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Competitive Advantage and Performance, The Role of Value and Rareness of Resources and Capabilities: The Case of Lebanese SMEs

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Abstract
This research aims to examine the competitiveness and the strategic behavior of the Lebanese SMEs, through their possession and exploitation of strategic resource-capability combination attributes. A sample of 285 Lebanese SMEs were obtained through the use of a survey questionnaire and the non-probability sampling to collect primary and quantitative data. The results show that for Lebanese SMEs, not all resources-capabilities are of equal importance when creating competitive advantage. They indicate that only organizational resource-capability combinations are considered as strategic assets and related to differentiation advantage, financial resource-capability combinations are only considered as strategic assets and related to cost advantage, and that cost and differentiation advantage are both related to performance.There were some problems concerning the data collection due to the fact that the Lebanese SMEs owners are not familiar with the research. In fact, this study may have positive implications on the Lebanese SMEs managers' decisions, where this study can be considered as a guideline that will help them revise their strategic choices, behaviors, capabilities and resources, vis-à-vis of competition and to readjust their strategy if it does not work well. Indeed, the value of this research is that it is the first to empirically study the Resource-Based View in Lebanon from the Lebanese SMEs context, which is considered as suitable context, given its crucial contribution to the whole economy. It is one of the rare studies that reflects SMEs challenges and problems that inhibit them from improving their performance.
Keywords: Value, Rareness, Competitive advantage, Performance, Lebanese SMEs
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1. Introduction

Firms in general, and small and medium enterprises (SMEs) in particular, are facing many challenges that inhibit them from improving their competitiveness and outperforming their competitors in the current marketplace. In fact, the most important challenge facing all firms is understanding the right meaning of competition and how to deal with it (Magretta 2011; Porter, 2015; Flynn, 2017; Rua, França and Fernandez Ortiz, 2018). That being said, SMEs, like other firms, have difficulties fitting the competition due to many reasons. First, SMEs are facing a lack of resources, weak strategic behavior and myopic strategic focus (Rubio and Aragón, 2009; Woschke, Haase and Kratzer, 2017). Second, their thinking and behavior toward competition is about being number one or being the best in the marketplace (Porter, 2015), making the focus of the firms on beating rivals, rather than creating value for costumers (Magretta, 2011), competing in the same basis, offering, then, common products for customers, where the value is destroyed, resulting then in achieving similar results.

However, this is considered a destructive way of thinking and is contradictory to strategic thinking (Porter, 2015). In fact, strategic thinking is not about following a recipe, copying a competitor's work, or continuing to do what has always been done (Mintzberg, 1991). Rather, it is about differentiating organization. This means that all firms should compete to be unique, creating then, an advantage over their rivals, breaking away from the one best way to compete (Rumelt, Schendel and Teece, 1995). In fact, Porter (1985), Day and Wensley (1988) and Rua et *al.* (2018) pointed out that competitive advantage (CA) is a matter of offering superior value and benefits for customers in the form of lower cost or lower-priced products than competitors, leading them to create cost advantage or/and in the form of unique features and very high-quality products, leading them to achieve differentiation advantage. In turn, this created competitive advantage contributes to an increasing in the firm's long-term profit margin and offers, at the same time, higher benefits to customer (Powell, 2001; Hoopes, Madsen and Walker, 2003). Therefore, this win-win relationship makes the CA and the sources behind it, the cornerstone of strategic management research.

Due to the importance of competitive advantage in the strategic management literature and the necessity of identifying the sources behind it, strategic management has always looked both inside and outside the firm: outside the firm, where the industry structure has received attention to explain the creation of CA (Porter 1980) and inside the firm, where the resource based view (RBV), which is the only theory tested in this research, stated that strategic resources and capabilities have a central role to play in explaining organizational performance differences and creating CA (Barney, 1991, 1995; Wernerfelt, 1984; Fréry, Lecocq and Warnier, 2015).

In support to this perspective, Wernerfelt (1984) suggested that "resources and products are two sides of the same coin". This means that unique products in form of design, style, price and features are derived from unique and distinct combinations of resources and capabilities since these two elements complement each other (Newbert, 2008; Gruber, Heinemann, Brettel and Hungeling, 2010; O'Cass and Sok, 2014). Therefore, without diversity between firms' internal environment and diversity in organizations' capabilities and resources, opportunities to strategize, deal with competition and creating advantage would be reduced (Rockwell, 2019). For these reasons, Barney (1995) and Warnier, Weppe and Lecocq (2013) stated that firm's CA should stem from exploitation of strategic, not ordinary and uncommon resources and capabilities which possess the VRIN attributes- valuable, rare, inimitable, non- substitutable. Hence, the VRIN framework becomes a model used by the firms to determine which resources and capabilities have a strategic potential and the required attributes for CA. This is due to the framework's superior assessing ability, and understanding of the complex resource level and enterprise level controlled by a firm in terms of strengths and weaknesses (Barney, 1991; O'Shannassy, 2008). Barney (1991, 1995) stated that when the firm uses valuable and rare resources and capabilities it can create competitive advantage. While when firm uses valuable, rare, inimitable and non- substitutable resources and capabilities it can sustain its advantage.

