Strategic Leadership Dimensions and Competitive Advantage: Perspective of Service Firms in Lagos and Ogun States, Nigeria

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Abstract
Nigeria services sector is faced with stiff and intense competition due to homogeneity in service design and leadership has hindered their competitive advantage. This study queries the effect of strategic leadership dimensions on the competitive advantage of service firms in Lagos and Ogun States, Nigeria. Cross sectional research design was adopted and primary data were collected through an adapted questionnaire. The respondents were two hundred and seventy-seven top management of the selected service firms. The multiple regression results revealed that strategic leadership dimensions significantly affected competitive advantage with reference to risk-taking, decision making and strategic intent at 5% level of significance. The paper proposes that risk taking, decision making and adherence to strategic intent should be imbibed towards gaining competitive advantage.

Keywords: Strategic leadership, Competitive advantage, Service firms, Top management, Risk taking, Strategic intent, Decision making

1.0 Introduction
Academic curiosity has created a divergent debate amongst scholars on what stimulates competitive advantage both at the industrial and national level. The differences in perspectives is attributed to service differentiation (Davies, 2004; Gebauer, 2008; Oliva & Kallenberg, 2003) unique resources (Penrose, 1959), dynamic capabilities (Teece, Pisano, & Shuen, 1997), knowledge management (Girard & Girard, 2015), innovation (Schumpeter, 1959), human resources (Armstrong, 1997) and internal processes (Kaplan & Newton, 1996). The discourse resulted into a paradigm shift from business environment centric view (Porter, 1980, 1985, 2008) to managerial ineptness (Abbasi & Kenneth, 1984), firm specifics, strategic intent (Hamel & Prahalad, 1984) and leadership (Hamel & Prahalad, 1984). While these authors addressed the debate from the global perspective, the Nigerian context seems not to be different. This is evident in the fierce competition among industry players in the service sector which has resulted in the firm’s inability to consistently deploy leadership capabilities that engineer gaining and sustaining competitive advantage.

Despite the intensifying pace of globalization, competitive rivalry, fluctuations in customer’s demand and swift technological advancements witnessed in the Nigeria service firms, the leaders’ incapability to cascade their strategic intent to their subordinates has engendered the impossibility of achieving competitive advantage (Akhavan, Sanjaghi, Rezaeenoor, & Ojaghi, 2014). The prevalence of character failure, corporate rascality and unethical behaviours exhibited by the top management has hindered the accomplishment of the goals and envisioned future of the organisation. This is evident in the reports from The Vanguard (2018) which revealed that majority of the service firms whose top executives engage in such unethical practices have lost their goodwill reputation, subordinates trust, and customers patronage which resulted into lost in their competitive edge. Evident in this observation is Skye Bank Plc saga in 2016, which was instrumental in September 2018 revocation of the banking licence and complete take-over the bank. While others have not to be identified, the difficulty faced by service firms as they thrive on chaos due to leadership issue competitiveness has become a mirage (Mehralihaan, Nazari, Akhavan, & Rasekh, 2014). It is against the aforementioned that this work argued that strategic leadership dimensions (risk taking, communication, decision making, strategic intent, and ethical
practices) have an effect on the competitive advantage of the service firms in Lagos and Ogun States, Nigeria. The paper is structured into a literature review, methodology, data analysis, conclusion, and recommendations.

2.0 Literature Review

The concept of strategic leadership was first introduced by Hambrick and Mason (1984) to understudy the behaviours of top management in the organization. As such, researchers have addressed the construct from different approaches influenced by their context, language, observations, and experiences. Huey (1994) approached strategic leadership from human resource discourse as leader’s ability to manage through subordinates by helping organizations to accept and adapt to changes that seem to be increasingly dramatical in the globalized business environment. Lynch (2009) view strategic leadership from the knowledge management perspective as the leaders’ ability to communicate, listen and understand individuals within the organization by diffusing knowledge, fashioning innovative ideas and problem solving. However, Hitt, Ireland and Hoskisson (2007) came from the change management school of thought positioning strategic leadership as the leader’s ability to anticipate, envision, maintain flexibility and empower others to create strategic changes as needed.

