"Dynamic Capabilities and Hypercompetition: A Theoretical and Practical Framework for Sustaining Competitive Advantage in Turbulent Business Environments"

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Abstract

This paper examines the radical shift in modern business environments, where static competitive advantages are no longer sufficient to ensure organizational survival amid dynamic competition characterized by rapidly changing strategic rules. Through a review of literature and key theoretical models (e.g., Teece's dynamic capabilities framework), the study explores how firms innovate, adapt, and reconfigure resources to thrive in volatile markets. It highlights the role of dynamic capabilities in enabling strategic agility, proactive market sensing, and opportunity exploitation. The findings suggest that dynamic capabilities serve as a critical mechanism for sustaining transient competitive advantages in hypercompetitive industries. Ultimately, the paper argues that integrating dynamic capabilities into strategic management is no longer optional but essential for long-term resilience and success.

Keywords: Dynamic Capabilities; Hypercompetition; Competitive Advantage; Strategic Agility; Resource Reconfiguration; Innovation Adaptation.

JEL Classification: L10, L20, L25, O30, O32, M10

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Introduction

In recent decades, business environments have been rapidly transformed by technological advances, changing consumption patterns, and increasing globalization. In this context, stable competitive advantages are no longer sufficient to ensure the continuity of enterprises, as they are facing what is known as "dynamic competition," which is characterized by the constant change in the rules of the competitive game. This volatile strategic reality has led researchers to move beyond traditional models of competition analysis towards adopting more flexible and interactive concepts, the most prominent of which is the concept of "dynamic capabilities".

This concept emerged as an attempt to understand how enterprises can innovate, adapt, and reshape their resources to keep pace with environmental changes, making it a vital theoretical framework for understanding enterprise strategies in highly dynamic environments. The importance of dynamic capabilities stems from the fact that they focus on the "ability to change" itself, not on static resources, as they relate to institutional learning mechanisms, process restructuring, and anticipating and adapting to market shifts before they lead to direct threats.

This article seeks to analyze the relationship between dynamic abilities and dynamic competition by reviewing the theoretical foundations of this concept, the explanatory models associated with it (such as the Teece model and his colleagues), as well as highlighting how it is applied in practice. It also aims to illustrate how dynamic capabilities enable organizations to achieve strategic flexibility and take advantage of changing market opportunities, at a time when the viability of relying on static traditional advantages is declining.

1- Evolution of the concept of competition:

1-1- Competition in Classical Thought:

The concept of "competition" has its origins in the classical school of economic thought, where it figured prominently in the work of early economists, chief among them Adam Smith, who is considered the actual founder of economics. He was the first to use the term "competition" systematically in his famous Wealth of Nations (1776), where he asserted that competition was an essential element for achieving economic efficiency, which means the ability to allocate resources to achieve the highest possible levels of production. Smith also saw competition as the cornerstone of economic thought, because it is a driving force for economic growth and the prosperity of nations.

Smith believed that competition has positive effects on the economy, contributing to lower prices, stimulating innovation, and raising productive efficiency, which is reflected in improving the standard of living of individuals. He defined competition as an interaction between buyers and sellers within the market, where everyone competes either to obtain products or to dispose of them, balancing the market by equalizing prices with marginal costs. Through this competition, resources are directed towards the most productive uses, and prices fall to their lowest levels.

Individual freedom and the multiplicity of competitors are prerequisites for competition, Smith noted. If the capital is distributed among only two sellers, each competes to lower prices, but if it is divided between twenty sellers, the competition will be more intense, and they are less likely to collude to raise prices.

Based on these principles, in 1817 David Ricardo built his theory of “comparative advantage,” asserting that competition manifests itself through the benefits of specialization and trade between nations, pushing institutions to reduce costs and improve quality, thereby achieving mutual gains between nations. Ricardo's work has contributed to broadening the understanding of competition at the global level, and his ideas have become an important tool for analyzing many economic phenomena, such as workers' wages, economic growth, and the effects of international trade.

Karl Marx, while agreeing with Smith and Ricardo that competition is a driver of economic growth, disagreed with them at the core of the concept. Marx saw competition not as a starting point for analysis, but as a result of a capitalist desire to maximize profits, in accordance with the laws of capitalist accumulation. Therefore, he considered competition as a means to achieve the goals of capitalism, pushing institutions to reduce their prices to increase their profits, which can only be achieved by reducing wages or raising workers' productivity. In short, for Marx, competition is not an end, but a tool for increasing profit.

In general, competition in classical economic thought is a mechanism for determining prices, quantities and resource allocation, and contributes to the coordination of conflicting individual interests, balancing supply and demand.

As economic thought developed, so too did the concept of competition, particularly in neoclassical economics, which was first approached mathematically by Augustin Cornu in 1838. He developed a model in which producers compete by specifying quantities, assuming that no product could influence the price. It also delicately addressed competition as a non-cooperative game between producers, with the high number of competitors regularly reducing each other's market power. Cornu's contribution is a key model for understanding the behavior of competing institutions in a homogeneous commodity market.

1-2 Evolution of competition analysis in strategic management approaches:

The analysis of competition in strategic thinking has witnessed a remarkable development, as a result of a set of successive stages that have been formed by many economic and strategic thinkers, and this development came in response to the continuous shifts in the business environment. Among the most prominent thinkers who have addressed the causes of this radical change, stands out the name of Alfred de Chandler, who sought to identify the real factors influencing this transformation. Contrary to Adam Smith's vision, which focused on the "invisible hand" as the only organizing force of the economy, Chandler introduced the concept of the "visible hand," referring to the pivotal role of professional managers in formulating long-term strategies, guiding complex business processes, and coordinating them to ensure effective decision-making.

Strategic management has become one of the main areas of interest in understanding the complexities of competition in contemporary business environments, through the contributions of academic researchers and professional practitioners in the strategic field. The concept of competition has evolved to encompass more than just the influence of market forces, to be studied in different contexts within strategic thought, which in turn has evolved across two main approaches, each reflecting a response to a particular stage of evolution of the competitive environment.

The first approach is the classical school, which relies on adaptation and focuses on analyzing the external environment of the institution by studying the structure of the industry in which it is active, using various analytical models and matrices aimed at understanding competition and achieving a sustainable competitive advantage. However, the acceleration of environmental changes, due to technological progress, globalization and economic openness, led to the escalation of competition and its increasingly dynamic nature, especially in the 1980s, which made this approach insufficient to understand the competitive path of enterprises or to build an effective strategic model that helps to achieve sustainable success and excellence.

With the beginning of the 1990s, a new approach, known as the modern approach based on resources and competencies (or strategic capabilities), emerged, which revolved around the idea of changing the rules of the strategic game and the impact of the institution on its environment rather than just adapting to it, which represents a new trend known as strategic mobility.

