



Determinants of Sustainable Competitive Advantage in Emerging Market Firms: A Strategic Analysis

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Abstract

Sustainable competitive advantage (SCA) has become a critical strategic objective for firms operating in emerging markets due to increasing globalization, technological disruption, and institutional uncertainty. This paper examines the key determinants that enable firms in emerging economies to achieve and sustain long-term competitive advantage. Using a qualitative systematic literature review approach, the study synthesizes existing research from 2000–2020. The findings reveal that firm-specific resources, dynamic capabilities, innovation capacity, sustainability orientation, institutional environment, human capital, and strategic alliances are key determinants of sustainable competitive advantage. The study also highlights that emerging market firms face constraints such as resource limitations, weak institutions, and market volatility, but can overcome these through strategic adaptation and innovation. The paper concludes that sustainable competitive advantage is achieved through the integration of internal capabilities and external environmental alignment.

Keywords: Sustainable competitive advantage, emerging markets, dynamic capabilities, resource-based view, innovation, strategy

Introduction

In an increasingly competitive and rapidly evolving global economy, the concept of sustainable competitive advantage (SCA) has become central to strategic management theory and practice. Unlike short-term competitive gains, which may arise from temporary market conditions, pricing strategies, or situational advantages, SCA refers to a firm's ability to consistently achieve superior performance over an extended period of time. This sustained superiority is typically grounded in unique resources, organizational capabilities, strategic positioning, and the firm's ability to adapt effectively to changing environmental conditions. As global markets become more integrated and competition intensifies across industries, the ability to maintain such long-term advantage has become a critical determinant of firm survival, growth, and resilience. The theoretical foundations of sustainable competitive advantage are primarily rooted in the Resource-Based View (RBV) of the firm, which emphasizes that firms achieve superior performance when they possess valuable, rare, inimitable, and non-substitutable (VRIN) resources. However, contemporary strategic management literature has expanded this perspective by incorporating dynamic

capabilities, innovation systems, institutional environments, and sustainability-oriented strategies. Together, these perspectives suggest that competitive advantage is not static but continuously shaped by internal strengths and external environmental conditions. Emerging market firms operate within highly dynamic and complex environments that differ significantly from those in developed economies. These markets are often characterized by institutional uncertainty, evolving regulatory frameworks, infrastructural limitations, and fluctuating economic conditions. Additionally, firms in emerging economies face intense global competition due to increasing integration into international trade and investment networks. Multinational corporations often dominate key sectors, creating pressure on domestic firms to upgrade capabilities and improve efficiency in order to remain competitive.

Despite these challenges, emerging market firms also possess distinct advantages that can contribute to sustainable competitive advantage. These include cost efficiency due to lower labor and production costs, greater organizational flexibility, and the ability to rapidly adapt to changing market conditions. In many cases, firms in emerging economies demonstrate high levels of entrepreneurial agility and innovation out of necessity, which



allows them to respond quickly to environmental changes and market demands. Furthermore, the rapid growth of digital technologies and globalization has provided new opportunities for these firms to access global markets, acquire knowledge, and build strategic partnerships. However, the ability of firms to convert these advantages into sustained competitive performance varies significantly. While some firms successfully leverage their resources, capabilities, and strategic positioning to achieve long-term success, others struggle due to structural constraints such as limited financial resources, weak institutional support, inadequate technological infrastructure, and insufficient managerial capabilities. This variation raises an important question in strategic management research: what determines sustainable competitive advantage in emerging market firms? Understanding these determinants is essential not only for academic inquiry but also for managerial decision-making and policy formulation. From a managerial perspective, identifying the key drivers of SCA can help firms develop effective strategies to strengthen competitiveness and ensure long-term sustainability. From a policy standpoint, it can assist governments in designing institutional frameworks that support innovation, investment, and industrial development. Moreover, in the context of globalization, understanding these determinants is crucial for explaining how emerging market firms transition from local players to global competitors. Against this backdrop, the present study aims to systematically examine and analyze the key internal and external factors that influence sustainable competitive advantage in emerging market firms. By integrating insights from existing strategic management literature, the study seeks to develop a comprehensive understanding of how firms build, maintain, and sustain competitive advantage in complex and uncertain environments.