Further, Clegg, Carter, Kornberger, and Schweitzer (2011) defined strategic leadership as the influence and process that facilitates and engender the performance of the top management team to achieve organisation set objectives. Strategic leadership was portrayed by (Hoskisson, 2007) as the process of allotting unique resources to support the organisational strategies. This process is concerned with managerial activities of quality decisions making, information dissemination for strategic formulation and control (Barnat, 2007). Strategic leadership enables the top management to visualize the indeterminate environment by mapping ideas and actions that enhance organization uniqueness and competitive advantage sporadically. This process aids organizational goal setting the vis-à-vis the alignment of staff with strategic intent and other stakeholders in fulfillment of set goals or objectives (Mintzberg & Quinn, 1995). Though several scholarly discourses have qualified strategic leadership based on context and language, this study viewed strategic leadership from both the behavioural and change management approach as a multifunctional concept, which involves a leaders’ ability to take risks (calculated and uncalculated), make decisions, communicate strategic intent, and ethical practice that enable adaptation and alignment to external changes.

Competitive Advantage

The notion of competitive advantage is entrenched in value creation, unique resources, innovation and distribution which is at the heart of the firm performance. Hui-Ling (2014) viewed competitive advantage as a set of attributes organisation develop or possess to outperform its competitors. Ahmad and Khalaf (2010) depicted competitive advantage as the adeptness of the organisation to engage in value-added activities which allows it to attain a position of relative advantage over its rivals. Heizer and Render (2006) portrayed a competitive advantage as the creation of a system with an inimitable advantage over competitors. Day and Wensley (2008) avers that competitive advantage is a strategic configuration to assist the company in maintaining its viability over its competitors.

Porter (1985) acclamed competitive advantage to be a strategic goal of an organisation with reference to the above industrial average which distinguished it from competitive parity. Al-Rousan and Qawasmeh (2009) and Ma (2000) articulated it to be a basis for superior performance. Sarprong and Tandoh (2015) recognized competitive advantage as the ability to offer unique services dissimilar to competitors by exploiting organisational strengths so as to add value that will be difficult for competitors to imitate. The position of Sarprong and Tandoh (2015) corresponds with Dressler (2004) that competitive advantage can only be attainable and achievable when services offered have unique characteristics that agree to key buying criteria of a substantial number of customers. However, Dirisu, Iyiola, and Ibidunni (2010) state that competitive advantage laboriously achieved can be lost quickly and engender certain barriers that make imitation difficult. Without sustainable competitive advantage, above average performance is usually a sign of competitive harvesting (Porter, 1985). Barney and Hesterly (2008) identified two types of competitive advantage as a temporary and
sustainable competitive advantage. Temporary competitive advantage is concerned with high profits as these profits attract competition, and such competition limits the duration of competitive advantage in most cases while the sustainable competitive advantage is the inability of competitors to imitate the source of advantage (Barney & Hesterly, 2008; 2010). In the context of this work, competitive advantage is the inherent leaders’ capabilities to offer unique services within the same industry that grants superior performance vis-à-vis industry competitors.

Empirical Review: Strategic Leadership Dimensions and Competitive Advantage

Academic consensus exists among scholars (Al-maki & Juan, 2018; Machi, Dolan & Tzafrir, 2010; Olanipon, Olumuyiwa & Akinola, 2018; Strukan, Nikolic & Sefic, 2017) regarding the positive effect of strategic leadership on competitive advantage. Notable researchers (Andersson & Zbirenko, 2014; Wang, Tsui & Xin, 2011; Zoogah, 2011) have systematically examined strategic leadership and its effect on the competitive advantage of service firms with results pointing to a positive significant relationship. The aforementioned studies assert that certain leadership skills enhance strategic leadership thus improving competitive advantage.

Mahdi and Almsafir (2014) found risk-taking in the form of human capital to have positive significant interaction with a competitive advantage. This finding created scholarly curiosity as Masunungo, Marangu, Obunga, and Kilungu (2015) expanded the inference with strategic intent connoting a positive significant relationship on competitive advantage moderated by organizational factors. These findings are attributed to the apex leaders’ inherent capabilities to create an envisioned future for the organisation by harnessing the subordinates and stakeholders’ interest. Kagathi (2013) points towards the positive significant influence of strategic decision-making, strategic direction, and communication and competitive advantage. The study of Kariuki (2015) factored commitment, strategic planning, and communication into the discussion with findings indicating significant nexus between strategic decisions and competitive advantage.

