

Strategic Positioning and the Sources of Competitive Advantage: An Experience from Bangladesh Telecommunication Industry

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***Abstract:** Strategic Positioning of a company is a widely accepted parameter for underpinning the sources of competitive advantage and taking future strategic decisions. In this paper strategic positioning of the telecommunication industry of Bangladesh has been unveiled by competitive profile matrix and space matrix. It was found that Grameenphone ruled the total industry by means of aggressive market strategies, followed by Banglalink, taking competitive strategies and then Robi, which follows defensive strategy. To explore the sources of competitive advantage, Chi-square distribution was used. The whole gamut of techniques and procedures concluded that Grameenphone is the market leader in the yard stick of strategic positioning and competitive advantage in the telecommunication industry and the industry as a whole is matured. However, telecommunication sector of Bangladesh still is a very promising sector, because there are huge potentials in the industry in terms of introduction of new technologies and addressing underserved needs of the subscribers.*

***Keywords:** Strategic Positioning, Competitive Advantage, Competitive Profile Matrix, Space matrix, generic strategies.*

1.0 Introduction:

Strategic positioning of the company in a particular industry has a very important role on the company's chosen strategies. Market capturing capability, firm's condition and position among the competitors including some other indicators dictate the company's strategic placement in the industry. Moreover, the sources of competitive advantage should be aligned with this strategic placement to get sustainable benefit in the Industry. In case of telecommunication Industry, strategic positioning can be measured by subscriber base, market share, brand loyalty and some other variables; whereas the sources of competitive advantage can be unveiled through the study of flexibility of price, promotional activity, value added and other utility services provided to the customers as

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these create more value now a days. At present, telecommunication industry is considered to be one of the promising sectors of any country because of innovation of new technologies and falling prices of handsets (which are being more and more cheap and affordable). Following this trend, Bangladesh telecommunication industry is emerging as more promising day by day. Though Pacific Bangladesh Telecom Limited, presently Citycell was the first mobile company that got the cellular license in 1993, the present industry is led by three companies, namely: Grameenphone, Banglalink and Robi. There are two other companies which are Airtel and Teletalk. According to the Subscribers Information report, 2011 by Bangladesh Telecom Regulatory Commission (BTRC), Grameenphone has the highest market share of 44% followed by Banglalink and Robi with 27% and 19% respectively. The residual 10% market share belongs to Airtel (formerly known as Warid), Citycell and Teletalk. According to the yearly report of Association of Mobile Telecom Operators of Bangladesh (ATOMOB), in 2005 the number of subscribers in the mobile telecommunication industry was 10 million, which was just a headway to an explosive growth that reached to 50 million subscribers within only four years and almost about 100% growth rate per annum each year, up to December 2009. The total number of mobile telecommunication users was 98.17 million at the end of December 2012, and it touched the landmark of 100 million by the end of June 2013. This huge growth in mobile subscriber base can be largely contributed to the declining call rate, reduced prices of handsets, and rising competition among the telecommunication companies in Bangladesh. Moreover, a sustainable economic growth over the last two decades along with the dominance of telecom-driven business models has to be well documented to that end as well.

2.0 Literature Review:

Pinpointing the strategic positioning has always attracted academic interest and many researchers had conducted rigorous study on interpreting the strategic positioning and competitive advantage of different industries. Though the telecommunication industry in our country currently is moving towards saturation, huge prospect still exists in terms of providing new services and through introduction of newly invented technologies to the consumers.

