THE Influence of Dynamic Capabilities and Total Quality Management Practices on Competitive Advantage among Insurance COMPANIES

Jessa Mae Y. Sajetarios[1], Joseph Elmer G. Noval, DM

[1]Faculty, University of Mindanao Tagum College
jsajetarios@umindanao.edu.ph

[2]Faculty, University of the Immaculate Conception, Davao City, Philippines
jnoval@uic.edu.ph

ABSTRACT

In today's competitive insurance landscape, achieving and sustaining a competitive advantage is vital for organizational survival and long-term success, yet it remains a major challenge amid rapid industry changes and heightened market pressures. This study explored the extent to which dynamic capabilities and Total Quality Management (TQM) practices influence the competitive advantage of insurance companies operating in Davao City, Philippines. A descriptive-correlational research design was employed, involving 200 purposively selected employees from leading life insurance companies in Davao City. Adapted survey questionnaires served as the primary data collection instrument. The data were analyzed using descriptive and inferential statistics, including Pearson's r and regression analysis. The findings revealed that both dynamic capabilities and TQM practices were strongly demonstrated across the surveyed companies. Moreover, the level of competitive advantage was found to be very high, indicating that it is very evident within the industry. Statistical analysis confirmed that both dynamic capabilities and TQM practices significantly influence competitive advantage. Notably, seventy-five percent of the variance in competitive advantage can be attributed to the combined influence of these two factors.

KEYWORDS: *Business management, dynamic capabilities, total quality management practices, competitive advantage, Philippines*

INTRODUCTION

In a market economy where consumers have the freedom to choose their insurers, establishing a competitive advantage is critical for long-term survival and industry relevance (Gareche et al., 2018; Paneva, 2014). However, achieving

such an advantage is increasingly challenging due to technological disruptions, regulatory changes, shifting customer expectations, and intensified competition, all accelerated by the COVID-19 pandemic (Ujam, 2025; Banmore, 2019). Globally, more participants have entered the insurance market from tech giants, retail firms, and insurtech startups leveraging AI and digital platforms, putting immense pressure on traditional insurers (Wang et al., 2019). In the Philippines, despite low insurance penetration (Araullo, 2023), the market is projected to grow rapidly, with net premiums reaching $7.1 billion by 2028 and a CAGR of 5.4% (GlobalData, 2024). Amidst this, new tax laws and rising competition pose ongoing challenges for major players in the country (Tendero, 2019). With this mounting pressure, insurers must remain competitive to drive growth and retain market share (Ouma, 2016). Kenyon et al. (2015) asserted that without a competitive edge, a company may eventually fail and shut down.

Competitive advantage plays a vital role in an organization's success. According to Negulescu (2019), the core purpose of any business strategy is to achieve and sustain this advantage. With a strong competitive edge, companies can develop new capabilities, enhance customer satisfaction, and differentiate themselves from competitors—ensuring they stay ahead and succeed in the long term. These findings suggest that insurance companies in Davao City have developed strategic mechanisms that enable them to withstand industry disruptions while maintaining distinctive service offerings and efficient operations, thereby reinforcing their market competitiveness. Likewise, Rowe and McLaren (2017) stated that competitive advantage affects companies' decisions, thereby directly impacting local economies. Including competitive advantage in business planning helps companies develop strategies that leverage their strengths and capitalize on local opportunities.

Total Quality Management (TQM) practices are widely recognized as an important factor in building competitive advantage across different industries. Research shows a significant relationship between TQM and competitive edge through cost reduction or the offering of unique products and services. (Fauzi, 2021; Khanal, 2020; Addae-Korankye, 2013). Othman et al. (2020) also underline the importance of TQM practices, such as employee empowerment, effective management, training, and customer feedback, in enhancing competitive advantage in dynamic sectors like banking. Additionally, dynamic capabilities play a critical role in maintaining competitive advantage by enabling firms to reconfigure resources and adapt to evolving market conditions (Banerjee et al., 2018; Li & Liu, 2014). Breznik and Lahovnik (2016) assert that

dynamic capabilities help companies adapt to environmental changes, thereby strengthening their competitive position.