Likewise, Cheng, Wang, and Zhang (2011) found a strong significant impact of decision-making on competitive advantage. However, the findings of Okoji (2014) found a negative interaction between decision making and competitive advantage. This divergent view is based on the method of data analysis utilized for these studies. Numerous scholars have fueled the discourse of ethical practices through core values (Khademfar, Idris, Omar, Ismail & Arabamiry, 2013), integrity (Darcy, 2010) while others (Hassan, Mahsud, Yukl & Prussia, 2012; O’Connell & Bligh, 2009) have investigated the inevitability of top management personal values which significantly affects competitive advantage. Interestingly, Tutar, Altinoz, and Cakiroglu (2011) found a negative linkage between ethical practices and competitive advantage. The difference in perspective was majorly an outcome of contextual representation of strategic leadership.

The resource-based view theory was used to explain the relationship between strategic leadership and competitive advantage (Kraijenbrink, Spender & Groen, 2010). The resource-based view theory which was formerly known as resources advantage theory as propounded by Penrose (1959) is a dominant theoretical approach in the field of strategic management which focuses on firm’s resources in achieving a commitment to continuous development to gain market advantage. Resource based theory of the firm seeks to elucidate the internal sources of a firm competitive advantage (Kraijenbrink, et al., 2010). The resource-based view of the firm focuses on the relevance of organisation unique resources in accomplishing sustainable competitive advantage as it improves the mechanism of choosing resources with great potential value (Agha, Alrubaiee, & Jamhour, 2012). Armstrong and Shimizu (2007) posit that most research using the resource-based view as the theoretical framework have centred mostly on intangible resources of top executives which include decision making, communication, risk taking, ethical practices, and strategic intent. Boal and Schultz (2007) posits that strategic leaders provide accessibility to new resources and opportunities through their use of storytelling in communicating the transformational envisioned future of the organisation vision. This ability of strategic leaders in terms of risk appetite, team building, and synergetic, knowledge and expertise has allowed firms to evolve by mopping, mapping and learning adaptive strategies to enhance successful operation in the complex and competitive environment, leading to the attainment of above average returns.

3.0 Material and Methods

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The cross-sectional survey research design was employed for this study. This is consistent with scholars such as Al-Malki and Juan (2018); Chepkirui (2012) and Kitonga (2013) who examined the effect of strategic leadership on competitive advantage. The population of the study consists of 277 top-level management staff, holding strategic positions in the selected service firms in Lagos and Ogun States. The service firms were disaggregated into four categorical areas; educational services, financial services, health care delivery, and hospitality services. Criteria were established for pre-selection in each of the identified domain. For the financial services, the deposit money banks with the highest total equity and highest profit as at 2017 financial report were selected. The educational services were four private universities in Ogun state with over 10 years of the establishment. The healthcare delivery sector, three hospitals were selected based on their multidisciplinary/multi-specialist services and with over 100 number of beds. The hotels in the hospitality sector were selected based on the location of their head offices, their ranking as five-star hotels and number of rooms (≥300). Purposive sampling technique was utilized to select the top management team saddled with strategic decision and policy making. The sample size of 277 top management team was determined through the total enumeration method as the study population is not large. The primary method of data collection was utilized through the aid of an adapted questionnaire with a six-point scale. The six (6) point interval scale ranges from 6 points indicating Very high, and 1=Very low.

A pilot study was carried out to establish the validity and reliability of the research instrument. The content, face and construct validity were established. Construct validity of all variables involved in the study were established through Exploratory Factor Analysis using Varimax extraction method. The values of AVE for the variables ranged from 0.718 to 0.984. These values are above the minimum threshold of 0.500 and therefore implies that each variable on average is able to explain more than half of the variance of its indicators. The reliability was established using internal consistency test via the Cronbach alpha. The value of the Cronbach’s alpha ranged from 0.71 to 0.91 which shows that the research instrument has a high level of reliability.

