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Is Activity-Resource-Based View (ARBV) the New Theory of the Firm for Creating Sources of Sustainable Competitive Advantage in Services Firms?

New Theory of Sustainable Competitive Advantage

Dr. Hanningtone Gaya [α] & Prof Miemie Struwig [σ]

Abstract- This paper advocates the extension of the resource based view (RBV) by proposing a new theory to understand the actual creation process of sustainable competitive advantage using a services firm in the motor industry in Kenya as a case, by integrating the activity-based view (ABV) with the RBV, through activity drivers, to generate a new theory: Activity-resource-based view (ARBV). A qualitative case study of a consistently high performing firm in the motor services industry in Kenya was used to determine if the ARBV assists in creating a sustainable competitive advantage. The results from the in depth semi-structured qualitative case study shows that a firm in a motor service industry that adopts the new theory, ARBV, will generate and sustain a competitive advantage for itself.

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I. Introduction

This paper reviews the creation of sustainable competitive advantage by focusing on the actual process of value creation by tangible resources of a consistently high-performing firm in the motor services industry in Kenya. The main purpose of this paper is to show that by integrating the activity and resource-based views, a new theory, the activity and resource-based view (ARBV) is generated. It further explains the actual value creation process by tangible resources through activity drivers in a services industry. The new theory, ARBV, addresses the weaknesses and criticisms of the original resource-based view in the realm of strategic management.

For nearly three decades, the resource-based view has been considered one of the main theoretical frameworks for analyzing the creation of sustainable competitive advantage in industries and in different firms in the same industry (Armstrong & Shimizu 2007, Barney 2001, Barney, Wright & Ketchen 2001, Hitt, Ireland & Hoskisson 2007, Hoopes, Madsen & Walker 2003, Kraaijenbrink, Spender & Groen 2010, Newbert 2007, Priem & Butler 2001). The actual process of creating sustainable competitive advantage that is reviewed in this paper is anchored on the result of a study based on the theory of the resource-based view of the firm as integrated with the activity-based view (Gaya, Struwig & Smith 2013). Gaya et al. (2013) integrates the activity-based view into the resource-based view, and postulates that an integration of these two theories explain the actual process of value creation for the customers in a consistently high performing firm in the motor service industry in Kenya. According to the new theory ARBV, a firm in a motor service industry that adopts the new theory will generate and sustain a competitive advantage for itself and be a consistently high performing firm in the service industry the firm competes in (Gaya et al. 2013). This main finding in Gaya et al. (2013) is supported by a number of authors such as Pearce & Robinson (2011), Ray, Barney & Muhanna (2004) and Sheehan & Foss (2007).

The firm under study in Gaya et al. (2013) has been a consistently high performer for over ten years in the motor service industry. This consistent superior performance remains of great concern to competitors, scholars and investors in the motor service industry in Kenya.

This paper starts with the background and importance of the study under review, followed by a literature review, including a specific section illustrating the integration of the activity- and resource- based view frameworks. The literature review section also includes the actual value creation process for the customer, which is followed by a section on the testing of the new model in the creation of sustainable competitive advantage. The creation of the new model contributes to a new theory of creating sources of sustainable competitive advantage: The activity and resource-based

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view (ARBV). A brief section follows that explains the justification for the choice and use of qualitative case study as the most appropriate research design and methodology. The final section of the paper concludes with the findings, conclusions and contributions of the study.

II. Background to the Research

Activity and resource-based views are two frameworks that are used in the analysis of firm performances, especially in the understanding of the sources of consistent superior performances among firms, including firms in the same industry (see, for example, Barney 2001, Barney & Arikan 2001, Grant 2010, Hitt, Ireland & Hoskisson 2007, Sheehan & Foss 2007). However, while there have been conceptual papers (see for example, Sheehan & Foss 2007) there are no empirical studies that directly link activity and resource-based views in strategic management literature available.

In addition, there has been no empirical research in Kenya to date that explains the persistent difference in the performances of firms operating in the same industry, and especially in the motor service industry and under the same market conditions and competitive environment.

High firm performance is represented by market share (Gaya et al. 2013), with market share being considered as the key indicator of superior performance among firms competing in the same industry. The use of market share as an acceptable measure of firm performance in Gaya et al. (2013) is also supported by Hill & Jones (2009).

According to Gaya et al. (2013), the consistent superior performance by the high performing firm posed the research problem: *"Why some firms outperform others consistently over the years, while competing in the same market under the same operating environment''*. Specifically, this research problem was posed on the one firm that had consistently outperformed others for over ten years. The research problem and questions were framed and informed by a number of literatures in strategic management theory, such as, Hill & Jones (2009), Peteraf & Barney (2003) and Sheehan & Foss (2007).

The study under review set to solve the research problem by answering the broad research question, 'How has a consistently high performing firm in the motor service industry managed to create and sustain its competitive advantage over the rivals and hence superior performance, leading to market leadership, in the last ten years?' To answer this broad research question, this study investigated how activities, through activity drivers of scale, location and capacity utilization, acted on tangible resources with unique characteristics as rarity, invaluability, inimitability and insubstitutability, to create sources of sustainable competitive advantage for the firm, which then generated superior performance consistently, enabling the firm to capture and retain a large market share over a very long period of time. The importance of this paper as it contributes to the conversation in the realm of strategic management follows next.

III. Importance of the Paper

A number of reasons can be given as justification for this paper. These include the extension to the resource-based view theory, overcoming the criticisms of the resource based view, addressing the gaps in resource-based view literature, clarification of terminologies currently being used interchangeably in the strategic management literature and attending to the appropriateness of research design and methodological challenges.