Innovation is a widely used strategy across industries in many countries. It is now the top agenda of the mobile telecommunication industry in Bangladesh. A great deal of experiment is going on at this moment in this industry. Innovation strategy can be pursued by two major players that can change the competitive strategy of the competitors. We are familiar with the term ‘tangible goods with accompanying services’, and ‘major service with accompanying minor goods and services’ where the main focus goes on physical product and service respectively. These concepts can be changed through

implementation of innovative marketing strategies by the market player and the market status of the players can be changed as the strategy is implemented. (Ratan, Alam & Zaman, 2007)

Strategic positioning is an integrated approach to build-up a targeted image or identity in the stakeholders' mind-frame. The very prodigy - strategic positioning is not constrained only to the positioning of a specific product or service, product line or marketing endeavor – rather it deals with the bigger picture – constructing the image of the overall firm. The concepts of re-positioning and de-positioning can be extended to any firm's strategic positioning venture whereas re-positioning refers to the change in the identity of a firm relative to the identity of other competing firm and de-positioning refers to the change in the identity of competing firm, relative to the identity of base firm (Barney, 1986). Strategic positioning is an interlinked approach where the strategic managers try to mingle strategic choices with the strategic capabilities. Firms across countries and across industries follow two types of generic strategies - cost leadership and differentiation. Apart from that, industry structure does play influencing role over the strategic positioning of the companies within the industry (Mason, 1939). As the telecommunication sector of Bangladesh is oligopolistic, sticking completely either to cost leadership or to differentiation strategy is not going to be that much effective. Rather hybrid strategy will be a much better choice whereas cost leadership and differentiation will work simultaneously with competitive forces (Miller and Friesen, 1986; Phillips Chang and Buzzell, 1983). Moreover, there is no strong evidence that pure strategy had performed better than hybrid strategy (Miller and Dess, 1993).

There are three distinct strategic options, which offer very different approaches to achieve customer bonding – approaches suitable for any industry including the telecommunication sector. The Best Product positioning builds on the inherent characteristics of the product itself - either through low cost, which can offer customers a lower price - or differentiation, which can provide customers unique features (Gale, et al. 1982). The products tend to be standardized and unbundled, the customers are massive and faceless, and the focus is on competitors that we are trying to equal or surpass. Moreover, the drivers are the product economics and the internal supply chain, which provide the engine for efficient production (Barney, 1986). The main limitation of this approach is that it generates limited customer bonding, hence making the incumbent firms vulnerable to new entrants with novel or lower cost products. Its obsessive concern with competitors can also lead to imitation and price wars, resulting in convergence - the worst of all deals. In spite of the inherent limitations of this strategic position, it is by far the most widely adopted (Barney, 1986). The Total Customer Solutions is the antithesis of the Best Product approach – instead of commoditizing the customer; we seek a deep understanding of the customer that allows us to develop customized value propositions

for each that can create bonding. Instead of developing and marketing standardized, stand-alone products, we seek to provide a portfolio of products and services that enhance the customers' ability to create their own economic value, often through self-customization (Capon, et al, 1990). Instead of concentrating on our own supply chain, we seek to develop an integrated supply chain that links us with key suppliers and customers. The System Lock-In option has the widest scope; it includes the extended enterprise - the firm, its customers, suppliers, and most importantly, "complementors" – and can lead to the highest level of bonding. While the customer continues to be the central focus, the key to this strategic option is to identify, attract, and nurture the complementors (Capon, et al, 1990). They are rarely detected and exploited effectively – we must identify and incorporate all the key external players that can become complementors. System Lock-In can be achieved either by "owning" unique or constrained distribution channels that locks-out competitors (e.g., optimal shelf space in a grocery store, or the best location is a small town) or developing an extensive set of complementors that supports your product or service and locks-in your customer (e.g., by appropriating the industry standard or dominant exchange) (Gale, et al. 1982). Further, mass adoption of the product should in itself significantly expand the value of the product to the customer – creating a self-reinforcing feedback loop.

