authors who have focused on the competitive advantage dimensions, the dependent variable in this study is the competitive advantage and its types (Low cost and Quality).

## RESEARCH METHODOLOGY

### Research Population

The population of the research is the total number of detergent manufacturing companies in Jordan consisting of (99) companies registered in (Jordan chamber of industry, 2017).

### Sampling unit and samples:

The sampling unit consists of management level for (47) detergent manufacturing companies including:

- General managers
- Deputy general managers
- Heads of department.
- Division managers.

The 47 companies which represent the sample were chosen because they accepted to be part of the field work.

### Research tools

Data was collected from primary and secondary sources.

#### 1. Secondary data:

There are several sources of secondary data including newspapers, books, publications, databases, case studies, periodicals and other archival records.

#### 2. Primary data:

This source is used to collect the data for the first time. This Research collect's primary data from an adapted survey that was reviewed to achieve the research goals.

### Questionnaire distribution

148 questionnaires were distributed and only 112 questionnaires were received at a response rate of 76 %. The number of distributed questionnaires to each company depends on their acceptance.

### Statistical treatment

The data have been coded and analyzed using the Statistical Package for Social Sciences "SPSS" program

version (22). The researchers used appropriate descriptive and inferential statistical techniques as follows:

### Descriptive Statistics Methods

- Percentages and frequencies: this test were used in order to describe the collected demographic information in terms of frequencies and percentage according to each question categories
- Means: to identify the level of response of research sample according to the research variables.
- Standard Deviation: to measure the dispersion from the Mean.

### Inference Statistics Methods

- Cronbach's Alpha reliability ( $\alpha$ ): is used in order to test the reliability of each variable and dimensions to measure the strength of the internal consistency between survey items.
- Exploratory Factor Analysis (EFA): is used in order to check the construct validity of each question item and dimensions in terms of factor loadings, eigenvalue proportion, and number of factors.
- Variance Inflation Factor (VIF): was used in order to make sure that Multi-Collinearity did not exceed the accepted limits, furthermore to make sure that there is no Multi-Collinearity between independent variable's dimensions as the main assumption of multiple regressions.
- Multiple Regression analysis: to measure the impact of the distinctive competencies on competitive advantages.

### Validity and Reliability of Scales

#### Validity

The questionnaire has been reviewed by a group of academicians in the field of management sciences to assess its appropriateness in terms of the phrasing of questions, the complexity of language, response scale and redundancy of questions. The procedures were used to ensure that the questionnaire was well designed and the items measured the relevant dimensions. Inappropriate items or questions were revised accordingly.

#### Construct validity: Factor analysis

Exploratory Factor Analysis (EFA) was performed to test the loading of the distinctive competencies constructs

**Table 1.** (Factor Analysis for Distinctive Competencies and Competitive Advantage)

Dimension	Distinctive Competencies	Competitive Advantage
Factor loading	Factor 1	Factor 1
D1	.888	.896
D2	.824	.896
D3	.928	-
Eigen value	2.329	1.606
Proportion	77.620	80.308
No. of factors	1	1

Factor Loadings  $\geq$  0.400                      eigenvalue proportion  $\geq$  1.000

**Table 2.** (Cronbach's Alpha for Distinctive Competencies and Competitive Advantage)

Dimension	Distinctive Competencies	Competitive Advantage
Alpha	.853	.731

Cronbach's Alpha  $\geq$  0.600

**Table 3.** (Cronbach's Alpha for Distinctive Competencies Constructs)

Dimension	Capabilities	Competencies	Core Competencies
Alpha	.904	.817	.815

Cronbach's Alpha  $\geq$  0.600

**Table 4.** (Cronbach's Alpha for Competitive Advantage Constructs)

Dimension	Low Cost	Quality
Alpha	.726	.890

Cronbach's Alpha  $\geq$  0.600

and competitive advantage constructs.

Table (1) shows the results of "EFA" for the distinctive competencies constructs and competitive advantage constructs (Hair et al., 1998).

Table (1) shows the obtained result of the Exploratory Factor Analysis of the research super scales (distinctive competencies and competitive advantage). The obtained results reveal that all of the obtained values fall within accepted limits. Hence, there is no need to exclude any of the neither research variables nor dimensions.