In general, achieving and sustaining competitive advantage for all firms is difficult, if not impossible in hypercompetitive environment (Woschke et *al.,* 2017; Burvill, Jones-Evans and Rowlands, 2018). Particularly for SMEs, some scholars Martin, Martin and Minnillo (2009), Sharma (2011), Wiesner and Millett (2012), Karami (2016) and Flynn (2017) still argue that strategic management and behavior cannot work very well in SMEs, since they have a myopic strategic orientation, have limited and common stocks of resources, compete in the same traditional way. Hence, all these challenges prevent SMEs from acquiring and exploiting strategic resources and capabilities, which decrease their chance to achieve competitive advantage and improve their performance. In fact, the Lebanese SMEs, like others worldwide, are facing problems to improve their competitiveness, such as limited access to finance, macroeconomic uncertainty and increasing production costs, unreliable infrastructure, unable to attract talented employees, weak investments in research and development, lack of strategy and their resources and capabilities are not systemically developed (El Khoury, 2015; Matta, 2018).

As a consequence, it has become clear that the Lebanese SMEs, which are the lifeblood of Lebanese economy (Kemayel, 2015), and whose competitiveness is considered as the guarantee for their own success, prosperity and growth, as well as for the whole economy, are facing internal problems when they compete through their resources and capabilities (El Khoury, 2015). Moreover, while the RBV has become one of the most widely accepted views within strategic management literature (Barney, Ketchen and Wright, 2011), it has received little attention empirically for SMEs (Micheels and Gows, 2012; Burvill et *al.,* 2018) and more particular for Lebanese SMEs, up to the researcher's knowledge. To fill the gap, this research focuses on testing the competitiveness of the Lebanese SMEs from the lens of the RBV. Indeed, due to the fact that SMEs are facing problems when creating CA, this research aims to study the creation of CA and not the sustainment of CA, where only two resources and capabilities characteristics or attributes are required, which are the value and rareness (Newbert, 2008; Ferreira and Fernandes, 2017). Thus, the problem examined in this study consists of investigating the competitiveness, the strategic behavior, and the orientation in the Lebanese SMEs through using the VRIN framework, by focusing on studying the role of resource -capability combination attributes (value, rareness) in creating competitive advantage, and then in turn, enhancing the performance of small and medium enterprises in Lebanon.

Accordingly, this study will answer the following research questions: Do the Lebanese SMEs have competitive advantage? In addition, do their resources and capabilities allow them to create it and achieve higher performance?

This paper is organized as follows: First it starts with literature review concerning the SMEs definition, characteristics and challenges in general, and in Lebanon in particular. This is then followed by a presentation of the history and the constructs of the RBV hypothesis (resource - capability attributes, competitive advantage, performance). Second, the methodological approach and the data collection process are presented and explained through designing and distributing a survey questionnaire to collect information to determine which resource-capability has the potential to create either cost advantage or differentiation advantage and then improve the performance of Lebanese SMEs. Third, the research findings are interpreted and analyzed. Finally, a conclusion is presented.

2. Literature Review

2.1. Small and Medium Enterprises - Competitive Advantage

In general, there is no universal consensus regarding the definition of SMEs. Like the rest of the world, a variety of definitions for SMEs are adopted in Lebanon. The proposed definition by the Lebanese Ministry of Economy and Trade (El Khoury, 2015; Matta, 2018) defines SMEs in terms of the number of employees within the company and its annual turnover. Thus, a Lebanese SME is considered as a firm that has more than 10 and less than 100 employees and an annual turnover higher than 500 million LBP (equivalent to 333,333 $, three hundred thirty three thousand, three hundred thirty three dollars) but lower than 25 billion LBP (equivalent to 16,666,667$, 16 million, six hundred sixty six thousand, six hundred sixty seven dollars).

In fact, Kraus, Rigtering, Hughes and Hosman (2012) and Darcy, Hill, McCabe and McGovern (2014) stated that strategic management and the concept of CA cannot work very well in SMEs, since these latter face a lack of strategic planning and strategy formulation, and lack strategic focus that leads them to compete haphazardly without achieving strategic objectives, nor competing strategically in a unique and organized manner to deal with competition, leading to uncertain and poor outcomes.

Additionally, Doherty and Norton (2014) agreed that small businesses focus more on survivability rather than achieving competitive advantage. Also, SMEs owners realized that most of the traditional ways through which small businesses compete are traditional: common, transferable, and cannot provide a competitive advantage (Shammot, 2014; Lonial and Carter, 2015).

