

STRATEGIC AGILITY AND COMPETITIVE ADVANTAGE: EXPLORATION OF THE ONTOLOGICAL, EPISTEMOLOGICAL AND THEORETICAL UNDERPINNINGS

Abstract

This paper aims and seeks to explore the question of ontological and epistemological foundations of the major constructs in the study – strategic agility and competitive advantage - by reviewing relevant literature on related theories such as: game, industrial organisation (I/O), resource-based view (RBV), dynamic capability, institution, population ecology, strategic choice perspective, and organisation learning theories. The main purpose is to ensure that the study on strategic agility and competitive advantage in Deposit Money Banks (DMBs) in Nigeria meets the scientific prescription that every research worth its salt must be rooted in and traced to a specific baseline theory (ies) within, in this case, the body of management theory. Hence, a review of literature was carried out to trace and identify the specific theory (ies) in which to ground the study. Based on the insights gained from the literature review, we have opted to anchor the study on dynamic capability perspective (DCP) which is an extension of the resource-based-view (RBV), strategic choice perspective (SCP), organization learning (OLT) and industrial organization (I/O) theories which culminate in what we refer to as RBIO hybrid theory. It is significant to add that the outcome of this study would go a long way to enrich the extant literature in the field of strategic management in particular and knowledge within the purview of management in general.

Key words: Strategic agility, competitive advantage, ontological, epistemological, theoretical, strategic myopia, strategic inertia and agile organisations, RBIO hybrid theory.

Introduction

Competitive advantage is one of the opportunities many business organisations seek to seize in their choice industries. Technically put, competitive advantage means an edge that a business organization has over its competitors assessed based on acceptable performance measures which could be financial, non-financial or both (Kazmi, 2002, Thompson & Strickland, 2003, Ma, 1999a; cited in Raduan, Jegak, Haslinda & Alimin, 2009; David, 2013). An organization which enjoys competitive advantage in its chosen industry is in a vantage position to wax stronger as long as it continues to meet its obligations to its stakeholders amid the prevailing competitive landscape (Kazmi, 2002; Weihrich, Cannice & Koontz, 2013). Ma (1999a) cited in Raduan *et al* (2009) describes this experience with the acronym SELECT meaning, substance, expression, locale, effect, cause and time-span. This calls for the knowledge of what constitutes competitive advantage (substance), how it is stated and recognized in organization such as monopoly rents (profits) derivable from market power or Ricardian rents obtainable from superior resources (expression), whether it is located in the tangible or intangible resources in organization (locale), its outcome (effect) and what influences it (cause) and the duration within which it can be exploited to its fullest potentials and possibly sustained (time-span), (Ma, 1999a; cited in Raduan *et al*, 2009; Grant, 2008). The Nigerian banking sector in which Deposit Money Banks (DMBs)

operate, competitive advantage seems threatened owing to intense competition which is commonplace in the industry. This explains in part, the reduction in the numerical strength of functional banks from twenty five (25) upon bank consolidation in 2005 to nineteen (19) in 2016 (Ana, 2007; Olukotun, Ademola, Olusegun & Olurunfemi, 2013; Godslove & Okonkwo, 2015). The six (6) banks viz: Oceanic Bank, Keystone Bank former Bank PHB, Mainstreet Bank former Afribank, Intercontinental Bank, Enterprise Bank former Spring Bank and Equitorial Trust Bank that could not withstand the heat of hyper-competition in the industry amongst other factors succumbed to mergers, outright acquisition, takeovers and other strategic arrangements by other stronger banks or Asset Management Corporation of Nigeria (AMCON).

Competitive advantage thus becomes an important objective towards the realisation of which strategic decisions are made and corporate efforts galvanised and aligned accordingly. Competitive advantage which can be for temporary period or ephemeral has to be attained in the first instance before its sustainability can be contemplated and pursued, (Thompson & Strickland, 2003). The desire to achieve competitive advantage makes it imperative for some offensive strategies to be formulated and implemented. These offensive strategies include: cost leadership, product differentiation, human resources and capabilities etc., (Thompson & Strickland, 2003; Raduan, *et al*, 2009). However, competitive advantage in this work is measured using low-cost leadership and product differentiation (Porter, 1985; Al-Zoubi, 2012). Some researchers and scholars have argued in the strategic management literature that only factor market or input resources reflected in suppliers' conditions, organisational human resources and competencies can deliver competitive advantage (Porter, 1998). This perspective though useful, is more or less inward looking and evokes what can be termed "strategic myopia" (Wheelen & Hunger, 2010).

