STICKY RESOURCES: SUSTAINED COMPETITIVE ADVANTAGE IN SUB-SAHARAN AFRICA

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CASE DESCRIPTION

The primary subject matter of this case is the relationship between the "stickiness" of firms' resources and their ability to sustain a competitive advantage. Resource stickiness refers to the degree to which resources are immobile, a key component of the resource-based view of the firm. The difficulty level of the case is four making it appropriate for senior-level undergraduate students. Approximately one hour of class time is needed for class discussion. Student preparation time prior to case discussion is approximately two hours.

CASE SYNOPSIS

This case focuses on Chinese language fluency as a resource in Sub-Saharan African firms having economic ties to China. The resource-based view (RBV) of the firm suggests that "sticky" resources—resources that are relatively immobile and difficult to transfer from one firm to another—may be sources of sustained competitive advantage. Three fictitious firms stake out strategic positions in the Sub-Saharan African market for English and Chinese language training. The case uses these firms to focus attention on the question: Is Chinese language fluency among employees in Sub-Saharan African firms a potential source of sustained competitive advantage? The wider context of the case explores how firms can utilize the RBV to sustain a competitive advantage. Students gain practice using the VRINE framework—value, rarity, inimitability, nonsubstitutability, and exploitability.

INTRODUCTION

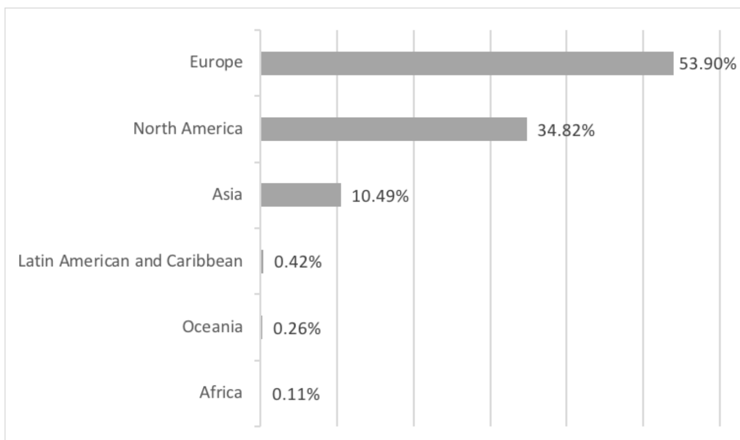
Language teaching is a burgeoning industry in parts of the world impacted by new economic opportunities. Immigration, emigration, globalization, and regional economic trade zones have spurred the industry to the highest demand in its history. Individuals just beginning their career, those with established careers who want to advance in their firms, and those wanting to remain competitive in a rapidly changing job market are motivated to learn an additional language.

This case begins with three firms competing in this industry. Two of the three specialize in teaching English as an additional language. The third specializes in teaching Mandarin Chinese as an additional language. All are in Sub-Saharan Africa, a region that includes 48 of the continent's 54 nations south of the Sahara Desert. Although many of these nations have local dialects, most also have an official language. French and Portuguese are common but English is an official language in only 14 of these nations. No Sub-Saharan nation has Chinese as an official language;

Chinese is used by only a small fraction of the population some of whom are Chinese who have immigrated to Africa to pursue promising business opportunities in a region characterized mostly by nations still early in their economic development.

Despite the promise of Africa as a market with potentially explosive demand, development is still early on much of the continent. Figure 1 shows that within the language service industry Africa has been largely overlooked. This is good news for firms targeting this region; they'll initially face little competition until the market begins to mature.

Figure 1. Distribution of Global Language Training Services, 2016



Data Source: Statista. 2017. Distribution of Global Language Services Market by Region in 2016.

From here, the case introduces the three firms that have recognized the untapped potential of the Sub-Saharan African market. Next, brief comparisons of Asia and Africa provide the economic context in which the firms compete. This is followed by highlights of China's interest in Africa's economic development. Key points regarding the resource-based view of the firm (RBV) and competitive advantage conclude the case by considering the "stickiness" of language fluency as a tacit resource. More specifically, can firms with employees who are fluent in a needed combination of languages use this fluency as a source of sustainable competitive advantage?

FIRMS

Note: ESL is an acronym for English as a second language. Programs offering English training are typically referred to as ESL training companies even if the individuals these companies are training are already fluent in multiple languages.

Sub-Sahara ESL

Sub-Sahara ESL specializes in English language training for beginning through intermediate levels. There is considerable competition within this target market by other firms offering similar language training.

While many of these competing firms claim to offer unique teaching methods, more qualified trainers, and lifetime memberships, these differences are largely sales tactics rather than actual differences. Price, location, and convenience are the most important selection criteria among this target market; firms having the lowest price with easy-to-access locations and convenient hours of operation capture the largest market share.