- Extending the resource-based view theory

From a strategic management perspective, the major justification for the paper is to provide an opportunity for extending the resource-based view's strategic management theory, by explaining the actual value creation process and how this process informs differences in the performances of firms operating in the same industry and under the same environment. The justification to extend the theory is supported by Kraaijenbrink et al. (2010) and Priem and Butler (2001). This paper also sets to prove that an integration of the activity-based view and resource-based view helps extend the potential of both theories and subsequently contribute to the body of strategic management knowledge (Priem & Butler 2001, Ray et al., 2004, Sheehan & Foss 2007).

- Criticisms of the resource-based view

While being one of the most respected theoretical frameworks in strategic management, a number of criticisms continue to be levelled against the resource-based view theory (Foss & Knudsen, 2003 and Kraaijenbrink et al. 2010). These criticisms include criteria for resource sustainability (Priem & Butler 2001, Teece 2007); the understanding of how competitive resources actually create value (Sirmon, Hitt & Ireland 2007); the possible inappropriate choice of research design (Armstrong & Shimizu 2007, Hoopes et al. 2003, Newbert 2007), possible generalisability of research findings (Lockett, Thompson & Morgenstern 2009) and lastly, ascertaining the presence of a chain of causality from the moment resources are deployed to the generation of the firm's performance (Armstrong & Shimizu 2007, Newbert 2007, Sanchez 2008). Of particular significance, are Priem and Butler's (2001) main critique of the resource-based view, that the theory provides an explanation of resource sustainability but not the actual process of value creation. This paper asserts that by integrating the activity and the resource-

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based views into one new theory, the Activity-resource-based view (ARBV), these critiques are answered.

- Gaps in the empirical literature

According to Lockett et al. (2009) there are a number of significant issues raised in previous resource-based view research, in several areas, an example of which is in empirical research methodologies (Armstrong & Shimizu 2007, Newbert 2007, Sanchez 2008). For instance, in previous studies, tangible resources were excluded as not being significant sources of sustained competitive advantage (Clulow, Barry & Gerstman 2003, 2007). A further gap that exists is the role of and challenges facing managers in terms of resource identification, development, conservation and deployment (Kraaijenbrink et al. 2010, and Sirmon et al. 2007). The study reviewed in this paper clearly points to the role and place of tangible resources as sources of sustainable competitive advantage and asserts the role of top managers in terms of resource identification, development, conservation and deployment.

- Need to clarify key terminologies

Hill & Jones (2009), Hitt, Ireland and Hoskisson (2007) as well as Kraainjenbrink et al. (2010) encourage scholars and researchers to understand the importance of the distinction between a firm's competitive resources, competitive capabilities and core competencies. This clarification and parsimony in terminology is necessary in order to determine which types or characteristics of competitive resources and competitive capabilities have the potential to create core competencies that are the building blocks of creating and sustaining competitive advantages. Hill & Jones (2009) postulate that the distinction among such terminology as resources, capabilities and competencies, is critical to understanding what actually creates sources of sustainable competitive advantage and hence superior performance of a firm. Currently, the definitions of the various terminologies, especially resources, capabilities and competencies are expansive and used interchangeably, thereby hindering interpretations of study findings as well as hampering the choices of what are the most appropriate research design and methodologies to use.

This paper serves to assert the findings of the study under review by emphasising on the importance of having parsimony in the terminologies used in the creation of sustainable competitive advantage, as per the recommendations in Gaya et al. (2013).

- Design and methodological challenges

The research methodology challenges posed by the expansive nature of definitions of terminologies used in the process of creating and sustaining competitive advantage has also been of concern to other scholars and researchers (Denrell, Fang &Winter 2003, Hoopes et al. 2003, Newbert 2007, Priem & Butler 2001). These research methodological challenges emanating from the broad use of competitive advantage terminologies can be avoided, as was done in the Gaya et al. (2013) by clear clarification of specific resource definitions. The second method of overcoming the effects of broad definitions of terminologies used in the concept of sustainable competitive advantage is achieved by locating the research within an all-encompassing theoretical framework. This is advocated by this paper and is supported in literature such as Armstrong & Shimizu (2007), Denrell et al. (2003), Hoopes et al. (2003), and Newbert (2007). Literature review is next.

IV. Literature Review

This literature review section starts with a review of the key concept of sustainable competitive advantage, including brief discourses of activity and resource-based views. Brief explanation of activity drivers and the actual integration of the activity and resource-based views to create core competencies are then provided.

a) The Concept of Sustainable Competitive Advantage

When the imitative actions have come to an end without disrupting the firm's competitive advantage or when it is not easy or cheap to imitate, the firm's competitive strategy can be called "sustainable" as supported by Barney (2001), Haberberg & Rieple (2008), and Grant (2010) or when barriers to imitation are high (Hill & Jones 2009). According to Hill & Jones (2009), the pursuit for sustainable competitive advantage has been the primary objective in the study of a firm's competitive strategy and generation of superior profitability. Porter (2004) considers the term sustainable as encompassing the protection of resources for longer period of time into the future. Porter (2004) is supported by recent literature, including Haberberg & Rieple (2008), Grant (2010), Hitt, Ireland, & Hoskisson, (2007) and Thompson, Peteraf, Gamble & Strickland (2012).