Our stance in this study is that unless suppliers' conditions, human resources and competencies are manipulated, directed and focused on cost reduction in the value chain activities and product differentiation is carried out fairly frequently, competitive advantage may not be achieved let alone sustaining it which underscores the importance of industry structure and competitive position as well as organisational capabilities and competencies (Porter, 1985, 1998; Godfrey & Hill, 1995; Hitt, Ireland & Hoskisson, 2013). Hence, both human resources and focus on low-cost leadership as well as product differentiation must be integrated and vigorously pursued to make competitive advantage achievable (Porter, 1985, 1998; David, 2013; Wan, 2014). Competitive advantage has been studied using different management constructs. But in this study, we have opted to look at competitive advantage from the lens of strategic agility. It cannot be gainsaid that everything about human existence on the planet earth is inextricably linked or tied to environment. Admittedly, human environment which comprises the land, the sea and the air is fraught with problems which necessitate researches as instruments of advancement of scientific knowledge to proffer solutions to identified problems. Expectedly, every study or research begins with identified problem in need of solution which can be tackled using the theoretical or empirical or both approaches to better the understanding of the social reality or phenomenon under investigation. The choice approach depends essentially on the aim and the objective which the research seeks to achieve (Baridam, 1995; Hill & Godfrey, 1995; McNabb, 2012). It is critically important to tease out and put in context, the ontological, epistemological

and theoretical concerns that ideally undergird a given study. Doing so affords the researcher the opportunity to have a penetrating insight into the ontological sub-strata which therefore makes it possible for the researcher to repeatedly reflect on the near best approach to undertake the study whether basic or applied (McNabb, 2012; Bracken, 2010). This explains exactly what this paper seeks to do in terms of locking down the ontological and epistemological foundations of this study in order to deduce the relevant theories on which to anchor the research work on strategic agility and competitive advantage of Deposit Money Banks (DMBs) in Nigeria.

Ontological Basis

Broadly, two categories of research approaches abound and they include logical positivism and post-positivism (realism) which are further subordinated to deductive-nomological (DN) or inductive approach (Baridam, 1995; Hill & Godfrey, 1995; Bracken, 2010; McNabb, 2012). At a time in the course of advancement of human civilisation, all forms of knowledge as we know them today belonged to a body of knowledge known as “natural philosophy” (Ucheaga, 1994). Central to all the philosophical debates over the decades, the logical positivism (empiricism) has been pitched against the post-positivism (realism) (Godfrey & Hill, 1995; McNabb, 2012). At the centre of the famous and endless debate is the issue of the process by which knowledge with truth value can be deduced (McNabb, 2012). On the one hand, the logical positivism relying on deductive-nomological, syllogistic or mathematical approach and verificationist theory of meaning holds that only theories devoid of unobservable elements can be empirically tested and verified to generate knowledge with truth value. On the other hand, the post-positivism (realism) strongly argues that theories with unobservable elements as typical of strategic management theories can and do lead to knowledge with truth value especially when tested and explained in terms of the observables (Godfrey & Hill, 1995; McNabb, 2012).

Competitive advantage and strategic agility as well as strategy itself are issues in strategic management that have preoccupied and engaged the minds of keen researchers in the area of competitive dynamics (Porter, 1998). They constitute social realities with far-reaching implications for business organisations in recent times more than ever before. This is due to the increasing wave of competition associated with the forces of globalization and liberalization which shape and drive the management of different businesses within the global economies in the 21st century leading to the emergence of agile organisations (Drucker, 1999; Weihrich, Cannice & Koontz, 2013; Rigby, Sutherland & Takeuchi, 2016). Given however, the social and administrative nature of the research problem, we elect to adopt the post-positivism (realism) approach which started to gain popularity in the middle of 20th century. In other words, the research work is definitely premised on the realist philosophy of science. This ontological analysis would be followed by epistemological and theoretical orientations in that sequential order (Godfrey & Hill, 1995; McNabb, 2012)

Epistemological Foundations and Analyses

From strictly philosophical standpoint, epistemology is derived from the Greek word episteme which literally means scientific knowledge. According to Stanford Encyclopedia of Philosophy (2005) epistemology in a narrow sense, refers to the fundamental source or root of knowledge in

a given area and justified belief. In a broad sense however, it connotes the creation and acquisition of knowledge in a particular area. The term “strategic” which prefixes agility as an exogenous and independent variable in the study is an adjective derived from the noun “strategy.” The word strategy in itself comes from the Greek word “strategia or strategos” which connotes generalship or the art of general (Cleary, 1988; Kazmi, 2002; Grant, 2008). However, its pioneering application is rooted in the traditional military tactics and logistics as typically captured and vividly described in Sun Tzu’s Art of War put together about 500BC (Cleary, 1988; Harrigan, 2000; Kazmi, 2002; Grant, 2008). Strategy has no precise meaning (Kazmi, 2002) and as such, it means different things to different people and scholars in the field of strategic management inclusive. Sometimes strategy is confused with tactics.

