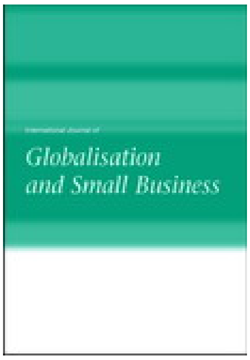


International Journal of Globalisation and Small Business

ISSN online: 1479-3067 - ISSN print: 1479-3059
https://www.inderscience.com/ijgsb

Composition-based strategy and firm's performance: the mediating role of competitive advantage

Ansar Waseem, Yasir Rashid, Abdul Rashid Kausar

DOI: 10.1504/IJGSB.2023.10055134

Article History:

Received:	31 December 2021
Last revised:	15 April 2022
Accepted:	06 May 2022
Published online:	17 April 2023

Composition-based strategy and firm's performance: the mediating role of competitive advantage

Ansar Waseem*

Hassan Murad School of Management,
University of Management and Technology, Pakistan
Email: ansarwasim436@gmail.com
*Corresponding author

Yasir Rashid

Deceased; formerly of: University of Management and Technology, Pakistan

Abdul Rashid Kausar

Hassan Murad School of Management,
University of Management and Technology,
Lahore, Pakistan
Email: ark@umt.edu.pk

Abstract: The resource-based view (RBV) has been the dominant strategic perspective to study the growth of firms. However, few believe that RBV is more suited for large organisations as its central tenants are not aligned with the characteristics of small firms. Thus, a composition-based view (CBV) is an alternative perspective to studying the survival and growth of small and medium enterprises in emerging economies. Very little empirical work has been done using this strategic perspective. This paper attempts to test the central propositions of CBV by developing a causal mechanism that links composition-based strategy with a firm's performance through competitive advantage. For this purpose, data were collected from 150 owners/managers of different retail stores located in Lahore, Pakistan. Findings indicate that composition-based strategy is positively and significantly related to both firm's performance and competitive advantage. Moreover, competitive advantage mediates the underlying relationship between composition-based strategy and the performance of firms. These results provide interesting insight to both academics and managers. Academics may further explore composition-based strategy as a determinant of competitive advantage and firm's performance. Similarly, managers of small firms may pursue a composition-based strategy to attain multiple sources of competitive advantage and exploit them to achieve superior performance.

Keywords: composition-based view; CBV; composition-based strategy; firm's performance; competitive advantage; small retail businesses.

Reference to this paper should be made as follows: Waseem, A., Rashid, Y. and Kausar, A.R. (2023) 'Composition-based strategy and firm's performance: the mediating role of competitive advantage', *Int. J. Globalisation and Small Business*, Vol. 13, No. 3, pp.291–314.

Biographical notes: Ansar Waseem is PhD Scholar at the University of Management and Technology (UMT) Lahore. He has done Masters in Business Administration from Virtual University of Pakistan and Mechanical Engineering from University of Engineering and Technology, Lahore. His areas of interest include organisation theory, strategic management, entrepreneurship, and knowledge management.

Yasir Rashid was an Assistant Professor at the University of Management and Technology (UMT) Lahore. He had done his PhD in Marketing from University of Waikato, Hamilton, New Zealand. He had over eight years of corporate experience in Australia and New Zealand. His areas of interest included digital marketing and social media, neuromarketing, value co-creation and service system.

Abdul Rashid Kausar is presently working as a Professor of Knowledge Management at the University of Management and Technology (UMT), Lahore with a PhD (1978) from Michigan State University, USA. His teaching, training, consulting and learning interests include the areas of organisational behaviour, leadership and change, emotional/cultural intelligence, organic knowledge management and human capital development.

1 Introduction

How do firms survive and grow? And how they can outperform their rival? These are the fundamental questions that have been investigated in the strategy literature. Answering these has led to different strategic perspectives. Among the famous ones is the resource-based view (RBV) of the firm. This perspective takes an inward orientation and states that valuable, rare, inimitable, and strategically non-substitutable resources are a source of sustainable competitive advantage (Barney, 1991). Although RBV is highly influential and has been used in a variety of contexts; recently there are doubts that it may not be suitable for small firms (Connor, 2002; Kellermanns et al., 2016; Kraaijenbrink et al., 2010; Li, 2016). This is because the characteristics of small firms are not aligned with the propositions and assumptions of RBV (Tehseen et al., 2019a).

Composition-based view (CBV), on the other hand, is better suited to study the performance of small firms in emerging economies (Luo and Bu, 2018; Tehseen et al., 2019a). It is an alternate view to RBV, which provides a new strategic perspective by answering the aforementioned questions. This view was proposed by Luo and Child (2015) who have noted that small and medium enterprises of lack strategic assets such as brand name, core technology, market power, and investment in R&D. Despite this resource disadvantage, these firms exhibit extraordinary performance by skilfully integrating open and generic resources to come up with unique value propositions that attract mass-market customers (Luo and Child, 2015). It focuses on how small firms that are handicapped by resources can survive and grow by effectively and distinctively integrating common resources (Tehseen et al., 2019a). Unlike RBV, CBV does not emphasise on possession of resources. Rather, it stresses the need to use the available resources in an agile manner to respond quickly to changing market conditions (Luo and Child, 2015). These common resources have no intrinsic value in themselves. But small firms may attain a compositional advantage by skilfully and efficiently combining and reconfiguring these resources to exploit their latent value and respond to the market requirements. The firm can achieve this through a mixture of creativity, innovation, improvisation, managerial combination, and compositional capabilities. Hence, CBV is a new strategic perspective that opens new domains for theorising in strategy literature as well as has direct application for practitioners (Burton, 2015).

The idea of the composition-based view was presented in 2015. Since then, only a few empirical papers have used this view. Luo and Bu (2018) suggest that future research in the composition-based view may focus on different dimensions of the value-creating mechanism used in a composition-based strategy. As composition-based strategy consists of three components, i.e., compositional offering, compositional competition, and compositional capability; it would be interesting to see how these three components impact firm's performance. This value-creating mechanism can be better explained by considering the mediating role of competitive advantage. Moreover, Kornelius et al. (2020) note that the research findings on the relationship between strategic planning and a firm's performance are mixed. They recommend using a dynamic capability approach to align strategic planning with the dynamic market conditions. Since CBV is considered an extension of dynamic capabilities, such a study may be beneficial in addressing this research gap. Lastly, there is a shortcoming regarding the context of the study. For example, Fernandez et al. (2018) point out that majority of the research studying the relationship between competency, competitive advantage, and performance has been focused on large or medium firms; whereas small firms are somewhat overlooked in these studies. Small firms may present an interesting context to study the relationship between competitive advantage and performance, as the nature of small firms is qualitatively different from the larger ones.

Most of the research studies focusing on the performance of small firms are rooted in the resource-based view of the firm. However, Kellermanns et al. (2016) feel that RBV is more suited for large and established corporations; whereas it has limited applicability for small firms. For retail firms, any competitive advantage is short-lived because the same can be easily imitated (Fernie et al., 2010). Therefore, RBV may not be suitable for studying small firms. Also, the biggest challenge for small firms, especially retailers, is to use available resources as a source of competitive advantage that leads to better performance of firms (Campbell and Park, 2017).

The main research question for this study is: what is the impact of a composition-based strategy on the competitive advantage and performance of small firms? Hence, this study proposes that a composition-based view is more appropriate for studying the performance of small firms. It is proposed that compositional strategy strengthens the competitive advantage of the retail firms, which in turn improves their business performance. In other words, the composition-based strategy helps a firm to attain a competitive position relative to the competitors, which is realised as superior performance when the firm can generate actual value from such a competitive advantage.

The composition-based view is a new strategic perspective with greater implication and potential (Burton, 2015), and it is more appropriate to study small businesses in emerging economies. By providing empirical evidence regarding the relationship between composition-based strategy, competitive advantage, and firm performance in the context of small firms, this paper attempts to advance the research in this view. CBV is considered a theory of survival rather than growth (Burton, 2015; Falahat et al., 2018b). Results of this study would further ascertain this claim by testing whether CBV ensures the survival and growth of small firms. Focusing on these determinants of survival and growth of small firms would give important insight to the managers of small firms because the growth and survival decrease the prospect of business failure.