Therefore, in order to compensate their weaknesses due to their limited resources and negotiation power, SMEs focus on creating value propositions through niche market strategies or product differentiation (Simpson, Padmore, Taylor and Frecknall-Hughes, 2006; Toften and Hammervoll, 2010; Pérez-Cabañero, González-Cruz and Cruz-Ros, 2012). Thus, SMEs compete by offering their customers a personalized and specialized product, and develop and prolong their reputation and network advantage. Hence, they try to gain customer loyalty through product differentiation with high product quality (Toften and Hammervoll, 2010) that leads to enhance their financial outcome from customers who repeat their purchase, due to their satisfaction for the value offered (Pérez-Cabañero et *al.,* 2012). In addition, SMEs appear to lack economy of scale and scope that causes obstacles for the entry of SMEs. They lead to an inability to create and preserve production line with integrated system (Niazi, 2017).

In brief, in order to compete Scully and Fawcett (1994) and Harris, Gibson and McDowell (2014) argued that SMEs must devote their attention to efficiently and effectively allocating resources, developing capabilities, and delivering products better than competitors.

2.2. Lebanese Small and Medium Enterprises Context

Lebanon has paid limited attention to SME policy, having adopted a laissez faire approach, where the government refrains from engaging in proactive support policies (Malaeb, 2018) negatively affecting Lebanese firms' competitiveness. Indeed, Jneid and Tannous (2012) stated that the Lebanese SMEs do not know how to deal with competitive advantage which increases the complexity of their work.

Furthermore, Lebanese SMEs face a difficult business environment which is characterized by a strict regulatory regime, excessive discretionary powers of government, officials and strict government politics regarding employee rights that leads to the increase of the operating cost of Lebanese SMEs, negatively affecting, then, their performance (Kemayel, 2015). Also, the infrastructure has not been built since the War of 1975. Moreover, The World Bank enterprise survey has cited political instability as Lebanon's leading constraining factor to SMEs growth (Hamdar, Najjar and Karameh, 2017; Malaeb, 2018).

In addition, access to finance is an acute problem for small businesses in Lebanon (Kemayel, 2015; Matta, 2018). Lebanese SMEs have a lack of resources and they are unable to compete on a wide base of resources and capabilities which inhibits their acquisition and possession of new competitive resources or from developing of their capabilities that does not allow them to grow (El Khoury, 2015; Hamdar et *al.,* 2017; Malaeb, 2018).

Another important challenge facing the Lebanese SMEs is operating in the informal sector (Asrawi, 2010, Matta, 2018). There are no policies or legislations that protect Lebanese products from foreign ones which are more competitive. This fact makes the competition and the creation of competitive advantage more and more difficult. Indeed, Asrawi (2010) indicated that there is no coherent policy for small businesses in Lebanon.

To succeed and achieve superior performance, it seems that all firms in general, especially SMEs, and the Lebanese ones in particular, should engage in the creation of CA and superior value for customers. Since the Lebanese SMEs, like other firms should compete and create CA through their firm's internal and external environment, and since the Lebanese external environment is always dangerous and unfavorable to compete in as mentioned before, and since the Lebanese SMEs are very vulnerable to the external environment, to compensate their vulnerability, to succeed, the Lebanese SMEs should focus on exploiting strategic resources and capabilities. Thus, the assessment of the competitiveness of the Lebanese SMEs through their internal environment becomes highly crucial. This research only studies the creation of CA from the exploitation of strategic resources and capabilities- from the lens of RBV and for Lebanese SMEs.

2.3. The Resource Based-View History and Assumptions

Generally, the RBV emphasizes the strategic choice that charges the firm's management with the important tasks of identifying, developing and deploying strategic resources and capabilities to maximize returns (Hinterhuber, 2013).

The RBV comes first from the work of Penrose in 1959 (Mahoney and Pandian, 1992). However, while a series of papers for Lippman and Rumelt, (1982), Wernerfelt (1984), Barney (1986) and Dierickx and Cool (1989) slowly accumulated a set of ideas that would allow the RBV to regain its importance, the widespread appreciation for this theory according to Newbert (2007) did not appear until several years later with the publication of two papers - Prahalad and Hamel (1990) and Jay Barney's (1991).

In fact, according to Barney (1991, 1995) two assumptions dominated the RBV. The first assumption states that resources (such as financial, human, organizational and physical resources) and capabilities (such as skills, abilities, know-how, and expertise) are not perfectly mobile. The second assumption postulates that resources and capabilities are heterogeneously distributed among firms (Barney, 1991). These two assumptions show that there are no identical firms and that no firm possesses the same resources and capabilities portfolio as another, and this heterogeneity may persist over time because it may be very costly for firms to develop or acquire new resources and capabilities (Barney, 1991; Peteraf, 1993; Peteraf and Barney, 2003).