Target ESL

Target ESL specializes in English training for employees in specialized industries. These employees typically have already attained intermediate English fluency but they need specific grammar and vocabulary relevant to their industry. For example, engineers need different vocabulary than accountants; Target ESL can provide services to firms having employees in both these fields and many others. Because employers typically pay for employees' language training costs, most of Target ESL's revenue comes directly from firms rather than individuals.

As with Sub-Sahara ESL, Target ESL has many competitors. However, firms in this market segment are better able to differentiate their services than Sub-Sahara ESL. Expertise in specific industries and the ability to deliver training to employees on-site are the main differentiators when firms select an ESL training company. This target market is less focused on price than firms in the general ESL market. Firms offering on-location training by experts with industry backgrounds matching customers' needs capture the largest market share.

CSL Link

Note: CSL is an acronym for Chinese as a Second Language. As with ESL, CSL is common even if individuals learning Chinese are already fluent in multiple languages.

CSL Link targets businesses in Sub-Saharan nations having international trade relationships with China. As with Target ESL, CSL Link derives most of its revenue from firms rather than individuals.

CSL Link teaches only Mandarin Chinese. When CSL Link contracts with firms, it requires that students have at least an intermediate level of English fluency. This requirement increases demand for ESL companies such as Sub-Sahara ESL and Target ESL. Employees who are not already somewhat fluent in English are ineligible for CSL Link's training.

CHINA'S ECONOMIC INVESTMENT IN SUB-SAHARAN AFRICA

Africa is much larger than China although China's population is larger than Africa's. Figure 2 shows the size of China if superimposed on an image of Africa (The Economist. 2010).

Figure 2. Size Comparison of China and Africa

Source: The Economist. 2010. The true size of Africa. November 10. Accessed August 12, 2017 at https://www.economist.com/blogs/dailychart/2010/11/cartography. Photo Credit: Kai Klause, image retouched by case authors.

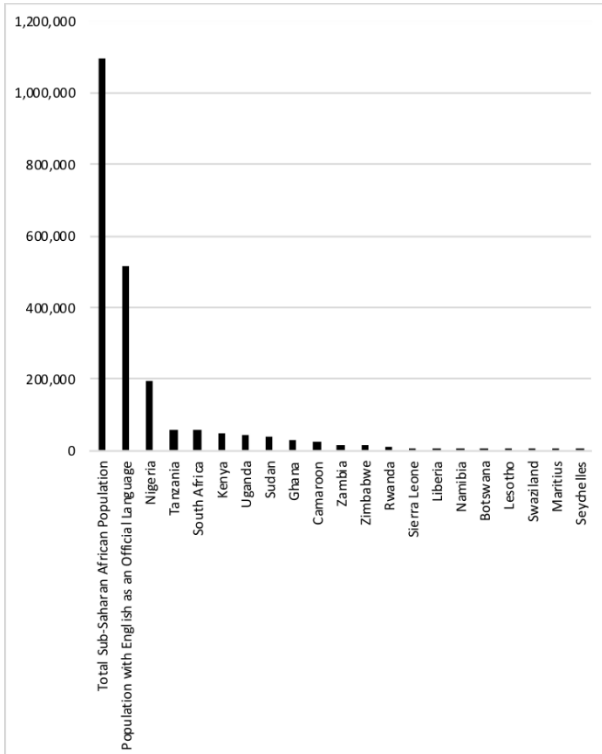
Sub-Saharan Africa's largest trading partner is China with China representing approximately 25% of all foreign direct investment with Sub-Saharan Africa (Pigato and Tang, 2015). This has created over 130,00 jobs, a rate three times that resulting from trade with the USA, Sub-Saharan Africa's next largest trade partner (Ernst and Young, 2016). In 2017, China committed $60 billion to projects that will enhance local economic development and create new jobs in Africa (Jadesimi, 2017).

COMPETITIVE LANDSCAPE

Africa is a diverse continent of 54 nations and home to one-sixth of the global population. Of these 54 nations, Arabic and French are the most widely used languages. English, although spoken to some extent in various parts of Africa, is widely used in only 18 of Africa's 54 nations. Africa's language environment is even more complex considering that there are more than 1,500 to 2,000 languages spoken on the continent.

Figure 3 compares the African nations having English as an official language with Africa's total population. Figure 3 shows that most of Africa's population is unaffected by English as an official language. Even nations having English as a second language do not necessarily mean English is the most commonly spoken. For example, South Africa, one of the nations with English as an official language, has 10 other official languages. In Sub-Saharan-Africa, English is in a crowded field even when it is an official language.