Despite extensive research on sustainable competitive advantage, limited studies have systematically examined its determinants

specifically in the context of emerging market firms by integrating multiple theoretical perspectives such as the resource-based view, dynamic capabilities, and institutional theory. Furthermore, existing studies often analyze these factors in isolation rather than providing a comprehensive framework. Therefore, this study aims to bridge this gap by offering an integrated analysis of key determinants shaping sustainable competitive advantage in emerging markets.

Literature Review

Ambec and Lanoie (2008) whether adopting environmental practices can improve firm performance. They find that "going green" can reduce costs through better energy efficiency, waste reduction, and improved resource use. Environmental initiatives can also increase revenues by enhancing product differentiation and strengthening customer loyalty. The authors further highlight that environmental regulations may encourage innovation and long-term competitiveness. However, they argue that these benefits are not automatic and depend on firm capabilities and industry conditions. Overall, the study suggests that sustainability can support both environmental goals and business profitability.

Etzion (2007) the relationship between organizations and the natural environment, highlighting how environmental concerns have increasingly influenced management research. The study explains that firms are under growing pressure from stakeholders, regulations, and society to adopt environmentally responsible practices. It also shows that organizations respond through strategies such as pollution reduction, environmental management systems, and sustainability reporting. Etzion emphasizes that environmental performance is not only a compliance requirement but also a strategic issue linked to organizational legitimacy and competitiveness. The review further identifies gaps in existing research and calls for more integration between environmental studies and mainstream management theory. Overall, the study strengthens the understanding of



how environmental factors shape organizational behavior and strategy.

Schaltegger and Wagner (2011) discuss the concept of sustainable entrepreneurship and its role in addressing environmental and social challenges through innovative business activities. They explain that sustainable entrepreneurs integrate economic goals with environmental and social objectives to create long-term value. The study highlights that sustainability-driven innovation can open new market opportunities and improve competitive positioning. The authors also emphasize the importance of entrepreneurial mindset, stakeholder engagement, and innovation in developing sustainable business models. However, they note that sustainable entrepreneurship faces barriers such as resource constraints and uncertain market conditions. Overall, the study shows that sustainability can be a key driver of entrepreneurial success and competitive advantage.

Rugman (2005) examines the concept of regional multinationals and challenges the

traditional view of firms operating as truly global enterprises. The study argues that most multinational corporations tend to concentrate their activities within specific geographic regions—such as North America, Europe, or Asia—rather than operating uniformly across the global market. This regional focus is driven by factors such as cultural proximity, institutional similarities, trade agreements, and lower coordination costs within regions. Rugman highlights that firms often achieve competitive advantage by strengthening their regional networks instead of pursuing full global integration. The study also suggests that regional strategies allow firms to better respond to local customer needs and regulatory environments while maintaining efficiency. Overall, the paper contributes to international business theory by emphasizing the importance of regionalization in understanding the real structure and competitive behavior of multinational enterprises.



Figure 1: Conceptual Framework of Determinants of Sustainable Competitive Advantage in Emerging Market Firms

Research Methodology

Research Design

This study adopts a qualitative exploratory research design based on a systematic literature review approach. The purpose of this design is to develop a conceptual understanding of sustainable competitive advantage (SCA) in emerging market firms by critically analyzing and synthesizing existing academic literature. Since the topic involves theoretical constructs and strategic

relationships rather than measurable variables alone, an exploratory design is appropriate to identify key themes, patterns, and determinants influencing SCA.

Data Sources

The study relies entirely on secondary data sources to ensure a broad and reliable theoretical foundation. The data was collected from multiple credible academic and institutional sources, including:



- Peer-reviewed journals indexed in Scopus and Web of Science
- Books and monographs on strategic management, innovation, and sustainability
- Reports and policy documents published by international organizations such as the World Bank, OECD, and UNDP

These sources were selected to ensure academic rigor, global relevance, and comprehensive coverage of the research domain.