1- 2 – 1 Analysis of competition through external strategic diagnostic approaches:

The external diagnosis of the institution is the main starting point in the field of strategic management, as the analysis of the external environment is a pivotal element in the process of formulating the institutional strategy. Proceeding from this importance, a number of strategic thinkers, academics and consultants, have divided the external environment into multiple levels, with the aim of enabling managers and entrepreneurs to conduct accurate and comprehensive analysis. Each of these levels affects the organization's goals, either directly or indirectly.

a) Diagnosis of the total external environment

The macro environment is one of the most prominent components of the external environment, as it includes a wide range of factors that affect to varying degrees various institutions, industries, and sectors. These factors have been grouped within an analytical framework known as the PESTEL model, which includes: political, economic, social, technological, ecological, as well as legal factors. These elements are also known as “non-market environmental factors,” and include actors such as NGOs, political activists, government bodies, policymakers, and the media. Understanding these factors enables organizations to build a strong reputation, strengthen the network of relationships, and develop effective strategies in the areas of public relations and institutional cooperation, among others.

b) Industry Diagnosis

An industry is defined as a group of organizations that produce substantially similar goods or services, such as the automotive industry or the aerospace industry. In many studies, the term 'sector' is used as an alternative to 'industry', particularly when referring to service areas, such as health or education. Industries or sectors consist of markets, and the market is defined in the strategic literature as a group of customers who buy products or services of a similar nature, or are perceived as a geographical location where these products or services are offered.

Michael Porter (1979, 2008) stressed the importance of identifying and understanding industry boundaries, as this plays a crucial role in enabling managers to identify all actors in a competitive environment. It should be noted that the boundaries of the industry are not fixed, but can change over time, depending on the developments of the macro environment and the responses of competitors, which directly affects the performance of the institution within the market, as this performance is closely related to the characteristics of the industrial environment in which the institution is active.

In 1983, Porter explained that different concepts and models shed light on sporadic aspects of competition, and despite the multiplicity of studies that dealt with the external environment, there was no integrated model that linked those elements to analyze the competition environment or explain the attractiveness of the industry clearly. This shortcoming was one of the motivations for the development of the five forces model, which was based on the ideas of industrial organization, as Porter sees that there are five main competitive forces that determine the attractiveness of any industry. These forces directly influence the formulation of the strategy, as the core of the model is how to manage competition with the aim of achieving and maintaining a strong market share for as long as possible.

c) Porter’s five forces model

Michael Porter's contributions to industry analysis in general, and competition analysis in particular, are among the most notable in the field of strategic management. Barney (2021) pointed out that Porter is one of the first thinkers to apply economic thought within the framework of strategic management, and even considered that Porter's influence in this field exceeds that of any other thinker. His most notable contribution is the development of the five forces model, which is used to analyze the attractiveness of the industry. Although this model was criticized in later periods, it formed the basis for understanding how organizations achieve a competitive advantage in highly competitive environments.

“Competitive advantage” is one of the most widely used concepts in the strategic management literature, and was first coined by Porter in 1985. However, the term is still under discussion among researchers, as no unified definition has been adopted so far. According to Porter (1985), a competitive advantage is achieved when an organization is able to outperform its competitors within the same industry. This advantage arises by developing or possessing a set of effective capabilities or practices that enable the organization to excel, whether by achieving a larger market share or higher profits, or by being able to face the pressures of competition.

The five forces model not only aims to assess the industry's profitability and attractiveness, but is also used to understand the structural underpinnings of competitive advantage, and the factors that make some organizations more capable of achieving excellence within a given competitive environment. Porter summarized these five competitive forces in a famous model illustrated by the following figure (M. Porter, 1980).

FIGURE 1: PORTER'S FIVE FORCES MODEL
Adapted from M E Porter, *Competitive Strategy*, Free Press, 1980

The threat of entry:

The first strength of Porter's model, the "threat of entry of new competitors," assesses how easy or difficult it is for new enterprises to enter the industry. Entry barriers, such as the need for large capitals, economies of scale, or strong brand loyalty, can protect existing organizations from the entry of new competitors. Conversely, the reduction of these barriers contributes to an increase in the number of new arrivals, leading to increased competition and lower rates of profitability in the market.

The threat posed by new entrants suggests that a new competitor could capture part of the market share, weakening the advantages enjoyed by existing institutions. So, the degree of this threat depends to a large extent on how high or low entry barriers are. The higher the barriers, the less the threat and vice versa. The existence of these barriers also contributes to reducing the number of competitors, which increases competition between existing market players. Conversely, lower barriers enable new enterprises to enter the market easily, posing a direct threat to the profits and competitive advantages of existing enterprises. Hence, raising entry barriers is one of the important indicators to increase the attractiveness and profitability of the industry.

Porter (1979) identified six key factors that constitute barriers to entry: economies of scale, product differentiation, capital requirements, cost differentials regardless of size, difficulty in accessing distribution channels, and government policies. In his 2008 article, he expanded this list to include seven types of barriers.

Porter stresses the need to assess these barriers according to the capabilities of potential entrants, who are often in three categories: start-ups, foreign enterprises, or companies active in related industries. For this reason, a strategic advisor should be aware of the creative ways new competitors may use to overcome what appear to be strong barriers, but they may not be effective in all cases.

The power of suppliers:

Suppliers can exert their influence by controlling the availability or pricing of essential inputs. If they have limited alternatives or are forming strong alliances with key players in the industry, they can charge higher prices or more favorable terms, reducing the profitability of the sector.

This force affects the profitability of the industry by controlling suppliers to continuously increase and change costs or reduce the quality or services provided. If a supplier has the ability to force these changes, the ability to negotiate with them increases, affecting the level of profitability. In general, companies in any industry rely on different suppliers depending on the type of input. There are several factors that determine the strength of suppliers and increase their ability to negotiate, such as: the dominance of some suppliers in a particular industry if their product is unique or at least distinctive, the increase in the cost of changing the supplier, the supplier's provision of various products within the same industry, the supplier's preference for dealing between different industries, in addition to the fact that the supplier poses a threat of potential entry into the industry.

The power of buyers:

Buyers' power refers to the extent to which they are able to influence the setting of prices or impose conditions that are more favorable to them. When buyers are highly concentrated or have a variety of product or supplier alternatives, they are able to demand reduced prices or improved quality of products, which negatively affects the profitability rates of the industrial sector.

On the other hand, the bargaining power of suppliers emerges, as the most prominent manifestation of buyers' influence lies in their constant quest to reduce prices and demand them to improve quality or increase accompanying services. These pressures lead to higher operating costs, forcing suppliers to compete among themselves to offer more competitive offers, which in turn affects the profit margin in the industry.

Buyers' bargaining power increases when their price sensitivity is high, as they exploit this sensitivity to exert greater pressure to lower prices. Thus, their bargaining power increases to the extent that they can obtain products at the lowest possible prices. This power reaches its peak in several cases: when a large number of suppliers are available, which facilitates the transition between them, when the number of buyers is limited, or when the products in the industry are standardized and not distinctive.