According to Grant (2010), Haberberg & Rieple (2008), Wheelen & Hunger (2010), the concept of sustainable competitive advantage is best understood through dimensions of durability and imitability. In Gaya et al (2013:2050), the durability dimension determines how long the competitive advantage is sustainable. Durability is also considered in terms of the ability of competitors to duplicate or imitate through gaining access to the competitive resources and competitive capabilities on which the competitive advantage is built (Gaya et al. 2013). Wheelen & Hunger (2010) add that durability represents the pace at which a firm's underlying competitive resources, competitive capabilities or core competencies depreciate or become obsolete or irrelevant, owing to causes including new technology and innovations.

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The durability dimension is further explained by Hill & Jones (2009) who state that the longer it takes for the competing firms in an industry to achieve imitation, the greater is the chance for the consistently high performing firm to improve on the core competencies or build new core competencies, to stay a number of steps ahead of the competition in the market. Hill & Jones (2009) are supported by recent literature including Grant (2010) and Thompson *et al.* (2012).

A number of scholars now agree on the use and suitability of terminologies used in relation to sustainable competitive advantage. These scholars include Grant (2010) Hill & Jones (2009), Hitt et al. (2007) and Lynch (2009) who postulates that core competencies are the direct source of sustainable competitive advantages, through competitive resources and competitive capabilities. Lynch (2009) specifically state that core competencies are special skills and technologies that enable a firm to provide a specific value added service or product to customers, as the core competencies provide the foundation of core products and services which ought to be at the centre of a firm's activities, if the firm has to create and sustain competitive advantage.

b) Resource-Based View on the Creation of Competitive Advantage

The resource-based view became the dominant approach in strategic management after its introduction in the 1980s, but the criticism on the approach was quiet for a notably long period (Sanchez 2008). The first true wave of resource-based view criticism came in the late 1990s and early 2000s by a wide range of researchers (Priem & Butler 2001, Foss & Knudsen 2003). The first wave was followed by a significant number of critical appraisals on the resource-based view that turned into a theoretical debate (Sanchez 2008, Lockett et al. 2009, Kraaijenbrink et al. 2010) and reviews of the empirical validity of resource-based view theory (Armstrong & Shimizu 2007, Newbert 2007). The problems in the resource-based view derive from its quickly laid foundations that have led to problems in defining what does or does not belong to the resource-based view, and some central pieces of what seem to be missing in the literature (Foss & Knudsen 2003). The result of these criticisms is that questions have been raised of the suitability of the resource-based view as a scientific theory and its practical usability to support managerial decisions (Priem & Butler 2001).

c) Activity-Based View of the Firm

Porter (2004; 1991; 1985) contributed to the activity-based view of the firm, including the concept of activity drivers as being sources of competitive advantage. The literature of Ray *et al.* (2004) clearly delineated the role of activities in the creation of competitive advantage. Both Porter (2004) and Ray et al. (2004) acknowledge that resources of a firm can generate value for the customers only through the firm's activities. Porter (2004) adds that activity drivers such as capacity utilization, location and scale, are the firm's levers that can be deployed to create value for the customer through lower costs and differentiation, which is then appropriated by the firm when satisfied customers pay a premium for the firm's services and products. According to Hill and Jones (2009), the actual process of value creation involves using activity drivers like capacity utilization, location advantage and economies of scale, to create efficiency, quality, innovativeness and effectiveness of response of individual firm activities (see, also Hitt et al. 2007, Ray et al. 2004, Sheehan and Foss 2007).

In the case of the motor service industry, any firm that expects to compete effectively ought to be involved in performing a variety of this industry's discrete activities such as car sales, customer follow-ups, car aftersales service and spare parts support and supply. It is these discrete activities that generate lower operating costs for the firm and create value for the customers through low pricing and differentiation advantages (Porter 2004).

Porter (2004) is supported by Sheehan and Foss (2007) who posit that activities are the foundation of competitive advantage analysis at the firm level. Porter (2004) and Sheehan & Foss (2007) assert that the activity-based view is based on the logic that firms are compensated for the activities performed, to provide services needed and expected by customers and responsiveness to customers. Hence, activity-based view, alongside the resource-based view, is at the core of analyzing a firm's competitive advantage. Activity-based view also provides a means of conceptualizing the firm in a way that explains the foundations of competitive advantage and its sustainability by explaining internally consistent outline of activities that offer low cost structure and differentiation of a firm from its competitors (Hill & Jones 2009).

The activity drivers provide the foundation for effectiveness, quality, customer responsiveness and efficiency through which respective activities, such as aftersales service and spare parts support and supply, are conducted (Hill & Jones 2009, Porter 2004). This then translates into lowered costs due to economies of scale and or differentiation in service offered by the firm, through superior customer responsiveness and performance. Either of the subsequent four core competencies namely efficiency, quality, innovation and customer responsiveness, creates value to the customer. According to Hill & Jones (2009) and Peteraf & Barney (2003) cost drivers reduce activity cost by decreasing the cost of input or reducing the amount of input required to produce the same output. For example, scale is a cost driver of a firm's activities if cost per unit declines as activity levels increase. Differentiation drivers influence the customer's

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willingness to pay by increasing the value of the product itself. A firm may increase a buyer's willingness to pay by reducing pre and post-purchase costs. For example, location is a differentiation driver for marketing activities if the firm's location induces customers to pay a higher price due to strong purchasing power to explain the total cost and value generated by a firm. Managers with knowledge of their competitors' activity networks can use this information to analyze their position to their advantage, relative to competitors (Hill & Jones 2009).