Selection Criteria

The literature included in this study was selected based on the following criteria:

- Direct relevance to sustainable competitive advantage
- Focus on emerging market firms and developing economies
- High academic quality, including peer-reviewed and highly cited publications
- Inclusion of foundational theories such as the Resource-Based View, Dynamic Capabilities, and Institutional Theory
- Coverage of recent developments in sustainability, innovation, and strategic management

This selection process ensures that only credible and conceptually strong studies are included in the analysis.

Analytical Method

A thematic analysis approach was used to examine and interpret the selected literature. This method involved identifying, classifying, and synthesizing recurring themes across multiple studies. Key themes such as resource-based advantages, innovation capability, institutional environment, sustainability integration, and strategic alliances were extracted and analyzed. The thematic approach allows for a structured interpretation of diverse literature findings and helps in developing a coherent understanding of the determinants of sustainable competitive advantage in emerging market firms.

Data Analysis and Findings

The findings of this study are derived from a thematic analysis of existing literature on sustainable competitive advantage (SCA) in

emerging market firms. The analysis identifies several key determinants that consistently influence long-term firm performance and strategic positioning.

- **Resource-Based Advantages:** The analysis indicates that firms possessing unique resources and capabilities are more likely to achieve sustained competitive advantage. According to the Resource-Based View, VRIN resources—valuable, rare, inimitable, and non-substitutable—enable firms to outperform competitors over time. In emerging markets, such resources often include strong brand reputation, skilled human capital, proprietary knowledge, and efficient organizational systems, which collectively enhance productivity and market positioning.
- **Dynamic Capabilities:** Dynamic capabilities emerge as a critical factor in sustaining competitiveness in uncertain and rapidly changing environments. Firms that can continuously reconfigure, adapt, and renew their internal resources are better positioned to respond to market volatility and technological disruptions. This adaptability is particularly important in emerging economies where institutional and economic conditions frequently change.
- **Innovation Capability:** Innovation is identified as a major driver of competitive advantage. Firms that invest in product innovation, process improvement, and digital transformation tend to achieve higher efficiency and market differentiation. Innovation also enables firms to create new business models and explore untapped market opportunities, strengthening long-term sustainability and growth potential.
- **Institutional Environment:** The institutional context significantly influences firm performance. In stable regulatory environments, firms benefit from predictable policies and reduced uncertainty. However, in emerging

markets with weak institutional frameworks, firms must rely on strategic flexibility and adaptive capabilities to navigate regulatory challenges and institutional voids.

- **Sustainability Orientation:** The integration of environmental and social responsibility into business strategies enhances firm reputation and stakeholder trust. Firms adopting sustainability practices such as waste reduction, energy efficiency, and corporate social responsibility initiatives tend to achieve improved long-term performance and legitimacy

in both domestic and international markets.

- **Strategic Alliances:** Strategic partnerships and collaborations with multinational enterprises play an important role in strengthening competitive advantage. Such alliances facilitate knowledge transfer, access to advanced technologies, and entry into global markets. For emerging market firms, these partnerships are particularly valuable in overcoming resource constraints and building international competitiveness.



Figure 2: Process Model for Achieving Sustainable Competitive Advantage in Emerging Market Firms

Discussion

The findings of this study suggest that sustainable competitive advantage in emerging market firms is a multidimensional concept shaped by both internal organizational strengths and external environmental conditions. It is not determined by a single factor, but rather by the interaction of several strategic elements that collectively influence long-term firm performance. The Resource-Based View (RBV) explains that firms achieve superior performance when they possess valuable and unique resources. However, in dynamic and uncertain environments such as emerging markets, resources alone are not sufficient. The concept of dynamic capabilities extends RBV by explaining how firms continuously adapt, integrate, and reconfigure their resources in response to changing market conditions. This adaptability is particularly important in environments characterized by institutional