Although the two concepts are related, they do not however, mean the same thing. Strategy signifies all-embracing plan which guides effective resource deployment to attain desirable competitive position in the marketplace and tactics refers to specific activities carried out to facilitate accomplishment of a particular strategic plan. Tactics concerns itself with winning the battle while strategy is about winning the war (Grant, 2008). In business parlance and within the context of the study, tactics can be rendered as or likened to securing competitive advantage which is an interim achievement and strategy implies efforts at sustaining the competitive advantage over time which is more all-embracing, demanding and enduring pursuit. This stark reality points to the complex nature and difficult landscape or path along which strategy has sojourned over the years (Kazmi, 2002; Hitt, Ireland & Hoskisson, 2013). In the circumstance, a careful review of some definitions of strategy given by experts, researchers and standing scholars in the field would be germane and instructive.

Thompson & Strickland (2003) view strategy as both competitive moves and business approaches adopted by managers to attract customers and ensure successful competition which helps to realise corporate objectives. Hitt, Ireland & Hoskisson (2013) define strategy as an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain competitive advantage. Hill & Jones (2013) assert that strategy is a set of related actions that managers take to increase their company’s performance. Wheelen & Hunger (2010) and Schermerhorn (2010) consider strategy to be a comprehensive plan that specifies how a company will allocate resources to actualise its mission and objectives in the short run and vision and goals in the long run. Pearce & Robinson (1991) regard strategy as the game plan of large-scale and future-oriented activities a company adopts in order to interact with the competitive environment to realise set corporate objectives. Chadler (1962) defines strategy in terms of stating the long run goals and objectives, specifying the courses of action to be taken and allocation of the requisite resources to attain the set goals. Quinn (1980) views strategy as a means by which organisational key goals, policies and chain of actions are integrated into a common whole for ease of execution.

Andrews (1971) identifies strategy with a set of objectives, purposes or goals including major policies and plans designed to achieve the goals articulated in such a way as to specify the business the company is in or is to be in and the kind of company it is or desires to be. In the same vein, Drucker (1999) regards strategy “as the conversion of the theory of business dealing

with assumptions as to what its business is, what its objectives are, how it defines results, who its customers are, what the customers value and pay for.” Ansoff (1965) describes strategy as “the common thread among the organisation’s activities and product-markets... that defines the essential nature of business that the organization was or planned to be in future.” To Glueck (1976) strategy is “a unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.” However, Porter (1980) states that strategy concerns (... developing, communicating the company’s unique position, making trade-offs and forging fit among activities.” Pisano (2015) views strategy as “nothing more than a commitment to a set of coherent, mutually reinforcing policies or behaviours aimed at achieving a specific competitive goal.” In sum, strategy can be considered as having to do with making choices and specifying a clear direction along which corporate efforts are aligned and galvanized and corporate resources allocated and deployed to attain set goals.

The term “agility” expressed in Latin as “agilitas” and translates literally as the ability to think and draw conclusions quickly (intellectual acuity) was first used in the parliamentary proceedings of the House of Lords in Britain before Lord Hinton between 1737- 1738 in 18th century. This took place on the occasion of the dismissal of innocent officers from the army by His Majesty based on misrepresentation and also following the planned reduction in the strength of the army (History and proceedings of the House of Lords..., Vol. 5 (UK)). Strategic agility therefore signifies the ability of an organisation to foresee, act and respond proactively strategy-wise to internal weaknesses or external opportunities and threats which affect the organisation. In other words, strategic agility connotes bias for swift and prompt response and action by an organization in rapidly adjusting its choice strategy to take care of issues affecting the organization (Reeves, Zeng & Venjara, 2015). Strategic agility as a contemporary business construct or coinage was first introduced into the lexicon of strategic management in 20th century as a result of a research sponsored by the U.S., government in 1991 at Iacocca (Abu-Radi, 2012). On the other hand, the concept of competitive advantage though troublesome to define to satisfy all interests can be regarded as an edge which a firm has over its rivals in the marketplace or same industry by being more unique in meeting its customers’ needs than the competitors (Thompson & Strickland, 2003; Grant, 2008; David, 2013; Pisano, 2015; Collis, 2016). Competitive advantage which probably started to gain currency in the 1980s is closely identified with the work of Michael Porter (Porter, 1985, 1998). Our discourse deliberately dove-tails into theoretical consideration which according to Blum & Naylor (2004) constitutes the root of research work while empiricism is its fruit.

Theoretical Perspective and analyses

A theoretical concept does not necessarily mean that the concept is impractical or beyond the reality. Rather, a theory is a careful way of explaining away the relationship between concepts and thus, better the appreciation of certain practical situations. According to Greenberg & Baron (2000), a theory refers to a set of statements about interrelationships between concepts that allow us to predict and to explain various processes and events (phenomena or social realities). Unlike in the natural sciences where theories are couched in syllogistic forms and mathematical equations, social sciences and management sciences in particular frame theories on the basis of

assumptions (Greenberg & Baron, 2000). Business organisations such as Deposit Money Banks in Nigeria operate in a very dynamic environment where hyper-competition remains the defining factor and competitive advantage which could be in terms of outcomes such as profits, market share, customer loyalty, technology, executive perquisites and so on and so forth represents an opportunity which is not cheap to seize (Rijamampianina, Abratt & February, 2003; Grant, 2008; Wheelen & Hunger, 2010). Rich D'Aveni (cited in Grant, 2008; Wheelen & Hunger, 2010) adopted the term hyper-competition in business more or less to describe a game where there are winners and losers especially as it concerns the organisations' efforts and strife to achieve and build competitive advantage by neutralising the competitive position of their competitors. This provides the springboard to examine the theory of games within the purview of competitive dynamics.

