

ICIMTR 2013

International Conference on Innovation, Management and Technology Research,  
Malaysia, 22 – 23 September, 2013

## The Role Of Strategic Leadership In Building Sustainable Competitive Advantage In The Academic Environment

Omar Rabeea Mahdi<sup>a\*</sup>, Mahmoud Khalid Almsafir<sup>b</sup>

<sup>a,b</sup> Graduate Business School, College of Graduate Studies, Tenaga Nasional University (UNITEN), Jalan Ikram-Uniten, 43000  
Kajang, Selangor, Malaysia

---

### Abstract

Strategic leadership capabilities are needed in the new competitive landscape expected for the 21<sup>st</sup> century. Human and social capital are source of sustainable competitive advantage for organization and, therefore, should be carefully nurtured and developed. Thus, the study seeks to examine the role of strategic leadership capabilities in building sustainable competitive advantage in the academic environment. The targeted population for this study focused on all Private Universities. The study used a survey strategy “self-administered questionnaire”, to collect data. The statistic results found that there is significant positive impact of strategic leadership capabilities on sustainable competitive advantage. The study recommended studying the core competence along with human and social capital as the portfolio of resources.

© 2014 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/3.0/>).

Selection and peer-review under responsibility of Universiti Malaysia Kelantan

*Keywords:* Strategic Leadership Capabilities; Human Capital; Social Capital; Sustainable Competitive Advantage;

---

### 1. Introduction

The success in today’s global, interconnected economy springs from the fast and efficient exchange of information. Sustainable competitive advantage is no longer rooted in physical assets and capital, but in effective channeling of intellectual capital (Halawi, Aronson, & McCarthy, 2005). The idea of competitive advantage is mainly to measure organization’s success relative to competitors. The relative success could be measured by economic value that organization able to generate (Ong & Ismail, 2008).

---

\* Corresponding author. Tel.: +6-014-734-3822; fax: +6-038-921-2020.  
E-mail address: [omaralmfajri@gmail.com](mailto:omaralmfajri@gmail.com).

Other authors have elaborated on the specific skills and resources that can contribute to sustain competitive advantage. For example, Barney (1991) contributed to the discussion by exploring the link between a firm's resources and sustainable competitive advantage. He stated that not all firm resources hold the potential of sustainable competitive advantages; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Recently, academics have made explicit efforts to provide managers with guidance about the strategic leadership requirements of today's dynamic contexts (Ireland & Hitt, 2005). An integrative perspective of strategic leadership and sustainable competitive advantage variables is based on relevant theories such as the great groups' view of strategic leadership, resource-based view, and knowledge based view. The concept of strategic leadership capabilities has been applied in this study and elaborated further from a viewpoint developing human capital and social capital. According to what is mentioned, this study attempts to investigate in utilizing the role of strategic leadership capabilities to realize sustainable competitive advantage in the academic environment started from a strategic viewpoint.

## **2. Literature Review**

### *2.1. Strategic Leadership Capabilities*

In fact, understanding strategic leadership involves spotlighting what effective top leaders actually do in order to produce a strategy-focused organization (Rumsey, 2013). Furthermore, strategic leaders need to be able to focus on critical resources which are most likely to make a difference in the assurance of sustained future success. This view is supported by Hitt and Ireland (2002) who recommend that strategic leadership is about gaining access to key resources such as alliances with partner firms "social capital" and the ability to build great teams "human capital" as the most important firm resources. The strategic literature review emphasized that effective strategic leadership capabilities are needed in the new competitive landscape expected for the 21<sup>st</sup> century (Ireland & Hitt, 2005). The strategic leadership capabilities focus on developing human capital and social capital. In addition, McCallum and O'Connell (2009) recognized that human capital and social capital are not fully independent of one another. This is reflected in the fact that some leadership competencies could be implied as both human capital and social capital. The essence of strategic leadership is managing human and social capital (Hitt & Ireland, 2002). Perhaps the most important task for strategic leaders is effectively managing the organization's portfolio of resources. Strategic leaders manage the organization's portfolio of resources by organizing them into capabilities, structuring the organization to use the capabilities, and developing and implementing a strategy to leverage those resources to achieve a competitive advantage (Sirmon, Hitt, & Ireland, 2007). For the requirements of the study will focus on effectively managing of organization's human and social capital as a essence of strategic leadership according to (Hitt & Ireland, 2002). Human capital refers to the knowledge and skills of a firm's entire workforce (Hitt, Ireland, et al., 2010, p. 388). Emphasizing human capital as a part of intellectual capital, it is the primary component of intellectual capital (Bontis, 1998). Furthermore, Au, Altman and Roussel (2008) described human capital within an organization, by the knowledge mastered by individuals. Conventionally, they distinguish three kinds of human capital in different categories according to Gibbons and Waldman (2004), Hatch and Dyer (2004) are generic (general) human capital, organization-specific human capital, task-specific human capital. Social capital is a component of intellectual capital as like human capital, also inevitably contributes on human capital development (Birasnav, Rangnekar, & Dalpati, 2011). Balkundi and Kilduff (2006) define social capital that is inherent in the acuteness of individuals' social perceptions and the structure of their social relationships. On the other hand, social capital includes relationships inside and outside the organization that assists the organization achieves tasks and creates value for customers and shareholders (Adler &