Competitive advantage refers to the strategic advantage which enables a business firm to enjoy abnormal profit at a sustainable level. Efficiency, effectiveness, innovation and customer responsiveness – these factors are the basic building blocks of competitive advantage. Competitive advantage refers to a set of factors or capabilities that allows firms to consistently outperform their rivals and in Bangladesh telecommunication sector network coverage, advertisement appeal, innovating marketing and technological breakthrough are the core drivers of competitive edge. Advertising as promotional activity plays a greater role in snatching competitive advantage in a price sensitive telecom industry (Imel and Helmberger, 1971). Moreover, it was argued that superior performance arises because of heterogeneity (Penrose, 1995; Richardson, 1972). Grameenphone – the leading telecom company always tried to attain superiority by being innovative. Grameenphone provides the best network coverage and promotes the service in the most innovative and unique style. Banglalink is gradually getting higher market share as they are attracting people by eye catching advertisement. Based on the study of USA and UK based market, Kim & Lau (1996) had shown that, structure of information and telecommunication market changes to intense competition due to technological progress. Being the market challenger, like Grameenphone (the market leader), Airtel and Banglalink – two prominent mobile subscribers have vested huge in information and telecommunication technology which has a direct impact over the market share composition.

Entrance into the market has always been crucial in terms of strategic positioning and attaining competitive advantage. From Bangladesh telecommunication industry context, Citycell enjoyed the first mover advantage for a long time being the 1st mobile operator. It attracted the early adopters belonging to the upper class and enjoyed a stream of abnormal profit for the initial few years. It had been evident that the early entrants in any industry can serve the most attractive chunk of a market being the first mover (Lieberman and Montgomery, 1988; Tabuchi and Thisse, 1995). There exists tradeoff between being first mover and being the second mover, since there will always be some embedded cost of being a first mover in terms of waiting for an efficient supply chain management to be installed and conducting mistakes – impetus for second mover's learning (Chatterjee and Sugita, 1990). Grameenphone being the second entrant in the telecom market learned from Citycell's mistake and already had a well-established supply chain management. Furthermore, there is empirical evidence that productive use of accumulated resources is the major consequence of attaining competitive advantage (Rumelt, 1984). Since our telecommunication industry is now in its mature phase, the impact of productive use of accumulated resources and innovations are going to be the omnipotent in the upcoming days.

3.0 Data and Methodology:

3.1 Data sources

Both primary and secondary data have been used in this study. Primary data were collected through personal interviewing by a structured questionnaire and from direct observations. Secondary data were collected from the annual reports of some selected telecommunication companies including Grameenphone, Banglalink and Robi and for exploring the strategic positions most data were collected from the annual reports. However, as Robi and Banglalink are not listed in Bangladesh, we had to collect information from parent company's consolidated financial statements.

3.2 Sample size, sampling technique and questionnaire design

The primary data were collected from the four mobile phone companies' customers (Grameenphone, Banglalink, Robi and Airtel) from Dhaka city. Total 100 customers (the proportions of customers were equal for each of the four companies) were surveyed through the convenience sampling method with questionnaire from June to July 2013. The questionnaire was pre-tested (piloted) on a convenience sample of 20 respondents to check whether the issues on the questionnaire were pertinent and the questions were clearly understandable. The layout of some questions was modified and further improvements were done as a result of the pilot study. For the exploring the sources of competitive advantages, opinions of the 100 respondents were analyzed where the respondents provided their judgments on five distinctive features of mobile operators including price flexibility, promotional activity, value added services, utility bill pay and internet facility.

3.3 Methods of Analysis

Competitive Profile Matrix and space matrix

To analyze the strategic positioning of telecommunication industry of Bangladesh, both the competitive profile matrix and the Space matrix were used. The score of competitive profile matrix was measured on the basis of critical success factors where each factor had the same mean scale and the weights were same for every company with the variations of ratings 4 (superior response) and 3 (above average response). On the other hand, the SPACE matrix was used based on four important elements, called four quadrants. First two elements are called internal dimensions including Financial Strength (FS) and Competitive Advantage (CA), and other two are external dimensions comprising Environmental Stability (ES) and Industry Strength (IS). This matrix calculates the importance of each of these elements and places them on a Cartesian graph with X and Y coordinates. The CA and IS values are plotted on the X axis and those of FS and ES are plotted on the Y axis where the CA and the ES can take value from the range of -1 to -6, and the IS and the FS contain values ranging from +1 to +6.

