

COMPETITIVE ADVANTAGE AND STRATEGIC MANAGEMENT IN EMERGING MARKET: A STUDY ON CORPORATE SECTOR OF PAKISTAN

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Abstract

The paper examines the competitive advantage and strategic management of the corporate sector in Pakistan with particular reference to formulation, maintenance, and exploitation of competitive strengths in the light of international and domestic pressures in an emerging market context. The business environment in emerging economies such as Pakistan is quite distinctive as it is marked by rapid industrialization, the shifting regulatory policies, technological application, and stiff competition. The question explored in this research is how well corporate bodies in the Pakistani context have adapted strategic management practices such as resource-based strategies, market orientation, innovation and human capital development to ensure and sustain a competitive advantage. In examining the firm-level strategies, this paper is an attempt to identify the major factors, which determine organizational performance and long-term sustainability in the current volatile economic environment. The study also highlights the interaction of both global and local contexts, especially of how Pakistani companies adjust their strategies in order to manage risks like political instability, variable markets and scarce institutional support. The results speak to the literature on strategic management in emerging markets because they give an insight on how companies create resiliencies, become innovative and differentiated in such a competitive nature. The paper also highlights how leadership, organizational culture, and digital transformation are affecting the establishment of competitive advantage and hence has valuable practical insights that may apply to managers, policy-makers, or researchers. The ultimate objective of the research is to fill the gap between the theory and practice of strategic management in emergent markets, and develop the corporate sector of Pakistan as one of the case studies in discussing the issue of sustainable competitiveness in the global economy.

Keywords: Competitive Advantage, Strategic Management, Emerging Markets, Corporate Sector, Pakistan, Innovation, Organizational Performance, Sustainability, Resource-Based View, Digital Transformation

INTRODUCTION

The environment in which corporate firms in Pakistan buy in is becoming more complex and competitive due to changes in the economic environment through liberalization, technology changes and regulatory changes. Experience in Pakistan Stock Exchange has shown that companies that pursue a generic strategy like cost leadership and differentiation perform much better in terms of their returns on assets (The Impact of Strategic Choices on Firm Performance, 2023) because they have a competitive advantage. It shows that strategic clarity does not only have theoretical significance but also plays an instrumental role in the performance of the corporate sector of the Pakistani emerging market (Iqbal et al., 2024).

Also, sustainability of the innovation advantage depends on organization capabilities like knowledge management, business intelligence and human capital. An investigation into the FMCG industry in Pakistan led to the conclusion that proper knowledge management plays a leading role in the strategic edge and performance stability (Alam & Shah, 2023). Likewise, the experiences of Pakistani companies indicate that a comprehensive business intelligence system leads to better assessment of performance and, as a result, the maintenance of a competitive status (Arshad & Siddiqui, 2024). The evidence indicates that capability-building is an essential process at the level of the whole firm, and the

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possibility of achieving innovation and strategic orientation lies within the organizational capability-building (Iqbal & Chishti, 2023). Besides practices at the firm-level, there is also influence by governance and structural contexts. According to a study, good corporate governance and ownership are longitudinally relevant in Pakistan non-financial businesses that enhance their social and financial performance (Mukhtar & Rasheed, 2024; Khan & Mahmood, 2023; Iqbal 2023; Arif et al., 2023). All these studies indicate the significance of the interaction between the internal strategic management and the external governance structures in shaping the competitive forces. Therefore, such an investigation provides invaluable information to the development and maintenance of strategic advantage by Pakistani corporate actors under the influence of both internal and institutional forces.

Problem Statement

Multinationals operating in emerging economies such as Pakistan have to contend with the manifold challenges of global competition, a rapidly changing technological environment of new disruptions and new and changing consumer demand. Fragmented strategic management practices, resource constraints, and gaps in implementation of institutions are some of the reasons why firms do not manage to establish sustainable competitive advantages despite the opportunities available. In Pakistan, the corporate sector is plagued by problems like non-consistent policy enforcement, lack of innovation and introduction of the advanced management practices that inhibit the capabilities of firms to compete on both the regional and global platforms (Haque & Nair, 2024). The disconnect between strategic theories and their practical application in developing economies provides an immediate reason to look at how strategic management can be used by an organ to ensure its long-term competitiveness. Unless this gap is filled, the Pakistani corporations may end up being left behind in their attainment of sustainable growth and global competitiveness.