Kwon, 2002; Hitt & Ireland, 2002; Prusak & Cohen, 2001). Strategic leaders must be conceded with social capital within that units and organization as well as with social capital residing outside their organization in other settings.

## *2.2. Strategic Leadership in the Academic Environment*

Crowther, Ferguson and Hann (2002:24) considered four popular approaches to contemporary educational leadership: transformational leadership, strategic leadership, educative leadership and organizational leadership. Thomas and Thomas (2011) put perspectives on leadership seeks to advocate examining strategic leadership processes through the exploration of interactions between such multiple constituencies as the dean, faculty, university councils and advisory boards. They found noted that strong leadership is necessary to form a strategy going forward and to implement the required changes. Furthermore, those who are part of the university/academy and management education sectors would probably agree that it is necessary to strengthen and professionalize university/academy leadership and re-examine the dean's roles so that they can respond swiftly and effectively to the challenges of the post-crisis world (Rosser, Johnsrud, & Heck, 2003). This has led some deans to argue that they can be likened to partners in professional service firms in that they are promoted on the basis of expertise, knowledge and intellectual capital to deanships (Goodall, 2009). While there is a clear requirement to evaluate competition and competitive markets, it is also essential that deans understand the specific organizational traits involving people, systems, business processes and cultural aspects in order to be effective in their strategic execution. This broad view of deans' leadership implies a thorough awareness of both the internal context and the external context in their academic environments in order to frame their strategic positioning and specific strategies (Fragueiro & Thomas, 2011). Overall, for a dean it is particularly important to understand how to use power and influence in the multifaceted stakeholder world.

## *2.3. Sustainable Competitive Advantage*

As the global competition becomes increasingly fierce, how to sustain competitive advantage or achieve sustainable competitive advantage starts obtaining more attention. In 2008, Barney and Hesterly distinguished two types of competitive advantage: temporary and sustainable competitive advantage. According to them, competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore most competitive advantage is temporary. On the other hand, some competitive advantages are sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering. Furthermore, Reed and Defillippi (1990) refers the sustainable competitive advantage as to create some barriers that make firm's performance imitation difficult. That is, since the "competitive advantage is at the heart of firm's performance" (Porter, 1985, p:15). Barney (1991) discusses four indicators of the potential of firm resources to generate sustainable competitive advantage: value, rareness, inability to be imitated and imperfect substitution. Considering all those definitions, there are four points that can be extracted. First, the subjects of sustainable competitive advantage are resources and skills according to resources-based view (Barney, 1991). Second, the media of sustainable competitive advantage is competency or capability. The vital issue is how to transform the subjects of sustainable competitive advantage into the media (Bharadwaj, Varadarajan, & Fahy, 1993). Thirdly, the objectives for sustainable competitive advantage to achieve can be in forms of financial returns in the accounting viewpoint, or capability gaps, or the value protection part in the value chain viewpoint, or customer recognition from business operation field (Coplin, 2002). Finally, the subject-media-objective process of sustainable

competitive advantage needs to be kept updated in order to adapt to the fast changing environment (Hitt, Ireland, et al., 2010; Jiajia, 2007).