Burton (2015) proposes that research on CBV can be advanced by developing and testing hypotheses that complement or contrast existing theories. Both the industrial organisation paradigm and resource-based view of the firm point out that competitive advantage leads to better firm performance. In a similar vein, it is proposed that a composition-based strategy positively influences the competitive advantage of the firm, which in turn boosts the firm's performance. By doing so, this study aims to refine the theory of CBV by giving the logical relationship between these three constructs.

Most of the empirical studies involving a firm's performance have taken a narrow approach by considering only financial measures of performance. This is surprising, as a firm's performance is a multi-dimensional construct. As such, limiting it to financial measures would give an incomplete picture of a firm's performance (Banker et al., 2014). Addressing this issue, this paper is using both financial and non-financial measures of performance. This is more pertinent for small businesses because owners of these firms start their businesses in pursuit of personal satisfaction, self-actualisation, autonomy, financial independence, and work-life balance. Because of their dominant role in setting the direction of the business, this study aims to rely on the subjective information about the performance of the firm given by the owners or managers (Ahmad et al., 2011). It is believed that these subjective measures would help to understand the complex dimension of performance in a better way.

2 Literature review

2.1 Composition-based view

CBV proposes that firms, despite the lack of proprietary technology and brand name, can still compete with their rivals by identifying and creatively combining ordinary resources to develop interesting offerings according to their market requirement (Luo and Child, 2015). Ordinary resources are the one which is neither idiosyncratic nor rare. These can be easily purchased in the factor market or can be transferred from one firm to another. On their own, these resources cannot lead to a competitive advantage. However, firms with the ability to uniquely integrate these resources may create a unique development path that improves their chances of survival and growth (Zonooz et al., 2011). The composition process entails identifying and integrating open and generic resources to compete with the rivals on different measures such as price, speed, quality, convenience, and customisation by offering a total business solution and customer-orientated services (Luo and Child, 2015).

CBV complements existing theories of management such as the knowledge-based view, absorptive capacity, dynamic capabilities, and resource management view. However, contrary to these views, CBV assumes that the firm is without any comparative advantage (Burton, 2015). The central idea of CBV is how ordinary firms may survive and even grow despite having a shortage of unique and rare resources (Tehseen et al., 2019a). CBV is considered a theory of survival (Falahat et al., 2018b) which makes "CBV theory more general and more powerful than simply a theory of growth" [Burton, (2015), p.415]. A composition-based view is a pragmatic approach that encourages the firm to deliver high value to their customers at affordable rates. CBV stress that small firm may use multiple sources of common resources to attain a temporary competitive advantage (Burton, 2015; Luo and Bu, 2018; Tehseen et al., 2019a). The composition process is not an accumulation of resources. Rather, it is a skilful and harmonious arrangement of generic resources, capabilities, and other sources of competitive advantage with each other as well as the whole (Luo and Bu, 2018).

2.2 Composition-based strategy

Composition-based strategy is rooted in the ability of the firm to identify, integrate and reconfigure open resources due to which it may compete with its rival, and offer a high price-to-value ratio and enhanced service to its target market by offering a total business solution and customer-orientated services. The composition-based strategy is strengthened by the effective use of improvisation (Tehseen et al., 2019a; Volberda and Karali, 2015). This strategy consists of two parts. In the first part, firms identify the open resources which may be integrated to develop their compositional offering. The second part deals with the implementation of this strategy in which a plan is drawn about the integration and configuration of contributing resources to attain a desired competitive position. A composition-based strategy has three components: compositional offering, compositional competition, and compositional capability. These three components operate at different levels. Compositional capability operates at the organisational level; while compositional competition and compositional offering are at the business or market level and operational or product level, respectively. Yet, all these three components support each other to obtain a competitive advantage.

2.2.1 Compositional offering

Within the emerging economies, the majority of customers belong to lower and middle-income level groups and they expect high value against their earnings (Li, 2018). Small firms operating in these industries are required to be cognisant of this fact. If a firm can meet the expectation of these price-sensitive customers, it may enjoy better performance (Cai et al., 2019). The compositional offering enables firms to offer higher value to their customers at affordable prices. Firms pursuing a composition-based strategy are more proficient in developing low-cost solutions for their target market. The firm may use its compositional capabilities to combine different resources, features of products, or products and services as an integrated solution for their customers (Luo and Child, 2015). For example, good-manufacturing firms are attempting to provide a holistic solution to their customers through free delivery, installation, and warranty (Bressler, 2012).

2.2.2 Compositional competition

Small firms are at resource asymmetry in their resource endowment for larger rivals (Li, 2018). According to CBV, small firms may compete with larger firms by developing user-friendly products and customer-oriented services (Tehseen et al., 2019a). Due to their compositional capabilities, small firms skilfully integrate generic resources to offer a high price-to-value ratio. Small firms in emerging economies attempt to deliver increased quality or enhanced features at a lower price. They may overcome their resource disadvantage by integrating low cost with minimum functionality (Cai et al., 2019). Efficient utilisation of the available resources means that these firms have a minimum cost structure that is compete-able with better resource-endowed firms. This means that this firm may be able to do more with less and combine low cost with increased value (Peng et al., 2018). Small firms use a horizontal differentiation approach and try to combine different characteristics of performance to set their offering apart from their competitors. In short, "compositional competition thus seeks to exploit opportunities associated with mass markets (middle class, below-middle class, and base-of-pyramid consumers) and leverage firms' strengths in resilience, speed, flexibility, and compositional skill" [Luo and Child, (2015), p.387].

2.2.3 Compositional capability

The compositional capability is the foundation on which compositional offering and competition are developed. Compositional capability is central to the CBV (Li, 2018). It is based on the set of organisational routines which allow them to combine internal and external resources, capabilities, and other sources of competitive advantage in order to attain the desired state (Volberda and Karali, 2015). Compositional capability is a blend of imitation, creation, and innovation. Although small firms have to deal with ordinary resources when these resources are combined with the compositional capability, the resulting resource-capability combination is unique and valuable. Compositional capability may be used to exploit the resources and leverage their latent value. Therefore, this capability is a critical resource which helps a firm to generate more value than its rivals by ensuring proper utilisation of the available resources. Compositional capability is regarded as a form of dynamic capability (Luo and Child, 2015; Tehseen et al., 2019a; Volberda and Karali, 2015). Similar to dynamic capability, compositional capability enables the integration of internal and external resources according to the requirements of the external environment. Such capability is a source of competitive advantage on its own because they enable a firm to either take advantage of an available market opportunity or neutralise an external threat (Luo and Bu, 2018). Small firms benefit from these capabilities to ensure survival and better performance in a dynamic environment.

2.3 Competitive advantage and firm's performance

According to industrial organisation economics, a firm is believed to have a sustainable competitive advantage if it can defend its strategic position in an attractive industry (Ma, 2000). In this view, competitive advantage is described as a strategic benefit that a firm may obtain due to its superior economic performance over its rivals and competitors (Porter, 1980; Mooney, 2007). For instance, Porter emphasises that competitive advantage can be achieved either through cost leadership or differentiation strategy. Similarly, Schoemaker (1990) defines competitive advantage as the firm's ability to earn an above-normal return. These rents are influenced by the structure of the industry.

However, Barney (2001) does not agree with such conceptualisation. He criticised that bringing industry into the definition of competitive advantage may create confusion.

For instance, when competitive advantage is defined as above normal profit, one has to calculate the average profit of the industry. This is particularly difficult because it is hard to define the boundaries of any industry. Furthermore, if one considers that the market is efficient in identifying strategic resources and maintaining a competitive position, then the difference in rent generation between firms operating within a given industry cannot be explained because all the firms will have access to the same resources (Grahovac and Miller, 2009). The seminal empirical study of Rumelt (1991) strengthens this argument; since it proved that the effect of a business unit or on a firm's performance is stronger than the industry effect.

Therefore, the resource-based view describes competitive advantage in terms of the firm's dependent variable because it considers the firm as the relevant unit of analysis (Barney, 2001). RBV postulates that competitive advantage is the firm's ability to take advantage of external opportunity while neutralising external threats (Mooney, 2007). This is rooted in the valuable, rare, inimitable, and non-transferable resources possessed by a firm which allows it to outperform its rival (Ma, 2000; Priem and Butler, 2001). According to Barney (2001), a firm is believed to have a competitive advantage over its rival if its resources, capabilities, and business processes improve its efficiency and effectiveness. This happens when resources and capabilities are in line with the external market conditions (Kornelius et al., 2020).