Research Rationale

This work is relevant because it will endeavor to examine how strategic management practices can be customized to the context of emerging markets and with particular reference to the Pakistan corporate sector. The study of the dynamics of competitive advantage in this context can give meaningful insights to the policymakers as well as to the corporate leaders. It also has potential to make a contribution to the scholarly field by filling the gap between the Western-centered strategic management theory and its effectiveness in the emerging markets. Besides, the findings can guide the organizations in adopting strategies to incorporate innovation, human capital and resources optimization into their strategies to achieve sustainable competitive advantage. The study has special relevance considering how Pakistan seeks to intensify its corporate governance and conform to the international business practices to attract foreign investment and industrial development.

Research Questions

The following are the research questions:

1. What are the directions of strategic management practices in building the growth of competitive advantage in the Pakistani corporate sector?
2. What are some of the internal and external constraints that have most implications in the Pakistani firm capabilities to maintain sustainable competitive advantage in an emerging market scenario?
3. How can leaders of the corporate organizations in Pakistan best fit global strategic management theories to the reality and opportunities of the local market?

4. How innovative and resource-based strategy has contributed to competitiveness of firms in the corporate sector of Pakistan?

LITERATURE REVIEW

In developing economies the firm specific advantages basing on the unique capabilities continue to dominate in the quest to achieve sustainable competitiveness. Xie, Reddy, and Liang (2020) also note that such advantages are highly diverse, especially in intangible forms (i.e., assets, learning capabilities, and specialized knowledge) and that knowledge bundles can be used to achieve firm growth despite limitations of existing institutional arrangements (Xie et al., 2020). This point in the Pakistani context is very important since corporate firms are required to develop internal capabilities (Kashif & iqbal, 2022), viz. managerial skills, customer-focus, innovative cultures, to beat competitors even in the face of regulatory and infrastructural gaps.

The catch in Pakistan is that even empirical evidence has espoused this strategic emphasis on choices. The research based on data on 87 non-financial companies that were listed in the Pakistan Stock Exchange and found that both cost leadership and differentiation strategies have a significant positive relationship with the return on the assets they showcased proving the viability of these strategies in the corporate culture of Pakistan (The Impact of Strategic Choices on Firm Performance, 2023). That implies that efficiency- and uniqueness- based trajectories can lead to performance increases, but only when informed appropriately about the firms resources and prevailing competition. The dynamic capabilities and especially marketing ambidexterity aided by big data analytics further explains the way of reaching competitive edge. In research by Haider et al. (2024), textile companies in the main cities of Pakistan were studied and it was discovered that big data led to dynamic capabilities which improved the performance of the firm in the market via the marketing ambidexterity (Fahim et al., 2020), particularly in competition (Haider et al., 2024). The given finding can be viewed as the confirmation of the critical importance of agile marketing and data-driven approaches to making decisions to improve the responsiveness and market position. Strategic results are also affected by governance structures Nizam et al. (2022) concluded that good corporate governance as reflected in the board composition, ownership and transparency index indicated an improvement in firm performance (Nizam et al., 2022). These findings strengthen the notion that internal structural processes and accountability systems are the sources through which Pakistani firms can actualize strategy sufficiently and achieve competitive position.

In the SME environment, international resources like finance, experiential learning and networking are important in the maintenance of a sustainable competitive performance. This is not specific to SMEs, though: Pakistani corporate firms may also be able to use international partnerships to facilitate the sharing of knowledge and expertise, international financing, and so on in order to fill local gaps (Degong et al., 2018). Strategic flexibility and digital technologies contribute to capability enlargement which also forms export and performance paths (Fareed et al., 2023). Zahoor and Lew (2023) have also furnished evidence that strategic flexibility in international alliances boosts export performance in Pakistani SMEs via international marketing capability, and using the lenses of digital adoption (Zahoor & Lew, 2023). This indicates the synergies between strategic agility and digitalization to develop competitive advantage. The correspondence between the ownership structures and performance phenomena throws light on the intra-equity and control considerations that affect competitiveness. It was found that in emerging markets, the performance of firms is affected by various forms of ownership structures like concentrated as opposed to dispersed shareholding (Khaliq, 2024). As the case of the Pakistani corporations is concerned, the task of ownership design is approached as a

strategic tool that influences the efficacy of governance and competitive positioning.