The next section explains how discrete and industry specific activities of sales, parts supply and aftersales service in a motor industry services firm and activity drivers of location, scale and capacity utilization in the activity-based view framework are integrated with the strategic tangible resources of a large and modern sales room, parts warehouse and well equipped and managed service workshops, competitive capabilities and core competencies in the resource-based view framework.

d) Overview of Activity Drivers

This paper, as in the study under review, places emphasis on activity and activity drivers to seek to integrate the activity and resource-based views, in order to address the shortcomings of the resource-based view theory and to explain the actual value creation process for the customer and the services firm.

The first activity involves the activity drivers to improve the efficiency and effectiveness of individual firm core activities of car sales, spare parts supply and aftersales car service and repairs. These activity drivers include economy of scale in spare parts purchase and stock management, which affords the firm's customers' parts at affordable prices in addition to improving the availability of spare parts, hence reducing the downtime. The size of the warehouse for spare parts enables customer responsiveness, facilitates adequate inventory holding that improves spare parts availability to customers, resulting in customer confidence, satisfaction, trust and loyalty.

The second activity involves improving the fit at the level of the firm's activity set. Managers at a high performing firm in the motor service industry in Kenya identified potentially rewarding competitive tangible resources, such as locations of the after-sales service complex. They then used the competitive capabilities ensued to build core competencies such as timely repairs to the motor vehicles and facilitating easy access by customers to the facilities to create competitive advantage. The managers sustain this through a continued improvement philosophy to generate superior firm performance. The creation of customer value through customer responsiveness and subsequent provision of superior customer service to create sustained competitive advantage is supported by Hill & Jones (2009) and Lynch (2009) who state that a customer focussed firm deliberately seek to provide superior levels of customer service that competitors are unwilling or unable to match or cannot afford to support. The superior level of service leads to customer satisfaction and hence loyalty, with repeat sales.

e) Integrating Activity and Resource-Based Views

The activity-based view theory of the firm and the resource-based view frameworks share a common objective of gaining and sustaining superior positions for the firm. With the activity-based view, firms gain profitable positions by configuring their discrete industry specific activities using activity drivers. A new model incorporating the tangible resources isolated by the value chain concept, with the core activities and the activity drivers of a typical motor service firm, was tested through in-depth semi-structured interviews and the findings, which are supported by literature, proved the successful testing of the theory.

The activities and activity drivers in the new model are generic to all motor service firms. They are car sales, workshop services and spare parts availability and supply. Additionally, the activity drivers, comprising capacity utilization, scale and location were included in the new model and empirically tested during the field interviewing.

The low cost and differentiation advantages are further created by the identified and industry specific tangible resources, through the activity drivers of scale, location and capacity utilization, by enhancing the efficiency of service provision, quality in customer care and availability and supply of spare parts when needed at lower costs. Location of the aftersales service complex, and the economies of scale enabled by the size of the service workshop and presence of financial resources that enabled bulk purchase and stock of spare parts, all contributed toward achieving superior customer responsiveness, a main core competence and hence source of sustainable competitive advantage (Hill & Jones 2009).

Sheehan & Foss (2007) summed up that the creation of sustained competitive advantage can only result from the integration of activity drivers into strategic firm resources. In the new ARBV model, tangible resources and the firm's core activities were treated as one and the same, as recommended in Sheehan & Foss (2007) who confirm the earlier views of Barney (2001).

V. Research Design and Methodology

The study employed a qualitative case study research design and methodology. The qualitative case study has been termed as the most appropriate research design and methodology in strategic management research realm, especially where a new theory is to be generated or an existing theory is being extended, as was the case in this study. This position is

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supported by numerous scholars and researchers and recent literature (Armstrong & Shimizu 2007, Denrell, et.al 2003, Hoopes et al. 2003, Newbert 2007, Yin 2009). Armstrong and Shimizu (2007) posit that in view of the fact that competitive environments are fluid, researchers ought to consider using the qualitative approach in field interviews when applying the resource-based view to new areas or complex business firm situations. In light of this literature, this paper concludes that a qualitative in depth case study was the most appropriate research design and this contention is supported by a number of recent researchers (Armstrong & Shimizu 2007, McKevily and Chakravarthy 2002). Further support from literature is found in Fontana and Frey (2005) who posited that an in-depth interview is one of the most common and powerful ways in which to understand issues in strategic management.

The choice of case study research design and methodology is also supported in Bergh et al. (2006) and Yin (2009), who strongly recommends the application of the case study research design in social sciences, especially in the field of strategic management research. Indeed, Amabile et al. (2001) and Siggelkow (2007) contend that case studies represent a qualitative research methodology that is ideally suited to the generation of knowledge in the discipline of management.

This paper's research design and methodology of an in-depth qualitative and case study is also considered one of the most suitable to obtain the thickness of data required for a detailed analysis of a specific high performing firm in an industry (King 2004, McKevily & Chakravarthy 2002, Rouse & Daellenbach 2002).

In order to meet the study objectives, the study employed a single firm, single industry, qualitative case study of a consistently high-performing firm in the motor service industry in Kenya (Yin 2009). Data was collected by the use of in-depth, semi-structured study instrument in face-to-face audio-taped interviews, based on a prior agreed study rationale guided by a theoretical framework constructed from literature, with nine senior managers of the study firm, including the chairman and CEO, as key informants. The key informants were chosen on the basis of their experience in the motor industry which qualified them as industry experts. The nine informants benefitted the study as multiple sources of data, introducing broad issues and information and most importantly, enabling concept triangulation, hence improving data validity and study credibility (Yin 2009)

VI. Data Analysis

Data analysis included data presentation, discussion and interpretation. Tables were used extensively to present the findings, illustrating the respective themes and facilitating systematic analysis and reporting. Working from the transcripts and guided by the themes agreed upon earlier, the firm's activities formed the basis for the interpretation of the phenomena gleaned from the informants' responses.