Game Theory

Von Neumann and Morgenstern (cited in Grant, 2008) introduced the theory of games in 1944 in effort to fill the vacuum created by the lack of general theory of strategy. The theory of games had since been revolutionary and apparently useful in the study of competitive behaviour and interaction especially in the 1990s. It shapes strategic decisions and enhances prediction of outcome of competitive positions which helps to identify optimal strategic choices in many fields beyond business. It also encourages both competition and cooperation as often reflected in cooperative consortium and strategic alliances – a phenomenon technically referred to as co-opetition. It introduces deterrence, provokes commitment, alters the structure of the game from win-lose or lose-lose into win-win outcome and signaling among competing players in the marketplace or industry (Grant, 2008; Schermerhorn, 2010). However, its practical utility and application as a general theory of strategy remain largely restrictive and limited (Grant, 2008).

Industrial Organisation Theory (I/O)

This theory which is of industrial organization economics' origin and developed by Michael Porter in the 1970s through 1980s hinged on astute understanding of the external environment of the organisation as sources of profit with special attention on the industry structure and characteristics reflected in the five forces of industry attractiveness. These five forces include: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products and rivalry among existing competitors to guide strategy to cope with competition in the business arena (Porter, 1998; Kazmi, 2002; Grant, 2008; Hitt, Ireland & Hoskisson, 2013; Hill & Jones, 2013; David, 2013). It identifies low-cost leadership based on the sale of standardized products and services at costs below the competitors' and sale of differentiated products and services driven by innovation at premium prices to willing customers as the key competitive business strategies (Grant, 2008; Hitt, Ireland & Hoskisson, 2013).

It was inferred on the strength of research findings that firms that executed strategies fashioned in line with the needs of external environment succeeded while those that neglected the demands of the external environment failed to succeed. The research findings also indicated that 20% of organisation's profitability was due to the industry in which the organization operated and 36% difference in profitability of the organisation was attributed to industry characteristics and action (Hitt, Ireland & Hoskisson, 2013). The importance and relevance of this theory to strategy seems

to inform the corporate practice whereby chairmen's statements at Annual General Meetings (AGMs) of almost all Deposit Money Banks (DMBs) usually commence with the overview of the global and national business environments (Keshi, 2013). This framework has been criticised as deficient and static in nature because it has been adjudged to be incapable of responding to the dynamism of the operating environment of businesses. Moreover, the framework treated competition as the moderating variable and considered inter-business relationship as purely and strictly always competitive in nature thereby ignoring the interactions that do occur between and among businesses as well as the role of complementary products and services as the sixth variable in the framework (Grant, 2008). This theory is illustrated in the following schema:

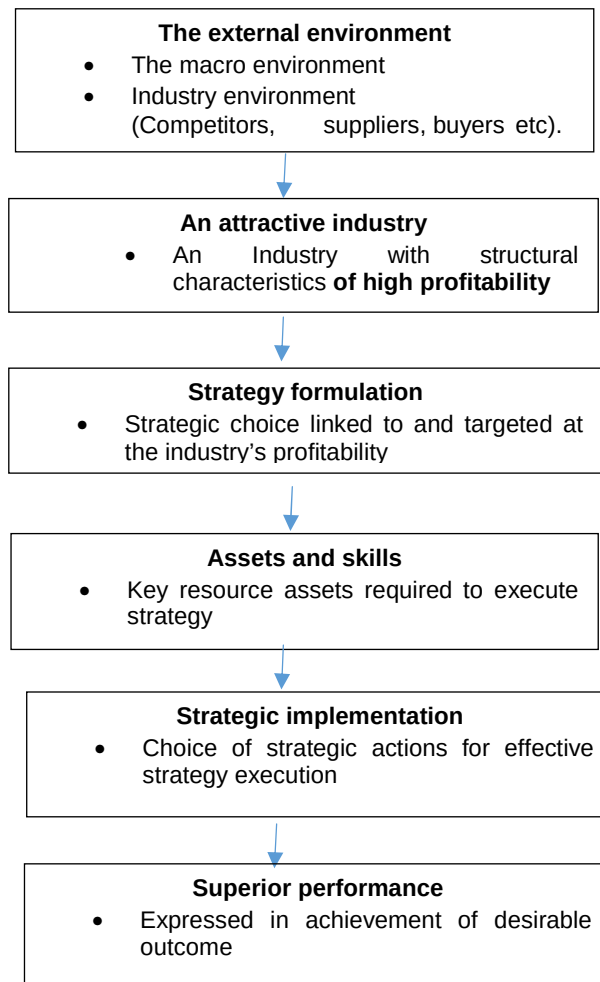


Fig. 1.1: The industrial organization (I/O) model.