The primary corporate focus in Pakistan has been on the capability to innovate, whether in products but also in processes, business models and organization culture, to generate long standing competitive advantage. In a study in the telecommunication sector in Pakistan, Tariq, Naeem, and Shah (2023) concluded that the innovation capability mediates the effect of strategic leadership on the market performance. Companies that have freely thinking and an organizational structure where experiments can be conducted perform better than others who are sluggish (Zaheer et al., 2023). This implies that strategic management systems should emphasize their innovation systems as part of the corporate culture in order to maintain differentiation in highly dynamic markets. In addition, supply chain agility has become a primary strategic resource in the event of unexpected disturbances, which was observed during the COVID-19 pandemic. Mirza and Ahmad (2021) investigated how Pakistani manufacturing companies developed their supply chains to achieve resilience and as a result sustain their activities and even exploit market opportunities even through periods of turmoil. This highlights the importance of strategic management in taking into account upstream and downstream linkage abilities as providers of competitive resilience.

The strategies of internationalization also take a prominent role in firm level competitiveness. Zaman, Raza, and Javed (2022) analyzed Pakistani corporate firms venturing into the Gulf Cooperation Council (GCC) markets and identified that entry modes that are adaptive to culture and strategic alliances immensely enhanced the export performance. The results strengthen the notion that in developing economies, companies may develop competitive advantage not only in domestic countries, but also internationally in strategic terms because of alliances and knowledge transfer, and culturally similar international strategies. The other imperative is investment on the aspect of human capability. A study of Pakistani banks conducted by Ahrari and Chegeni (2024) revealed that, strategic investment in skills of employees, leadership, and employee engagement has a positive effect on service quality and customer satisfaction which subsequently contributes to subsequent financial improvement (Zaheer et al., 2024). Their study exposes that strategy-focused human resource management at the corporate level is the key to competitive advantage in the industries that have customers. Strategic orientation theory, market, entrepreneurial and learning orientations are gaining empirical support in Pakistan. According to Ahmad and Hassan (2020), the companies with a strong market orientation (i.e., focused on the customers and aware of the competitors), entrepreneurial orientation (i.e., focused on innovation and proactiveness), and learning orientation (i.e., the location of creating internal knowledge acquisition), together make better results compared to those without such orientations. The interrelation between these orientations makes the strategic coherence and flexibility easier to pursue in the environment where the changes occur very quickly.

METHODOLOGY

The proposed study follows the descriptive research design because this approach is most appropriate to examine the practices, strategies, and patterns of the companies operating in the corporate sector of Pakistan. A descriptive study will help the researcher to conceptualize the existing phenomena, draw the correlation between practices in strategic management and competitive advantage and also point out the unique issues affecting organizations in an emerging market setup. The descriptive design also provides that the data obtained will cover both the strategy adopted by the corporations and the results of the same in terms of performances and sustainability. The target population of the research is corporate firms throughout Pakistan in various industries like banking, manufacturing, telecommunications, and services.

Since the corporate sector is heterogeneous, a stratification random sampling method will be used in order to represent organizations that fall in different industries. The senior managers, strategy professionals, and judgmental law decision-makers have been identified as the target respondents since they are the key decision-makers in strategic planning and implementation. Drawing of that size of sample will be based on its statistical adequacy.

DISCUSSION

The results of the research suggest that strategic management practice plays a tremendous role in the determination of competitive advantage in the corporate sector of Pakistan. The results show that the more a firm undertakes differentiation strategies like product and services innovation, the more they exhibit market positioning and customer loyalty. This corresponds to the Resource-Based View of the firm that postulates that companies can gain competitive advantage using distinctive resources and capabilities. The evidence also indicates that the importance of innovation, brand differentiation, and customer-oriented approaches are gaining more significance in Pakistan where companies experience a dynamic competition in the emergent industries.