Chi-square distribution and the hypothesis testing

In addition, to find out the sources of competitive advantages, a Chi-square distribution was assumed for some selected sources of advantages consisting price flexibility, promotional activity, value added services, utility bill pay and internet facility. A **chi-squared test** or **χ^2 test**, is any statistical hypothesis test in which the sampling distribution of the test statistic is a chi-squared distribution when the null hypothesis is true. Also considered a chi-squared test is a test in which this is *asymptotically* true, meaning that the sampling distribution (if the null hypothesis is true) can be made to approximate a chi-squared distribution as closely as desired by making the sample size large enough. The chi-square statistics compares the observed count in each table cell to the count which would be expected under the assumption of no association between the row and column classifications.

Research hypothesis is an unproven statement, which helps the researcher to draw the suggestion on his hypothetical assumption whether it is true or false based on some specific statistical test (Alam and Neger, 2009). The null hypothesis (H_0) of this distribution was the following:

H_0 : Sources of competitive advantages do not influence the subscribers' choice of mobile operators.

The formula of Chi-Square statistics is,

$$\chi^2 = (fo - fe)^2 / fe$$

Where,

fo= Observed value

fe= Expected value

And the degrees of freedom are (r-1) (c-1) [where r is number of rows and c is number of columns]

The hypothesis was tested with the confidence level of 90 percent, 95 percent and 99 percent.

4.0 Result Summary and Findings

4.1 Strategic positioning

From the competitive profile matrix it can be found that there exists a fierce competition among Grameenphone, Banglalink and Robi with the score of 3.8, 3.7 and 3.6 respectively, where the normal value is assumed to be 2.5. However, Airtel is gaining its market position very rapidly, even though it's very new in the telecommunication industry of Bangladesh. In spite of intense competition in this industry, Grameenphone is still capable in keeping the top position with wider scope to adopt different strategies.

Table: 1 Competitive Profile Matrix of Bangladesh Telecommunication Sector

Critical Success Factors	Wgt	GP		Airtel		Robi		Banglalink		CityCell		Teletalk	
		Rtg	Scr	Rtg	Scr	Rtg	Scr	Rtg	Scr	Rtg	Scr	Rtg	Scr
Largest Subscriber	.2	4	.8	3	.6	3	.6	3	.6	3	.6	3	.6
Brand Loyalty	.2	4	.8	4	.8	4	.8	4	.8	3	.6	3	.6
Strong distribution Channel	.15	4	.6	4	.6	4	.6	4	.6	4	.6	4	.6
Network Coverage	.1	4	.4	3	.3	4	.4	3	.3	3	.3	3	.3
Increase in customer base	.15	4	.6	4	.6	4	.6	4	.6	3	.45	3	.45
Reduced price of handset	.1	3	.3	3	.3	3	.3	4	.4	4	.4	4	.4
Huge need of telecom services	.1	3	.3	4	.4	4	.3	4	.4	4	.4	4	.4
Total	1		3.8		3.6		3.6		3.7		3.3		3.3

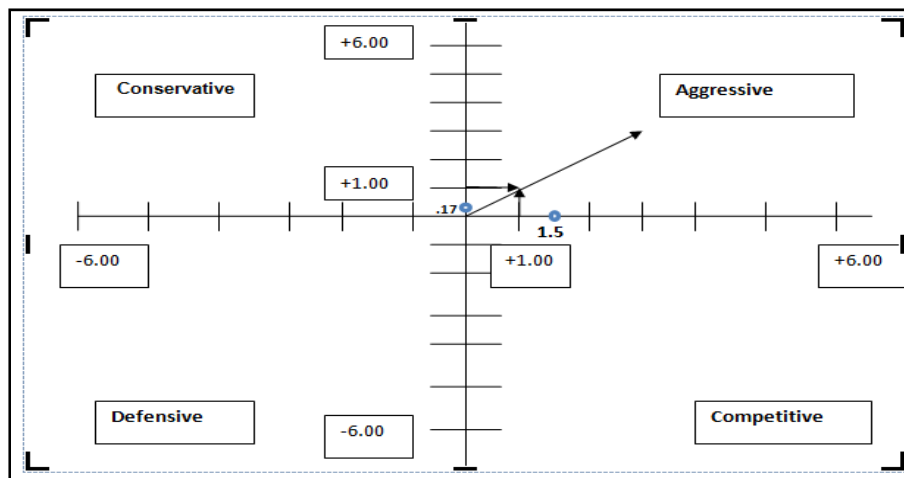
Table: 2 SPACE Matrix of Bangladesh Telecommunication Sector