Generally, in strategic management literature, resources and capabilities are the fundamental element for the RBV and are considered as two complementary concepts (Theodosiou, Kehagias and Katsikea, 2012). In fact, Penrose (1959) and Makadok (2001) argued that while resources are a very important factor in achieving superior values for customers, they are insufficient by themselves and need to be combined with capabilities. Indeed, Barney and Hesterly (2015) point out that capabilities alone do not enable a firm to conceive and implement its strategies, but they enable it to use other resources to conceive and implement such strategies, realizing, then, a profit for the firm. Thus, Barney and Hesterly (2015, P86) added that capabilities are the glue that binds firm resources together to enable effective performance of value-creating tasks. Similarly, Newbert (2008), Gruber, et *al.* (2010) and O'Cass and Sok (2014) argued that superior performance is a function of the interaction between resources and capabilities, which in turn increases the complexity and ambiguity of the firm's actions that enhances its competitiveness and uniqueness.

In fact, regarding the important role of resources and capabilities to create CA, the resource-based view is not really about resources, per se, but it is about the attributes that resources must possess if they are to be a source of sustained competitive advantage (El Shafeey and Trott, 2014). This means that not all resources are of equal importance or possess the potential to be a source of competitive advantage and high performance. Thus, only resources and capabilities that possess the VRIN attributes "valuable, rare, inimitable and non-substitute" are strategic assets and can create CA (Barney, 1995). As a result, these resources and capabilities attributes linked performance to the firm's internal characteristics (Zubac, Hubbard and Johnson, 2010).

Driving from their importance, the advocates of the RBV (Amit and Schoemaker, 1993; Barney, 1991; Teece, Pisano and Shuen, 1997) hypothesized the following statements: First, if a firm possesses and exploits valuable and rare resources and capabilities, it can attain or create a CA (cost or differentiation advantage). Second, if the firm possesses and exploits valuable, rare, inimitable and non-substitute resources and capabilities, it can sustain its CA. Third, the attainment of such CA will enable firms to improve their performance in the short or long run.

It is becoming clearer that, disregarding their size, companies who can understand the relationships between resource- capability combinations attributes (inputs), competitive advantage and profitability (output) will be able to successfully implement competitive strategies that will continually enhance and sustain the value offered by the firm to the customers in form of cost advantage or differentiation advantage leading to improve their performance (Day and Wensley, 1988; Barney, 1991; Newbert, 2008). Thus, this relationship proposed by these authors is outlined and tested in the conceptual framework in Figure 1 (first and third statements). Hence, only the attributes of value and rareness of each resource-capability, including financial resources, human resources, physical resources, and organizational resources will be examined as independent variables along with their impact on SMEs competitive advantages and performance in the Lebanese market.

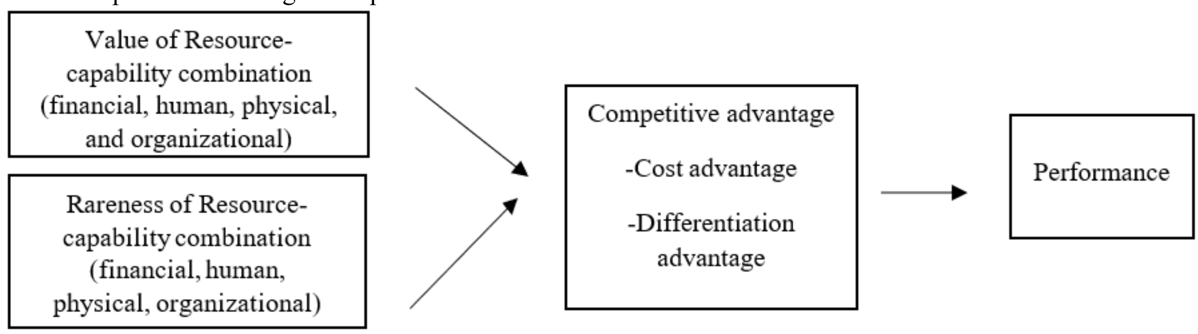

Figure 1. Conceptual Framework

2.4. Value

Generally, Barney and Hesterly (2015) viewed resources as valuable when they enable any business to reduce costs, exploit external opportunities, or minimize the external threats (Barney, 1995). This means that firms that use their resources and capabilities to exploit opportunities or neutralize threats will see an increase in their net revenues, or a decrease in their net costs, or both (Barney, 1991, 1995, 2001).

Moreover, Barney (1991) asserts that "Resources and capabilities are valuable when they enable a firm to conceive or implement strategies that improve its efficiency and effectiveness by meeting the needs of customers". Hence, according to Barney and Mackey (2005), Black and Boal (1994) and Arend and Lévesque (2010) the "value" characteristic is a function of strategic fit. They assert that resources and capabilities are valuable when they are used to implement strategies (cost leadership or differentiation) that provide cost or differentiation advantages to the firm, which are then translated into a product or service that is in demand in the industry. This means that the resources and capabilities possessed and exploited by the firm should help implement a strategy that results in the creation of superior values and benefits for customers, through offering products with better quality, unique features or/and lower price.