Adapted Hitt/Ireland & Hoskisson (2007, 2013). Strategic management concepts and cases: Competitiveness and Globalization.

Resource-Based View (RBV) Theory

The resource-based view (RBV) theory developed and closely associated with Penrose (1959) became popular in strategic management literature around 1990 (Grant, 2008; Raduan *et al*,

2009). The theory introduced a dramatic paradigm shift of focus from external environment as sources of a firm's profit to the internal resources of the organisation's internal environment (Grant, 2008; Raduan *et al*, 2009). It is the antithesis to the industrial organization theory. The thrust of this theory is that organisation's tangible resources and intangible resources in particular constitute the sources of competitive advantage (Thompson & Strickland, 2003; Grant, 2008; Hitt, Ireland & Hoskisson, 2007, 2013; David, 2013). The application of resources to achieve a particular task represents capability and when the capability helps organisation to excel in the performance of a given task better than other internal activities, core competence sets in. The core competence builds up and transforms into distinctive competence when it enables an organisation to outcompete its competitors in the marketplace as reflected in the fig. 1.1 below (Thompson & Strickland, 2003; Hitt, Ireland & Hoskisson, 2007, 2013).

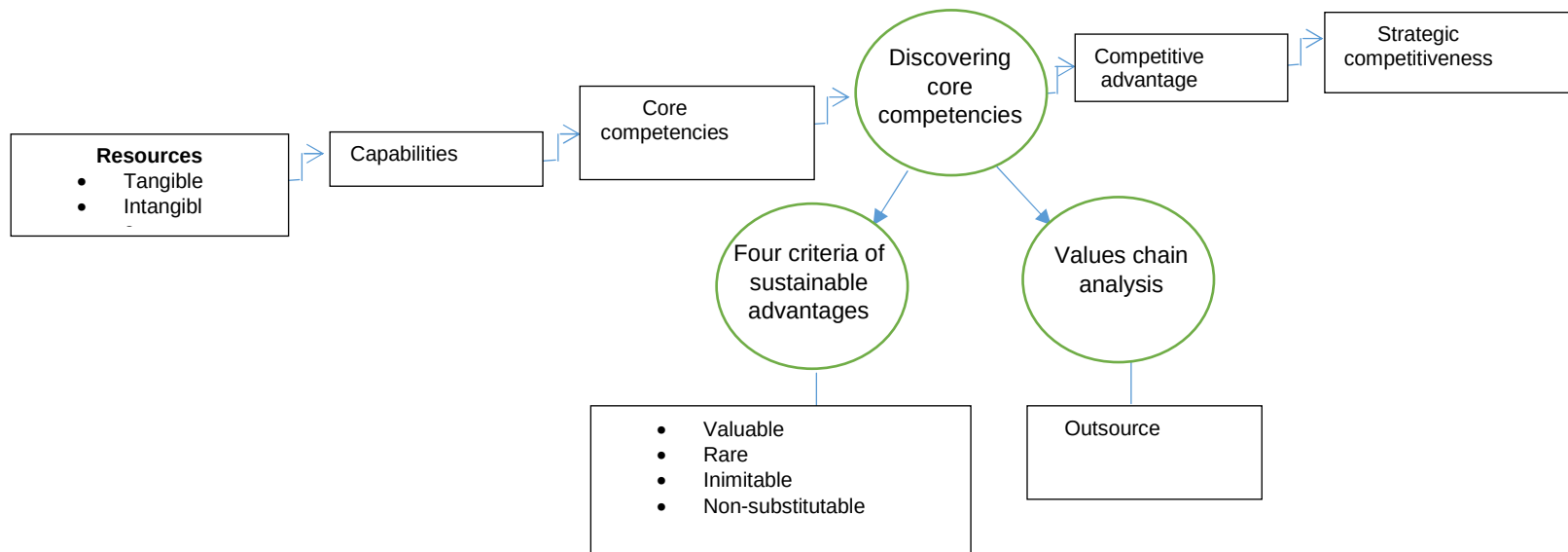


Fig 1.2: Component of internal analysis, showing competitive advantage and strategic competitiveness

Adapted from Hitt/Ireland & Hoskisson (2007, 2013). Strategic management concepts and cases: Competitiveness and Globalization.