Econometric Model Specification

Y= Competitive Advantage
X= Strategic Leadership (x₁, x₂, x₃, x₄, x₅)

Where;

x₁= Risk Taking (RT)
x₂= Communication (CO)
x₃= Decision Making (DM)
x₄= Strategic Intent (SI)
x₅= Ethical Practices (EP)

Functional Relationship; Y= f(x₁, x₂, x₃, x₄, x₅)

Regressed Model

CA= β₀+ β₁RT+ β₂CO+ β₃DM+ β₄SI+ β₅EP+μᵢ

the β₀= constant of the equation or constant term
βᵢ= Parameters to be estimated
μᵢ= error or stochastic term

The crux of this study is based on the resource-based view (Penrose, 1959) which literature (Collins, 2001; Kaplan & Norton, 1992, 2000) have identified as drivers of performance (competitive advantage). The assumption is that a competitive advantage (Y) is a progenitor of strategic leadership (X). The resource-based view sees leadership and its subs (x......x) as internal strength and essential self-renew sources to drive and sustain competitive advantage and other superior performance. The implication denotes that a bundle and the qualities of these resources which are valuable and inimitable have a direct effect on competitive advantage. This work borrowed from the position of Penrose (1959) by positing that the unique and intangible resources...
(X) and its (x……x)\(^n\) affects competitive advantage (Y). This is expressed mathematically as \(CA = \beta_0 + \beta_1RT + \beta_2CO + \beta_3DM + \beta_4SI + \beta_5EP + \mu_i\). The a priori expectation is that if \(p \leq 0.05\) and \(\beta_i \neq 0\) (where \(\beta_i\) represents \(\beta_1, \beta_2, \beta_3, \beta_4, \beta_5\), and \(\beta_6\)); the null of the hypothesis will be rejected. Ethical consideration was observed during the administration, collection, and processing of research instruments based on proxies of anonymity, confidentiality, and conflict of interest.

4.0 Result

Data treatment was carried based on the main proxies of regression; multicollinearity, linearity, normality and homoscedasticity tests. The multicollinearity test was established through the variance inflation factor and tolerance. The obtained VIF value is between 1 to 10 hence, it can be concluded that there are no multicollinearity symptoms and the corresponding tolerance values are above 0.10. The normality test result indicates that the residuals are normally distributed and has a goodness of fit while homoscedasticity test shows that variance of the error terms is similar across the values of strategic leadership dimensions. The result of the linearity test indicates that the predictor variables (strategic leadership dimensions) in the regression have a straight-line relationship with the outcome variable (competitive advantage). Based on the test carried, the data can be said to be fit.

Tables 1(a-c) depicts the multiple regression output of the variables under study with results of the fitness of the model, analysis of variance, coefficient of determination. The findings, interpretation, and implications follow thereafter.

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<thead>
<tr>
<th>Table 1(a)</th>
<th>Model Summary</th>
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<tbody>
<tr>
<td>Model</td>
<td>R</td>
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<tr>
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<td>0.853*</td>
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a. Predictors: (Constant) risk taking (RT), communication (CO), decision making (DM), strategic intent (SI) and ethical practices (EP). Dependent Variable is CA = Competitive Advantage

Source: Field Survey Result, 2018

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<th>Table 1(b)</th>
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<tr>
<td>Model</td>
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<td>Regression</td>
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<td>Residual</td>
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<td>Total</td>
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a. Dependent Variable: CA = Competitive Advantage
b. Predictor: (Constant) risk taking (RT), communication (CO), decision making (DM), strategic intent (SI) and ethical practices (EP).

Source: Field Survey Result, 2018

<table>
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<tr>
<th>Table 1(c)</th>
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<tr>
<td>Model</td>
<td>Unstandardized Coefficients</td>
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<td>1</td>
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a. Dependent Variable: CA = Competitive Advantage

Source: Field Survey Result, 2018

Table 1(a) reveals the model summary with values of R, R-Square and Adjusted R Square. The coefficient of multiple correlations (R=0.853) shows a strong positive correlation exists between strategic leadership dimensions and competitive advantage. The coefficient of determination \(R^2\) value reveals competitive advantage accounts for 72.8% variation in strategic leadership dimensions. The adjusted coefficient of
determination (Adj. $R^2$) of 0.721 shows that a combination of risk taking, decision making, communication, strategic intent, ethical practices can only be explained by 72.1% of the variation in competitive advantage. However, the model did not explain 27.9% of the variation in competitive advantage, implying that there are other factors associated with a competitive advantage which were not captured in the model.