Peteraf and Barney (2003) describe competitive advantage as the "net economic value created by the enterprise" (p.314). Competitive advantage not only creates higher value for the firm and its stakeholder but offers a superior value proposition to the customers. Defining competitive advantage in terms of superior value creation not only differentiates it from profitability but also provides a strong base for strategic theorising (Grahovac and Miller, 2009) because it takes into consideration the benefit for all the stakeholders (Peteraf and Barney, 2003). The capability of an organisation is strategic only if it can be associated with the real needs of the customers. For economic value to be beneficial for a firm, the benefits perceived by the customers from the resources should be greater than the cost of acquisition of resources, and customers are willing to pay a higher price for the product or service. Maximising value for the customers and delivering it for an extended period helps to earn sustainable economic rent (Matthyssens and Vandenbempt, 2008).

However, both RBV and IO economics agree that competitive advantage is a relative term (Cater and Pucko, 2005; Ma, 2000; Newbert, 2007; Ong et al., 2018; Peteraf and Barney, 2003). For example, Peteraf and Barney (2003) conceptualise competitive advantage for a marginal competitor who can operate at a breakeven point in the market. Besides, if a firm is successful in maintaining a competitive advantage for a longer period and it is not easily imitable, transferable, or substitutable, then the firm is said to have a sustainable competitive advantage (Barney, 1991; Nyaga and Whipple, 2011). Such a competitive advantage leads to a continuous and persistent economic performance over rivals. Porter (1985) has equated sustainable competitive advantage with 'long-term profitability' and 'above-average performance in the longer run'. Similarly, Banker et al. (2014) believe that a sustainable competitive advantage leads to better economic performance over rivals in the longer run. On the other hand, Barney (1991) contends that the sustainable competitive advantage should not be described in terms of calendar time; rather, it exists even after the competitor ceases to duplicate it. Therefore, competitive advantage is all about providing greater value to the customers as compared to the rivals (Bressler, 2012).

Performance is the outcome of the organisation's activities (Kurniawan and Christiananta, 2016). For gauging a firm's performance, western scholars emphasise focusing on the traditional financial aspect of a firm such as profit, return on investment, earning per share, and sales turnover (Ahmad et al., 2011). These authors equate a firm's superior performance with a higher return on investment, turnover, or profit. However, a few authors, such as Buttner and Moore (1997) and Jennings and Beaver (1997) warn that relying only on financial measures may give an inaccurate picture of a firm's performance. The measure of a firm's performance should not be limited to the financial measure (Banker et al., 2014; Ong et al., 2018). Scholars such as Walker and Brown (2004) and Ahmad et al. (2011) suggest that the financial measures may be complemented with non-financial measures, especially for small firms. For instance, entrepreneurs start new business ventures to attain independence, self-fulfilment, quality of life, work-life balance, and become one's own boss. Money and profit are not significant for these individuals (Jennings and Beaver, 1997). Although such businesses are not the most financially productive ones; they provide a means for satisfying a need for achievement and self-actualisation.

3 Research hypotheses and framework

3.1 Relationship between composition-based strategy and firm's performance

According to the composition-based view, a small firm can compete by developing total business solutions or extending the range of product offerings. Combining different resources, characteristics of products, or products and services into a holistic solution delivers more value to customers in a mass market. Such solutions are more acceptable for the target customers because their synergetic value may be greater than that of the individual part (Brax and Jonsson, 2009). They offer increased convenience to the customers and result in timesaving for them, because after availing these resources, very little work is left on their part (Penttinen and Palmer, 2007). Similarly, offering a range of products or services at different prices enables customers to choose the most suitable option that fits in with their budget and preference. This helps improve the firm's revenue by minimising the difference between customer demand and the firm's capacity (Chen and Bell, 2017). With the help of these flexible options, small firms can reach out to more market segments, and as a result, firms earn more revenue. These solutions enhance satisfaction among customers because they satisfy their needs in a better way.

The compositional process allows a small firm to combine low cost with increased value to their customers (Luo and Child, 2015). Firms pursuing a composition-based strategy attempt to offer high quality at a relatively affordable price. Although small firms lack economy of scale, they can still have a minimum cost structure if they use their resources effectively and efficiently. The compositional capability enables these firms to get more out of the available resources than others (Rui et al., 2017) and offers higher value at a relatively low price. However, small firms cannot compete only on price. They try to differentiate their offering from the others, which minimises competitive pressure. Through their composition-based strategy, small firms enjoy greater revenue by selling more units at the same or higher profit margin by selling the same number of units at a low cost. Enhanced quality, speed, and convenience mean that small firms may charge premium pricing because their customers are willing to pay more (Becerra et al., 2013; Valipour et al., 2012).

Small firms may use their compositional capabilities to offer convenience, speed of delivery, and a higher price-to-value ratio to their customers (Luo and Child, 2015). Compositional capability being a core competency (Volberda and Karali, 2015) enables a firm to adopt a new strategy to survive in a dynamic environment which in turn gives a competitive advantage (Fernandez et al., 2018). This core competency can compensate for other comparatively weaker competencies. As a result, a firm can attract more customers and offer greater customer value than its rivals despite being resource handicapped. Such a capability to constantly develop new sources of competitive advantage is regarded as a critical success factor for small firms (Bressler, 2012).

Hypothesis 1 Composition-based strategy is positively related to the performance of small firms.

3.2 Relationship between composition-based strategy and competitive advantage

Firms pursuing a composition-based strategy may offer low-cost alternatives to their customers, which better meets the requirement of the market (Peng et al., 2018). According to different scholars (Matthyssens and Vandenbempt, 2008; Oliva and Kallenberg, 2003; Penttinen and Palmer, 2007), integrated solutions are a better source of competitive advantage rather than simply developing stand-alone offerings. These holistic solutions offer interesting value propositions and more economic value to the customers.

According to Mintzberg (1988), firms can compete with others based on quality, design, support, image, price, and undifferentiated product. In a similar vein, Stalk et al. (1992) feel that small firms may out-perform their competitors through speed, consistency, acuity, agility, and innovativeness. These competitive attributes of composition-based strategy are considered to be the building blocks for competitive advantage in the composition-based view (Luo and Child, 2015) because they enable a firm to reap differentiation-based benefits. Small firms may base their competitive strategy on these factors and attain a competitive advantage over their rivals since these characteristics are viewed to be unique and inimitable (Banker et al., 2014).

Small firms have to rely on ordinary or common resources. These common resources do not directly lead to competitive advantage; but they do play a part in obtaining a competitive advantage through developing organisational routines (Branzei and Thornhill, 2006). To translate these ordinary resources into meaningful business processes, superior combinative capability is required to achieve a competitive advantage. Small firms may overcome their resource disadvantage by creatively integrating the ordinary resources and competing with better-endowed rivals (Li, 2018). The composition-based view emphasises the competitive advantage which can be obtained by using the contributing resources in a novel and agile manner (Luo and Child, 2015). This is aligned with the view of Schumpeter (1934) who regards innovation as an outcome of "different employment of the economic system's existing supplies of productive means" (p.68). Such a new combination of available resources forms the base of economic value, and it may improve the competitive position of small firms in the market.

Hypothesis 2 Composition-based strategy has a positive relationship with the competitive advantage of small firms.

3.3 Relationship between competitive advantage and firm's performance

Although the terms competitive advantage and firm's performance are used interchangeably; there is a difference between them. There is a disagreement regarding the casual linkage between these two. Most the scholars in both the resource-based view and industrial organisation paradigm believe that a competitive advantage invariably leads to a better firm's performance (Ma, 2000). They claim that competitive advantage is positively related to the firm's performance (Barney, 1991; Cater and Pucko, 2005; Newbert, 2008; Tuan and Yoshi, 2010). However, a few researchers believe that competitive advantage does not always lead to better performance (Coff, 1999; Ma, 2000).

