



Original Article

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Analysis of the Impact of Ethnocentric and Resistive Economy on Sustainable Competitive Advantage (Case Study: Automotive Parts Manufacturing Companies)

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ABSTRACT: The present study aims to help market manufacturers through studying the effect of Ethnocentric and resistive economy on sustainable competitive advantage. Taking a look at the environment surrounding us we easily find out that today's business world is quite different from how it used to be and companies need to gain sustainable competitive advantage to survive. Sustainable competitive advantage is a factor that guarantees the company's profitability for some years. In fact the study's main concern is to investigate whether or not Ethnocentric and resistive economy influence the formation of sustainable competitive advantage. The study is applicative in terms of the objective, descriptive in terms of the data collection, correlative and specifically based on structural equation model. The questionnaire was designed based on extant literature and its validity was confirmed by university experts. The population was made up of auto parts manufacturing companies' managers and data analysis was done by SPSS 22 and Smart PLS 2.0. The research findings show the significant positive effect of Ethnocentric and resistive economy on sustainable competitive advantage.

KEYWORDS: Ethnocentric, Resistive Economy, Sustainable Competitive Advantage, Automotive Parts Manufacturing Companies.

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1. INTRODUCTION

Today, due to factors like products development, globalization and communication advances many companies are competing to gain sustainable competitive advantage and increased market share. Companies active in the competitive markets are in a quite unpredictable environment due to the influence of various factors, like economic, political and social factors, on the market. Thus they must try to gain sustainable competitive advantage to find a place in the market (Paswan et al, 2012). Jacobs and Porter (1991) define sustainable competitive advantage as an advantage that lasts relatively long. Sustainable competitive advantage is defined as a better market situation that either causes higher values for the customers or has access to relatively low costs (Anna, 2002) and consequently dominates the market share and better financial performance (Virowadana et al, 2004; Dehghan, 2011).

Iran's economic situation is presently at a most critical point. In sustainable competitive advantage situation we must try to reach economic growth. Universal success will lead to resistance. This means spreading justice through people's participation in resistive economy. This participation, like many other social affairs, requires a condition: Ethnocentric. Ethnocentric is a socio-legal concept that was first introduced by Samner in 1906. Ethnocentric refers to each individual's beliefs, standards and behavioral codes and also people's tendency to identify themselves as higher than others (Mortazavi et al, 2010). Nowadays the concepts of Ethnocentric and resistive economy are among those that have been studied and discussed due to the present situation of the country. Generally, the Islamic Revolution must produce science and new theories and any country that stands against oppression needs such models. One of these concepts is resistive economy. This research investigates the effect of national pride factor and resistive economy on sustainable competitive advantage since there are theoretic voids in the literature. The results can help company and organization managers in competitive or entrepreneur markets who aim to enter market so that they can design and manufacture their product to bring along the highest profit possible. In fact this research aims to develop knowledge of relationships between Ethnocentric and resistive economy and sustainable competitive advantage to help managers make the right decisions.

This research will simultaneously focus on studying the positive and significant effect of Ethnocentric and resistive economy on sustainable competitive advantage in auto parts manufacturing companies.

2. LITERATURE REVIEW

Sustainable competitive advantage was first talked in 1985 by Porter (Halt et al, 2004). Barney (1991) presented the closest definition as: a business has sustainable competitive advantage when it applies a value creation strategy asynchronously with the potential and present rivals in a way that other businesses would not be able to copy the advantages of this strategy.

Foreign Researches have studied different factors affecting sustainable competitive advantage and their relationship and also building models of variables' relationships. Research shows various factors, e.g. organizational innovation (Lee et al, 2010; Verwadana, 2003 & 2004; Nido 2010), marketability (Verwadana, 2003), market learnability (Verwadana, 2003 & 2004), relationship-based learning (Chen, 2009), market orientation (Jakalo et al, 2010), core competencies (Baji et al, 2004), etc. significantly affect sustainable competitive advantage (Dehghan, 2011). In Dehghani's article the role of innovation and market capabilities on sustainable competitive advantage is studied and seen to have a significant effect. Here we study the effect of both Ethnocentric and resistive economy on sustainable competitive advantage. The research in Iran shows the effect of resistive economy on sustainable competitive advantage is positive and significant and confirms the effect of resistive economy on sustainable competitive advantage hypothesis (Shiravi and Rezaei, 2014). On the other hand, the customer behaviour in different societies shapes differently. The importance of each factor differs from culture to culture (Babaei, 2009). If the customer can choose between products made inside or



outside the country, factors like the place of production, patriotism feelings, etc. affect the final decision. Obviously in all countries there is the tendency of being independent and helping the economy (Mortazavi et al, 2010). Mortazavi et al (2010) studied the effect of Ethnocentric on buying imported products and found a significant relationship. But effect of Ethnocentric on sustainable competitive advantage is not directly examined.