instability, regulatory changes, and technological disruption. Innovation emerges as a central driver of competitiveness. Firms that invest in innovation are better able to differentiate their products, improve operational efficiency, and respond to evolving customer demands. Alongside innovation, sustainability has become an equally important strategic factor. The integration of environmental and social considerations into business operations not only enhances corporate reputation but also improves long-term resilience and stakeholder trust. The discussion highlights that emerging market firms that effectively combine strong internal capabilities with innovation and sustainability orientation are more likely to achieve sustained competitive advantage. These firms are better positioned to navigate uncertainty, exploit new opportunities, and maintain superior performance in the long run.



Strategic and Managerial Implications for Firm Competitiveness

The study provides several implications for managers operating in emerging market firms aiming to develop sustainable competitive advantage. Firms should focus on building long-term strategic capabilities rather than short-term operational gains, ensuring that resource allocation supports future competitiveness. Managers must develop agile decision-making systems that allow quick responses to environmental and market changes. Instead of viewing sustainability as a compliance requirement, organizations should treat it as a value-creation mechanism embedded within business models. This includes redesigning processes to improve efficiency while reducing environmental impact. Furthermore, firms need to strengthen cross-functional coordination and knowledge integration to improve innovation outcomes. Encouraging collaboration between departments enhances organizational learning and supports strategic flexibility. Finally, managers should emphasize capability development at all organizational levels, ensuring employees are equipped with analytical, technological, and adaptive skills required in dynamic market conditions.

Institutional and Policy Framework Recommendations

The findings also provide important implications for policymakers in emerging economies aiming to strengthen firm competitiveness and sustainability adoption. Governments should focus on developing stable and predictable institutional environments that reduce uncertainty for firms and encourage long-term strategic investment decisions. Instead of only enforcing regulations, policymakers should create enabling conditions for innovation-led growth, such as research hubs, technology parks, and industry-academia collaboration platforms. Special attention should be given to resource-constrained enterprises, particularly SMEs, by facilitating easier access to credit, innovation funding, and technical support services. Additionally, policy frameworks should encourage

integration of sustainability metrics into corporate reporting systems, promoting transparency and responsible business behavior. Investment in education, vocational training, and digital skill development programs is essential to build a workforce capable of supporting innovation-driven and sustainability-oriented industrial growth.

Limitations of the Study

This study is based on secondary data sources such as journal articles, books, and institutional reports. Since no primary data (surveys, interviews, or firm-level data) was collected, the findings remain conceptual in nature and are not statistically validated. Another limitation is the potential selection bias, as the study includes only those sources available in major academic databases like Scopus and Web of Science. Relevant studies from non-indexed journals or regional publications may not have been included. The study also faces limitations due to the diversity of existing literature, as different studies use different methods, contexts, and industries, which makes direct comparison difficult. In addition, emerging markets are highly dynamic, so some findings may not fully reflect the most recent changes in business environments. Lastly, since the study is qualitative and exploratory, it does not measure the strength of relationships between variables. Therefore, future research should use primary data and quantitative methods to validate and extend these findings.

Conclusion

Sustainable competitive advantage in emerging market firms is shaped by a complex combination of internal organizational capabilities and external environmental factors. The study indicates that firms are more likely to achieve long-term competitiveness when they effectively leverage their unique resources, strengthen innovation capabilities, and develop strong leadership and dynamic capabilities that support continuous adaptation in changing market conditions. At the same time, external factors such as the institutional environment, regulatory frameworks, market dynamics, and



global integration play a crucial role in influencing firm performance and strategic direction. Emerging market firms that are able to respond effectively to institutional challenges and align themselves with global standards tend to perform better in competitive international markets. Overall, the findings suggest that sustainable competitive advantage is not a static outcome but a continuous and evolving process driven by the interaction of capability development, strategic decision-making, and environmental adaptation. Firms that integrate these dimensions into their core strategies are more likely to achieve long-term resilience, superior performance, and sustained growth in increasingly competitive global markets.

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