	Factors	Competitive Advantage			Factors	Industry Strength		
		GP	Robi	Banglalink		GP	Ro bi	Bangl alink
Axis x	Market Share	-1	-5	-5	Growth Potential	3	6	6
	Product Quality	-3	-6	-4	Profit Potential	2	6	6
	Product Life Cycle	-2	-1	-1	Financial Stability	5	1	1
	Sound Supply Chain	-2	-2	-2	Resource Availability	3	3	3
	Customer Preference	-1	-6	-4	Ease of Entry	1	1	1
	Technological Innovation	-2	-2	-3	Capacity Utilization	6	4	3
	Average Score	-1.83	-	-3.16	Average Score	3.33	3.5	3.33
			3.67					
Total X-Axis score	1.5	-	.17					
		.167						
	Factors	Financial Strength			Factors	Environment Strength		
		GP	Robi	Banglalink		GP	Robi	Bangl alink
Axis y	ROA	5	6	6	Price competition	-5	-5	-5
	Leverage	5	1	1	Barriers to Entry	-5	-6	-6
	Liquidity	4	6	6	Competitive Pressure	-6	-6	-6
	Working Capital	5	4	4	Ease of Exit	-4	-4	-4
	Cash Flows	6	5	5	Price Elasticity	-5	-5	-5
					Risk Exposure	-3	-3	-3
	Average Score	5	4.4	4.4	Average Score	-	-4.8	-4.83
		4.83						
Total Y-Axis score	.17	-4.3	-4.3					

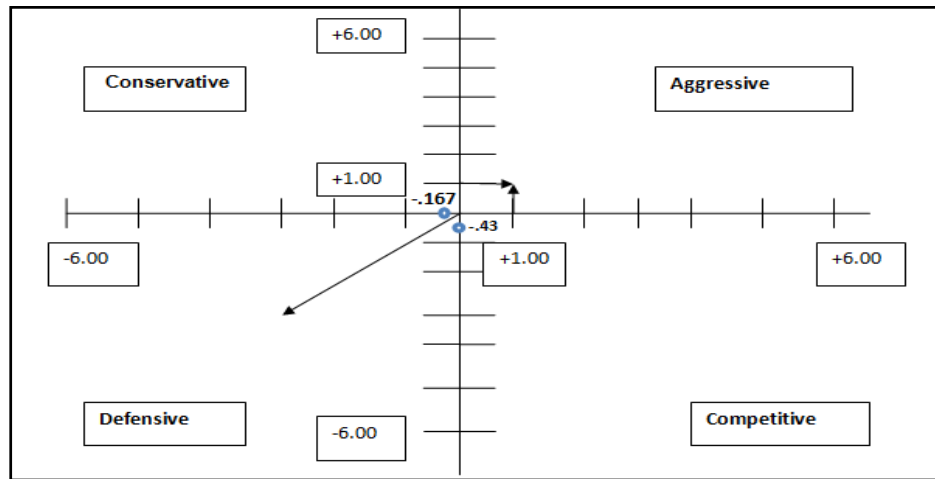
Moreover, being the first mover CityCell could not maintain the momentum for its wrong strategies including CDMA technology and limited customer focus which leads to the lowest 3.3 score in the competitive profile matrix along with Teletalk.