According to Newbert (2008), competitive advantage may be described as a firm's unique strategy implementation, which is not currently being pursued by other competitors; whereas performance is the rent that a firm can earn by implementing this unique strategy. In other words, competitive advantage and firm's performance are the potential and realised value, respectively. Competitive advantage is the economic value created by the firm due to its resource endowment; whereas performance is the rent earned by the firm through exploitation, deployment, and commercialisation of such resources. Thus, performance represents the actual value captured by the firm. A firm is believed to have a competitive advantage over its rival if it is following a value-creating strategy not currently being pursued by others. Once a firm has a competitive advantage, this means that it can earn more profit as compared to its rivals. This competitive advantage can be obtained by following cost leadership or differentiation strategy, unique, rare, and valuable internal resources or capabilities, or a combination of different sources of competitive advantage. According to the composition-based view, any firm with an efficient resource deployment mechanism will have a low cost but higher profit, and it may be able to deliver more value to its target customers. If a firm has a competitive advantage, it can create more value than its competitors, and the firm intends to capture the maximum value and enhance its performance (Ong et al., 2018). In other words, competitive advantage leads to the superior performance of the firms.

Hypothesis 3 Competitive advantage has a positive influence on the performance of small firms.

3.4 The mediating role of competitive advantage in the relationship between composition-based strategy and firm's performance

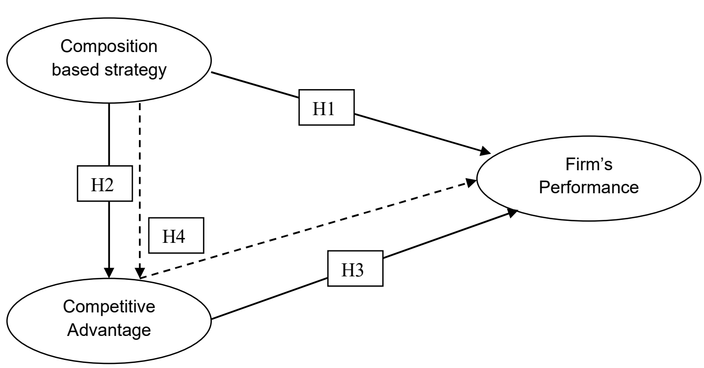
Barney (1991) describes competitive advantage as the ability of a firm to take advantage of external opportunities or neutralise some threat. However, in order to achieve this, firms are required to possess some well-devised strategic initiatives. Such a value-creating strategy distinguishes a firm from its competitors by enhancing its efficiency and effectiveness. Following this, a composition-based strategy enables small firms to create more economic value, resulting in improved performance. The composition-based strategy enables a firm to combine different sources of competitive advantage. Instead of relying only on a single measure of competitive advantage, firms can combine different individual competitive advantages like quality, speed, convenience, flexibility, etc. into an integrative whole which in turn leads to a superior firm's performance (Ma, 2000). Offering different options helps to attract customers having different tastes and preferences (Chen and Bell, 2017). This improves customer satisfaction and market share. This enables small firms to develop goodwill in the market, which solidifies their competitive advantage (Banker et al., 2014). Also, small firms compete with larger firms by combining different sources of competitive advantage. Multiple sources of competitive advantages facilitate the creation of value (Peteraf and Barney, 2003). Such multiple competitive advantages may lead to higher performance of the firm (Ma, 2000). Newbert (2008) asserts that the ability of a firm to exploit its competitive advantage determines the performance level of the firm. The composition-based strategy allows for the exploitation of competitive advantage, which results in enhanced firm performance.

The composition-based strategy allows small firms to achieve the optimal combination of resources and capabilities. By matching resources and capabilities and exploiting the resource-capability combination, small firms can exhibit superior performance. "Common resources (or capabilities) can be essential to the attainment of a competitive advantage provided they are paired with other capabilities (or resources) in such a way that the resulting combination in which they are exploited is rare" [Newbert, (2008), p.748]. Furthermore, small firms may respond better to the changes in the market with the help of compositional capability, which improves their survival chances in a turbulent environment. Although the competitive advantage obtained through a composition-based strategy is temporary, the firm may quickly move from one competitive advantage to another, and enjoy greater revenue (Kristal et al., 2010). Therefore, a composition-based strategy leads to the strengthening of a competitive advantage, which in turn enhances the firm's performance.

Hypothesis 4 Competitive advantage mediates the relationship between composition-based strategy and performance of small firms.

Based on the above discussion, the research framework for this study is as shown in Figure 1.

Figure 1 Conceptual model



4 Research design

4.1 Research paradigm

Since all the constructs used in this study are not socially constructed, the authors have assumed positivist ontology for this paper. Our research approach is for the present study is deductive because our hypotheses and conceptual model are supported by the extant literature review.

4.2 Research setting

The purpose of this paper is to check the mediating role of competitive advantage in the relationship between composition-based strategy and a firm's performance within the context of the retail sector of Pakistan. Fernandez et al. (2018) note that the small-scale retail sector has received limited attention in empirical studies about competencies and competitive advantage. As the retail sector and the wholesale sector represents nearly half of SMEs in Pakistan (Dar et al., 2017), so this sector was chosen for this study. The composition-based view is more suitable for SMEs as the conventional models of sustainability may not be appropriate for them (Darcy et al., 2014). Our unit of analysis is retail stores. Following previous research works of Kiyabo and Isaga (2020), Tehseen et al. (2019b) and Yasa et al. (2020), the respondents were owners/managers of these stores located in Lahore, Pakistan.

4.3 Sample size

Using Hair et al. (2010) recommendation a ratio of five observations for each variable was used. Our questionnaire consisted of a total of 27 items. Hence, our desired sample size was 135. However, the data was collected from 150 respondents. Therefore, the sample-to-variable ratio is 5.60:1. This ratio is sufficient to perform factor analysis as Cattell (1978) suggests the same ratio should be 3:1; whereas Conway and Huffcutt (2003) recommends using ratio of 4:1.

4.4 Sampling technique

Since the authors did not have access to a complete list of the retail store working in Lahore Pakistan, therefore, the probability sampling technique was not suitable. Due to this limitation, we have to rely on non-probability sampling techniques (Gorny and Napierała, 2016). Quota sampling was used as the sampling approach. Previous research studies such as Falahat et al. (2018a, 2018b), Sarker and Palit (2015) and Tehseen et al. (2018) have used quota sampling to study the performance of small firms. Consistent with the composition-based view, the respondents were categorised based on two mutually exclusive criteria: survival and growth. For the survival factor, the respondents were segregated into three categories based on their years of operation. Table 1 depicts the distribution of the retail firms based on their years of operation.

Similarly, the growth factor was assessed through the number of retail outlets. Table 2 shows this detail.

Table 1 Distribution of the retail firms based on their years of operation

Years of operation	*Number of stores*	*Percentage*
1–3 years	19	12.7%
4–6 years	50	33.3%
More than 6 years	81	54%
Total	*150*	*100%*

Table 2 Distribution of the retail firms based on a number of outlets

Number of retail stores	*Number of stores*	*Percentage*
Only 1	112	74.7%
2-5	21	14%
More than 5	17	11.3%
Total	*150*	*100%*

Eighty-one out of 150 of the respondents (54%) were the owner of the retail stores; while 56 respondents belong to a different managerial position. The remaining respondents did not share their exact status. However, they were either owners or managers of the chosen retail firm. The majority of the respondents (54.7%) had bachelor's degrees; whereas 17.7% and 28.7% were intermediate and master's level education respectively. Also, 84 retails stores had less than ten employees. Also, 33 had employees between 11 and 25. Finally, the number of stores having employees 26–40 and more than 40 were 13 and 20 respectively.

4.5 Data collection

Data was collected from respondents through interviews through survey method using a structured questionnaire. Such an approach is suitable for curtailing non-response rates as well as any possible misinterpretation (Falahat et al., 2018a). As the financial data for retail firms was not available, the questionnaire was self-reported. Since it is difficult to obtain financial data for small firms, self-reported data is more suitable for measuring the performance of firms (Anwar, 2018; Ong et al., 2018).

4.6 Common method variance bias

Common method bias is a common problem when the researcher is using self-reported data (Podsakoff and Organ, 1986). Following the guidelines provided by Podsakoff et al. (2003), efforts were made during the data collection phase to minimise this bias. For instance, respondents were given the confidence that their anonymity will be maintained. Moreover, no personal information related to their business was asked from the respondent. Within the research instrument, the dependent and independent variables were placed in different sections. Also, a different category of Likert-type scales was used.