In such circumstances, buyers are able to easily find equivalent replacement products, without incurring high costs when changing suppliers. Their bargaining power also increases when industry entry barriers are low, giving them direct access to the market if they find the profit opportunities lucrative. Intermediate buyers (such as wholesalers or distribution channels) have significant bargaining power, especially when they can influence purchasing decisions for the end consumer.

The threat of substitutes:

Alternatives represent products or services from different sectors that are able to meet the same needs as the industry product. The availability of these alternatives directly affects the pricing power and profitability levels, giving customers the option to easily switch to these alternatives.

Although substitutes are always present, it is common to neglect them because of their apparent difference from the products of the industry. However, the high risk of alternatives restricts the growth potential by setting a price ceiling and limits the industry's ability to make exceptional profits even in boom periods.

The threat of alternatives is increasing in two main cases:

1. When alternatives offer an attractive trade-off between price and performance
2. When switching costs are low

In this context, Porter warns against neglecting the analysis of alternative products, as changes in other sectors may suddenly turn them into new competitors. Strategists therefore recommend continuous monitoring of developments in other industries that may increase the attractiveness of these alternatives, with a particular focus on factors that may reduce switching costs or improve the performance of alternatives compared to existing industry products.

The intensity of competition between competitors Competitive rivalry:

This strength reflects the extent of competition among existing institutions in the industry. Factors such as the number and size of competitors, industry growth rate, product differentiation and exit barriers, affect the intensity of competition. High competition can lead to price wars and low profitability, while low competition may allow institutions to maintain higher prices and profitability.

Competition between existing competitors takes many forms including price reduction, introduction of new products, advertising campaigns, and service improvement. According to Porter, high and continuous competition will limit the profitability of the industry. The intensity of competition is high if the number of competitors is large or almost equal in size and strength because in this case there is no leader in the industry and desirable practices in the industry become acceptable. Also, if the growth of the industry is slow, competition increases and this causes challenges to capture the largest market share. Institutions that are not familiar with each other will also cause great competition. The Porter also states that competition can be particularly damaging if it is based solely on the price that transfers profits from the industry to the customer. The stronger the power, the more limited the ability of existing institutions to raise prices and earn larger profits.

The strength of competition reflects not only the intensity of the competition, but also the foundations and dimensions on which the competition is based. If competitors converge to compete on the same dimensions, this has a significant impact on profitability. Competition is particularly damaging to profitability if it is only attracted to price because price competition transfers profits directly from the industry to customers. It is usually easy for competitors to see and match price reductions, and this constant price competition makes customers less interested in product features.

Price competition occurs more often in the following situations: If competitors' goods or services are almost identical and the cost of conversion for the customer is low, this encourages competitors to lower prices to gain new customers. Also, if fixed costs are high and marginal costs are low, it will lead to severe pressure on competitors to reduce prices below their average costs, and this is to reach more customers. Perishable products also affect the price reduction in order to sell the product while it still has value.

These competitive forces reveal the motivations for competition in an industry, as the role of the organization's strategic path is to understand that competition goes beyond identifying current competitors, and it will detect broader competitive threats and be better equipped to confront them. At the same time, comprehensive thinking about the structure of the industry can reveal opportunities that can become the basis for differentiated strategies that lead to superior performance.

Understanding the forces of competition has contributed to the development of the formulation of the strategy of institutions. It has enabled strategists to better draw the boundaries of the industry and know the most important aspects of the competitive environment, which in turn contributes to determining the strengths and weaknesses of the institution, and what is the position of the institution vis-à-vis customers, suppliers, competitors and alternative products? More importantly, understanding the structure of the industry guides the walkers to know the status of the institution and better deal with the current competitive forces, anticipate and exploit shifts in power and shape the balance of power to form a new industrial structure more suitable for the institution. Hence, strategic formulation can be seen as building defenses against competitive forces or positioning in an existing industry. The five forces model allows for accurate analysis of the entry and exit potential of a given industry. Exit is indicated when the structure of the industry is weak or declining and the institution has no prospect of obtaining a privileged position in it.

The industry structure embodied in the five competitive forces provides a way of thinking about how value is created and divided between current and potential competitors in the industry. It also highlights key issues in the division of value.

Applied Example: Apple Inc. and Porter's Five Forces in the Smartphone Industry

Apple Inc. provides a prominent example of how Porter's five forces model can be used to analyze an industry's attractiveness and the sources of competitive advantage. Operating in the highly competitive smartphone sector, Apple demonstrates both the strengths and the limitations of Porter's framework.

1. Threat of Entry

The smartphone industry is characterized by high entry barriers. New entrants face massive capital requirements, significant R&D investments, strong brand loyalty, and established global distribution networks. For Apple, barriers are reinforced by its ecosystem lock-in (iOS, App Store, iCloud), which makes it difficult for new players to capture market share. Thus, the threat of new entrants is relatively low.

2. Power of Suppliers

Apple's suppliers, such as TSMC (semiconductors) and Foxconn (assembly), hold strategic importance due to the specialized and capital-intensive nature of their inputs. However, Apple mitigates supplier power by diversifying its supply chain and maintaining high bargaining leverage thanks to its global scale. Supplier power is therefore moderate, though vulnerabilities exist.

3. Power of Buyers

Despite Apple's premium pricing strategy, customer loyalty remains exceptionally strong, reducing buyer power. The company differentiates itself through design, software integration, and ecosystem services. Nonetheless, buyers still exert influence in price-sensitive emerging markets, where switching to alternatives like Samsung or Xiaomi is easier. Buyer power is therefore moderate to high in specific segments, but generally low in Apple's premium niche.

4. Threat of Substitutes

Substitution threats come from other digital devices (tablets, wearables) or even cheaper smartphones offering similar features. However, Apple reduces substitution risk by positioning the iPhone as a lifestyle product rather than a commodity, embedding it in a broader ecosystem (Apple Watch, Mac, AirPods). Thus, while substitutes exist, switching costs (financial and psychological) are relatively high, making the threat low to moderate.