Hence, firm performance is difficult to be understood if the resources and/or capabilities are studied individually (Kamasak, 2015, 2017). Therefore, the more valuable the combination of the firm's resource-capability is, the greater the advantage (cost advantage or differentiation advantage) that this firm will harness as a result of its successful exploitation of these combination (Newbert, 2008). Therefore, the following hypotheses are proposed:

H1a. There is a positive relationship between the value of the resource - capability combination and cost advantage.

H1b. There is a positive relationship between the value of the resource - capability combination and differentiation advantage.

2.5. Rareness

By definition, valuable firm resources and capabilities possessed by large numbers of competing or potentially competing firms cannot be sources of neither competitive advantage nor sustainable competitive advantage. According to Barney (1991), if a particular valuable firm resource is possessed by a large number of firms, then each of these firms has the capability of exploiting that resource in the same way, thereby developing similar products, processes, and strategies. This leads to all benefits of the resources being competed away, and not one firm is able to outperform others. Thus, Barney (1995) asserted that if resources and capabilities are only valuable, they cannot create competitive advantage, they are only source of competitive parity, for this reason resources and capabilities should be valuable and rare to be sources of competitive advantage.

Furthermore, Zubac et *al.* (2010) argued that firms should invest in resources that allow them to attract customers by finding novel ways to organize and deploy resources and lever off the firm's existing know-how (Helfat, 1997; Harrison, Hitt, Hoskisson and Ireland, 2001). In general, the novelty concept is described and defined in the Oxford English Dictionary as "the quality of being new, original or unusual". This means that resources and capabilities should not be available, revealed, or accessible for competitors. In addition, competitors should be unfamiliar with the process in which resources and capabilities are combined and exploited.

Therefore, the novelty concept becomes an important element in securing competitive advantage in any market sector (Newbert, 2008; Zubac et *al.*, 2010; achieving competitive advantage, 2018).Since the complementarities among resources and capabilities in creating firm CA is a common perception in the RBV research (Sirmon, Hitt, Ireland and Gilbert, 2011; Huesch, 2013), and in support to these authors, Barney (1991), Newbert (2008), Lee and Chu (2013) and Ferreira and Fernandes (2017) pointed out that the criterion of rareness applies to 'resource bundles, it becomes clear that the more the combination of the firm's resource-capability is rare, the greater the advantage (cost advantage or differentiation advantage) that this firm will harness as a result of its successful exploitation of these combinations. Therefore, the following hypotheses are proposed:

H2a. There is a positive relationship between the rareness of the resource - capability combination and cost advantage.

H2b. There is a positive relationship between the rareness of the resource - capability combination and differentiation advantage.

2.6. Competitive Advantage and Performance

While competitive advantage is the most used term in the strategic management research, no common definition has been identified for this concept. Porter (1980) argued that competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that will exceed the cost of its creation. Also, he stated that there are two basic types of competitive advantage: "cost advantage and differentiation advantage". In addition, Barney (1991) said that a firm has competitive advantage when it is implementing a value creating strategy not simultaneously implemented by any current or potential competitor. Nevertheless, Peteraf and Barney (2003) suggested that a company has a competitive advantage when it is able to create greater economic value than the marginal of competitors in its product market.

As the different definitions illustrate above, there is no common definition of competitive advantage, per se (Ma, 1999, 2000; O'Shannassy, 2008). However, according to Peteraf (2005), there is a common understanding and meaning of what CA really is; it is defined in terms of relative created value for customers. Due to this fact, and since this study only focuses on studying competitive advantage creation from the RBV lens (Barney,1991), competitive advantage is considered as the ability to create more economic value through attributes and resources to perform at a higher position of advantage than others in the same industry or market. Generally, this value/benefit created for a firm, can be viewed in terms of delivering or selling the same benefits or products as its competitors but at a lower cost, which leads to creating cost advantage and/or offering a unique quality and feature that competitors cannot, and consequently customers will be willing to pay a higher price that might obtain higher market share and higher financial performance (Lee and Hsieh, 2010).

In fact, the firm's performance is defined by Venkatraman and Ramanujam's (1986), as the above-average financial and operational performance. In addition, Powell and Dent-Micallef (1997) pointed out that in strategic literature, the organization performance construct is usually associated with the achievement of strategic (e.g. sales growth, market share, percentage of sales from new products, customer satisfaction, and quality) and financial objectives (e.g. return on assets, return on equity, return on sales). Therefore, each firm tends to realize these strategic goals in order to outperform its competitors.

