CONCEPTUALIZING AND OPERATIONALIZING SUSTAINABLE COMPETITIVE ADVANTAGE: A CONSTRUCT OF FIRM PERSISTENT SUPERIOR ECONOMIC, SOCIAL, AND ENVIRONMENTAL PERFORMANCE

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ABSTRACT

Purpose: *This study served as a first step in introducing an interdisciplinary conceptualization and operationalization of sustainable competitive advantage (SCA) as a construct of persistent, higher than average economic, social, and environmental performance.*
Design/methodology/approach*: A new measurement instrument was constructed and validated using structural equation modeling and a sample of 1419 publicly traded firms.*
Findings*: The proposed measurement model provides a promising first step for measuring SCA. The findings support the conceptualization and operationalization of SCA as a three-dimensional construct.*
Originality/value*: The proposed model is unique in that unlike previous studies capturing SCA using absolute, punctual, and uni-stakeholder measures, this model conceptualizes and measures SCA to account for its relative, persistent, and multi-stakeholder nature.*
Limitations: *The range of developed sub-dimensions may be limited as some facets of SCA may have been overlooked. Given the study's empirical setting, the instrument may not apply in the context of small and medium enterprises.*

Keywords: *Sustainable, competitive advantage, performance*

1. INTRODUCTION

The extensive strategic management literature presents sustainable competitive advantage (SCA) as a desirable outcome because it focuses on the factors explaining their probability of sustaining superior performance compared to competitors (Porter, 1985). Our previous systematic reviews (Cloutier, 2023), along with a previous review (Newbert, 2007), show that earlier empirical studies have focused much more on confirming or disproving particular relationships between explanatory variables and firm performance (Industry, Resource, and Institution-based predictors) than on SCA as an outcome. Despite this extensive literature on SCA determinants, surprisingly few systematic efforts are devoted to conceptualizing and developing a valid SCA outcome measure (Wiggins and Ruefli, 2002; Armstrong and Shimizu, 2007; Newbert, 2007; Newbert, 2014; Schulz and Flanigan, 2016).

In most of the SCA empirical literature, the link between theories and methodology relating to a specific SCA construct was at best implicit (Newbert, 2014; Cloutier, 2023). SCA is predominantly operationalized as a firm's absolute performance for its stockholders without considering competitor performance nor sustainability (Newbert, 2014; Cloutier, 2023). Moreover, a study acknowledging for relativity or persistence of SCA has used uni-stakeholder constructs (Cloutier, 2023). Thus, a SCA construct refers to a firm's ability to persistently outperform its competitors from the viewpoint of all stakeholders.

This paper aims to address this gap by providing a richer conceptualization and measurement of SCA as a construct of a firm's persistent, abnormal economic, social, and environmental performance. This perspective has several advantages: (1) it captures the very relative and persistent nature of SCA overlooked by previous studies; (2) it captures the persistence of firm competitive advantage for multiple stakeholders that seems not to have been covered in earlier research; (3) it provides more accurate benchmarking tools to assess SCA; and (4) from a managerial perspective, such a tool can help managers detect specific strengths and weaknesses to guide their strategic and resource allocations decisions.