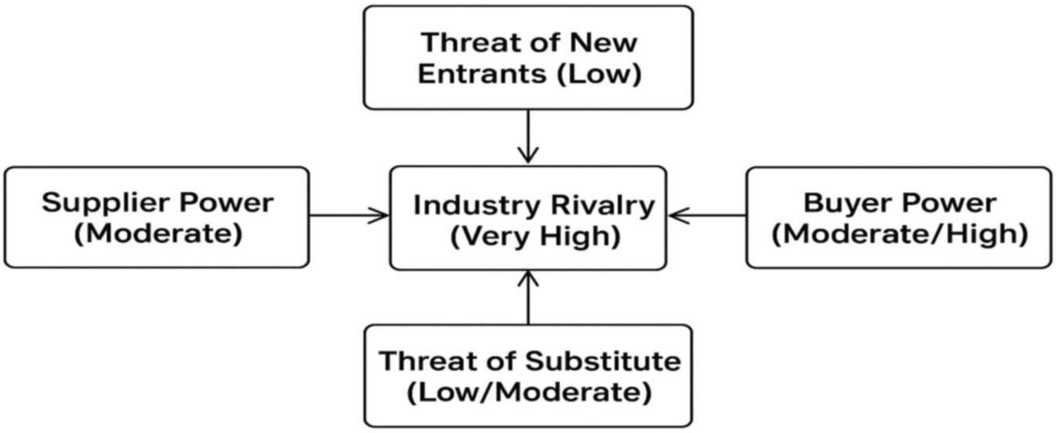
5. Industry Rivalry

Competition in the smartphone market is intense, with Samsung, Huawei, and other brands competing aggressively in both technology and pricing. However, Apple avoids direct price wars by focusing on differentiation, innovation, and ecosystem integration, which shields it from some of the profitability erosion common in the industry. Rivalry remains very high, but Apple sustains competitive advantage through brand equity and innovation.

Table 1: Porter's Five Forces Applied to Apple in the Smartphone Industry

Force	**Industry Assessment**	**Impact on Apple**
Threat of Entry	Low	Strong entry barriers protect Apple
Power of Suppliers	Moderate	Supplier dependence mitigated by scale and diversification
Power of Buyers	Moderate/High	Strong loyalty reduces impact, but price-sensitive markets matter
Threat of Substitutes	Low/Moderate	Apple's ecosystem raises switching costs
Industry Rivalry	Very High	Apple competes through differentiation, not cost leadership

Figure 2: Porter's Five Forces Model Applied to Apple



d) Excessive competition

The concept of excessive competition emerged in the 1990s as a reaction to the accelerating and dynamic nature of competition in industries undergoing rapid technological and market transformations. This competition arises as a result of the instability of the environment and strategic interactions between companies. The concept emerged as a critique of traditional structural approaches in the strategy, particularly Porter's Five Forces model, which focused on a stable industrial structure capable of ensuring a lasting competitive advantage. But as changes in the external environment have accelerated, competitive advantages have become temporary due to accelerated innovation and rapid responses from competitors.

According to D'Aveni (1994), excessive competition arises from dynamic strategic manoeuvres between global competitors and innovators, in which aggressive and resilient new players are able to enter markets easily, threatening the positions of stable megacorporations. In other words, excessive competition escalates when interactions among competitors intensify, associated with aggressive behaviors that lead to imbalance and continued change. This phenomenon often manifests itself in oligopolistic industries, where D'Aveni has identified four main sources:

1. Changing customer preferences: Customers are becoming more demanding, no longer content with the value offered, but demanding a higher value in line with their immediate expectations. This has led even major brands to face intense pressure from lower-cost products of the same quality.

2. Technological development: Rapid technological progress, especially in the areas of artificial intelligence and digital transformation, is one of the most prominent drivers of excessive competition, affecting almost all sectors.

3. Reduced barriers to entry: The technological revolution, especially in information processing, has reduced barriers to entry into markets, allowing new competitors to challenge established firms in unconventional ways.

4. Use of large financial resources (Deep Pockets): Competition has become dependent on financial strength, as some entities are able to launch destructive strategic attacks thanks to their huge resources, unlike traditional individual competition.

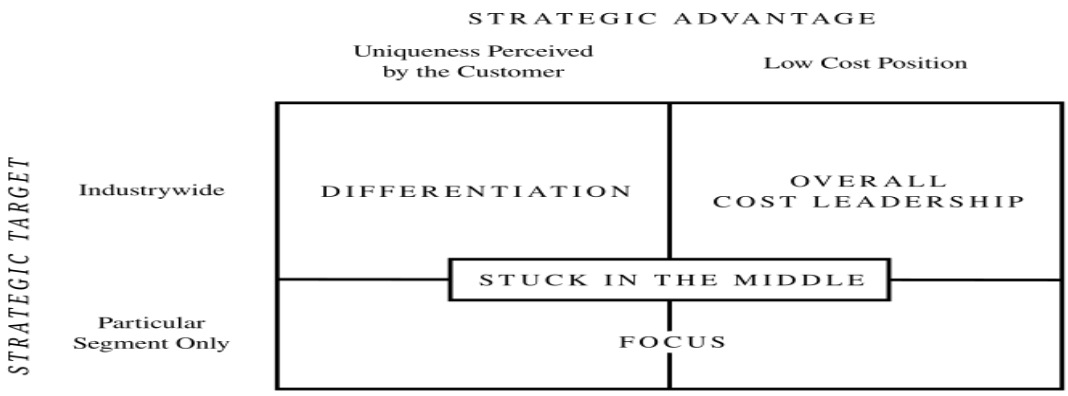
D'Aveni (1994) asserts that excessive competition is a product of accelerating competitive dynamics. In high-activity sectors, companies are constantly seeking to innovate and expand, which intensifies movements and reactions. Thus, institutions with strategic resources and capabilities control the rules of the game, either through proactive innovation or quick reaction to their competitors.

1-2-2 Competitive Strategies:

a) General Strategies for M Porter

General strategies or competitive strategies include the following approaches: price strategy, excellence strategy and focus strategy, which allow the formation of a competitive advantage at the level of the strategic business field. By building a competitive advantage and providing what the customer requests or in the sense of meeting his needs in a more effective manner and/or as a category of competitors, it is considered a difficult approach to emulate. Therefore, the organization takes its strategy in two directions:

- Offer the same value as the competitor, but at a lower price.
- Either provide a distinguished offer, whatever the price of this high-cost excellence, for the sake of quality customers



Price strategy: the one he calls M. Porter has a strategy of total cost control. It relies on providing a customer-aware value offer that is comparable to competitors' offers, but at lower prices. This requires the organization's management to implement a policy of reducing costs through the volume strategy by benefiting from:

- **Experience impact:** An essential source of efficiency, as most studies have confirmed that the accumulated experience of the institution allows it to reduce unit costs, accumulated experience is measured on the basis of the number of accumulated productive units
- **Supply cost:** so that it has a significant impact on the profitability of the institution, so the institution seeks to bring production units closer to their sources of financing, used raw materials, energy and in the long term

- **Ladder economics:** When the medium cost function in the long term is decreasing, we say that the institution achieves ladder economics in the sense that increasing production allows reducing the cost of one unit, which is mainly related to fixed costs and this is based on the logic of volume in the purchase of raw material, transport, storage and production and in all links of the value chain.

- **Innovation** that will reduce costs and innovations in production, promotion or storage methods.