The data collected from the case study was then presented using matrices with key categories and themes, following the order of the questions in the semi-structured interview schedule and the pre-determined categories and themes of resources, activities and activity drivers, as represented in the case study conceptual framework and study model.

In summary, the data analysis for this study relied on the theoretical propositions through a conceptual framework. The conceptual framework helped to focus attention on the data needed to contribute to theory testing or extension. Pattern matching data analysis technique was applied as the logic to compare the empirical pattern from the collected data with the predicted pattern.

VII. Research Findings

The key finding in this study is the actual value creation process when activity drivers act on discrete activities of a specific services firm in the motor service industry.

In Gaya et al. (2013), all the nine key informants mentioned responsiveness to customer as the main objective of the services firm's investment, development, maintenance and deployment of its main strategic tangible resource. The strategic tangible resource is a state of the art car sale, aftersales service workshops and spare parts support complex.

To identify these state of the art facilities and to be able to develop and sustain competitive advantage, the firm invested in regular and continuous employee training and development of human resources. The well trained and developed human resource was able to achieve high standards in superior customer responsiveness, measured through a customer satisfaction index. The superior responsiveness to customers in car sales, work shop repair service and spare parts availability, were activities geared to achieving customer satisfaction, as a way of building customer trust and customer loyalty, and in turn guarantee customer retention. Customer retention ensured continued purchase of the case study firm's vehicles, spare parts and workshop service. These key findings are consistent with recent literature (Hill & Jones 2009, Hitt et al. 2007).

In achieving superior responsiveness to customers and hence gaining customer satisfaction, the tangible resources identified generated core competencies that formed the building blocks of sustained competitive advantage. The four core competencies so generated, of superior operating efficiency, quality aftersales service, service process

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innovation and superior responsiveness to customers, allow the firm under study to differentiate its service offering in the motor service industry, and hence offer more utility to the customers and secondly, to lower the firm's cost structure in order to earn more profits as well as to pass cost advantages to the customers through competitive pricing. This key explanation of the actual value creation process for customers is supported in the literature (Hill & Jones 2009, Hitt et al. 2007).

Additional findings was that all the nine respondents confirmed that having low interest financial resources also enabled the study firm to develop a firm capability and core competence that could not be replicated by the competition, in a developing economy like Kenya, where the cost of capital is high. The low interest and ready availability financial resources enhanced the firm's capability of purchasing cars and spare parts in bulk, hence benefitting from economies of scale, resulting into low cost advantage that the motor service industry firm in the study leveraged on through relatively lower pricing for the cars and spare parts. Table 1 outlines how tangible resources create and sustain a competitive advantage.

Table 1 : How Tangible Resources Created And Sustained Competitive Advantage

Resource and component	How sustainable competitive advantage is created
Sales showrooms	Enable superior responsiveness to customers through differentiating the study firm and competitors who do not have the facility. The superior responsiveness to customers helps build customer loyalty and repeat purchases. Premium pricing is also enabled.
Service workshops	Size increases customer response time therefore more customer satisfaction due to quick service and more profit for firm from increased volume of cars serviced.
Spare parts warehouse	Large space enables adequate stock holding, improving availability and reduces cost, hence differentiates study firm with competitors with less or without.
Financial resources	Enables heavy investments that the competitors cannot afford. The financial resources also supports bulk purchases of spare parts, leading to low pricing. These offer barriers to imitation and substitution by competitors.
Human resources	Offers the base for knowledge, skills, culture, relationships that are not easy to imitate or substitute or transfer. The human resource are also able to identify, develop, protect and deploy the tangible resources, creating a role for management.

Source: Gaya et al. (2013)

Table 1 shows how each of the tangible resources create core competencies for the firm, which then create sources of differentiation based or lower cost based sustained competitive advantage for the customers and the firm. The core competencies created of superior customer responsiveness, service efficiency, quality, and innovation in spare parts availability, and supply at relatively lower prices, are all integral to achieving superior responsiveness to customers, resulting in customer satisfaction, customer loyalty, customer trust and subsequently customer repeat purchases.

The results further showed:

- Sales Showroom

All the divisional managers were unanimous in their responses that the modern sales showrooms enabled customer responsiveness leading to the creation of a differentiated advantage by enabling the firm to display a wide range of cars. In addition, the modern sales showrooms facilitated customer care through the provision of a place to offer soft drinks, Internet access and a waiting area. In addition, the physical presence and the ambience contributed to creating confidence in the firm and peace of mind. Owing to the high price of land in Nairobi and the costs of building and equipping a state-of-the-art sales showroom, coupled with the unavailability of land in an area occupied by potential customers, the modern sales showroom is valuable, rare, inimitable and not easy to substitute. The responses of the divisional managers were further triangulated by the two supervisory staff. The competitive capability of the sales showrooms to handle different models reaffirms the importance of scale and capacity utilisation which are two activity drivers included in the new theoretical model and consistent with literature (Hill & Jones 2009, Porter 2004, Sheehan & Foss 2007).