It is evident that the decisional Vector of Grameenphone is at aggressive Quadrant. It has a strong competitive position in the telecommunication industry of Bangladesh with rapid growth potentials. The company needs to focus on its internal strengths to develop a market penetration and market development strategy. This can include product development, integration with other companies, and acquisition of competitors and so on so forth. From the market analysis we have noticed that GP is continuously developing its product. Recently GP has upgraded its network with Energypac which has been considered to be a successful market development strategy with the scope of continuous growth. Therefore, GP is rightly aligned with what it should follow according to the matrix.

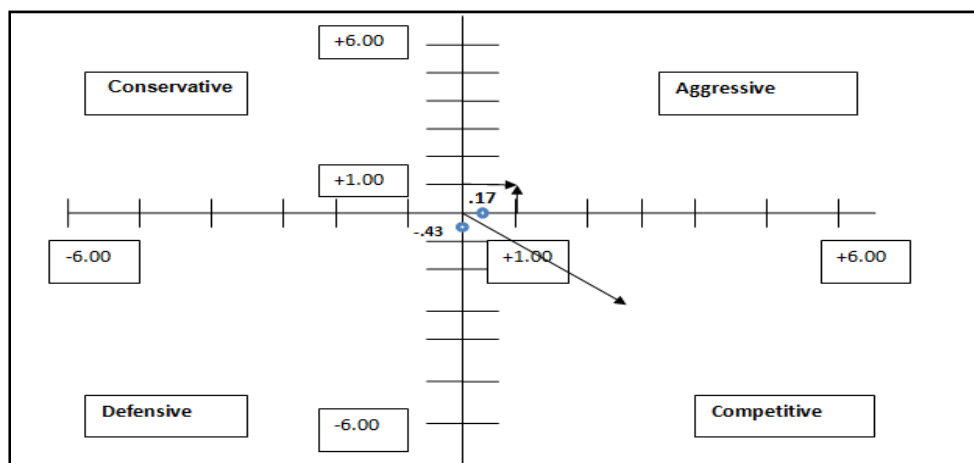
Figure: 1 Space Matrix Graph of Grameenphone



Moreover, the space matrix suggests that Robi is at Defensive Quadrant. According to this position, the company might want to focus on rectifying internal weaknesses and avoiding external threats. As the market is maturing, Robi has to be cautious in adopting the strategies. The defensive strategies may include economizing, divestiture, liquidation, and concentric diversification. Robi has been focusing diversification through development of different bill paying and cash transferring technologies in recent times. Therefore, from strategic point of view Robi is in the right track. But it has to focus more on lowering its cost so that it can move from defensive to aggressive quadrant which is considered to be an appropriate strategy for avoiding exit route.

Figure: 2 Space Matrix Graph of Robi

The space matrix of Banglalink clearly reveals that the company is at competitive quadrant. As the rivalry is really high in this industry, Banglalink can take the any of the competitive strategies, but need to be cautious as selecting a wrong step can cause a huge loss for the company. Competitive strategies include backward, forward and horizontal integration, market penetration, market development, product development, and joint venture. To this end, it is observed that Banglalink has been focusing mainly on product development and market share through promotional activities for the last couple of years. The company is developing its products on a regular basis to support the paradigm shift to aggressive quadrant very soon.

Figure: 3 Space Matrix Graph of Banglalink

Therefore, as a whole both the competitive profile matrix and the SPACE matrix clearly indicate that Grameenphone and Banglalink are the focal players in the telecommunication industry of Bangladesh.