Overall, the resource-based view (RBV) holds that organisations should exploit and maximise the differences in their resource endowments, capabilities and competencies as bases to design strategies to gain competitive advantage in the market arena because the essence of competitive strategy consists in exploiting the difference (Porter, 1990, Grant, 2008; Raduan *et al*, 2009; Hitt, Ireland & Hoskisson, 2007, 2013). However, for these resources to help organisations achieve competitive advantage on a sustainable basis, they must possess and exhibit certain characteristics viz: valuable, rare, inimitable and non-substitutable (Kazmi, 2002; Thompson & Strickland, 2003 Grant, 2008; Godfrey & Hill, 1995; Raduan *et al*, 2009; Wheelen & Hunger, 2010; David, 2013). Besides, the size of competitive advantage attributable to a given resource is a product of the ability of that resource to either help reduce cost structure of the firm or differentiate the firm's total offering to the market as well as establishing its uniqueness vis-à-vis

the competitors (Godfrey & Hill, 1995). The critiques of the resource-based view (RBV) include: the issue of circular reasoning as most of the building blocks of the resource-based theory such as value remains fundamentally conceptual and yet, to be operationalized in empirical studies (Raduan *et al*, 2009). Besides, given the long period often devoted to the development of organisational resources into capabilities, core and distinctive competencies, it is not easy to adjust them to suit changing situational contexts and circumstances (Grant, 2008; Raduan *et al*, 2009). It contains unobservables which confer a sort of immunity on the valuable, inimitable and non-substitutable resources against imitation for them to ensure sustainable competitive advantage. To test whether the unobservables do contribute to competitive advantage in terms of profits, they have to be expressed in terms of observables (Godfrey & Hill, 1995) as expressed in equations as follows:

$$(\pi) = f(\theta)$$

Where:

π = Profit

θ = Unobservables

When the unobservables are expressed in terms of observables such as ($b_1, b_2, \dots, b_n$)

$$\pi = f(b_1, b_2, \dots, b_n).$$

An illustration of the resource-based view is shown in the schema below:

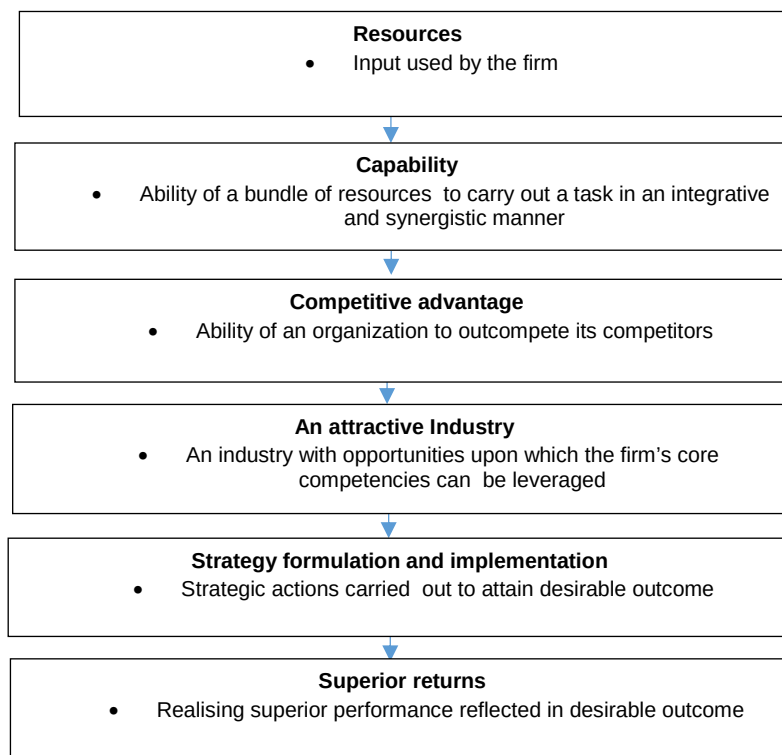


Fig. 1.3: The resource-based model.

Adapted from Hitt, Ireland & Hoskisson, (2013). Strategic management: Competitiveness & globalisation, concepts and cases, p. 17.

Dynamic Capability Perspective (DCP)

This view-point is related to the resource-based view (RBV) theory and was developed by David Teece *et al* in 1997 (Grant, 2008; Wan, 2014). While there is no consensus as to what dynamic capability is, it is however agreed by scholars in the strategic management literature that dynamic capability is not commonplace (Grant, 2008). Nevertheless, David Teece *et al* (cited in Grant, 2008) hold that dynamic capabilities are the “firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments.” Eisenhardt & Martin (2000) describe dynamic capabilities as “routines which enable a firm to readjust its resources such as research and development, new product development and acquisition skills.” Zollo & Winter (2002) consider dynamic capabilities to be “superior-level processes which allow critical day-to-day routines to be re-aligned to suit demands of new contexts and developments.” Similarly, Wheelen & Hunger (2010) associate dynamic capabilities with constant change to make them more flexible and adaptable to changing and uncertain business environment. Prahalad & Hamel, (1990) identified the potential of capabilities as the bedrock of competitiveness. The criticism associated with dynamic capability perspective (DCP) is the issue of rigidities typical of highly developed capability either in the area of technologies or new product development. It is also questionable to state that dynamic capability is rare when scholars in the field differ as to what it really represents. Regardless however, dynamic capability is preferable to the resource-based view (RBV) of which it is an upshot (Wan, 2014).