### Reliability of Scales

To determine the internal consistency reliability of the elements, "Cronbach's alpha "was used.

George and Mallery, (2003) provided the following categories for reliability: "( $\geq$  .9) Excellent, ( $\geq$  .8) Good, ( $\geq$  .7) Acceptable, ( $\geq$  .6) Questionable, ( $\geq$  .5) Poor, and (< .5) Unacceptable". The larger value of Cronbach's alpha coefficient reflects a higher degree of internal consistency (Nunnally, 1978). See Tables (2,3,4)

The internal consistency values reflect that the research instrument has good internal consistency and high reliability to serve the research goals.

### Analysis of results and hypotheses testing

#### Descriptive statistics of the demographic variables

The result of the descriptive analysis for the demographic

**Table 5.** (Multiple Regression of Distinctive Competencies on Competitive Advantage)

Variables	Beta	Sig
(Constant)	.726	.315
Capabilities	.250	.023
Competencies	.151	.095
Core Competencies	.390	.002
R	.713	
R <sup>2</sup>	.508	
Adjusted R <sup>2</sup>	.494	
F	37.180	.000

variables of respondent samples shows that (79.5%) of the study sample were males and (20.5 %) were females. And (20.5%) of the study sample age is less than (30) years and (37.5%) of the study sample age between (30–40) Years, while (25%) of the study sample age between (41 – 50) years and (17%) of the study sample age above (50) years.

With regards to the education level, respondent sample shows that most of the respondents hold the bachelor's degree at a percentage of (56.3%) and (20.5) of the study sample, hold high diploma, while (17.9%) hold master degree, whereas the (PhD) holders were the lowest in education level of study sample at a percentage of (5.3%). On the other side, the position of study sample are (16.1%) of respondents are general manager, while (42%) of the position of respondents are deputy (GM), and also (23.2%) of respondents are head of department, whereas (18.7%) of respondents are division managers.

With regards to experience, based on study sample result (8%) of respondents have experience less than (3) years, while 17.9%) of respondents have experience between (3 -6) years, whereas (26.8%) of respondents have experience between (7 – 10) years and (47.3%) of respondents have experience above (10) years which indicates the goodness of the respondents.

With regards to companies' size, study shows that (3.6%) of companies have 5 to 10 employees, while (6.3%) of them have 11 to 20 employees, whereas (42.9%) of companies have 21 to 35 employees and the most of companies have more than 35 employees at percentage of (47.2%).

## Hypothesis Testing

To answer the questions related to the research problem regarding the nature of the relationship between distinctive competencies and competitive advantage within detergents manufacturing companies in Jordan

and identify which distinctive competences dimensions have the most influential effects on competitive advantage this research will use multiple linear regression analysis to test the research hypothesis.

H0.1: There is no statistically significant impact (at  $\alpha \leq 0.05$ ) of distinctive competencies (capabilities, competencies, and core competencies) on competitive advantage (low cost and Quality) in detergent manufacturing companies in Jordan.

From the Table (5), the multiple correlation coefficients (R = .713) indicating that there is a strong positive correlation between Distinctive Competencies (Capabilities, Competencies, and core competencies) and Competitive Advantage (Low Cost and Quality). This means that the independent variables and dependent variable change in the same direction. The (R) value is a gauge of how well the model predicts the observed data.

The value of (R<sup>2</sup>=.508) indicates that Distinctive Competencies (Capabilities, Competencies, and core competencies) can explain (50.8 %) of the variation and change in Competitive Advantage (Low Cost and Quality).

The (Adjusted R<sup>2</sup>) pertained to the generalizability of the model. It allows generalising the results taken from the respondents to the whole population. It is noticed that the value of (Adjusted R<sup>2</sup>) is very close to the value of (R<sup>2</sup>), in this case, it is equal to (R<sup>2</sup>-.508), If the (Adjusted R<sup>2</sup>) is excluded from (R<sup>2</sup>), (.508 - .494), the value will be (0.014). This amount of reduction means that if the whole population participates in the research and the model has been fitted then, there will be (1.40%) less variance in the outcome.