#### *2.4. Strategic Leadership and Sustainable Competitive Advantage*

Hagen, Hassan and Amin (1998) explored an empirical investigation to the critical strategic leadership components, which are modal, suggested and developed by (Hitt et al., 1995). The results indicated integration of the critical components included in the suggested corporate strategic leadership model. As Hitt et al. (1995) predicted, strategic leadership emphasized developing human capital over exploiting and maintaining organizational core competencies to reflect the importance of human resources. Hitt and Ireland (2002) explored the importance of both types of human and social capital to leader and how they can be managed to create value for the unit and the firm. Both are significant contributors to achieve of a competitive advantage from resource based view. Continuously, and in the same context, Ireland and Hitt (2005) argue that when the strategic leadership components are completed successfully, the firm's strategic leadership practices can become a source of competitive advantage. More than that, strategic leadership in an organization that is able to develop its capabilities would be able to sustain its competitive advantage. Several organizations have tried to sustain competitive advantage by exploiting resources and capabilities according to resource-based view (Barney, 1986; Prahalad & Hamel, 1990). And most strategic leaderships assume that investment in human capital and social capital can improve their organizations' sustainable competitive advantage according to the great groups' view of strategic leadership (Ireland & Hitt, 2005) and knowledge based view (Kogut & Zander, 1992; Polanyi, 1966). Hence, it is hypothesized that strategic leadership capabilities affects sustained competitive advantage positively.

H<sub>1</sub>: Strategic leadership capabilities have a positive effect on sustainable competitive advantage.

H<sub>1a</sub>: Developing human capital has a positive effect on sustainable competitive advantage.

H<sub>1b</sub>: Developing social capital has a positive effect on sustainable competitive advantage.

### **3. Method**

The study used a quantitative research method. The conceptual framework for this study attempts to explain an integrative view of strategic leadership and sustainable competitive advantage, and provide strategic guidelines for private universities. Therefore, a conceptual framework is demonstrated as shown in Figure 1. Where strategic leadership is classified as independent variables included two main variables: developing human capital and social capital was derived from the ideas presented in the literature (Hitt & Ireland, 2002; Ireland & Hitt, 2005). While the dependent variable is sustainable competitive advantage derived from the ideas presented in the literature (Barney, 1991; Porter, 1985; Prahalad & Hamel, 1990).

The sampling of study is 44 Private Universities in Iraq. The data for this study were collected via a questionnaire survey. The present study adopted an existing five-point Likert scale. The supervised and unsupervised self-administered questionnaire was used for data collection in this study. In current study, the respondent is whole academic staff working at organizational level with leadership position in whole Private Universities. The survey was distributed directly to the 540 academic leaders. The total of 450 questionnaires were returned or (87%). 33 of the 450 returned questionnaires were discarded because of incomplete information. There were 417 usable responses in total. As a result the number of usable questionnaires is 417, thus, the response rate is 81%. Research analytical methods included exploratory factor analysis, reliability and validity.

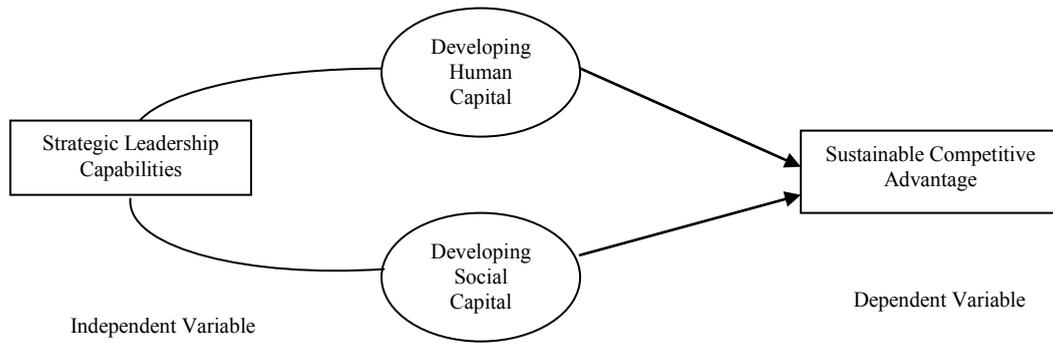


Figure 1: The Proposed Model of Study

In this study, the Statistical Package for Social Sciences (SPSS) version 18.0 was used to process and analyse the data collected.

**4. Findings**

To measure the consistency of the scale, Cronbach’s alpha was used as a measure of reliability. After factor loading was carried out, all items of the variables showed an acceptable range of reliability where the results score for strategic leadership capabilities are .92 for developing human capital and .94 for developing social capital, while sustainable competitive advantage is .89, each with a ranged from .89 to .94. Basically, reliability coefficients of 0.7 or more are considered adequate for social studies (Hair, Black, Barry, Anderson, & Tatham, 2006). A series of linear regression analyses were conducted to measure the impact of the strategic leadership on sustainable competitive advantage. The hypothesis was designed to answer the research question of what is the role of strategic leadership in sustainable competitive advantage. Table 1, presents regression results on how strategic leadership influence sustainable competitive advantage positively.