3. THE FOUNDATIONS OF THEORETICAL AND EXPERIMENTAL

3.1. Sustainable Competitive Advantage

Competitive advantage is the result of a dynamic and permanent process which is derived from the organization's sources according to the internal and external situation of the organization. The correct use of these sources bring along capabilities and competitive advantage for the organization. Companies have always tried to gain sustainable competitive advantage. The key to success is sustainable competitive advantage strategy. Sustainable competitive advantage is process that meets the current competitive needs of the organization along with enabling it for fulfilling future competitive needs. Such a process is dynamic in nature and includes the following main foundations: accepting the fact that no organization's sources and capabilities are not unlimited, sustainable competitive advantage is innately protective in a way that one of the main requirements is careful and thoughtful management of organization's potential and present sources. Sustainable competitive advantage requires adaption to organization's market competitive requirements and must be designed and applied based on these needs. Sustainable competitive advantage must be based on a strategic and future-oriented look so that going beyond the current source and capabilities management, the focus would be on long-term development of sources and capabilities and gaining sustainable competitive advantage. Sustainable competitive advantage in engineering standards enterprises and organizations which relies a lot on cognition, development and appropriate exploitation of strategic sources uses modern methods (Mehri Ali, 2004). Such an advantage must enjoy sustainability, uniqueness and the importance of factors. According to the source-based perspective, sustainable competitive advantage is the foundation of company's core competencies savings. These competencies which are being valuable, rare, un-imitative, and no replacement are the bases of sustainable competitive advantage. So a company gains sustainable competitive advantage when it can adopt a unique strategy so that other organizations face a remarkable obstacle for using this strategy. Research shows various factors such as organizational innovation, market learnability, being entrepreneur, marketability, etc. affect sustainable competitive advantage (Dehghan, 2011). In this research we have considered sustainable competitive advantage based on VRIO with the four characteristics of value, uniqueness, being imitation-able, and the organization's support for and use of that source

3.2. Resistive Economy

Resistive economy is making the national economy resistant to potential and present impacts and disorders (internal and external) in the way of development and reaching the goals with resilience, long-term, functional and extrovert perspective (meeting of managers of Ministry of Cooperation, 2012). The factor to keep the country safe against the present sanction and future turbulences is generating the spirit of national self-esteem and self-confidence. The importance of national self-esteem lies in the fact that reaching goals in social groups like nations is impossible unless there's national self-esteem and unanimous will. Governments can use self-esteem and self-confidence as a tool for encouraging the society to move toward goals (Hamze Khastar, 2012). Resistive economy is a country's economic solution for dealing with special situations that focuses on manufacturing and distribution of certain products and investing reducing dependence on other countries – specifically the enemies – in critical situations. The goal is to be able to produce the life essentials for people in case they couldn't get them from

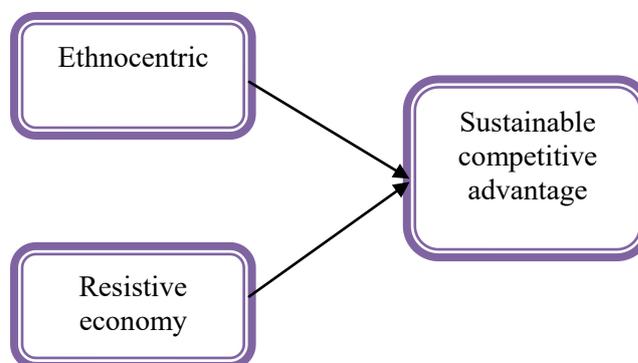
other countries. Meeting people's main needs is to stand against the enemies who try to restrict many of the products that country needs (HasanAghaz, 2011).