Referring back to the analysis of variation which allows us to statistically test the main null hypothesis, from the table above, it can be concluded that the (F) value for the collected data is (37.180) which is significant at the level of ( $\alpha < 0.05$ ) (sig. =.000), this result tells us that there is less than a (0.05%) chance that an (F) ratio of this value would happen by chance solely. Therefore, we

conclude that there is a statistically significant effect of Distinctive Competencies (Capabilities, Competencies, and core competencies) on Competitive Advantage (Low Cost and Quality), thus reject the null hypothesis and accept the alternative hypothesis. To identify the most influential Distinctive Competencies (Capabilities, Competencies, and core competencies) affecting the Competitive Advantage (Low Cost and Quality) another part of multiple regression analysis will conduct, it is about testing the effect of each predictor (variable) included in the model if other predictors are held constant on the dependent variable. Standardised (Beta) coefficients ( $\beta$ ) and ( $\alpha$ ) significance levels were used to test the effect.

Table (???) shows the standardized coefficients ( $\beta$ ) values for each Distinctive Competencies (Capabilities, Competencies, and core competencies), both Capabilities and Core Competencies  $\beta$  coefficients were statistically significant (.250, and .390) respectively and due to their significant level of (0.023 and 0.002) which is less than (0.05).

In term of the strongest effect of Distinctive Competencies on Competitive Advantage (low Cost and Quality), the level of effect of these variables depends on the ( $\beta$ ) value, the higher ( $\beta$ ) value the higher effect on the dependent variable. Accordingly, core competencies has the strongest effect on the Competitive Advantage (low Cost and Quality).

## RESULT OF THE STUDY

The findings of hypothesis testing shows that there is statistically significant impact of the distinctive competencies (capabilities, competencies, and core competencies) on the competitive advantage (low cost and quality) in detergent manufacturing companies in Jordan. These results confirmed what earlier studies have found in this regard (Darsono, 2016; Kotabe and Kothari, 2016; Bahri et al., 2015; Love and McGee, 2014; Jabbouri and Zahari, 2014, Agha et al., 2012; Jamhour, 2010; Newbert et al., 2008; Coplin, 2002; Nonaka, 2007; Zhang and Lado, 2001; Leonard and Mcgee,1999.)

Recently, there has been marked interest in the idea that competencies constitute the foundation for obtaining sustainable competitive advantages over time (Wu, 2009), We are witnessing increasingly dynamic and competitive environments, in which organizational distinctive competencies constitutes the basis for sustaining competitive advantages (Nonaka, 2007).

Since organizations pursue opportunities to obtain new resources so as to outperform their competitors, organizations should bear in mind that leveraging their competences enables organizational development aiming to increase and boost industry competitiveness. Moreover, competences constitute the factors with which organizations can distinguish themselves from

competitors. In so doing, they may be able to maintain a sustainable competitive advantage, which may in turn be associated with superior performance. Organizations with competences will be less uncertain about their effectiveness and will be quicker to notice and learn from changes on the market. Such competences will allow organizations to develop new products or processes, obtain a better strategy on focused issues and improve decision making in certain matters so as to achieve a sustainable competitive advantage to the organization.

## CONCLUSION

This study has developed and empirically tested a theoretical framework that examined the impact of the distinctive competences (capabilities, competencies, and core competencies) on the competitive advantage (low cost and quality), in detergent manufacturing companies in Jordan.

The findings have provided empirical support for the contention that competitive advantage is positively and significantly affected by distinctive competences (capabilities, competencies, and core competencies).

Although distinctive competences have significant effect on competitive advantage (low cost and quality),core competencies were seen as the most influential aspect on competitive advantage, while capabilities found to have less important effect on organizational growth meanwhile and competencies emerged to be insignificant.

The explanation of high effect of core competencies on competitive advantage is due to the components of core competencies:(shared vision, empowerment, and cooperation) which have obvious effect on managing the capabilities of the organization which in turn affect the organization's performance especially manufacturing organizations, while the competencies have no effect on organizational growth because detergent manufacturing organizations need less integration of capabilities within the functions of the organization from other organizations.