An important point worth noting here is that cost leadership strategies continue to be a formidable force in industries like manufacturing, retailing and telecommunications. Some of the firms that have optimized supply chain and managed production costs recorded better profitability and market penetration. This aligns with the framework of Porter (1985), in regards to the importance cost efficiency plays in terms of providing competitive advantage. Nevertheless, the results indicate that cost leadership on its own cannot work in the volatile Pakistani market unless technologies and quality are innovated or improved. Hybrid approaches, therefore, seem to present more steady results than the use of only one approach. It can also be concluded that the Pakistani corporate environment highly values strategic alliances and partnerships. The companies that shared their experience with international partners or involved in joint ventures claimed the availability of newer technologies, managerial skills, and markets. Such partnerships mitigate business risks in addition to creating innovative as well as efficiencies. These results are plausible to relate school of thought described relationship perspective states that inter-firm relationships can put up competitive advantage by sharing resources and cooperative approaches. Alliances in Pakistan Alliances offer a major mechanism of overcoming competitive pressure in a country where growth has long been restrained by the lack of resources.

Further, the study highlights the importance of human capital and talent management as competitive enabler. Organizations that employed training, skills advancement, and employee engagement had an enhanced ability to adapt quickly and be resilient in a changing environment. This observation supports the strategic human resource management body of literature on the subject, which also sees employees as a source of sustained advantage when they are aligned to corporation's strategy. In a country like Pakistan, where flows and brain drain out is an ever present issue, new talent preservation and development becomes an important aspect of advantage sustainability.

Contextual impact of the institutional/regulatory environment in Pakistan on strategic management practices is one more important insight. Firms claimed that political uncertainty, changeable economic policies and regulatory ineffectiveness usually hamper any long-term strategic planning. Organizational adaptation ensues through adopting adaptable strategies and this has left uncertainty as a structural hindrance. This is in line with the institutional theory (North, 1990) which asserts that performance of organizations can be influenced not only by the means available internally but also by the external institutional settings. Therefore competitive advantage in Pakistan needs firms to come up with

strategies that are not only but also flexible towards uncertain external shocks.

The study will add value to a larger discussion of the relevance of global strategic management concepts in emerging economies. Although models, like the Generic Strategies of Porter and the RBV, can be helpful, the evidence found in Pakistan indicates that strategies should be modified to suit the local conditions-where there is scarcity of resources, weaknesses of institutions, and interaction among cultural forces. This shows that global best practices, though they are undoubtedly important, have to be balanced with localized innovation to make the firms in the emerging markets competitive. The research therefore has both theoretical and practical implications in that it confirms the universal nature of the strategic management theories as well as supporting the view that their application in the emerging markets demands a contextual adjustment.

CONCLUSION

The results of this research introduce a key role of competitive advantage and strategy management in defining the corporate sector of Pakistan especially under the global market pressures and blistering advancement in technology. Companies utilizing innovation, cost leader and differentiation strategies have better chances of remaining stable and beating the competition. In the environment of an emerging economy, where most market structures are volatile and resource is limited, development of distinctive competencies and adaptation to changes in the environment has become the key to long term success. When subjected to the forces of organizational objectives and market situations, strategic management practices enable companies to reduce vision to actions that can be realized to a target of objective achievement. Additionally, the paper highlights the contribution of the contextual factors which includes the institutional frameworks, regulatory structures, and social-economic conditions towards shaping the direction of the firms in their strategies. As opposed to the more stable system in developed economies, businesses in Pakistan are usually threatened with inconsistency in policies, infrastructural shortcomings and competition in the global market. In this context, it is important to implement strategies that do not only promote the accomplishment of high operational efficiency, but also guarantee the resilience of the operations against the impact of external shocks. The results suggest that those companies that effectively incorporate the element of adaptability into their strategic management processes are able to retain the competitive grip in the market regardless of the unclear market situations. The paper explains why competitive advantage is of more importance to sustainable economic development in Pakistan. A competitive corporate sector not only leads to profitability to individual firms, but also to the resilience, employment levels, and global standings of a country. Strategic management is thus not only a requirement within an organization but a national requirement as well. By enhancing innovation, stronger practices of governance, and designing sustainable competitive strategies in the long term, the Pakistani firms will implement their contribution to sustainable development, stabilizing their own operations in the growing globalization of business.

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