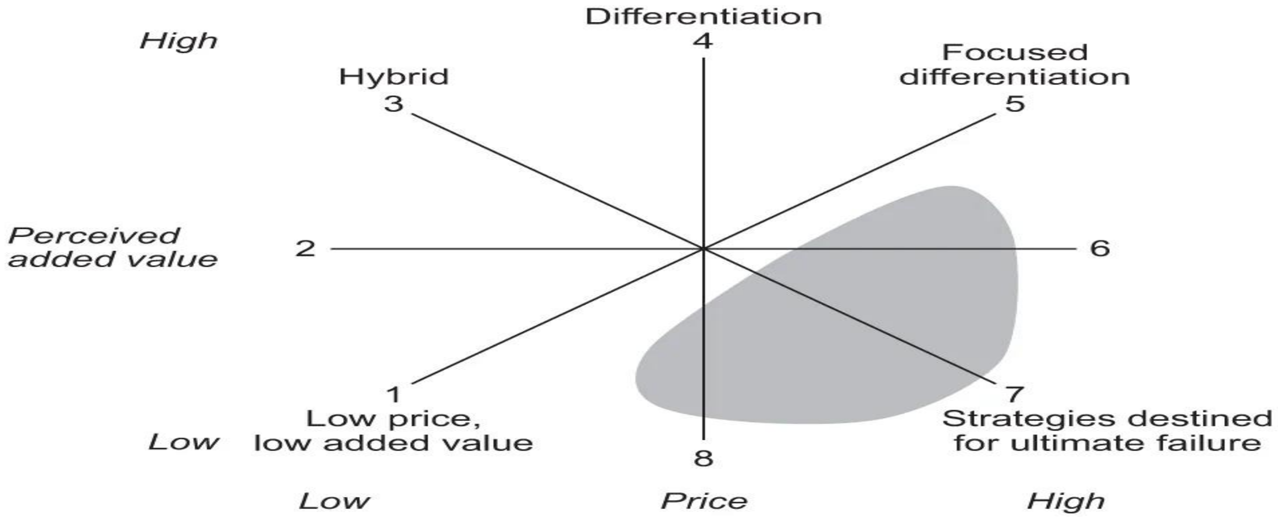
This enables the organization to gain a cost advantage.

Excellence strategy: This strategy does not work to reduce the price, but to distinguish the value perceived by the customer, as the excellence strategy depends on providing an offer that contains a perceived value and is distinct from the offers of competitors, and it is done in two ways: either with a value less or greater than the level provided by competitors is what gives the institution a competitive advantage in excellence.

Focus strategy: This strategy is specific to very narrow and limited business sectors of producers and customers, and the focus strategy is to choose a segment of customers, whether individuals or institutions, where the focus is practically to meet their needs more than other customers, as these sectors are characterized by the accurate knowledge of customers in terms of their needs and requirements in the good or service.

b) Classification of Bowman's Strategic Clock

Many strategies fall within the scope of one of M. 's general strategies. Porter, as well as the gap strategy, and the location of this strategy is shown in the following figure



Through the figure, the following can be read:

- ✓ Area (5) (6) (7) (8) represents: an economic space that does not exist because it is not in line with the economic logic of institutions. It is not possible to offer goods and services of low perceived value for high prices.

- ✓ **A higher strategy that distinguishes:(Focused differentiation)**

This strategy relies on taking more and more care of the organization's offer by providing goods and services with the features and specifications that are associated with luxury, high quality and characterized by:

- Constantly improving the value provided to the customer more than the customer thinks for very high prices.
- Market share can be low but high yielding.

For example: luxury-oriented industry Hamer industrie de lux, porche, Rolex, as well as Mercédès, BMW.

- ✓ **A strategy with the lowest distinction (Low Cost):**

Unlike the previous strategy, it is characterized by:

- The low value of the offer compared to the reference offer.
- Compensating the customer for the low value at very low prices.

- ✓ The price strategy, which represents the reference supply, corresponds to the point at which the customer's perceived value (the reference value) is equal to the corresponding price equal to this value (the reference price) and takes the equilibrium point. It is price-based and offers a value proposition that is comparable to competitors at competitive prices.

- ✓ As for the remaining space, which represents the institution that adopts the hybrid strategy, which offers a high perceived value for less prices, it does not reflect this value, which is characterized by installation and reconciliation between research to increase the value directed to the customer with fixing or reducing the cost and then the price. Drivers of hybrid strategy: market pressure, rising competition, rising consumer expectations (they want quality and good price together), availability of technology that allows to reduce costs with innovation, development of supply chains and distribution methods

Applied Example of Porter's Generic Strategies in Global Companies

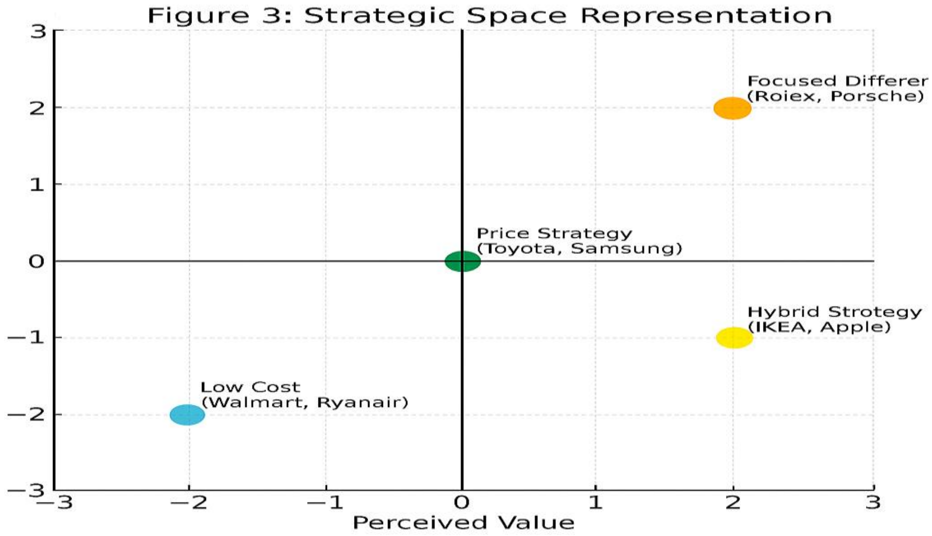
To illustrate the theoretical framework of Porter's generic strategies and the concept of strategic gaps, we present a practical application based on global corporations. This application shows how companies position themselves according to cost, differentiation, hybrid, and reference strategies.

Table 2: Porter's Generic Strategies in Global Companies

Strategy Type	Characteristics	Global Example
Focused Differentiation	High quality, luxury orientation, continuous value improvement, premium pricing.	Rolex, Porsche, Mercedes-Benz, BMW
Low Cost	Lower perceived value compensated by very low prices, focus on efficiency.	Walmart, Ryanair, Xiaomi (entry-level models)
Price/Reference Strategy	Value proposition equal to reference value and price; equilibrium point in market.	Toyota (Corolla models), Samsung mid-range smartphones
Hybrid Strategy	High perceived value at lower prices; balance between quality and cost efficiency.	IKEA, Apple (iPhone SE, older models), Huawei

This example demonstrates that global companies position themselves differently in the strategic space. While some pursue exclusivity and premium margins, others leverage cost leadership, reference positioning, or hybrid approaches that combine innovation with cost efficiency to respond to competitive market pressures.