After the data collection, Harman's single factor test was employed to check the presence of common method variance biasness. Using this method, the first factor had a percentage variance of 31% in the exploratory factor analysis. This means that the common method variance bias was not an issue during the data collection of this study.

4.7 Variables and measures

4.7.1 Independent variable

Following Schminke (2004), the measurement scale for the composition-based strategy was based on tested scales. As discussed earlier, the composition-based strategy consists of three components, i.e., compositional capabilities, compositional competition, and compositional offering. Therefore, these sub-constructs were measured by using existing scales from different studies which were later combined to represent our independent variable. A one-stop shopping convenience scale was used to measure compositional offering (Berry et al., 2002; Liu and Wu, 2007). Three items scale of Luo and Bu (2018) was adopted to measure the cost-side of the composition-based category. Lastly, the component of compositional capabilities was measured by adapting the scale of dynamic capabilities developed by Kump et al. (2019). Volberda and Karali (2015) regard compositional capabilities as a type of dynamic capability. Also, dynamic capabilities have adaptive, absorptive, and innovative dimensions (Wilden et al., 2016) which are aligned with the conceptualisation of compositional capabilities. Hence, this scale was found to be relevant for compositional capabilities. In total, seven items were used for this purpose.

4.7.2 Mediator

To measure Competitive advantage, this study adopts the scale used by Talaja (2012). This six items scale is measured on a 5-point Likert scale from 1 (much worse than the competitor) to 5 (much better than the competitor).

4.7.3 Dependent variable

Since we are interested in capturing both financial and non-financial aspects of a firm's performance, two different scales were used. Four items, of Chandler and Hanks (1993) were used for perceived satisfaction with financial performance. Also, perceived satisfaction with non-financial performance was assessed through four items adapted from Ahmad et al. (2011). All these eight items were measured on a 5-point Likert-type scale with 1 representing 'not at all satisfied' and 5 denoting 'very satisfied'.

5 Results

Following Anderson and Gerbing (1988), we tested our conceptual model in two steps. In the first step, confirmatory factor analysis was carried out to check the psychometric properties of the latent variables; whereas in the second one the hypotheses were tested through structural equation modelling.

5.1 Confirmatory factor analysis

The goodness of fit of the model was assessed with the help of various tests such as the chi-square test, comparative fit index (CFI), root mean square error of estimation (RMSEA) and standardised root mean residual (SRMR). Our proposed model had a chi-square value of 209.257 at $p<0.01$. Furthermore, the values of CFI, RMSEA and SRMR were respectively 0.956, 0.045, and 0.055. This means that that the goodness of fit of the conceptual model was excellent (Hair et al., 2010; Hu and Bentler, 1999).

Table 3 Convergent validity and internal reliability

Indicator [AVE, Cronbach alpha (α) and composite reliability (CR)]	*Standardised loading*
Firms' performance (AVE = 0.48, MSV = 0.46, α = 0.86, CR=0.86)	
I am __________ with the profitability of my business.	0.748
I am __________ with the sales turnover of my business.	0.712
I am __________ with the sales growth of my business.	0.731
I am __________ with the return on investment of my business.	0.704
I am __________ with the customer satisfaction level of my customers.	0.662
I am __________ with the customer retention level of my customers.	0.631
I am __________ with the image of my business.	0.628
Compositional offering (AVE = 0.60, MSV = 0.44, α = 0.81, CR=0.82)	
Our products/services satisfy the majority of our customer's needs.	0.869
We provide one-stop shopping to fulfil our customer's needs.	0.680
We provide a wide selection of products/services to our customers to choose from.	0.762
Compositional competition (AVE = 0.47, MSV = 0.22, α = 0.68, CR=0.64)	
Compared to our competitors, our products/services are cheaper.	0.738
Compared to our competitors, we place more emphasis on cost control.	0.635
Compositional capability (AVE = 0.43, MSV = 0.47, α = 0.78, CR=0.79)	
We know the best practices in the market.	0.678
We systematically search for resources available in the market.	0.652
We recognise what new resources can be utilised in our company.	0.602
We are capable of turning new resources into process innovation.	0.624
We are capable of combining internal and external resources for the development of new offerings.	0.694
Competitive advantage (cost component) (AVE = 0.56, MSV = 0.48, α = 0.79, CR=0.79)	
Our firm has a general advantage over competitors.	0.816
Our firm possesses sustainability of competitive advantage.	0.719
Customer satisfaction with product/service is	0.712

5.1.1 Convergent validity and internal reliability

To test the convergent validity of the latent variable, standardised loading of the variables was observed. All the variables having standardised loading below 0.6 were dropped. The remaining variables had a significant standardised loading having a value between 0.60 and 0.87. Also, the value of average variance extracted (AVE) ranged from 0.42 to 0.56. Since the value of AVE of the latent variables was below the threshold value of 0.5, their corresponding Cronbach's alpha and composite reliability of all the constructs were observed (Fornell and Larcker, 1981). As the values of Cronbach's alpha and composite reliability were above the threshold value of 0.6, this means that the internal reliability of all the constructs was acceptable. Table 3 shows the results of factor loadings, AVE, Cronbach's alpha and composite reliability.

5.1.2 Discriminant validity

Using Fornell and Larcker (1981), the discriminant validity of the construct was tested by comparing the square root of AVE with the value of bi-variate correlation. All the values of the square root of AVE were below the corresponding correlation, which gives evidence about discriminant validity of the constructs (Fornell and Larcker, 1981). Table 4 shows these findings. Also, the value of average variance extracted is greater than maximum shared variance.

Table 4 Discriminant validity

	FP	*CO*	*CCC*	*CCA*	*CA*
Firm performance (FP)	*0.689*				
Composition offering (CO)	0.527**	*0.774*			
Composition competition (CCC)	0.465***	0.305**	*0.689*		
Composition capability (CCA)	0.682***	0.659***	0.450***	*0.651*	
Competitive advantage (CA)	0.560***	0.659***	0.228*	0.691***	*0.750*

Notes: N = 150, ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.
Square-roots of AVEs are provided on the diagonal while non-diagonal values represent correlation.

Similar results regarding discriminant validity are obtained through heterotrait-monotrait (HTMT) ratio of correlations wherein the highest correlation is below the cut-off value of 0.90 (Henseler et al., 2015).

Table 5 Heterotrait-monotrait (HTMT) ratio of correlations

	FP	*CO*	*CCC*	*CCA*	*CA*
Firm performance (FP)	-				
Composition offering (CO)	0.515	-			
Composition competition (CCC)	0.466	0.292	-		
Composition capability (CCA)	0.693	0.644	0.458	-	
Competitive advantage (CA)	0.569	0.650	0.219	0.701	-

5.2 Hypotheses testing

This study is aimed to test the relationship of composition-based strategy on a firm's performance. It was also hypothesised that this base relationship is mediated by competitive advantage. Structural equation model approach was used to test these research hypotheses. However, before running any regression analysis, all the requisite conditions such as the presence of outliers, normality of data, auto-correlation, multi co-linearity, etc were fulfilled (Mendenhall et al., 2012).

Goodness of fit of the proposed conceptual model was found to be satisfactory (chi-square = 49.934 at $p > 0.05$, CFI = 0.986, SRMR = 0.050, RMSEA = 0.038). The results of SEM are shown in Figure 2. These results indicate that composition-based strategy is positively and significantly related to a firm's performance ($\beta = 0.45$, $p < 0.05$). Hence, our first hypothesis is supported. The second hypothesis predicted a positive relationship between composition-based strategy and the competitive advantage of the firm. This hypothesis is also proved as $\beta = 0.61$, $p < 0.05$. Similarly, our third hypothesis is also proved which shows that competitive advantage leads to better firm performance ($\beta = 0.28$, $p < 0.05$).