While competitive advantage is the cornerstone of each firm to succeed, managers and firm's owners do not know the right meaning of CA and use this concept incorrectly, thus increasing the obscurity behind it (Magretta 2011). For example, many authors Sigalas (2015) and Sigalas and Papadakis (2018) argued that the concept of competitive advantage is used interchangeably with superior performance, while these two elements are two different constructs with an apparently complex relationship (Ma, 2000; Powell, 2001; Durand, 2002; O'Shannassy, 2008). Indeed, Powell (2001, 2002), Newbert (2008) and Sigalas and Peka Economou (2013) stated that there is no doubt that competitive advantage is an important antecedent and a sufficient but unnecessary cause to superior performance because superior performance is also influenced by a host of exogenous effects and the RBV strategy is one of many means by which a firm can generate profits.

Briefly, Ma (1999, 2000) argued that CA may increase the likelihood of better performance; and yet CA is not performance. Therefore, the following hypotheses are proposed:

H3a. There is a positive relationship between cost advantage and performance.

H3b. There is a positive relationship between differentiation advantage and performance.

3. Research Methodology

3.1. Population and Sample

In Lebanon, SMEs are a suitable research setting to test the study's hypothesis because they make up to 95% of the overall number of companies operating in Lebanon and they contribute to 50% of the employment of the working population, 40% of GDP and 27% of the total revenues (Matta, 2018). Hence, SMEs that will be selected for the sample should satisfy 3 main criteria which are: the number of employees (more than 10 and less than 100), annual turnover (more than 500 million LBP and less than 25 Billion LBP) and have been in operation for at least five years, to exclude the companies that have recently begun working (Anwar, 2018). The researcher has chosen only three sectors as the population intended to be studied in this research, which are the furniture, chemicals (including plastics) and the construction sector since these latter play a crucial role in the whole Lebanese economy.

The Ministry of Economy and Trade (MOET) and the Chamber of Commerce do not have a list of the Lebanese firms categorized based on their size and the number of years of operation. Therefore, the researcher is unable to obtain a sampling frame consisting of SMEs operating in Lebanon. This led the researcher to use the non-probability sampling method based on a purposive or judgmental technique.

The SMEs owners were the population targeted and selected to participate in this research since the owner is usually responsible for choosing the different strategic options of the firm and, therefore, is a person with a high knowledge of the resources and capabilities of the business, which is also an essential element in our research (Rubio and Aragón, 2009).

3.2. Data Collection

The survey is the research strategy adopted in this research in order to answer the research question and meet the objective. The research method used is the semi-structured interview where the questionnaire is based on predetermined set of questions, and a deep discussion is undergone to better understand the topic. During the discussion, the researcher was recording all the answer in order to better demonstrate and explain the findings. It is addressed to the owner of the Lebanese SMEs in order to collect primary data which is in quantitative status.

A total of 285 responses were obtained, which gave a gross response rate of 57.46 %, after discounting SMEs which declined to participate (211 firms). However, 66 SMEs operating in the construction sector, 70 operating in furniture sector, and 75 operating in chemicals sector, expressed their unwillingness to participate in the survey, which constituted 42.54% from the overall firms addressed.

3.3. Measurement of Variables

The owners were asked to rate the value and rareness of each resource-capability combination, CA and performance on 5-point Likert type scale (1= strongly disagree and 5= strongly agree). The higher response means that the resource-capability combination is very valuable and rare and the SMEs are able to create a better CA (cost advantage and/or differentiation advantage) and improve their performance.

The value of each resource - capability combination was measured by 6 items and the rareness was measured by 3 items adopted from Newbert (2008). The Cost advantage was measured by two items initiated by Morgan, Kaleka and Katsikeas (2004), Ray, Barney and Muhanna (2004) and Ismail, Rose, Uli and Abdullah (2012). The differentiation-based advantage was measured by two items initiated by Morgan, Kaleka and Katsikeas (2004), Ray, Barney and Muhanna (2004) and Tan and Sousa (2015). The performance was measured by three items used by Neely (2005) and Ismail, Rose, Uli and Abdullah (2012).

The demographic variables used in this study, to explain variance in competitive advantage and firm performance, are the number of employees, annual turnover, sector, and number of years of operation.

4. Results and Discussion

Table I. Lebanese SMEs Profile

Descriptive Information	Frequency	Cumulative Percent
Firm's type of activities		
Furniture	95	33.3
Construction	96	67
Chemicals	94	100
Firm's number of employees		
Between 10 and 49 employees	216	75.8
Between 50 and 99 employees	69	100
Firm's Years of Operation		
Between 5 and 10 years	92	32.3
More than 10 years	193	100
Firm's annual turnover		
More than 500 million LL and less than 25 Billion LBP	216	75.8
More than 5 billion and less than 25 Billion LBP	69	100