Updated Figure 3: Strategic Space Representation



c) "Blue Ocean Strategy.

It is a work that explores how to achieve competitive excellence by devising new strategies in an as-yet undiscovered market. The term blue ocean refers to all markets that are free of competition, characterized by high demand for them, and their great opportunities for profitable and rapid growth, and the term blue ocean is similar to describing markets that are characterized by unexplored market space, such as the wide and deep ocean, which is a methodology that aims to innovate by providing distinct value to the customer and redefining the boundaries of the market.Focuses on value innovation that combines excellence and cost reduction

Blue Ocean vs. Red Ocean

- Red Ocean: Represents current crowded markets where companies try to outperform each other to carve out a chunk of existing demand, leading to a price war and falling profits.
- Blue Ocean: represents unexplored markets that create new demand and open up opportunities for sustainable growth away from competition.

Elements of success in the blue ocean:

- Eliminate unnecessary competitive factors.
- Minimize factors that do not add real value to the customer.
- Increased focus on aspects that matter to the customer.
- Create new items that meet unsaturated needs.

2- Moving from an approach of resources and competencies to dynamic capabilities to face competition

Case Study: Cirque du Soleil and the Blue Ocean Strategy

The Blue Ocean Strategy, introduced by Kim and Mauborgne (2005), emphasizes the creation of uncontested market spaces where competition is irrelevant. Instead of fighting rivals in saturated 'red oceans,' organizations generate new demand through value innovation—simultaneously pursuing differentiation and cost reduction. Cirque du Soleil provides a leading case of this strategic approach by reinventing the circus industry.

Cirque du Soleil's Blue Ocean in Practice:

Traditional circuses competed by showcasing animal acts, star performers, and price wars. Cirque du Soleil eliminated expensive animal shows, reduced the emphasis on star performers, and increased focus on artistic expression, theatrical narrative, and music. By creating a unique fusion of circus and theater, it opened a new market space appealing to adult audiences and corporate clients, achieving rapid growth and profitability.

Table 3: Cirque du Soleil's Blue Ocean Strategic Moves

Strategic Element	Cirque du Soleil's Action
Eliminate	Animal shows, star performers
Reduce	Traditional circus themes and price-based competition
Raise	Artistic performance, stage design, music, storytelling
Create	New artistic experience blending circus and theater for adults

By redefining the circus industry, Cirque du Soleil demonstrated how Blue Ocean Strategy creates uncontested market space. Through value innovation—eliminating, reducing, raising, and creating factors—it shifted focus away from rivalry and opened new avenues for growth. This illustrates how organizations can escape red oceans of competition and generate sustainable advantage.

2.1 Strategic Resource Approach:

Barney (1986) explained that not all the physical, human and organizational resources of an organization are strategic resources that effectively contribute to strategic planning and implementation processes. He also pointed out that institutions operating within the same sector may be heterogeneous in terms of their ownership of strategic resources, and that these resources are often not fully transferable between institutions, which leads to long-term strategic disparity.

In the context of analysing the qualitative attributes of resources that enable an organization to build strategic capabilities to reshape the competitive environment, Barney (1991) presented an analytical framework that includes four key characteristics that a resource must possess to be classified as a strategic asset. These characteristics are: Value, Rarity, Inimitability, and Non-substitutability, which shaped what is known as the VRIN framework.

Later, Barney modified the model by incorporating the characteristics of the difficulty of imitation and irreplaceability, and added the element of organization (Organization) as a fourth condition, to restructure the model under the name VRIO, which became a central model in explaining the sources of sustainable competitive advantage.

Value:

Barney (1991) explained that a supplier is strategic when it adds tangible value to an organization, by enabling it to deliver products or services that meet customer expectations in terms of quality and cost, compared to alternatives available in the market. The value of a supplier reflects the extent to which it contributes to supporting operational efficiency and organizational effectiveness, as well as its importance when it helps an organization formulate or implement strategies capable of exploiting opportunities and reducing threats in its competitive environment.

Rarity:

Scarcity refers to the extent to which a resource is distinctive and exceptional among competitors, as a resource is considered scarce if it is not available to the majority of institutions within the sector, whether current or potential. In this context, scarcity is a critical factor in distinguishing the resource as a strategic element, as readily available resources are not a source of competitive advantage, while scarce resources enable the organization to achieve superiority that is difficult to keep pace with.

Inimitability:

The difficulty of imitating the supplier is a pivotal factor in sustaining competitive advantage. According to Barney (1991), organizations with resources that are difficult to imitate often have internal strategic creativity that enables them to formulate initiatives that are difficult for competitors to replicate or implement. This resource enhances the organization's long-term excellence, as long as it remains undevelopable or unreplicable by competitors.

Non-substitutability:

Even if value, scarcity, and the difficulty of imitation exist, a strategic resource must be non-substitutable with another resource that provides similar results. This property indicates the absence of alternatives that can perform the same strategic functions, which keeps the supplier unique and indispensable in supporting organizational excellence, and dedicates its role in creating a competitive advantage that is difficult to undermine through the use of alternative resources by competitors.

Case Study: Google and the Strategic Resource (VRIO) Approach

The Strategic Resource Approach, as developed by Barney (1991), highlights that only resources with specific attributes can provide sustainable competitive advantage. These attributes—Value, Rarity, Inimitability, and Organization (VRIO)—form the foundation of the framework. Google Inc. offers a prime example of how VRIO resources shape long-term strategic superiority in the global technology sector.

Google's VRIO Resources in Practice:

Google's success in digital markets cannot be explained merely by technological infrastructure, but rather by strategic resources that meet VRIO criteria. Its algorithms, brand equity, massive data assets, and organizational culture for innovation together underpin its sustained competitive advantage.

Table 4: Google's Strategic Resources through the VRIO Lens

VRIO Dimension	Google's Example
Value	Search engine algorithms that deliver superior relevance and advertising efficiency.
Rarity	Exclusive access to vast global search and user data unmatched by competitors.
Inimitability	Complex infrastructure, tacit know-how, and continuous AI improvements difficult to copy.
Organization	Flat, innovation-driven culture and resources structured to exploit data and technology.

Google illustrates how VRIO-based resources generate sustainable competitive advantage. By leveraging valuable, rare, and inimitable resources, and structuring its organization to fully exploit them, Google maintains a dominant position in digital markets. This confirms Barney's theoretical framework as a practical tool for understanding long-term strategic disparity across industries.