Table 1(b) shows the ANOVA result. The result revealed that overall, the explanatory power of the model was considered statistically significant with the F ratio output of the model reporting a P-value of .000 ($F(5, 192) = 102.579, p<0.05$). Table 1(c) gives beta coefficient to enable the researcher to construct a regression equation. As depicted in the Table, the three best predictors are risk taking, decision making, and strategic intent. The results reveal that risk taking ($\beta=0.234, p<0.005$), decision making ($\beta=0.515, p<0.005$) and strategic intent ($\beta=0.371, p<0.005$) were positively and statistically significant to competitive advantage, however, communication ($\beta=0.234, p=0.099$) and ethical practices were statistically insignificant ($\beta=0.234, p=0.432$) to competitive advantage.

**Regression Model**

\[
CA= 0.204+0.234RT+0.515DM+ 0.371SI
\]

Where;

- CA=Competitive Advantage
- RT= Risk Taking
- DM= Decision Making
- SI= Strategic Intent

From the above regression equation, it was revealed that holding risk taking, communication, decision making, strategic intent and ethical practices constant, the competitive advantage would be at 0.204. A unit increase in risk taking would lead to 0.234 increase in competitive advantage, a unit increase in communication would lead to 0.150 increase in competitive advantage, a unit increase in decision making would lead to 0.515 increase in competitive advantage, a unit increase in strategic intent would lead to 0.371 increase in competitive advantage while a unit increase in ethical practices would lead to 0.058 increase in competitive advantage. The results show that risk taking, decision making, and strategic intent were most significant among the strategic leadership components. Since most of the regression coefficients were significant as indicated in Table 1c, the hypothesis was rejected. Therefore, the null hypothesis one which states that strategic leadership components have no significant effect on the competitive advantage of selected service firms in Lagos and Ogun States is hereby rejected.

**Discussion of Findings**

The result of hypothesis one revealed that strategic leadership dimensions have a significant effect on competitive advantage (Adj.$R^2$ =0.721, $F=102.579, p<0.05$). The result reveals that strategic leadership component explains 72.1% of the total variations in competitive advantage (Adj.$R^2$ =0.721, $F=102.579, p<0.05$) which is statistically significant. The result revealed that risk taking, decision making, and strategic intent are statistically significant in explaining the competitive advantage of selected service firms in Lagos and Ogun States in Nigeria. The deduction from the result revealed that strategic leadership components have a significant effect on competitive advantage in selected service firms in Lagos and Ogun States especially risk taking, decision making and strategic intent. This cannot be farfetched because most of these service firms engage in critical decision making which directly affects their competitive edge and superior performance. The results also show that a proper understanding of the strategic intent in terms of the group goals, envisioned future and alignments with the set goals have a direct effect on competitive advantage. Also, the risk-taking capability of the top management in engaging in both calculated and uncalculated risk in an uncertain industry environment contributes significantly to achieving and sustaining competitive advantage. Achieving competitive advantage boils down to the strategic leader’s ability to take risks, make appropriate decisions, effectively communicate
the strategic intent to their subordinates. This result corroborates with the scholarly documentation of Al-maki and Juan, (2018); Machi, Dolan and Tzafrir, (2010); Olanipon, Olumuyiwa and Akinola, (2018); Strukan, Nikolic and Sefic, (2017) with findings revealing positive significant effect of strategic leadership on organisational performance with respect to competitive advantage.

Notable researchers (Andersson & Zbirenko, 2014; Wang, Tsui & Xin, 2011; Zoogah, 2011) have systematically examined strategic leadership and its effect on the competitive advantage of service firms with results pointing to a positive significant relationship. The aforementioned studies assert that certain leadership skills enhance strategic leadership thus improving competitive advantage. This finding resonates with the results of the study that reveals risk taking, decision making and strategic intent as significant leadership attributes that enhances achieving and sustaining competitive advantage. Mahdi and Almsafir (2014) found risk-taking in form of human capital to have positive significant interaction with a competitive advantage which was in coherence with the findings of this study as risk taking was found to have a significant effect on competitive advantage. This can be attributed to the nature of firms investigated in this study as they have to constantly take risks in order to provide services different from their rivals. This finding created scholarly curiosity as Masungo, Marangu, Obunga, and Kilungu (2015) expanded the inference with strategic intent connoting positive significant relationship on competitive advantage moderated by organizational factors which in tandem with the findings of this study ($\beta=0.371, p<0.005$). These findings are attributed to the apex leaders’ inherent capabilities to create envisioned future for the organisation by harnessing both the subordinates and stakeholders’ interest. Kagathi (2013) position was in tandem with this study as it points towards the positive significant influence of strategic decision-making, strategic direction, communication on competitive advantage.