- Service Workshop

The responses from the divisional managers, and confirmed by the CEO and the chairman, points out that the availability of a service workshop extend the total customer experience, leading to customer satisfaction and subsequent customer loyalty. The customer experience starts with the purchase of a car

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and includes the customers' expectations and needs for efficient customer care coupled with a promise of quality after-sales service and support, so that customers can enjoy car ownership. The presence of superior responsiveness to the customers directly contributed to a sense of security and peace of mind by the customer, which further created a feeling of reliability when owning the firm's cars. The promise of availability of efficient service and quality after-sales service and support, when required created the feeling of security. Availability of an efficient aftersales service and parts availability increased the cars' reliability, greatly contributing to customer satisfaction, resulting in trust and loyalty. The competitive capabilities to make customers feel satisfied, as a result of the presence of facilities that guarantee superior responsiveness to customers, are core competencies that create and sustain competitive advantage. This finding is supported in literature (Hill & Jones 2009, Hitt et al. 2007).

- Spare Parts Warehouse

All the informants stated that the presence of spare parts warehouse was one of the most important facilities contributing to superior customer responsiveness. The informants stated that the availability of ample spare parts and supply at affordable costs was a key requirement for success in competing in the motor service industry. Spare parts supported the service workshop activities, enhanced road safety and reduced car repair down time. In the literature, repair down time is described as customer response time when vehicles are in the work shop waiting for the spare parts to be ordered urgently, often by air, at added costs (Hill & Jones 2009). The spare parts warehouse, when large, enabled the holding of more regular stock of spare parts, thereby reducing the spare parts pricing and order lead time. Spare parts availability also enhanced the resale value of the vehicles as well as the image of the study firm.

- Financial resources

Most managers scored the ownership of substantial financial resources high, but not as high as the physical resources. The presence of financial resources created sustained competitive advantage for the firm by offering well priced car purchase loans to the car buyers, especially individuals and small micro-enterprises that do not normally qualify for loans from commercial banks. The offering of finances and insurance services are an additional response to customers' needs, as well as being innovations for car purchase processes, thereby adding more value to what the physical tangible resources of modern showrooms, service workshops and spare parts warehouses are already creating.

- Human Resources

The importance of human resources was also captured by all informants and rated as very high in terms of being a source of sustained competitive advantage. All the key informants stated that employees were treated extremely well, with management skill training being important. When coupled with a good, creative and rewarding environment, the firm has managed to retain top-performing employees.

This path which is dependent on a process of employee development and deployment, made it difficult for employees to leave and join the firm's competitors. Those few who left were often not good performers, and eventually left the firm through their inability to be productive. These human resource practices create a source of sustained competitive advantage, through increased and self-supervising productivity which is part of the total quality management concept. The quality management concept additionally contributes to sustainable competitive advantage by providing greater efficiency and the lowering unit costs associated with reliable service. According to Hill & Jones (2009), when customer service is reliable, less time is wasted making defective workshop repair service or providing substandard services and less time has to be spent fixing mistakes, which translates into higher employee productivity and lower unit costs. Therefore, high service quality not only enables a firm to differentiate its services from that of competitors, but if the service is reliable, it also lowers costs, hence lower pricing for customers and more profitability for the firm enjoying the lower costs (Hill & Jones 2009).

The results and literature discussion enable the development of a new theoretical model that incorporate both the activity and resource based view of competitive advantage for a firm. This theoretical model is depicted in Figure 1.

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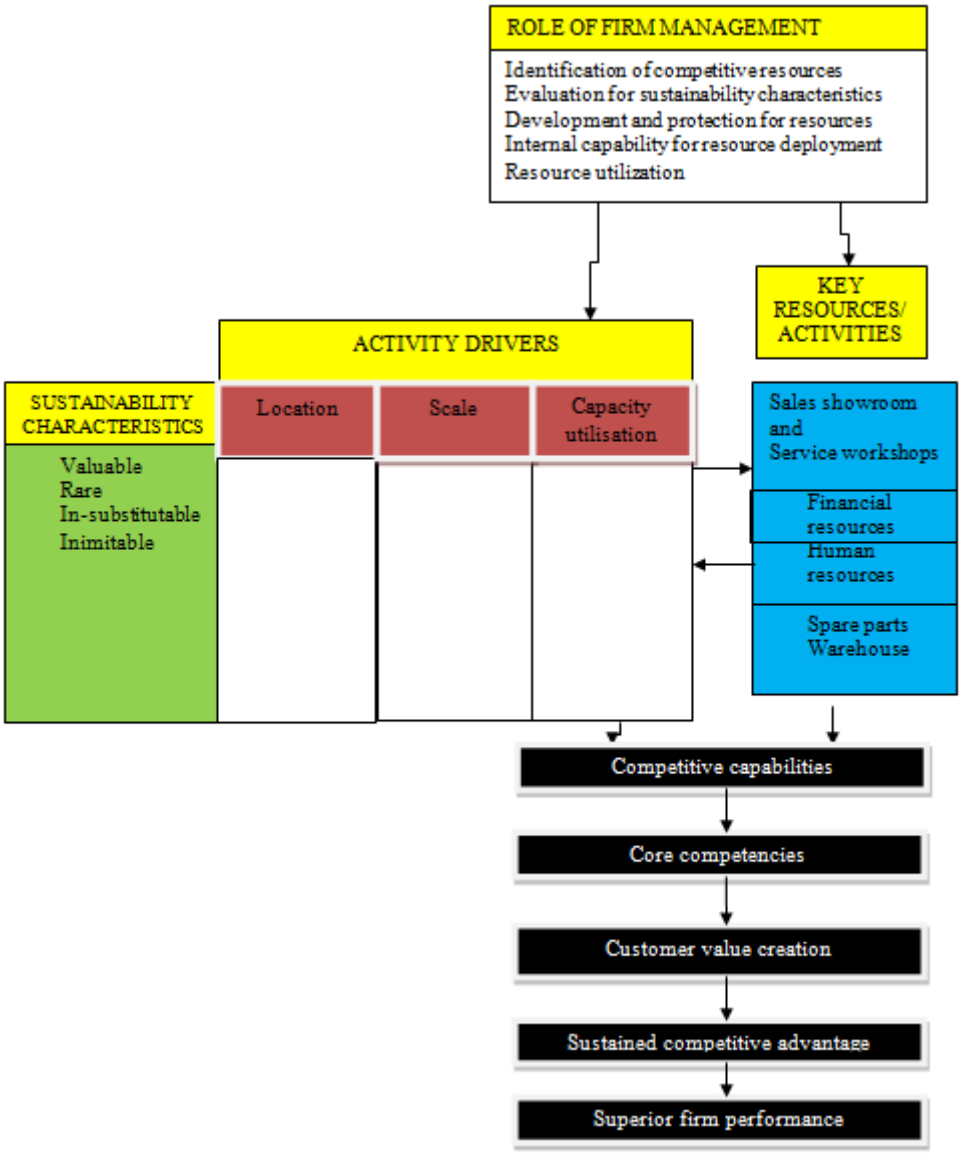