Figure 3. Total Population Compared to Countries with English as an Official Language (10,000s)



Data Source: World Population Review, World Population by Country. 2017. Available at www.worldpopulationreview.com.

It is important to understand that the target market of English language training firms is nations for which English is not a primary language. Information regarding which countries have a high concentration of English speakers is helpful for English training firms; they avoid these countries and target countries for which English is not widely spoken but where it may have high demand. A second target market condition these firms like to see is foreign economic activity within a Sub-Saharan country in which foreign economic activity is commonly performed in English. English is often, but not always, a common business language for transactions of many international firms. These are the types of situations language training firms seek as having the best chance of pent up demand for their services. While these two target market screens are appropriate for seeking demand for English services, they suggest less about demand for Chinese. To find such demand, firms look countries having economic ties to China.

The fact that only 19 of Africa’s 54 nations have given English status as an official language does not indicate that other African countries have few English speakers. Figure 3 compares the total Sub-Saharan African population with the population of countries having English as an official language. The difference between these represents the true target market for English language training firms. However, this provides one data point in the direction of a largely untapped market for English as a first, second, third, or even a fourth language. Because numerous other languages are present in Sub-Saharan Africa, English comes in at a distant fourth throughout most of the region. Table 1 ranks the most common languages in Africa by number of speakers.

Table 1. Most Common Languages in Africa

Ranking	**Language**	**Notes**
1	Arabic	Mainly spoken in North and Sub-Saharan Africa due to the influence of Islam in these areas.*
2	Kiswahili**	Kiswahili is also called Swahili. Widely spoken in the East African nations of Burundi, Congo, Kenya, Mozambique, Rwanda, Somalia, Uganda, and Tanzania. The language of instruction in public schools in Tanzania is Kiswahili.
3	Hausa	Spoken mostly in Western African nations in which the predominant religion is Muslim.
4	English	See Figure 3 for nations with English as an official language.
5	Amharic	The language used in nearly all business transactions in Ethiopia.
6	French	Due to prior French colonization in some African nations.
7	Omoro	Spoken in Ethiopia, Kenya, and Somalia.
8	Yoruba	One of the languages of Nigeria having official status.
9	Igbo	Spoken mainly in Nigeria.
10	Zulu	One of the 10 official languages in South Africa. Uses clicking sounds to form words (see Xhosa below).
11	Shona	One of the two official languages in Zimbabwe (along with Ndebele). Also spoken in Zambia.
12	Xhosa	Spoken in South Africa. Uses clicking sounds to form words and is similar to Zulu. Although Xhosa and Zulu are different languages, they have enough similarities that speakers of either language can understand the other.
Not ranked	Portuguese	Spoken in Angola, Mozambique, Cape Verde, Guinea-Bissau and to a lesser extent in Senegal and Equatorial Guinea. Beyond these nations, Portuguese is very uncommon.

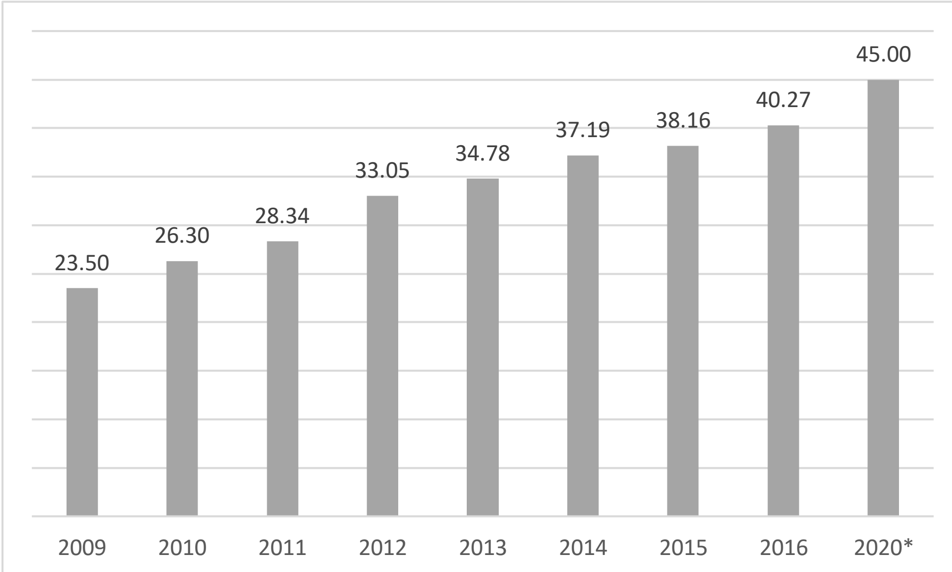
Source: Answers Africa. 12 Most Widely Spoken African Languages. Available at answersafrica.com/12-most-widely-spoken-african-languages.html/2

*The African nations with the largest Islamic influence are Algeria, Chad, Djibouti, Egypt, Libya, Mauritania, North Sudan, and Tunisia. Of these, Algeria, Egypt, Libya, Mauritanian and Tunisia have designated Arabic as an official language.