Figure 2 Structural model

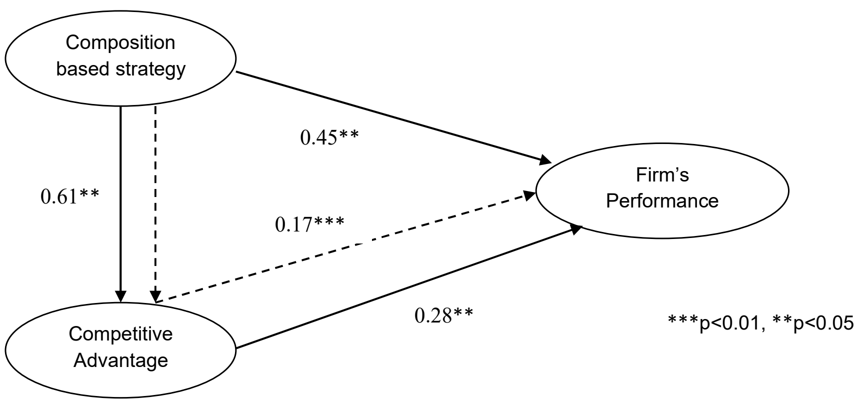


Table 6 Results of SEM

No	*Hypothesis*	*Standardised coefficient (β)*	*p-value (2 tailed)*	*Significance (α = 0.05)*	*95% corrected bias (BC)*		*Decision*
					Lower	*Upper*	
1	CBS→FP	0.45	0.012	Significant	0.142	0.674	Supported
2	CBS→CA	0.61	0.020	Significant	0.378	0.751	Supported
3	CA→FP	0.28	0.010	Significant	0.051	0.572	Supported
4	CBS→CA→FP	0.17	0.009	Significant	0.035	0.431	Supported

The fourth hypothesis proposes that competitive advantage mediates the relationship between composition-based strategy and a firm's performance. Using a bootstrapping technique at a 95% confidence interval, the indirect effect and its significance level were determined. Results of this are given in Table 4, which illustrates that competitive advantage significantly mediates the relationship between composition-based strategy and the firm's performance ($\beta = 0.17$, $p < 0.01$). Moreover, the upper and lower confidence intervals does not contain value of zero (lower confidence limit = 0.035 and upper confidence limit = 0.431). This means that our fourth hypothesis is proved.

6 Discussion on results

This paper aims to investigate the role of composition-based strategy on a firm's performance within and to develop a causal relationship that connects these two constructs. The first and second hypotheses of the current study hypothesised that composition-based strategy is positively related to a firm's performance and competitive advantage, respectively. To the best of the author's knowledge, no previous study has attempted to test these hypotheses. The empirical data proves these two hypotheses, which means that a composition-based strategy leads to a better firm's performance and superior competitive advantage. The third hypothesis predicted a positive relationship between competitive advantage and a firm's performance. This hypothesis is proven, which lends support to previous research studies by Cater and Pucko (2005), Newbert (2008), Talaja (2012) and Tuan and Yoshi (2010). In answering the call of Luo and Bu (2018), the main purpose of this paper is to develop and test the causal mechanism that better explains the relationship between composition-based strategy and a firm's performance. Taking inspiration from previous studies of Newbert (2008) and Talaja (2012) rooted in RBV; the current study considers competitive advantage as the mediating variable. Findings prove that competitive advantage mediates the relationship between composition-based strategy and a firm's performance. This means that a composition-based strategy strengthens the competitive position of the firm, which subsequently leads to a superior firm performance.

This study provides empirical evidence to the theoretical notion that the CBV is an alternative strategic perspective to study the survival and growth of small firms. The compositional capabilities intensify the competitiveness of small firms relative to their competitors. Small firms have to use ordinary resources. But compositional capabilities enable a small firm to leverage ordinary resources. This allows small firms to develop interesting value propositions to boost their competitive advantage. Thanks to their compositional capabilities, small firms may combine different features of products or products and services in an integrated offering that provides a holistic solution to their customer's needs. All these factors contribute to improving the competitive position of the small firm against their rival.

With enhanced competitiveness, these firms may enjoy better financial and non-financial performance than their competitors. The research findings illustrate that competitive advantage strengthened by pursuing a composition-based strategy results in a superior firm's performance. Data shows that a composition-based strategy has a more direct effect on a firm's performance than an indirect effect. Even then, the mediating role of competitive advantage highlights that composition-based strategy does not invariably lead to better performance. In other words, a composition-based strategy is not a sufficient criterion for enhancing a firm's mechanism. Rather, this mechanism is operated through the strengthening of the competitive position of the firm. Therefore, to truly benefit from a composition-based strategy, small firms must work on gaining a competitive advantage, which may lead to better performance. Small firms may offer higher value to their customers at affordable rates through skilful integration of different sources of competitive advantage. This is consistent with the view of Ma (2000) who believes that the compound competitive advantage – having different sources of competitiveness – gives lends better performance than the discrete competitive advantage.

6.1 Theoretical implications

The CBV presents an alternative perspective for studying the survival and growth of small firms in emerging economies. The concept is still in its infancy and very little empirical work has been done using this perspective. By providing empirical evidence that a composition-based strategy leads to the strengthening of competitive advantage and superior firm performance, the current study provides a starting point for researchers interested in the composition-based view. Future researchers concerned about the growth of small firms may look beyond the resource-based view and consider CBV as a promising approach for studying the performance of small firms. This study provides a causal mechanism for explaining the relationship between composition-based strategy and the performance of the firm and linking these two via competitive advantage. Future studies may be aimed at building upon this framework to advance the body of knowledge. Additionally, by measuring the predictor variable in terms of financial and non-financial measures of performance, the current study captures the comprehensiveness of firms' performance more accurately.

6.2 Managerial implications

Similarly, practitioners can draw valuable insight from this study. Rather than building their competitive position on a single measure, they may adopt multiple measures of competitiveness and combine them skilfully to develop a composite competitive advantage. The resource disadvantage faced by the small firms can be overcome through a unique combination of resources and the capability to alter their competitive base. Unlike previous research, the current study highlights the fact that ordinary resources can be utilised in a novel way to come up with a unique value proposition for the target market. Also, merely possessing resources is not enough. Firms are required to benefit from their competitive position. Firms should exploit the available resources and competitive position in a meaningful way. Also consistent with the view of Ma (2000), the competitive advantage attained by the firm may be appropriated to produce a better firm performance.

6.3 Research limitation and future research direction

However, the current study also has some limitations. First of all, self-reported data were used for the current studies. Although common method variance bias was not any issue in the data collection process, the researchers interested in this field may use other sources of data. Also, the data was collected from a single source, and only owners/managers were the respondents. However, future researchers may use multiple respondents. For example, the composition-based strategy was studied from the viewpoint of the firm. The same can be measured from the customer's perspective as well. Lastly, perceived measures of performance were used. Although previous researchers have used this approach, there is still a possibility of measurement. Alternative measures and secondary data may be used to verify these responses. Lastly, the scale proposed for different components of composition-based strategy may be refined and tested through a rigorous statistical process.

7 Conclusions

Ultimately, the study was an attempt to test the tenants of the newly proposed composition-based view. This study aimed to test the relationship between composition-based strategy and a firm's performance, and develop a casual mechanism between these two constructs. The findings of the research suggest that composition-based strategy is positively related to competitive advantage and firm's performance. Also, competitive advantage mediates the relationship between composition-based strategy and a firm's performance. These findings will be beneficial in advancing the body of knowledge and encouraging researchers to focus on a composition-based view. The current study was conducted in the context of retail sectors. This study can be replicated in other sectors of SMEs to support or refute the research findings. This will help to complement and refine our understanding regarding the role of ordinary resources and compositional capabilities in the survival and growth of small firms.

References

Ahmad, N.H., Wilson, C. and Kummerow, L. (2011) 'Assessing the dimensionality of business success: the perspectives of Malaysian SME owner-managers', *Journal of Asia-Pacific Business*, Vol. 12, No. 3, pp.207–224.

Anderson, J.C. and Gerbing, D.W. (1988) 'Structural equation modelling in practice: a review and recommended two-step approach', *Psychological Bulletin*, Vol. 103, No. 3, pp.411–423.

Anwar, M. (2018) 'Business model innovation and SMEs performance – does competitive advantage mediate?', *International Journal of Innovation Management*, Vol. 22, No. 7, p.1850057.

Banker, R.D., Mashruwala, R. and Tripathy, A. (2014) 'Does a differentiation strategy lead to more sustainable financial performance than a cost leadership strategy?', *Management Decision*, Vol. 52, No. 5, pp.872–896.