2.2 Pivotal Competency Approach

A contemporary approach in the field of strategic management, the Competence-Based View (CBV) has emerged as a pivotal analytical framework for understanding how to develop and implement effective strategies in highly competitive and ever-changing environments. This approach focuses on building internal capabilities that enable an organization to interact with and influence its external environment effectively.

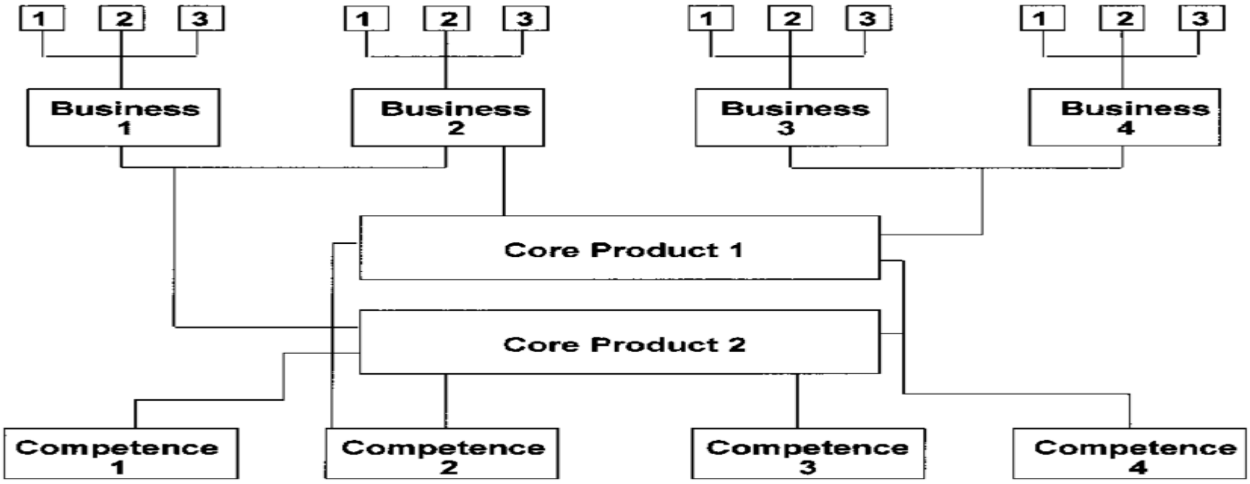
This approach has its roots in Hamel and Prahalad's 1990 founding article The Core Competence of the Corporation in the Harvard Business Review, where the concept of "core competencies" was first introduced into the strategic literature. This article has reshaped organizations' self-understanding, from being a collection of business units to being an integrated system of core employable competencies in innovation and market development.

Hamel and Prahalad defined core competencies as collective organizational knowledge that harmonizes production skills and techniques. The concept was later expanded in 1994 to be defined as a set of skills and technologies that enable an organization to create added value for customers. This concept has been framed and analyzed by a number of researchers such as Amit and Schoemaker (1993), Lado and Wilson (1994), as well as Bergenhenegouwen, Sanchez and others (1996), who are unanimous that the essence of sustainable competitive advantage lies in core competencies.

These competencies are generated through effective organizational interaction, internal communication, and deep commitment among individuals within the organization, allowing for the discovery of new potential resulting from the creative integration of skills and expertise. Unlike material resources that are consumed with use, core competencies are strengthened through application and engagement, which necessitates their continuous protection and development to ensure that they remain a strategic source of excellence.

Yang (2015) points out that pivotal competence embodies the dynamic integration of institutional knowledge, technology, resources, operational and managerial skills. Core Capability is defined as the specific managerial ability that enables these competencies to be transformed into innovative products, services, and processes.

Hamel and Prahalad used a pictorial analogy to illustrate the relationship between the core competencies and the business units within the organization. The organization was likened to a huge tree; its roots represent the core competencies, the trunk and the main branches represent the core products, while the secondary branches represent the leaves and fruits, which are the final products. This model shows that competitive strength cannot be assessed by end products alone, just as a tree's durability cannot be estimated by its leaves without understanding its roots.



The core competencies, as identified by Prahalad and Hamel (1990), have three key characteristics that make them a key pillar of sustainable competitive advantage:

1. Enables the organization to access a wide variety of markets, broadening the scope of its commercial applications.
2. Substantially contributes to enhancing the value perceived by customers, by supporting the final products with advantages that are directly related to their expectations and needs.
3. They are difficult for competitors to imitate, especially when they result from a complex integration of multiple technologies and specialized production skills that are difficult to separate or replicate.

Hamel and Prahalad's central concept of core competencies is to identify, nurture, and strategically guide the core skills and technologies that are unique within the organization and are a constant source of competitive excellence. This vision has contributed to a wave of research in strategic management, which has sought to unify concepts and build a comprehensive and integrated conceptual framework of core competencies.

Case Study: Toyota and the Pivotal Competency Approach

The Pivotal Competency Approach, based on Hamel and Prahalad (1990), emphasizes identifying, nurturing, and leveraging core competencies as the foundation for sustainable competitive advantage. Toyota Inc. exemplifies this approach through its effective integration of organizational knowledge, production skills, and managerial capabilities to create innovation and added value in the automotive industry.

Toyota's Core Competencies in Practice:

Toyota has established global leadership by developing core competencies in lean manufacturing (Kaizen), supply chain integration, advanced engineering, and continuous innovation. These competencies allow the company to expand into multiple markets, enhance product value, and remain difficult for competitors to imitate.

Table 5: Toyota's Core Competencies and Strategic Implications

Core Competency	Strategic Impact for Toyota
Lean Manufacturing / Kaizen	Enhances operational efficiency, quality, and continuous process improvement
Supply Chain Integration	Enables rapid response to market demands and reduces production costs
Advanced Engineering & R&D	Drives innovation in vehicle design, safety, and eco-friendly technologies
Organizational Knowledge & Culture	Promotes collaboration, knowledge sharing, and continuous competency development

Toyota's sustained excellence demonstrates the essence of the Pivotal Competency Approach. By integrating core competencies into its organizational strategy, Toyota achieves broad market access, continuous innovation, and long-term competitive advantage, highlighting how core competencies act as the strategic roots of organizational success.

2.3 Approach to Strategic Capabilities

The contribution of Ansoff (1979) is one of the most prominent early contributions to the development of the concept of strategic capacity, which he addressed in his book Strategic Management, where he devoted an entire chapter to the concept of "strategic capacity" (Strategic Capability). He defined it as the organization's ability to execute its strategy by aligning its internal resources, strategic direction, and the nature of the sector in which it operates.

Ansoff's work paved the way for the launch of a series of studies that dealt with the internal environment of the institution, but the analytical focus on this environment only crystallized with the emergence of modern approaches to strategic management. In this context, strategic capability is understood as enabling an organization to employ competitive strategies that ensure its survival and enhance market value over time.