Figure 1 : Activity-and Resource-Based View (ARBV) of Creating Sources of Sustained Competitive Advantage

Source: Developed from literature and modified from data analysis

Figure 1 illustrates how core activity drivers of scale, location and capacity influence the efficiency of core firm activities of car sales, workshop service and spare parts availability when utilising the tangible resources that possess the four criteria of being rare, valuable, costly to imitate and not easily substitutable, create sources of sustainable competitive advantage. The creation of sustainable competitive advantage commences with enabling the generation of competitive capabilities from the tangible resources, through activity drivers acting on the specific industry activities, to then form core competencies that produce superior efficiency, quality aftersales service and spare parts support, service process innovation and superior customer responsiveness.

These distinct core competencies enable the firm to differentiate its products and service offering, hence extending more utility to the firm's customers, and lower the firm's cost structure. Figure 1 therefore represents the tested model of activity- and resource-based view on the creation of sustainable competitive advantage. Figure 1 therefore represents a new theoretical activity and resource-based view model of analysing sources of sustainable competitive advantage in firms in a service industry. This is the main objective of this paper.

VIII. Conclusion

The key tangible resources of a firm competing in the motor service industry, comprising modern showrooms, service workshops and spare parts warehouse, were included alongside the core activities of a typical motor service firm in Kenya, namely their car

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sales, workshop repairs and spare parts availability, as rendered in the new model and supported by theory (Ray et al. 2004, Sheehan & Foss 2007). The effect of activity drivers of location, scale and capacity utilisation on the industry specific activities and tangible resources were also indicated and integrated in the new model (Gaya et al 2013).

The four criteria needed for tangible resource sustainability; rarity, valuableness, inimitability and non-substitutability as recommended by Barney (2001), Barney (2002), and Hitt et al. (2007), were also included alongside the isolated tangible resources to complete the new model. The new model thus illustrates the process from identifying the tangible resources to building competitive capabilities, which in turn forms the core competencies (Hill & Jones 2009, Hitt et al. 2007). The superior customer responsiveness and actual value creation process illustrated in the new model was empirically and successfully tested, by incorporating the information in a study rationale that guided the construction of the semi-structured interview schedule, data collection, analysis and discussion.

In the findings, additional tangible resources creating sustainable competitive advantage for the firm namely financial resources and human resources were identified. These and the support the study findings obtain from the literature are proof of the successful testing of the new model.

Figure 1 represents the new theoretical model based on the findings of the study (Gaya et al. 2013). This new theoretical model is an addition to the existing body of knowledge and represents new knowledge titled: Activity - and resource-based view (ARBV) of the creation of sources of sustainable competitive advantage. The new ARBV model also reflects the successful empirical integration of the two theories that guided the study under review in this paper: activity-based and resource-based views frameworks. The new model therefore poses additional question: Is the Activity – and Resource-based view (ARBV) a new theory of the firm? Our answer is, *yes* and the study under review in this paper has empirically tested and supports this major conclusion (Gaya et al 2013).

IX. Implications of the Paper

This paper has different implications, namely contribution to new knowledge, implications for policy makers and practice. Importance of this paper has also been given, due to a number of issues the paper flags in the realm of strategic management research, by suggesting possible answers to the critiques of the original resource based view theory and a number of previous research design and methodologies used.

a) Distinct Contribution to New Knowledge

First, an emphasis is made that firm performance differences are attributable to the unique competitive resources, competitive capabilities and core competencies owned, developed, protected and deployed by the firms, through strategic choices made by the top management, to meet customer needs and expectations. The needs and responses are met through offering superior customer responsiveness, lower cost and quality service differentiation. This is explained by the integration of the activity-based and resource-based views of firm approach (Armstrong & Shimizu 2007, Grant 2010, Hitt et al. 2001, Porter 2004, and Sheehan & Foss 2007). Hence, this study has generated a new theory, the ARBV of creating sources of sustainable competitive advantage.