4.2 Sources of competitive advantages

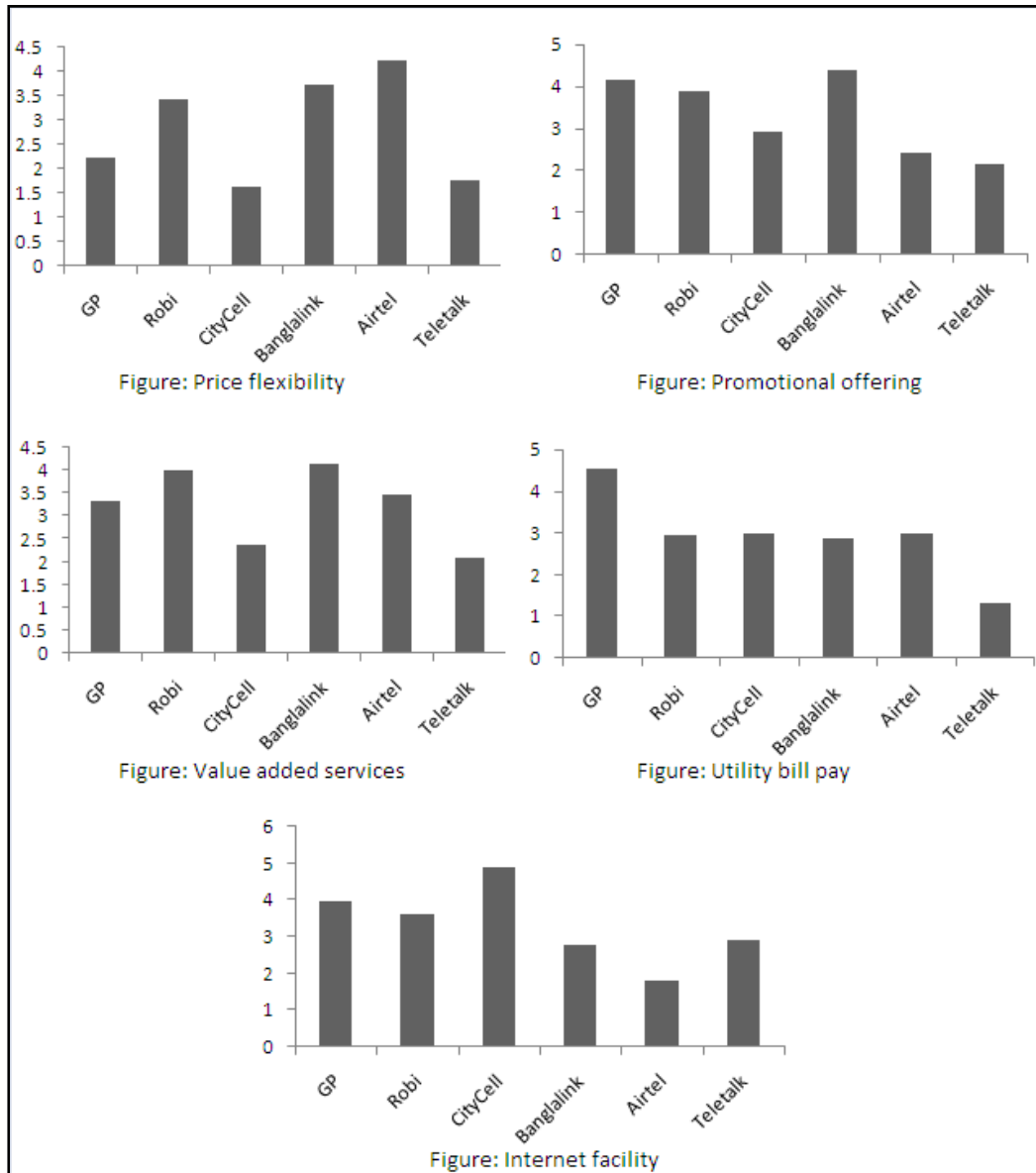
Pinpointing the differentiation strategy, the telecommunication companies in Bangladesh have been taking a number of new generic strategies to keep the competitive edge in the era of intense competition prevailing for the last few years. As per the survey, focus is given on five distinctive features including price flexibility, promotional activity, value added services, utility bill pay and internet facility which are empirically assumed to create competitive advantages for the companies. In this paper, all these features have been investigated to conclude whether potential subscribers value these sorts of features in terms of choosing a particular mobile operator. Moreover, the feedback of this survey is used to delineate the competitive positioning as well.