## RECOMMENDATION

In light of the study findings, the following recommendations are proposed:

The result of this research showed the significant impact of distinctive competences on the competitive advantage in detergent manufacturing companies in Jordan, Therefore, this research recommends Jordanian detergent manufacturing companies to improve and extend distinctive competences understanding, to improve their overall competitive advantages in order to gain an excellence organizational performance accordingly.

This research recommends Jordanian detergent manufacturing companies to increase their attentions towards their core competencies since it has the most significant impact on the competitive advantage.

Also, this study recommends future interested researchers to test the applicability of the findings of this research on another population with different sizes to assess the generalizability of the findings.

The researchers suggested going further on this research by investigating the obstacles might face the organizations to reach optimal competitive advantage.

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## Appendix (A)

### Study questionnaire

### Part (1): Demography Information

Please put a tick (✓) in the appropriate box below:

**1- Gender:**

Male

Female

**2- Age**

Less than 30 years

Between 30 – 40 Years

Between 41 – 50 years

Above 50 Years

**3- Education Level**

BSc

High Diploma

Master

PhD

**4- Position**

General Manager

Assistant GM

Head of Department

Division Manager

**5- Experience in the current organization**

Less than 3 years

Between 3 – 6 Years

Between 7-10 years

Above 10 Years

**6- Firm size (Employee Numbers)**

Between 5 \_ 10 employee

Between 11 – 25

Between 26 – 50

Above 50 employee

## Part (2)

Section one: <b>Distinctive Competencies</b>	Strongly agree	Agree	Uncertain / not applicable	Disagree	Strongly disagree
<b>A- Capabilities</b>					
1- Our company has employees with high skills.					
2- Our company has talent employees which deploy their skills and knowledge to other employees.					
3- Our company can recognize opportunities and act quickly when it comes to ( new markets, new products, and new business)					
4- Our company' employees realize that it's unacceptable not to meet the goals of the company.					
5- Learning as part of work is valued more than training at our company					
6- Our company gives importance to internal research and development.					
7- Our company' employees improve their knowledge continuously					
<b>B- Competencies</b>					
8- Our production department has a cross-functional integration and coordination of capabilities in a way to accomplish the respective job effectively.					
9- Our R&D department has a cross-functional integration and coordination of capabilities in a way to accomplish the respective job effectively					
10- Our Finance department has a cross-functional integration and coordination of capabilities in a way to accomplish the respective job effectively					
11- Our Supplying department has a cross-functional integration and coordination of capabilities in a way to accomplish the respective job effectively					
12- Our IT department has a cross-functional integration and coordination of capabilities in a way to accomplish the respective job effectively					
13- Our HR department has a cross-functional integration and coordination of capabilities in a way to accomplish the respective job effectively					

14- Our Marketing department has a cross-functional integration and coordination of capabilities in a way to accomplish the respective job effectively					
<b>C- Core Competencies</b>					
15- The development of employee's competencies is an important organizational goal.					
16- Most individuals are committed to the same goals.					
17- There is a cooperative effort among individuals to carry out difficult tasks					
18- Decision Making tends to occur in a decentralized manner					
19- Ideas tend to flow horizontally					
20- Ideas tend to flow vertically					
21- Individuals are capable of directing and taking charge of their own work					
22- Individuals have been given or taught the skills that are needed to perform their work efficiently..					

<b>Section Two: Competitive Advantage</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Uncertain / not applicable</b>	<b>Disagree</b>	<b>Strongly dis agree</b>
<b>A- Low Cost Competitive Advantage</b>					
23- Our company has the ability to offer lower priced products compared with our competitors					
24- Our company has strict control on cost					
25- Our company has engineering skills in manufacturing processes					
26- Our company has extensive supervision within the work					
<b>B- Quality Competitive Advantage</b>					
27- Our company has the ability to provide products of high level of quality compared with our competitors.					
28- Our company has the ability to provide products with high level of performance compared with our competitors.					
29- Our company has the ability to provide a high level of conformance quality compared with our competitors.					
30- Our company has good marketing capabilities					