Barney, J. (1991) 'Firm resources and sustained competitive advantage', *Journal of Management*, Vol. 17, No. 1, pp.99–120.

Barney, J.B. (2001) 'Is the resource-based 'view' a useful perspective for strategic management research? Yes', *Academy of Management Review*, Vol. 26, No. 1, pp.41–56.

Becerra, M., Santaló, J. and Silva, R. (2013) 'Being better vs. being different: differentiation, competition, and pricing strategies in the Spanish hotel industry', *Tourism Management*, Vol. 34, pp.71–79.

Berry, L.L., Seiders, K. and Grewal, D. (2002) 'Understanding service convenience', *Journal of Marketing*, Vol. 66, No. 3, pp.1–17.

Branzei, O. and Thornhill, S. (2006) 'From ordinary resources to extraordinary performance: environmental moderators of competitive advantage', *Strategic Organization*, Vol. 4, No. 1, pp.11–41.

Brax, S.A. and Jonsson, K. (2009) 'Developing integrated solution offerings for remote diagnostics: a comparative case study of two manufacturers', *International Journal of Operations & Production Management*, Vol. 29, No. 5, pp.539–560.

Bressler, M.S. (2012) 'How small businesses master the art of competition through superior competitive advantage', *Journal of Management and Marketing Research*, Vol. 11, No. 1, pp.1–12.

Burton, R.M. (2015) 'Extraordinary survival from ordinary resources – how so?', *Management and Organization Review*, Vol. 11, No. 3, pp.413–417.

Buttner, E.H. and Moore, D.P. (1997) 'Women's organizational exodus to entrepreneurship: self-reported motivations and correlates with success', *Journal of Small Business Management*, January, Vol. 35, pp.34–46.

Cai, Q., Ying, Y., Liu, Y. and Wu, W. (2019) 'Innovating with limited resources: the antecedents and consequences of frugal innovation', *Sustainability*, Vol. 11, No. 20, p.5789.

Campbell, J.M. and Park, J. (2017) 'Extending the resource-based view: effects of strategic orientation toward community on small business performance', *Journal of Retailing and Consumer Services*, Vol. 34, No. 1, pp.302–308.

Cater, T. and Pucko, D. (2005) 'How competitive advantage influences firm performance: the case of Slovenian firms', *Economic and Business Review for Central and South-Eastern Europe*, Vol. 7, No. 2, pp.119–135.

Cattell, R.B. (1978) *The Scientific Use of Factor Analysis*, Plenum, New York.

Chandler, G.N. and Hanks, S.H. (1993) 'Measuring the performance of emerging businesses: a validation study', *Journal of Business Venturing*, Vol. 8, No. 5, pp.391–408.

Chen, J. and Bell, P.C. (2017) 'Enhancing revenue by offering a flexible product option', *International Transactions in Operational Research*, Vol. 24, No. 4, pp.801–820.

Coff, R.W. (1999) 'When competitive advantage doesn't lead to performance: the resource-based view and stakeholder bargaining power', *Organization Science*, Vol. 10, No. 2, pp.119–133.

Connor, T. (2002) 'The resource-based view of strategy and its value to practising managers', *Strategic Change*, Vol. 11, No. 6, pp.307–316.

Conway, J.M. and Huffcutt, A.I. (2003) 'A review and evaluation of exploratory factor analysis practices in organizational research', *Organizational Research Methods*, Vol. 6, No. 2, pp.147–168.

Dar, M.S., Ahmed, S. and Raziq, A. (2017) 'Small and medium-size enterprises in Pakistan: definition and critical issues', *Pakistan Business Review*, Vol. 19, No. 1, pp.46–70.

Darcy, C., Hill, J., McCabe, T.J. and McGovern, P. (2014) 'A consideration of organisational sustainability in the SME context: a resource-based view and composite model', *European Journal of Training and Development*, Vol. 38, No. 5, pp.398–414.

Falahat, M., Chuan, C.S. and Kai, S.B. (2018a) 'Brand loyalty and determinates of perceived quality and willingness to order', *Academy of Strategic Management Journal*, Vol. 17, No. 4, pp.1–10.

Falahat, M., Tehseen, S. and Horne, C.V. (2018b) 'Entrepreneurial innovativeness and its impact on SMEs' performances', *International Journal of Entrepreneurship*, Vol. 22, No. 3, pp.1–9.

Fernandez, A.I., Lara, P.R., Ugalde, M.C. and Sisodia, G.S. (2018) 'Distinctive competencies and competency-based management in regulated sectors: a methodological proposal applied to the pharmaceutical retail sector in Spain', *Journal of Retailing and Consumer Services*, Vol. 42, No. 3, pp.29–36.

Fernie, J., Burt, S. and Davies, K. (2010) 'From the retail brand to the retailer as a brand: themes and issues in retail branding research', *International Journal of Retail & Distribution Management*, Vol. 38, Nos. 11–12, pp.865–878.

Fornell, C. and Larcker, D.F. (1981) 'Evaluating structural equation models with unobservable variables and measurement error', *Journal of Marketing Research*, Vol. 18, No. 1, pp.39–50.

Gorny, A. and Napierała, J. (2016) 'Comparing the effectiveness of respondent-driven sampling and quota sampling in migration research', *International Journal of Social Research Methodology*, Vol. 19, No. 6, pp.645–661.

Grahovac, J. and Miller, D.J. (2009) 'Competitive advantage and performance: the impact of value creation and costliness of imitation', *Strategic Management Journal*, Vol. 30, No. 11, pp.1192–1212.

Hair, J.F., Black, W.C., Babin, B.J. and Anderson, R.E. (2010) *Multivariate Data Analysis: A Global Perspective*, 7th ed., Prentice Education, Upper Saddle River, NJ.

Henseler, J., Ringle, C.M. and Sarstedt, M. (2015) 'A new criterion for assessing discriminant validity in variance based structural equation modeling', *Journal of the Academy of Marketing Science*, Vol. 43, No. 1, pp.115–135.

Hu, L.t. and Bentler, P.M. (1999) 'Cutoff criteria for fit indexes in covariance structure analysis: conventional criteria versus new alternatives', *Structural Equation Modeling: A Multidisciplinary Journal*, Vol. 6, No. 1, pp.1–55.

Jennings, P. and Beaver, G. (1997) 'The performance and competitive advantage of small firms: a management perspective', *International Small Business Journal*, Vol. 15, No. 2, pp.63–75.

Kellermanns, F., Walter, J., Crook, T.R., Kemmerer, B. and Narayanan, V. (2016) 'The resource-based view in entrepreneurship: a content-analytical comparison of researchers' and entrepreneurs' views', *Journal of Small Business Management*, Vol. 54, No. 1, pp.26–48.

Kiyabo, K. and Isaga, N. (2020) 'Entrepreneurial orientation, competitive advantage, and SMEs' performance: application of firm growth and personal wealth measures', *Journal of Innovation and Entrepreneurship*, Vol. 9, No. 1, pp.1–15.

Kornelius, H., Bernarto, I., Widjaja, A.W. and Purwanto, A. (2020) 'Competitive strategic maneuverability: the missing link between strategic planning and firm's performance', *International Journal of Advanced Science and Technology*, Vol. 29, No. 3, pp.7413–7422.

Kraaijenbrink, J., Spender, J.C. and Groen, A.J. (2010) 'The resource-based view: a review and assessment of its critiques', *Journal of Management*, Vol. 36, No. 1, pp.349–372.

Kristal, M.M., Huang, X. and Roth, A.V. (2010) 'The effect of an ambidextrous supply chain strategy on combinative competitive capabilities and business performance', *Journal of Operations Management*, Vol. 28, No. 5, pp.415–429.

Kump, B., Engelmann, A., Kessler, A. and Schweiger, C. (2019) 'Toward a dynamic capabilities scale: measuring organizational sensing, seizing, and transforming capacities', *Industrial and Corporate Change*, Vol. 28, No. 5, pp.1149–1172.

Kurniawan, R. and Christiananta, B. (2016) 'Relationship between synergistic cooperation and dynamic capability to the business performance: a literature review from resource based view perspective', *GSTF Journal on Business Review (GBR)*, Vol. 4, No. 3, pp.9–14.