Table: 3 Result summery of Chi-square test

Level of Significance	Critical Value	Calculated Value				
		Price Flexibility	Promotional Activity	Value Added Service	Utility Bill Pay	Internet Facility
90%	28.412	76.479	61.626	54.507	87.739	102.978
95%	31.410	76.479	61.626	54.507	87.739	102.978
99%	35.010	76.479	61.626	54.507	87.739	102.978

The table 3 clearly indicates that all the features are significant in all the categories of confidence intervals including 90%, 95%, and 99% which lead to the evidence that price flexibility, promotional activity, value added service, utility bill pay & internet facility influence the subscribers' choice of mobile operators and therefore the most influential sources of competitive advantages in the telecommunication industry of Bangladesh.

Figure: 4 Sources of competitive advantages and positioning in the telecommunication industry



Moreover, as per the dominance in terms of retaining competitive advantages across the telecommunication companies, GP has been found to be more or less stable focusing broadly on quality and other value added services, where as other companies are very focused on price flexibility and also other sources of competitive advantages as a mean to participate in the predefined market settings. More specifically, it is clearly evident from

the figure 4 that Airtel (Score: 4.0) outperforms the other five mobile operators in case of price flexibility where the average score among the six players is 2.84. Here, GP's score is lower than this average score resembling its market dominance. Furthermore, Banglalink (Scores: 4.5 and 4.0) outperforms the other five players of the telecommunication industry in terms of promotional activity and value added services where the average scores are 3.32 and 3.23 respectively. With this regard, GP is ranked second but this outcome is purely because of intense competition among the other players to remain in the market and carry through the momentum.

Apart from that, in support of strong networking and corporate image, GP (Score: 4.5) dominates the other five operators for utility bill pay service where the average score is 2.94. But interestingly as a first mover in Bangladesh, Citycell (Score: 5.0) is now concentrating more on internet service facility and corporate customer base which outperform the other five companies.

Therefore, as a whole the survey clearly figures out that there is a close competition between GP and Banglalink. With the government support and initiatives, Teletalk is still in the market even though it underperforms in every dimension among the six operators. In addition, Citycell, Robi and Airtel are performing in almost the same level of field.

5. Conclusion:

In the telecommunication Industry of Bangladesh, Grameenphone is the fast follower of rules in the industry based on its subscriber base, market share, brand loyalty and other variables- including promotional activity and utility services, along with Banglalink, Robi, Citycell, Airtel and Teletalk respectively. Telecommunication industry is still considered to be one of the promising sectors of Bangladesh because of potentials for innovating technologies and targeting underserved needs of the subscribers. Notably, Teletalk, Grameenphone and Robi have recently been introduced 3G technologies which will open up wider scope not only for the telecom operators but also for other concerned parties including producers of handsets and accessories and so on. Data market growth in this industry has been forecasted to be supported by both the introduction of 3G networks as well as prospective further cuts in Broadband wholesale costs and introduction of second submarine fibre optic cable. According to the World Bank, an extra 10 mobile phones per 100 people in a typical developing country added 0.6 percentage points of growth in GDP *per capita*, and this impact is about twice as large in developing countries than in developed countries. Telecommunication industry is a major contributor to national fiscal revenues, but the customers of this industry suffers from the highest levels of taxation and the recent amendment to the Telecoms Act might increase the risks of arbitrary regulatory interventions (Islam, 2010). So, the government should support the

sector to flourish for its own interest and should take initiatives to reduce SIM Tax in order to accelerate mobile penetration rates and also should clarify regulatory uncertainties about license renewal as rapidly as possible. This paper explored the strategic positioning of the telecommunication companies in Bangladesh along with their current sources of competitive advantages, which delineate the scope for further research on emergent technologies and their impacts in this industry and also the strategies and their challenges.

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