Population Ecology Theory (PET)

This theory which is of sociological background stipulates that a moment an organization has set itself up in a particular environmental context or niche, it becomes stuck and reluctant to adapt to changes thrown up by operating environment. In such circumstance, the organisation risks entropy, replacement, bankruptcy or outright acquisition due to what may be termed “strategic inertia” (Baridam, 1993; Gomez-Mejia & Balkin, 2002; Wheelen & Hunger, 2010). Strategic inertia refers to an evolutionary process which produces orderly outcome wherein change is limited or countered to the barest minimum possible in the long term (Grant, 2008). Despite the popularity of the population ecology theory, it is criticised for want of empirical research support for its major thesis (Wheelen & Hunger, 2010).

Institution Theory (IT)

The postulation of institution theory is that business organisations are capable and do adjust and adapt to changing environmental circumstances by adopting the management strategies of other successful firms. The tenet of this theory runs counter to the population ecology theory. It is in order to checkmate imitation or copycat of management techniques and strategies as well as product and services of other companies as experienced by Birchbox that a phenomenon called “causal ambiguity” is usually created (Reed & Fillippi, 1990; Grant, 2008; DeGulati & DeSantola, 2016) and patents, intellectual property and copyright laws including complementary assets are in place and enforceable (Pisano, 2015). The theory is also faulted as it failed to explain how and by whom the imitable strategies are developed in the first instance (Wheelen & Hunger, 2010).

Strategic Choice Perspective (SCP)

At the heart of strategic choice perspective is the argument that business organisations do not only adapt to changing environmental conditions but also influence and reshape their operating environments based primarily on the rational strategic decisions of their strategic managers. The strategic choice perspective thus enjoys empirical research support which explains succinctly why it is said to be a dominant viewpoint adopted in strategic management (Wheelen & Hunger, 2010). Its dynamic feature fits into the concept of strategic agility of our study just as it serves as harbinger of organisational learning theory.

Organisational Learning Theory (OLT)

Unarguably, business organisations operate in complex, dynamic and uncertain environments. To survive therefore warrants that the organisations concerned must necessarily learn to adapt to and strive to reshape their operating environment to a large extent. This takes up the theory of organisational learning pioneered by Peter Senge (Walonick, 1993; Senge, 1996; Grant, 2008; Shermerhorn, 2010; Wheelen & Hunger, 2010). To Peter Senge, an organisation is likened to a social organism that relies on knowledge system to function properly in the face of change and uncertainty. This perspective on organization, runs parallel to Mary Parker Follet's view (cited in Sapru, 2013) that individuals are social animals who develop a strong sense of identity and fulfillment in the group process or cooperative endeavour for the common good. Having acquired the trappings of a learning organization, organisation becomes poised to defend itself against the vagaries of the environment and deploys the knowledge at its disposal offensively to align itself with the operating environment. This mindset is cultivated and nurtured to become pervasive and traverses the hierarchy of the organization. It succeeds in replacing vertical hierarchy of top-down management with horizontally organized and interactive structure which encourages strategic flexibility and competitiveness in a complex and dynamic environment characterised by hypercompetition propelled by the forces of globalisation and liberalisation (Grant, 2008; Wheelen & Hunger, 2010; Weihrich, Cannice & Koontz, 2013). The merit of this theory as an extension of the strategic choice perspective (SCP) which provides the latitude to cope with competition offers appropriate basis, together with industrial organization theory, to ground the concept of competitive advantage in our study.

RBIO Hybrid Theory

The term RBIO hybrid is an acronym and an amalgam of two theories which translate as resource-based and industrial organisation theory. This theory simply builds on the strong arguments for the resource-based view (RBV) and the major planks of the industrial organization (I/O) theory which severally seek to establish the sources of competitive and sustainable advantages for an organisation. The resource-based view (RBV) stresses the heterogeneous internal resources also known as idiosyncratic resources (Hitt, Ireland & Hoskisson, 1997; Godfrey & Hill, 1995) or empirical indicators (David, 2013) as sources of competitive advantage

while industrial organization (I/O) on the other hand, places premium on industry structure and characteristics. In view of the fact that neither of the theories can exist totally independent of the other, a middle position is hereby canvassed to the effect that the firm's internal resources important and imperative as they are in the quest for competitive advantage should be integrated and matched with the structure and characteristics of the industry in which the firm operates and competes. This argument can be likened to what happens in a typical football tournament where astutely skillful players need equally good and quality tuft to excel, record success in the field of play and win the coveted trophy. We recall in support of this position that the global financial crisis of 2007 (Sampson, 2008) was external environment-induced and many business organisations suffered its devastating consequences. The question readily becomes why did organisations suffer so much devastation in spite of their unique and heterogeneous internal resources? Again, if industry is not important to strategy going by the thrust of resource-based view (RBV), where does corporate strategy operate and how can its effectiveness and performance be evaluated vis-à-vis competition? It is possible that the behaviour of the external environment was not adequately factored into the corporate equation and calculation. Porter (1998) stridently counters that it is hard to concoct or invent a logic in which the nature of arena in which firms compete would not be important to performance outcomes. The bottom line however, is that this theory (RBIO hybrid) insists on the need for firms to leverage on the strengths of both theories to enable them build synergy and thus, prosper in the competitive marketplace and industry. Hitt, Ireland & Hoskisson (2007, 2013), Porter (1998) and David (2013) lend considerable weight and support to this position even as we also advocate in our current study on strategic agility and competitive advantage.