3.3. Ethnocentric

Sharma and Shimp (1987) showed in their study that tendencies driven from Ethnocentric have a negative and significant relationship with the attitude about foreign products. The customer's social pride factor shows that feelings driven from it affect the attitude toward the products and the purchase decision and means that people with Ethnocentric believe the national products are of a higher quality compared to the foreign ones. Also the two researchers found in 1995 that the customers with Ethnocentric might even categorize other countries based on their similarities or differences with their own country as insiders and outsiders and thus they prefer their own national products to those of the outsiders (Hamin and Ilot, 2006). The level of customer's Ethnocentric differs from culture to culture and country to country and this is in accordance with categorizing countries as insiders and outsiders (Watson, 1999). Research shows that the customer's preference from evaluating their own country's products and identifying it as better than other countries' products, and also the relative similarity of the source and consumer countries, creates better conceptions from cultural aspects for that country's products. So, research on Ethnocentric can be a good step in better understanding people's way of comparing national and foreign products and evaluate their judgment based on Ethnocentric (Martin et al, 2000; Mortazavi et al, 2010).

4. CONCEPTUAL MODEL

Conceptual Model Research According to studies in this field, is designed and indicates the relationship between Ethnocentric, Resistive economy, sustainable competitive advantage



Pic 1: Conceptual Model

5. RESEARCH METHODOLOGY

Research ahead of the target application and the process of data collection, descriptive and correlational and typically is based on structural equation modelling.

The population of the automotive parts manufacturing company participating in the exhibition have formed in May 2014. To collect the data, to test hypotheses and a theoretical model of the questionnaire using a five point Likert scoring range is used. Due to time limitations, the study sample was selected randomly from among automotive parts manufacturing companies

In order to gather data to test hypotheses and theoretical models of questionnaire, 44 questions were used. The used questionnaire consists of 2 parts: the first part of the demographic



questions such as gender, age, education, and experience in the company. The second part includes the main research questions.

After translating questions, to examine the content validity of the questionnaire, the opinions of university and industry experts about the number of questions, the wording of questions, transposition of questions and response options range were used. Cronbach's alpha coefficient was used to evaluate the reliability of questionnaire and the values obtained for all forms are higher than of acceptable value.

6. FINDINGS

After collecting the data, partial least squares method or structural equation modelling based on variance (PLS) was selected to test the conceptual model and hypotheses. Partial least squares method (PLS) test research model has two stages. The first phase is external model and the second stage is study of the internal model. Test of the reliability and validity and external research tools is included. To evaluate the reliability of structural composite reliability indices, the average variance extracted and used loadings (Fornl and Larkr, 1981). Condition for establishing the reliability of the structure is that the amount of composite reliability (CR) values is greater than 0.7 and the average variance extracted (AVE) is greater than 0.5 (Fornl and Larkr, 1981). The average variance of extracted (AVE) model variables were greater than 0.5, indicating the acceptability of the research. A combination of factors impacted the reliability of the ethnocentric variable obtained 0/84, Resistive economy obtained 0/83 and Sustainable competitive advantage obtained 0/84. Two types of validity were examined, convergent and divergent validity. The condition for the establishment of convergent validity is the composite reliability values for each structure is greater than the average variance extracted (CR > AVE).

For divergent validity the method of Fornl and Larkr was presented (davari and Reza Zadeh, 2014). The divergent validity of this study is acceptable. The internal model includes the coefficient of determination which is R2 and Q2 index. A necessary criterion for assessing the structural model coefficient of determination R2 is dependent latent variable.

For China (1998) R2 amounts were to 0/19, 0/33, 0/67 respectively weak, medium and striking has described. The value for sustainable competitive advantage is obtained 0/31.

For evaluation of the adequacy prediction model between the dependent variable can be used Q2 Index. Positive predictive values of these indices are appropriate enough. Q2 values of endogenous variables depend on the Sustainable competitive advantage of is Obtained 0.16 and it is positive and represents adequacy prediction model is appropriate.

Amato, Vynzy and Tnn House argue that the PLS GOF index can serve as indicators of overall fit of the model to assess the validity or quality of the PLS model generally used.(Momeni & et all 2011) This index is between zero and one to values close to a good quality indicator model. Vetzeles for three values of 0.01, 0.25 and 0.36, respectively, as the amount of weak, medium and strong for GOF have introduced (Davari And Reza Zadeh, 2014, p. 98). GOF value calculated for the study to 0.39, indicating a good fit of the model (O'Cass & Weerawardena, 2010).