Despite the conceptual multiplicity of this term, there is still an absence of a unified definition and a precise measure by which strategic capacity can be assessed. Among the various definitions put forward, Johnson's and others' definition is the most comprehensive, as it is based on the pillars of two basic approaches: the Resource-Based Approach (RBV) and the Competency-Based Approach (CBV), sometimes known as the Resource and Competency Approach (RCBV).

According to Johnson et al., strategic capability refers to the set of strengths that enable an organization to design and implement strategies that contribute to strategic excellence or enhance its market share. This concept is based on the integrated integration of strategic resources and core competencies, to reflect the level of real empowerment of the organization in its competitive environment. While some literature has classified strategic capabilities within functional capabilities such as organizational, marketing or technological, these elements are implicit in the concepts of RBV and CBV, while emphasizing that not every capability is necessarily strategic or conducive to competitive advantage.

Thus, strategic capabilities include distinct components of resources, skills, and competencies that allow the organization to influence the trajectory of the industry by formulating strategies that generate value and reshape the rules of competition. As for the competitive dynamic, it refers to the continuous interaction between strategic actions and reactions between institutions within the sector, which is affected by factors such as market structure, the intensity of competition, and the speed of industrial changes.

Analyzing the relationship between strategic capabilities and competitive dynamics is concerned with understanding the interaction between the internal environment of the organization (capabilities) and the external environment (competition), an area that has become pivotal in strategic management research, especially in light of the accelerating impact of technology. Chen stood out among the researchers who addressed this interaction, pointing to the lack of studies that combined internal and external environment analyses. In his 2021 study, he linked competitive dynamism with a resource-based approach, offering a more in-depth treatment of the topic.

Teece also made notable contributions through his study of the relationship between dynamic capabilities and the external environment. In 2023, he published an analytical article linking competitive dynamism and dynamic capabilities, stressing the importance of this interaction in explaining the flexibility of institutions and their ability to respond to environmental changes.

2-4 Dynamic Capabilities Approach

The Dynamic Capabilities and Strategic Management approach emerged as an integrated organizational concept in 1997 through the founding article "Dynamic Capabilities and Strategic Management," published by David Teece, Gary Pisano, and Amy Shuen in Strategic Management Journal. Teece later pointed out that the first structure of the concept dates back to the early 1990s, with an initial version published in 1994 in the journal Industrial and Corporate Change, further cementing the concept within the strategic literature.

The Dynamic Capabilities Approach is one of the most prominent theoretical frameworks for understanding how organizations maintain their competitive advantage in a rapidly changing and volatile business environment. Teece and colleagues' (1997) definition is the most cited, defining dynamic abilities as "the ability to integrate, build, and reshape internal and external competencies to meet rapidly changing environments."

Since the advent of this definition, researchers' understanding of the uses of dynamic capabilities has expanded to include not only keeping abreast of technological changes, but also dealing with uncertainties associated with future markets and opportunities. Competitive changes in industries show how market dynamics affect business models, as customer requirements are constantly changing, necessitating high regulatory flexibility.

In Teece's view, the term "dynamism" expresses competitive activities resulting from the introduction of radically innovative or wholly improved products or services. Dynamic competition shows the ability of organizations to create or respond to change quickly through innovation, entering new markets, modifying the regulatory structure, or keeping pace with geopolitical shifts, and other environmental variables.

Dynamic capabilities (Teece et al., 1997) re-emphasize that they represent an organization's ability to reshape its resources and competencies to interact with rapidly changing market environments. This makes dynamic capabilities a driver of dynamic competition, both through initiating and responding quickly to change, underpinned by three core activities: sensing, seizing opportunities, and reshaping resources.

These capabilities also require management to adopt a proactive, transformative approach rather than just reacting. Organizational transformation in this context is not based on standard practices or strategic choices that lead to expected results, but rather on entrepreneurial leadership and strategic decision-making based on risk and strategic foresight.

Excellence in dynamic capabilities is not limited to the ability to sense, but also includes the ability to make a strategic difference, which gives the organization the opportunity to lead the competition and stimulate its dynamism, whether in unilateral or multifaceted markets. In cases where static factors are unable to account for competitive outcomes, dynamic capabilities become a central interpretive tool, supported by regulatory evidence, such as development documents and strategic investment registers.

To reach a high level of responsiveness or effective impact within a given sector, organizations must efficiently manage their limited resources, making the dynamic capability approach a solid theoretical foundation for understanding how to build and maintain a series of temporary competitive advantages, especially in environments characterized by fierce competition and instability.

Case Study: Apple and the Dynamic Capabilities Approach

The Dynamic Capabilities framework by Teece, Pisano, and Shuen (1997) emphasizes organizations' ability to sense, seize, and transform resources to sustain competitive advantage in dynamic environments. A leading example of this approach in practice is Apple Inc., which has consistently leveraged its dynamic capabilities to remain at the forefront of the technology sector.

Apple's Dynamic Capabilities in Practice:

Apple has excelled at continuously integrating and reshaping its competencies to navigate shifting market demands. Through its innovation strategy, ecosystem integration, and foresight in anticipating consumer needs, Apple exemplifies the three pillars of dynamic capabilities:

Table 6: Apple's Dynamic Capabilities (based on Teece's framework)

Dynamic Capability	Apple's Practices
Sensing (Identifying opportunities)	Market intelligence, anticipating consumer needs (e.g., iPhone, wearables).
Seizing (Mobilizing resources)	Massive R&D investments, rapid scaling of supply chain partnerships.
Transforming (Reconfiguring assets)	Shifting from computers to digital devices, services, and ecosystem integration.

Apple's sustained leadership in the global technology industry can be explained through its superior dynamic capabilities. By effectively sensing, seizing, and transforming resources, Apple has maintained a series of temporary advantages in highly volatile markets, validating the relevance of the Dynamic Capabilities Approach as a robust framework for strategic management.

Conclusion

The analysis concluded that continuous adaptability is no longer an added advantage for organizations, but has become a prerequisite for survival and success in environments characterized by instability and changing competition. Dynamic capabilities have proven their usefulness as an interpretive and strategic framework for understanding how organizations stay ahead of the curve, by enabling them to sense changes, react to them quickly, and reshape their resources and organizational structure when needed.

Dynamic competition requires organizations to not only respond to change, but to predict and control its course. Hence, the importance of dynamic capabilities as a meeting point between knowledge, resources, and organizational flexibility, allowing for the generation of temporary competitive advantages that can be continuously renewed. Developing these capabilities is a complex and multidimensional process, requiring the integration of organizational culture, information systems, and strategic leadership, as well as continuous organizational learning.

In conclusion, integrating the concept of dynamic capabilities into institutional strategy is no longer a theoretical option, but a practical necessity dictated by the nature of modern competition. The literature suggests that organizations adopting this approach are able to turn environmental threats into strategic opportunities, enhancing their ability to survive and excel in ever-changing markets.

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