Table 1: Regression Results for Strategic Leadership and Sustainable Competitive Advantage

Independent Variable	Sustainable Competitive Advantage		Model Summary
	Std. Beta	Sig.	
<i>Model 1</i>			R <sup>2</sup> = 0.55
Strategic Leadership	0.74	0.00	Adjusted R <sup>2</sup> = 0.55
			F-Statistics = 510.07
			p-value = 0.00
<i>Model 2</i>			R <sup>2</sup> = 0.55
Developing Human Capital	0.41	0.00	Adjusted R <sup>2</sup> = 0.55
Developing Social Capital	0.38	0.00	F-Statistics = 255.12
			p-value = 0.00

\*\*significant < 0.01, \* significant< 0.05

The results showed that strategic leadership capabilities explained 55% of the variation in sustainable competitive advantage in both models. Both models were significant with F-statistics = 510.07 and 255.12 respectively and a significant p-value = 0.00 for both. All standardized beta coefficients were significant showing a positive contribution to sustainable competitive advantage, i.e. a one unit increase in independent variables could increase one unit in sustainable competitive advantage. The standardized

beta coefficient in Model 1 showed that strategic leadership capabilities ( $\beta = 0.74$ ) contributes to sustainable competitive advantage. The standardized beta coefficient in Model 2 showed that developing human capital ( $\beta = 0.41$ ) contributes the most to sustainable competitive advantage, followed by developing social capital ( $\beta = 0.38$ ). All of these variables are significant with p-value  $< 0.0$ . The analyses showed that all of the strategic leadership dimensions do influence sustainable competitive advantage positively. Thus, the results supported all three hypotheses for strategic leadership and sustainable competitive advantage  $H_1$ ,  $H_{1a}$ , and  $H_{1b}$ .

## 5. Discussion and Conclusion

This study examined strategic leadership capabilities and sustainable competitive advantage in the academic environment, especially Private Universities in Iraq. The findings reveal that a significantly positive effect is present in this relationship, indicating that sustainable competitive advantage is improved when strategic leadership is applied. The findings showed that developing human capital and social capital has statistically strong and significant effect on sustainable competitive advantage. So with those hypotheses  $H_1$ ,  $H_{1a}$ , and  $H_{1b}$  were supported. Eventually, the statistical results of this investigation have concluded a positive impact of strategic leadership capabilities, namely human capital and social capital on sustainable competitive advantage. Strategic leadership capabilities are generally vital for the success of organizations according to the great groups' view of strategic leadership, resource-based and knowledge-based views. The combination of organizational resources, capabilities, and deployed knowledge needs to be developed, and protected in order to enhance sustainable competitive advantage. The theoretical research framework developed in this study also contributes new knowledge to the field of strategic leadership and sustainable competitive advantage.

## References

- Adler, P. S., & Kwon, S.-W. (2002). Social Capital: Prospects for a New Concept. *The Academy of Management Review*, 27(1), 17.
- Au, A., Altman, Y., & Roussel, J. (2008). Employee training needs and perceived value of training in the Pearl River Delta of China: A human capital development approach. *Journal of European Industrial Training*, 32(1), 19–31.
- Balkundi, P., & Kilduff, M. (2006). The ties that lead: A social network approach to leadership. *The Leadership Quarterly*, 17(4), 419–439.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120.
- Barney, J. B. (1986). Strategic factor markets Expectations, luck, and business strategy. *Management Science*, 32(10), 1231–1241.
- Barney, J., & Hesterly, W. (2008). *Strategic Management and Competitive Advantage: Concepts and Cases* (2nd ed.). USA: Prentice Hall.
- Bharadwaj, S., Varadarajan, P., & Fahy, J. (1993). Sustainable competitive advantage in service industries: a conceptual model and research propositions. *The Journal of Marketing*, 57(4), 83–99.