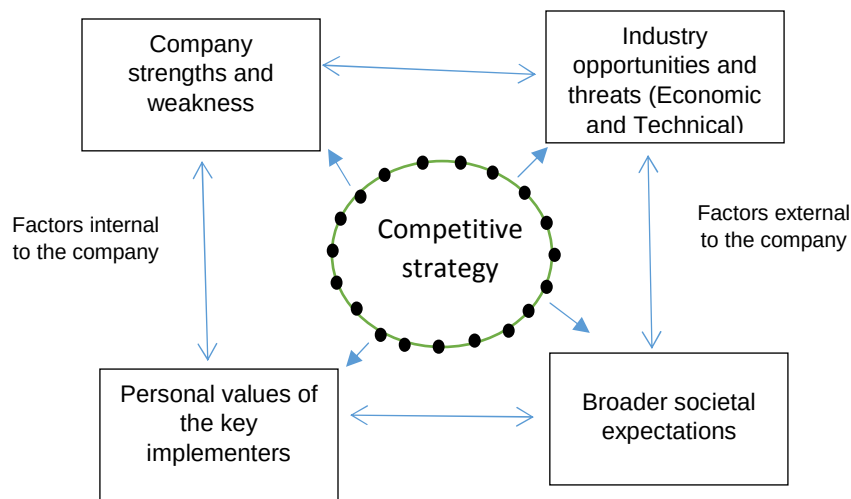


Fig. 1.4 Context which competitive strategy is formulated

Adapted from Potter (1998). Competitive strategy: Techniques for analysing industries and competitors, with a new introduction, p. xxvi.

Conclusion

Contrary to the argument of the positivists and verificationists that only theories with observables ($X_1, X_2 \dots X_n$) are capable of being empirically verified to yield knowledge with truth value. This study found out that theories built on unobservables (θ) which can be reduced to and expressed in terms of observables ($X_1, X_2, \dots X_n$) can equally be empirically verified and to that extent, is capable of generating knowledge with truth value. Hence, study strongly aligns with and is premised on the realist philosophy of science – a post-positivism (realism) approach made popular around the middle of 20th century (Godfrey & Hill, 1995; McNabb, 2012).

The study also found out that strategy from which the term “strategic” that prefixes agility is derived, has its roots in the Greek word *strategos* or *strategia* which means the art of the general. Besides, strategy lacks specific and universal definition. However, in the context of this study, strategy is considered as having to do with making choices and specifying clear and shared direction along which corporate efforts are aligned and galvanised and corporate resources allocated and deployed to meet set goals in the long term. While agility to which “strategic” prefixes, has its roots in the Latin word “*agilitas*” and literally means the ability to think and draw conclusions quickly (intellectual acuity). It was first used in the course of the parliamentary proceedings of the House of Lords in Britain before Lord Hinton between 1737 and 1738 in 18th century.

Taken together, strategic agility refers to the ability of an organisation to foresee, act and respond proactively strategy-wise to internal weaknesses or external opportunities and threats which may confront an organisation. That is to say, strategic agility is a bias for swift and prompt response and action by an organization in rapidly tinkering with its choice strategy in the face of uncertainty (ies). As a contemporary construct or coinage in business, it made its inroads into the lexicon of strategic management in 20th century as a result of a research sponsored by the U. S., government in 1991 at Iacocca (Abu-Radi, 2012). While competitive advantage which also suffers a drawback in terms of a universally accepted definition, is considered in this study as an edge which a firm has over its rivals in the marketplace or same industry by being more unique in meeting customers’ needs than its competitors. It perhaps started to gain popularity in 1980s with the path-finding work of Michael Porter on competitive strategy as a boon (1985, 1998).

Pursuant to the foregoing **ontological and epistemological treatise coupled with panoramic review of different and yet related theories in the strategic management literature**, we opt to ground the on-going study on strategic agility and competitive advantage in Deposit Money Banks (DBMs) in Nigeria on dynamic capability theory (DCP), strategic choice perspective theory (SCP), organisational learning theory and industrial organisation theory (Grant, 2008; Wheelen & Hunger, 2010, David; 2013). **In other words, these theories will constitute the baseline theories (theoretical framework) of the thesis research work on strategic agility and competitive advantage in Deposit Money Banks (DMBs) in Nigeria.**

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