Table II. Cronbach's Alpha coefficient, Tolerance and VIF of Variables

Variable	Cronbach's Alpha	Tolerance	VIF
Value of financial resource-capability combination	0.797	0.412	2.425
Value of human resource-capability combination	0.784	0.221	4.525
Value of physical resource-capability combination	0.784	0.218	4.586
Value of organizational resource-capability combination	0.795	0.222	4.507
Rareness of organizational resource-capability combination	0.819	0.268	3.729
Rareness of financial resource-capability combination	0.824	0.386	2.594
Rareness of human resource-capability combination	0.82	0.36	2.774
Rareness of physical resource-capability combination	0.823	0.371	2.696
Cost Advantage	0.83	0.738	1.354
Differentiation Advantage	0.825	0.444	2.252
Performance	0.821	0.35	2.856

Drawing of the results of the table I, the sample of this research is composed of 216 small firms and 69 medium Lebanese firms (based on the definition of Lebanese SMEs). In fact, 92 firms of them have been operating between 5 and 10 years and 193 have been operating for more than 10 years. Also, 95 of the firms are operating in the furniture sector, 96 in the construction sector, and 94 in the chemicals and plastics.

The results of table II show that the measures are reliable with a cronbach's alpha more than 0.6, ranging from 0.797 to 0.825. Also, no multicollinearity exists between the independent variables, as the VIF is less than 10, ranging from 1.354 to 4.586 and a tolerance above 0.1.

Table III. Results of Multi Linear Regression of Value, Rareness to Cost advantage

Variable	Standardized Coefficients Beta	*t* test	Sig.	Supported/ Rejected
Value of financial resource- capability combination	.277	3.593	.000	H1a: Supported
Value of human resource-capability combination	-.176	-1.571	.117	H1a: Rejected
Value of physical resource- capability combination	.246	2.163	.031	H1a: Supported
Value of organizational resource-capability combination	.069	.629	.530	H1a: Rejected
Rareness of financial resource- capability combination	.292	3.585	.000	H2a: Supported
Rareness of human resource- capability combination	.086	.986	.325	H2a: Rejected
Rareness of physical resource- capability combination	.019	.222	.825	H2a: Rejected
Rareness of organizational resource-capability combination	.096	1.153	.250	H2a: Rejected

Table IV. Results of Multi Linear Regression of Value, Rareness to Differentiation advantage

Variable	Standardized Coefficients Beta	*t* test	Sig.	Supported/ Rejected
Value of financial resource-capability combination	.108	1.613	.108	H1b: Rejected
Value of human resource-capability combination	.227	2.335	.020	H1b: Supported
Value of physical resource-capability combination	-.040	-.405	.686	H1b: Rejected
Value of organizational resource-capability combination	.301	3.177	.002	H1b: Supported
Rareness of financial resource- capability combination	-.054	-.852	.395	H2b: Rejected
Rareness of human resource- capability combination	.093	1.374	.170	H2b: Rejected
Rareness of physical resource- capability combination	.048	.723	.470	H2b: Rejected
Rareness of organizational resource-capability combination	.625	9.686	.000	H2b: Supported

Table V. Results of Multi Linear Regression of Cost advantage, Differentiation advantage to Performance

Variable	Standardized Coefficients Beta	*t* test	Sig.	Supported/Rejected
Cost Advantage	.290	7.150	.000	H3a: Supported
Differentiation Advantage	.651	15.552	.000	H3b: Supported

Referring to the tables III and IV, the hypotheses 1a and 2a, which studied the relationship between value-rareness-cost advantage, are partially supported. For the Lebanese SMEs that compete through cost advantage, it becomes clear that the financial resource-capability combinations are considered as a strategic asset and an important factor and antecedent to achieving cost advantage, since they are valuable and rare (significative positive relationship, $\alpha < 0.05$). However, the value and rareness of human resource-capability combinations and of organizational resource-capability combinations are insignificant, so these latter do not contribute to the creation of cost advantage ($\alpha > 0.05$). Moreover, the physical resource-capability combinations are a source of competitive parity when achieving cost advantage since this combination is valuable ($\alpha < 0.05$) but not rare ($\alpha > 0.05$). It seems that for Lebanese SMEs that compete through cost advantage, the financial resource-capability is the most important factor to achieve cost advantage. The Lebanese SMEs focus on decreasing their cost and price on the competitive level so they ignore investing in other types of resources which can increase their cost, like physical resource-capability, human resource-capability and organizational resource-capability.