**The Disney movie, "The Lion King," uses Kiswahili for some of its key terms "Simba," Disney's name for the lion king and "hakuna matata" meaning no need to worry.

Figure 4 shows the size and projected growth of the language services industry (Statista, 2017). This growth is partially due to the role of English as the most common language of business especially businesses that have an international dimension.

Figure 4. Market Size of Global Language Training Services, 2009 - 2020 (billions USD)



*Projected

Data Source: Statista. 2017. Market Size of Global Language Services Industry from 2009 - 2020 in billions of US Dollar.

THE RESOURCE-BASED VIEW OF THE FIRM (RBV)

The resource-based view of the firm (RBV) suggests characteristics of a firm's resources that may lead to competitive advantage (Barney, 1991.). These resource characteristics include value, rarity, inimitability, nonsubstitutability, and exploitability.

Value

Among the resource characteristics noted in the RBV, *value* is most obvious. It refers to the degree to which resources may, in some way, assist in creating value for the firm.

Rarity

Resource rarity is linked to the RBV's two key assumptions. The first assumption is that resources under a firm's control are relative immobile. They "stick" to a firm like chewing gum on the bottom of your shoe and are not readily available to competitors. The second assumption is that resources across firms are heterogeneous. In other words, resources under a firm's control are different than resources controlled by other firms.

Consider a resource such as production equipment. Suppose that equipment is the most efficient in the industry due to its ability to reduce the cost of production. This may lead to a temporary competitive advantage as long as other competitors do not purchase the same production equipment. Once competitors purchase the same equipment, the original firm's source of competitive advantage (the efficient production equipment) vanishes. The production equipment is no longer rare; competitors now have it. It does not "stick" to a single firm (it is not relatively immobile) and it is no longer different than production equipment at other firms (it is not heterogeneous).

Therefore, this particular production equipment can lead to only a temporary competitive advantage. It is not a sustained competitive advantage because the equipment is not a “sticky” resource. Availability to other firms make it common rather than rare.

Inimitable

Inimitability refers to something that cannot be easily imitated. Put simply, inimitable resources are resources that are hard for competitors to copy.

Nonsubstitutable

A nonsubstitutable resource is one for which an equivalent cannot be not readily obtained. Consider, for example, the efficient production equipment mentioned previously. A competitor may find a supplier that makes completely different production equipment but, despite these differences, this different (heterogeneous) production equipment can also reduce production costs by an equivalent amount. In this case, the substitute equipment renders the original firm’s competitive advantage to a temporary (until competitors purchase the heterogeneous equipment) rather than sustained.

Exploitable

Exploitability refers to a firm’s ability to capture the value it creates. Gaining and sustaining a competitive advantage requires that firms must capture, not merely create, value. Otherwise, a firm can meet all the other criteria for sustaining a competitive advantage—value, rarity, inimitability, and nonsubstitutability—but fail to use these in a way that harnesses the value created from its resources.

To gain a sustainable competitive advantage, firms must be organized in a way that allows them to capture value. Firms that fail to protect their resources from imitation may inadvertently spend time and effort creating value only to see competitors capture the value the firm created.

DECISION POINT

Is Chinese language fluency among employees in Sub-Saharan African firms a potential source of sustained competitive advantage? Firms in Sub-Saharan African countries engaging in trade with China will find Chinese speakers to be a tremendous resource. The value of such an ability allows firms to better negotiate with Chinese suppliers, communicate with Chinese consumers, and smooth the way toward business growth that is dependent on Chinese trade partners. Clearly, then, Chinese language fluency in this context is helpful but do it meet the other RBV criteria?

CSL Link must consider more than just the value of its training. Although it has a temporary competitive advantage, its owners are concerned about sustaining that advantage. At a recent meeting among CSL Link’s owners, discussion centered on a variety of concerns. Is it rare to find fluent Chinese speakers in Sub-Saharan Africa? How easy would it be for competitors to copy what CSL Link does? Are substitute services? For example, must Chinese language be taught in person or are online services available that would accomplish the same thing but in a different way—online versus in person? Is CSL Link able to capture the value it creates or could competitors somehow manage to capture the value created by CSL Link? Is fluency in Chinese enough to meet the five RBV criteria allowing CSL Link to gain and sustain a competitive advantage

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