	AVE	Cronbach's Alpha	
Ethnocentric	0.84	0.779434	0.841164
Resistive economy	0.83	0.782334	0.836874
sustainable competitive advantage	0.84	0.750403	0.839470

table1: results of the external model

6.1. RESULTS

To investigate the hypothesis, the structural equation modelling was used to investigate the structural relationship between the variables. In software PLS two outputs have been obtained, the first output indicates approval or disapproval of the conceptual model and the second output shows the final path analysis model. Model output shows that meaningful path coefficient between ethnocentric variable and sustainable competitive advantages are 4.081; it is more than $1/96$. This indicates, the significance of the impact of Ethnocentric on the sustainable competitive advantage is 95%. Analysing output of model shows Standardized path coefficient between the ethnocentric variables and sustainable competitive advantage is 0.37. This means that the Ethnocentric determined sustainable competitive advantage Variations in the amount of 37%.

The second hypothesis suggests that the model output that meaningful path coefficient between Resistive economy variable and sustainable competitive advantage is 2.833, it is more than $1/96$. This indicates the significance of the impact of Resistive economy on the purchase of Iranian brand is, 95%. Analysing output of model shows Standardized path coefficient between the Resistive economy variables and sustainable competitive advantage is 0.27. This means that the Resistive economy determined sustainable competitive advantage Variations in the amount of 27%.

7. DISCUSSION AND CONCLUSION

The aim of this research was to study the effect of Ethnocentric and resistive economy on sustainable competitive advantage. As it was mentioned in the literature, many factors in foreign and domestic researches affect the existence of sustainable competitive advantage. But the factors that were evaluated here were Ethnocentric and resistive economy. Ethnocentric refers to an individual's beliefs, standards and behavioural codes and also people's tendency to identify themselves as higher than others (Mortazavi et al, 2010). The effect of Ethnocentric has not been studied so far but since sustainable competitive advantage is a long-term and economic growth or sustainable competitive advantage requires using all the sources and facilities, and in developing countries like Iran gaining this advantage requires national will, and also according to the research findings increased Ethnocentric, leads to increased sustainable competitive advantage.

Resistive economy is making the national economy resistant to potential and present impacts and disorders (internal and external) in the way of development and reaching the goals with resilience, long-term, functional and extrovert perspective (meeting of managers of Ministry of Cooperation, 2012). Sustainable competitive advantage is also a long-term advantage investigated by Shiravi and Rezaei's (2014) and the effect of resistive economy on sustainable competitive advantage has been a positive and significant one. The results of statistical analysis in this research also show a positive and significant effect. So the findings of this research confirm those of previous researches. It can be concluded that Ethnocentric and resistive economy do affect sustainable competitive advantage and can lead the country toward success. Gaining such an advantage in industry requires people, managers and authorities' effort. It is suggested for managers to take this matter into consideration when making important decisions, so that the decisions would improve the company's operation and benefit.

8. PRACTICAL SUGGESTIONS

The aim of this research was study on the role the Ethnocentric and Resistive economy on sustainable competitive advantage. The results achieved show that the Ethnocentric and Resistive economy on sustainable competitive advantage are positive effects. Sustainable competitive advantage issue is not one-dimensional and covers various aspects. The present



study examined the effects of both the Ethnocentric and Resistive economy on which we offer the following suggestions.

To improve the conditions of industry first there is a need if supports from the government to be able to produce the best goods with appropriate price that is able to compete with foreign goods and on the other side a sense of patriotism and self-reliance must be increased in people. In this regard we need the government's support.

1. extensive cultural propaganda like all through the TV channels with the aim of showing characteristics of products.
2. Social culture through effective community reference groups, such as religious scholars, university professors, athletes.
3. Trust and consumer confidence in the quality of domestic products and warranties and support systems Order unconditional and free advice.
4. Teaching children to consume local products
5. Ethnocentric and national self-esteem of inciting people to buy goods.

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ETHICAL CONSIDERATION

Authenticity of the texts, honesty and fidelity has been observed.

AUTHOR CONTRIBUTIONS

Planning and writing of the manuscript was done by the authors.

CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.

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