In addition, referring to the tables III and IV, the hypotheses 1b and 2b, which studied the relationship between value-rareness-differentiation advantage, are partially supported. It indicates that organizational resource-capability combinations are only considered as strategic assets and are the source of creating differentiation advantage, since they are rare and valuable (significative positive relationship, $\alpha < 0.05$). However, the human resource-capability combinations are a source of creating competitive parity since they are valuable ($\alpha < 0.05$) but not rare ($\alpha > 0.05$). However, the financial resource and physical resource are insignificant ($\alpha > 0.05$) so these resources-capabilities do not contribute to the creation of differentiation advantage. It seems that for Lebanese SMEs that compete through differentiation advantage the organizational resource-capability is the most important factor to achieve differentiation advantage. These results can be explained by the fact that competing through differentiation advantage means creating something very unique and special which needs an important amount of money. The Lebanese SMEs are unable to achieve this money, since they have a lack of finances. This is why they are unable to attract rare and talented employees, and why they are unable to invest in distinct and novel techniques and equipment. Therefore, in order to compete and to compensate their weaknesses, Lebanese SMEs focus on developing their organizational resources to establish a very good relationship with their customers, serving them in best way possible and offering a very high-quality product.

However, referring to the table V the results show that the hypotheses 3a and 3b are supported. A positive and significant relationship exists for both cost and differentiation advantage with firm performance ($\alpha < 0.05$). However, the relationship between differentiation advantage-performance is stronger than (beta=0.651) cost advantage-performance (beta=0.290). It seems that customers are more satisfied by the value in terms of product uniqueness and quality than low price and cost. Also, the majority of Lebanese SMEs argued "*that they prefer competing through differentiation advantage rather than cost advantage"*. They considered that the value created for customers through differentiation advantage and establishing a very good relationship with their customer and offering good quality and personalized products, may guarantee the creation of their image in the mind of customers and acquire their trust and loyalty more than the price alone, allowing them to compete in the long run rather than in the short run.

5. Conclusion

As a conclusion, the Lebanese SMEs are unable to develop and acquire more than one type of strategic resources-capabilities combination that leads them to realize different levels of performance. While the financial resource-capability is a source of creating cost advantage and organizational resource-capability is a source of creating differentiation advantage for Lebanese SMEs, in both cases, these latter do not guarantee the achievement for high profits nor do they diminish the negative effects deriving from the challenges that they face. Also, while the Lebanese SMEs that compete through differentiation advantage can realize more profit than those that compete through cost advantage, in both cases, Lebanese SMEs are facing common problems that challenge their competitiveness.

In fact, Lebanese SMEs are real survivors. They compete to be present in the marketplace, offering similar products for customers, where quality remains the focal point of competition, which guarantees their prosperity. Indeed, the majority of Lebanese SMEs attribute their problems and non-competitiveness to the external environment that they characterize as dangerous, very risky, where foreign competitors outperform the Lebanese SMEs, the government is absent, and there are no legislations to protect the Lebanese firms. Thus, it has become very difficult to compete in this market. They stressed on the idea that '*their internal environment is very competitive and very sane, but they are unable to operate in such abnormal external environment."* Moreover, Lebanese SMEs have a high operating cost and a lot of them are operating in informal sectors which decreases the competitiveness of Lebanese products, especially against foreign products, which are more competitive in terms of price and quality. In addition, many respondents say that Lebanese customers always underestimate the value created by Lebanese SMEs. They also say, "*If we tend to use new processes, new machines or offer new features as a value, Lebanese customers undervalue our products"*. They further added that "*Lebanese customers do not trust their local products and always replace them with foreign ones"*.

They conclude that "*it is time to survive and not to realize profit*." They considered that their achieved CA is the reason behind their persistence and permanence during this difficult time. Also, it is becoming more and more difficult for Lebanese SMEs to attract customers or create something unique because Lebanese customers are facing a critical economic situation where their purchasing power is decreased and their unwillingness to spend money is increased. In addition, the value created by the firms can be underestimated by Lebanese customers, and these latter can shift easily from one firm to another due to their lack of finances. Moreover, Lebanese customers require high quality products with low price ranges, which is somehow impossible for the Lebanese SMEs to achieve.

Briefly, in order to persist and survive through the Lebanese market which is characterized as unfavorable, the majority of Lebane**se** SMEs focus more on quality as a way to compete because their inability to decrease their price to a competitive level. Thus, the quality remains the guarantee for the prosperity of Lebanese SMEs.

In addition, many respondents said that the timing of this study is wrong because the market is in recession and the macroeconomic environment is unclear and unstable. However, as the researchers of this study, we consider that this was the perfect timing for such a study, because when the macro environment is clear and stable all firms are able to realize profit and compete widely. However, when competition becomes intense only the firms who think strategically are able to persist and achieve profit. As a conclusion, the Lebanese SMEs suffer from a lack of strategic behavior and thinking which inhibits them from achieving high performance.

For instance, it can be concluded that the owners of Lebanese SMEs are not conscious towards the importance of being unique and the importance of creating CA. They attribute total responsibility of their failure and their non-competitiveness on external environment. This statement is not entirely true, since many firms (which are few) operating also in the same circumstances, are able to achieve profit and improve their competitiveness. Surely the external environment hampers the competitiveness of Lebanese SMEs, but there is some responsibility on firm's owners who need to think more strategically and focus on creating some unique in order to fit the hypercompetitive environment.

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