The study of Kariuki (2015) factored commitment, strategic planning, and communication into the discussion with findings indicating significant nexus between strategic decisions and competitive advantage. The findings of Kagathi (2013) and Kariuki (2015) were in line with the results of this study connoting a positive significant effect of decision making on competitive advantage. This has been attributed to the significant impact of strategic leadership on competitive advantage. This is further supported by the upper echelon theory which posits that the top manager’s interpretation of the general business environment influences the strategic decisions which have a substantial effect on organisational output and competitiveness. Likewise, Cheng, Wang, and Zhang (2011) found a strong significant impact of decision-making on the competitive advantage which is consistent with the findings of this study. However, the findings of Okoji (2014) found a negative interaction between decision making and competitive advantage. This divergent view is based on the method of data analysis utilized for these studies.

The study is inconsistent with numerous scholars that have fueled the discourse of ethical practices through core values (Khademfar, Idris, Omar, Ismail& Arabamiry, 2013), integrity (Darcy, 2010) while others (Hassan, Mahsud, Yukl & Prussia, 2012; O’Connell & Bligh, 2009) have investigated the inevitability of top management personal values which significantly affects competitive advantage. The results showed that ethical practices might not necessarily be a yardstick for achieving competitive which was supported by the findings of Tutar, Altinoz, and Cakiroglu (2011) found a negative linkage between ethical practices and competitive advantage. The difference in perspective was majorly an outcome of contextual representation of strategic leadership.

Strategic intent is a crucial aspect in directing and mobilizing the workforce towards the accomplishment of the organizational goals or objectives hence leading to competitive advantage. The essentiality of strategic intent is also evident in this study as it was to have a significant positive effect on competitive advantage ($\beta=0.161, p<0.005$). This is in congruence with the findings of Dinwoodie, Quinn, and McGuire (2014) which revealed that a combination of strategic intent and communication results in a positive significant effect on firms’ competitive advantage. Dinwoodie, et al (2014) further expanded the discourse to subordinates understanding of the plan, and the likelihood of this to create an engaged and feedback-friendly workforce. Likewise, Muraguri (2016) sustained the findings of Dinwoodie, et. al. (2014) with the result that revealed vision and feedback mechanism significantly predicted firms’ competitive advantage.
Odita and Bello (2015) and Kapferer (2012) found a positive significant effect of communication on competitive advantage. Kapferer (2012) revealed that communicating an envisioned future of the organisation to stakeholders and subordinates’ team significantly affects firms’ competitive advantage. Giving credence to the studies of Odita and Adams (2015); Kapferer (2012) is the work of Mariadoss, Johnson, and Martin (2014) with findings revealing a positive significant effect of communication on competitive advantage. Correspondingly, competitive advantage is achievable by combining and leveraging centre resources, competences, and essential capabilities to realize the vision, mission, and objectives of an organization. Scholars (Kagathi, 2013; Kiarie & Minja, 2013; Mutia, 2015) have emphasized that strategic leadership is about promoting and sustaining competitive advantage.

5.0 Conclusion/Recommendation

The result concluded that strategic leadership is a major strategy for achieving a firm’s competitive advantage. The theoretical crux of this study which is the resource-based view further supported this assertion by stating that firms need to focus on the relevance of organisation unique intangible resources in form of risk taking, decision making, communication, strategic intent, and ethical practices in order accomplish sustainable competitive. The recommendation was made to corporate managers to give adequate attention to risk taking, decision-making and strategic intention of their organisation in order to have a sustainable competitive advantage. In addition, leadership skills and personality should be factored into future research to determine their moderating role in engineering competitive advantage.

References