Li, X. (2016) 'Compositional advantage and strategy: understanding how resource-poor firms survive and thrive', Paper presented at the *International Association for Chinese Management Research (IACMR) Seventh Biennial Conference*, Hangzhou, China.

Li, X. (2018) 'How emerging market resource-poor firms compete and outcompete advanced country resource-rich rivals: an asymmetry reversing theory', *Cross Cultural & Strategic Management*, Vol. 25, No. 3, pp.538–544.

Liu, T-C. and Wu, L-W. (2007) 'Customer retention and cross-buying in the banking industry: an integration of service attributes, satisfaction and trust', *Journal of Financial Services Marketing*, Vol. 12, No. 2, pp.132–145.

Luo, Y. and Bu, J. (2018) 'Contextualizing international strategy by emerging market firms: a composition-based approach', *Journal of World Business*, Vol. 53, No. 3, pp.337–355.

Luo, Y. and Child, J. (2015) 'A composition-based view of firm growth', *Management and Organization Review*, Vol. 11, No. 3, pp.379–411.

Ma, H. (2000) 'Competitive advantage and firm performance', *Competitiveness Review*, Vol. 10, No. 2, pp.15–32.

Matthyssens, P. and Vandenbempt, K. (2008) 'Moving from basic offerings to value-added solutions: Strategies, barriers and alignment', *Industrial Marketing Management*, Vol. 37, No. 3, pp.316–328.

Mendenhall, W., Sincich, T. and Boudreau, N.S. (2012) *A Second Course in Statistics: Regression Analysis*, 7th ed., Prentice Hall Upper Saddle River, NJ.

Mintzberg, H. (1988) 'Generic strategies: toward a comprehensive framework', *Advances inStrategic Management*, Vol. 5, No. 1, pp.1–67.

Mooney, A. (2007) 'Core competence, distinctive competence, and competitive advantage: what is the difference?', *Journal of Education for Business*, Vol. 83, No. 2, pp.110–115.

Newbert, S.L. (2007) 'Empirical research on the resource-based view of the firm: an assessment and suggestions for future research', *Strategic Management Journal*, Vol. 28, No. 2, pp.121–146.

Newbert, S.L. (2008) 'Value, rareness, competitive advantage, and performance: a conceptual-level empirical investigation of the resource-based view of the firm', *Strategic Management Journal*, Vol. 29, No. 7, pp.745–768.

Nyaga, G.N. and Whipple, J.M. (2011) 'Relationship quality and performance outcomes: achieving a sustainable competitive advantage', *Journal of Business Logistics*, Vol. 32, No. 4, pp.345–360.

Oliva, R. and Kallenberg, R. (2003) 'Managing the transition from products to services', *International Journal of Service Industry Management*, Vol. 14, No. 2, pp.160–172.

Ong, J.W., Ismail, H. and Yeap, P.F. (2018) 'Competitive advantage and firm performance: the moderating effect of industry forces', *International Journal of Business Performance Management*, Vol. 19, No. 4, pp.385–407.

Peng, M.W., Lebedev, S., Vlas, C.O., Wang, J.C. and Shay, J.S. (2018) 'The growth of the firm in (and out of) emerging economies', *Asia Pacific Journal of Management*, Vol. 35, No. 4, pp.829–857.

Penttinen, E. and Palmer, J. (2007) 'Improving firm positioning through enhanced offerings and buyer-seller relationships', *Industrial Marketing Management*, Vol. 36, No. 5, pp.552–564.

Peteraf, M.A. and Barney, J.B. (2003) 'Unraveling the resource-based tangle', *Managerial and Decision Economics*, Vol. 24, No. 4, pp.309–323.

Podsakoff, P.M. and Organ, D.W. (1986) 'Self-reports in organizational research: problems and prospects', *Journal of Management*, Vol. 12, No. 4, pp.531–544.

Podsakoff, P.M., MacKenzie, S.B., Lee, J-Y. and Podsakoff, N.P. (2003) 'Common method biases in behavioral research: a critical review of the literature and recommended remedies', *Journal of Applied Psychology*, Vol. 88, No. 5, pp.879–903.

Porter, M.E. (1980) *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, Free Press, New York, NY.

Porter, M.E. (1985) *Competitive Advantage: Creating and Sustaining Superior Performance*, The Free Press, New York.

Priem, R.L. and Butler, J.E. (2001) 'Is the resource-based 'view' a useful perspective for strategic management research?', *Academy of Management Review*, Vol. 26, No. 1, pp.22–40.

Rui, H., Zhang, M. and Shipman, A. (2017) 'Chinese expatriate management in emerging markets: a competitive advantage perspective', *Journal of International Management*, Vol. 23, No. 2, pp.124–138.

Rumelt, R.P. (1991) 'How much does industry matter?', *Strategic Management Journal*, Vol. 12, No. 3, pp.167–185.

Sarker, S. and Palit, M. (2015) 'Strategic orientation and performance of small and medium enterprises in Bangladesh', *International Journal of Entrepreneurship and Small Business*, Vol. 24, No. 4, pp.572–586.

Schminke, M. (2004) 'From the editors: raising the bamboo curtain', *Academy of Management Journal*, Vol. 47, No. 3, pp.310–314.

Schoemaker, P.J. (1990) 'Strategy, complexity, and economic rent', *Management Science*, Vol. 36, No. 10, pp.1178–1192.

Schumpeter, J.A. (1934) *The Theory of Economic Development*, Harvard University Press, Cambridge MA.

Stalk, G., Evans, P. and Shulman, L.E. (1992) 'Competing on capabilities: the new rules of corporate strategy', *Harvard Business Review*, Vol. 70, No. 2, pp.57–69.

Talaja, A. (2012) 'Testing VRIN framework: resource value and rareness as sources of competitive advantage and above average performance', *Management – Journal of Contemporary Management Issues*, Vol. 17, No. 2, pp.51–64.

Tehseen, S., Ahmed, F.U., Qureshi, Z.H., Uddin, M.J. and Ramayah, T. (2019b) 'Entrepreneurial competencies and SMEs' growth: The mediating role of network competence', *Asia-Pacific Journal of Business Administration*, Vol. 11, No. 1, pp.2–29.

Tehseen, S., Mughal, S.A., Durst, S., Shujahat, M., Qureshi, Z.H. and Kokkalis, P. (2019a) 'Composition-based view of the firm as a promising approach to studying small businesses', *Production*, Vol. 29, pp.1–14.

Tehseen, S., Qureshi, Z.H. and Ramayah, T. (2018) 'Impact of network competence on firm's performances among Chinese and Indian entrepreneurs: a multigroup analysis', *International Journal of Entrepreneurship*, Vol. 22, No. 2, pp.1–14.

Tuan, N.P. and Yoshi, T. (2010) 'Organisational capabilities, competitive advantage and performance in supporting industries in Vietnam', *Asian Academy of Management Journal*, Vol. 15, No. 1, pp.1–21.

Valipour, H., Birjandi, H. and Honarbakhsh, S. (2012) 'The effects of cost leadership strategy and product differentiation strategy on the performance of firms', *Journal of Asian Business Strategy*, Vol. 2, No. 1, pp.14–23.

Volberda, H.W. and Karali, E. (2015) 'Reframing the compositional capability: a resource-based view on 'a composition-based view of firm growth'', *Management and Organization Review*, Vol. 11, No. 3, pp.419–426.

Walker, E. and Brown, A. (2004) 'What success factors are important to small business owners?', *International Small Business Journal*, Vol. 22, No. 6, pp.577–594.

Wilden, R., Devinney, T.M. and Dowling, G.R. (2016) 'The architecture of dynamic capability research identifying the building blocks of a configurational approach', *Academy of Management Annals*, Vol. 10, No. 1, pp.997–1076.

Yasa, N., Giantari, I.G.A.K., Setini, M. and Rahmayanti, P. (2020) 'The role of competitive advantage in mediating the effect of promotional strategy on marketing performance', *Management Science Letters*, Vol. 10, No. 12, pp.2845–2848.

Zonooz, B.H., Farzam, V., Satarifar, M. and Bakhshi, L. (2011) 'The relationship between knowledge transfer and competitiveness in 'SMEs' with emphasis on absorptive capacity and combinative capabilities', *International Business and Management*, Vol. 2, No. 1, pp.59–85.