Second, is that to understand the process of creation of sustainable competitive advantage, the distinct differences and meaning of the terminologies competitive resources, competitive capabilities and core competencies, all used in the creation of sustainable competitive advantage, ought to be clarified, understood and used in all the strategic management literature (Grant 2010, Hill & Jones 2009, Hitt et al. 2007, Wheelen & Hunger 2010).

b) Implications for Policy Makers

This paper also concludes that the state-of-the-art modern customer service complex is central to the creation of the firm's sources of sustained competitive advantage. This is because the tangible resources identified in the study created value for the customers by enabling superior customer responsiveness in providing customer service by offering efficient and effective after-sales service and spare parts supporting following car purchases. The impact of the findings of customer responsiveness in the study requires the building of a customer service complex, as a minimum requirement for investing in the motor service industry. The setting up of a customer service complex is a key requirement to ensure success when competing in the motor service industry, which should not be ignored by investors and top managers of firms competing in the motor service industry.

According to the study findings, no make of car should be introduced into the motor service industry before investments is made in the setting up of tangible resources in building an after-sales service complex, complete with modern showrooms, service workshops and spare parts warehouses. These study findings, therefore, also inform strategic policy formulation and implementation by all firms expecting to or already competing in the motor service industry (Armstrong & Shimizu 2007, Grant 2010). The new knowledge on the activity-resource-based view (ARBV), therefore, forms the basis for strategy formulation and implementation, and is at the core of solving the research problem of persistent performance differences in the motor services industry. This conclusion is supported in literature (Grant 2010, Sheehan & Foss 2007). The activity-resource-

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based view (ARBV) therefore, offers solutions to the research problem of poorly-performing firms in the motor service industry in Kenya and similar industry and market environments.

c) Implications for Practice

First, it is important to recognise that the performance differences between firms in the motor service industry is attributable to the unique competitive resources, competitive capabilities and core competencies owned, developed, protected and deployed by each individual firm in the motor service industry.

The second implication is to recognise that identification and acquisition of competitive resources and competitive capabilities are strategic choices available and can be made by the top managers, to meet customer needs and expectations and that this can be understood through the activity-resource-based view (ARBV) approach of firm strategy (Gaya et al. 2013, Grant 2010, Hitt et al. 2001, Porter 2004, Sheehan & Foss 2007).

The study under review also concludes that the top management of firms in the motor service industry has a role in acquiring tangible resources and subsequently developing, leveraging and nurturing the acquired tangible resources, to develop new competitive capabilities and core competencies to sustain competitive advantage and subsequently achieve superior firm performance.

The other implication for practice is that where the existing tangible resources of a firm are not adequate to facilitate the expected market share and competition in the motor service industry, there is need for the managers to acquire new and develop current tangible resources to a level that enable the firm to be competitive. This means that firms competing in the motor service industry should exploit existing competitive capabilities using the present tangible resources, while generating and developing a new set of competitive tangible resources and competitive capabilities, to sustain the firms' competitiveness. This implication is supported in Armstrong & Shimizu (2007) and Hill & Jones (2009). This implication also means that top management have a role in developing and obtaining rare, valuable, inimitable and insubstitutable resources, developing an appropriate firm capabilities, a departure in thinking found in Miller (2003), Priem & Butler (2001).

X. Limitations and Future Research

This paper cautions that the study under review was conducted in a single firm, in a single industry in the motor service industry, in a developing economy, Kenya. The generalisability of the study findings may therefore be limited. However, through analytic generalisation, the key findings of this study inform and contribute to new knowledge known as activity and resource-based view (ARBV) theory of understanding the actual creation of sources of sustainable competitive advantage. This analytic generalization is supported strongly by research literature in the realm of theory generation. Such literature includes Lockett et al. (2009), Sanchez (2008) and Yin (2009).

The paper suggests that results of the study under review, coming from a single firm in a single industry, present an opportunity for further research to replicate the study in similar firms and in different service industries and country environments (Armstrong & Shimizu 2007, Gaya et al. 2013). Further studies of this nature within different firms in the motor service industry would allow an opportunity for contrast and comparison, as recommended by among other literature such as Easterby-Smith, Thorpe & Jackson (2009).

While there are no similar past studies in Kenya on which to compare the study findings, the study under review is significant as it provides a benchmark upon which future studies in similar service firms, markets and industries can be based. Future research would be well served to examine if there are further characteristics that influence a service firm's tangible resources to create and sustain competitive advantage in different firms, in different industries and under different country settings.

The key conclusions of this paper present significant implications for further activity-resource-based view (ARBV) theory development, especially the role of activity drivers when integrated with tangible resources to creating and sustaining competitive advantage in high-performing firms in the service industries. This is in order to agree with, extend or disagree with this paper's conclusions.

Also, of particular interest for scholars and researchers for future theorising and empirical research, is to extend further the activity-resource-based view (ARBV) theory, by the need to have a universally-accepted definitions and demarcations of the terms *competitive resources, competitive capabilities* and *core competencies* in the realm of strategic and services marketing management (Hill & Jones 2009, Hitt et al. 2007, Kraaijenbrink et al. 2010).

Lastly, the literature suggests that the strategic and services marketing management interface on the role of tangibility in services management, remains inconclusive. The importance of tangible resources in the creation of sustainable value to the customer needs more illumination. The study under review in this paper and the subsequent assertions set an urgent foundation and reason for prompt further research and theorising.

XI. Acknowledgement

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