- Birasnav, M., Rangnekar, S., & Dalpati, A. (2011). Transformational leadership and human capital benefits: the role of knowledge management. *Leadership & Organization Development Journal*, 32(2), 106–126.
- Bontis, N. (1998). Intellectual capital: an exploratory study that develops measures and models. *Management decision*, 36(2), 63–76.
- Coplin, L. C. H. (2002). *Competitive Advantages and the SMEs: The Role of Distinctive Competences as Determinants of Success, Are There Differences across Gender, Sector, And Size?* University Autonoma De Barcelona, Barcelona, Spain: Ph.D. Thesis.
- Crowther, F., Ferguson, M., & Hann, L. (2002). *Developing Teacher Leaders: How Teacher Leadership Enhances School Success* (1st ed.). USA: Corwin Press.
- Fragueiro, F., & Thomas, H. (2011). *Strategic Leadership in the Business School: Keeping One Step Ahead*, Cambridge University Press, Cambridge (1st ed.). New York: Cambridge University Press.
- Gibbons, R., & Waldman, M. (2004). Task-specific human capital. *American Economic Review*, 65(2), 203–207.
- Goodall, A. H. (2009). *Socrates in the Boardroom: Why Research Universities Should Be Led by Top Scholars*. Princeton, New Jersey: Princeton University Press, Princeton, NJ University Press.
- Hagen, A., Hassan, M. T., & Amin, S. G. (1998). Critical strategic leadership components: An empirical investigation. *SAM Advanced Management Journal*, 63(3), 39.
- Hair, J., Black, W., Barry, J., Anderson, R., & Tatham, R. (2006). *Multivariate Data Analysis* (6th ed.). New Jersey: Prentice Hall.
- Halawi, L. A., Aronson, J. E., & McCarthy, R. V. (2005). Resource-Based View of Knowledge Management for Competitive Advantage. *Journal of Knowledge Management*, 3(2), 75–86.
- Hatch, N., & Dyer, J. (2004). Human capital and learning as a source of sustainable competitive advantage. *Strategic management journal*, 25(12), 1155–1178.
- Hitt, I., Ireland, R., & Hoskisson, R. E. (1995). *Strategic management–competitiveness and globalization–concepts*. THOMSON (1st ed.). West Publishing Company.
- Hitt, M. A., & Ireland, R. D. (2002). The essence of strategic leadership : Managing human and social capital. *Journal of Leadership & Organizational Studies*, 9(1), 3–14.
- Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2010). *Strategic Management: Concepts & Cases Competitiveness And Globalization*. Wall Street Journal (8th ed.). Canada: South-Western.
- Ireland, R. D., & Hitt, M. A. (2005). Achieving and maintaining strategic competitiveness in the 21 st century : The role of strategic leadership. *Management*, 19(4), 63–77.
- Jiajia, W. (2007). *Study on the Key Influence Factors in the Evolution from Operational Optimization to Sustainable Competitive Advantage*. Northwestern Polytechnic University, NPU, California: Master Thesis.
- Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3(3), 383–397.
- McCallum, S., & O’Connell, D. (2009). Social capital and leadership development: building stronger leadership through enhanced relational skills. *Leadership & Organization Development Journal*, 30(2), 152 – 166.

- Ong, J. W., & Ismail, H. B. (2008). Sustainable competitive advantage through information technology competence: resource-based view on small and medium enterprises. *Communications of the International Business Information Management Association IBIMA*, 1, 62–70.
- Polanyi, M. (1966). *The tacit dimension* (1st ed.). London: Routledge & Kegan Paul.
- Porter, M. E. (1985). *Competitive advantage: Creating and sustaining superior performance* (New York). Press Ganey Associates.
- Prahalad, C., & Hamel, G. (1990). The Core Competence of the Corporation. *Harvard business review*, 68(3), 79–91.
- Prusak, L., & Cohen, D. (2001). How to invest in social capital. *Harvard business review*, 79(6), 86–93, 147.
- Reed, R., & Defillippi, R. J. (1990). causal ambiguity barriers to imitation and sustainable competitive advantage. *The Academy of Management Review*, 5(1), 88–102.
- Rosser, V. J., Johnsrud, L. K., & Heck, J. R. H. (2003). Academic Deans and Directors : Assessing Their Effectiveness from Individual and Institutional Perspectives. *The Journal of Higher Education*, 74(1), 1–25.
- Rumsey, M. G. (2013). *The Oxford Handbook of Leadership* (1st ed.). New Yorke: OUP USA.
- Sirmon, D., Hitt, M., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *The Academy of*, 32(1), 273–292.
- Thomas, H., & Thomas, L. (2011). Perspectives on leadership in business schools. *Journal of Management Development*, 30(5), 526–540.