This research serves as an initial investigation into the internal factors that contribute to competitive advantage in the insurance industry, particularly in Davao City. While previous studies have focused on external elements such as market strategies and customer satisfaction, limited attention has been given to how internal strategic resources—specifically dynamic capabilities and TQM practices—influence competitiveness. This gap is especially relevant as insurance companies face increasing market pressures and the need to adapt rapidly to change. Thus, the present study aims to assess the levels of competitive advantage, dynamic capabilities, and TQM practices among insurance companies in Davao City and to determine the individual and combined influence of these internal factors on competitive advantage. By doing so, this research seeks to fill a critical knowledge gap and provide valuable insights to guide strategic improvements in the local insurance sector. It is anticipated that insurance companies exhibiting stronger dynamic capabilities and more established Total Quality Management practices will demonstrate higher levels of competitive advantage. Specifically, organizations that effectively sense environmental changes, seize strategic opportunities, transform resources, and sustain quality-driven initiatives are expected to achieve superior market positioning and operational effectiveness.

Statement of the Problem

1. What is the level of the competitive advantage, dynamic capabilities, and total quality management practices of insurance companies as rated by employees?
2. Is there a significant relationship between: dynamic capabilities and competitive advantage; and total quality management practices and competitive advantage?
3. Which of the variables significantly influences the competitive advantage of insurance companies?

METHODOLOGY

Research Design. This study employed a quantitative approach, specifically a descriptive-correlational design. The descriptive design involved observing and measuring phenomena without altering any variables

(McCombes, 2019). In this study, it was used to describe the level of competitive advantage, the status of dynamic capabilities, and the status of TQM practices. Meanwhile, the correlational design, a non-experimental approach, used statistical analysis to examine relationships among variables (Bhandari, 2022). This design was applied to examine whether dynamic capabilities and TQM practices have a significant relationship with competitive advantage and to identify which factors significantly influence the competitive advantage of insurance companies in Davao City.

Research Locale. The study was conducted in Davao City, one of the country's fastest-growing economies. The study involved 200 purposively selected employees from leading life insurance companies in Davao City. Purposive sampling was utilized to ensure that respondents possessed sufficient organizational experience and direct exposure to dynamic capabilities, TQM practices, and competitive advantage initiatives. To ensure relevant insights, only employees with at least one year of experience and affiliated with a single company were included.

Research Instruments. The survey questionnaire, validated by experts, consists of four parts. Part I focuses on competitive advantage, Part II on dynamic capabilities, and Part III on total quality management (TQM) practices. The tool for measuring competitive advantage was adapted from Ahmed and Siddiqui (2020), which includes two domains, each containing six items—all with Cronbach's alpha values above 0.8. Similarly, the tool for dynamic capabilities was adapted from Kump et al. (2019), with an overall alpha coefficient of 0.91 across three domains. Additionally, the tool for TQM practices was adapted from Walter (2022) and consists of four domains. The adapted instruments demonstrated satisfactory internal consistency, with Cronbach's alpha coefficients ranging from acceptable to excellent levels, thereby confirming the reliability of the measures used in the study.

Data Gathering Procedure. The process began with securing approval from the Dean of the Graduate School at the University of the Immaculate Conception to conduct the study. Subsequently, ethical clearance was obtained from the UIC Research Ethics Committee, which conducted a full board review covering ten key ethical dimensions. Permission letters were then sent to the managers or office heads of the purposively selected insurance companies in Davao City. Throughout the data collection phase, the researcher coordinated with company representatives to ensure minimal disruption to participants.

Respondents were given clear instructions, ample time to complete the survey, and the opportunity to ask questions. To protect privacy, all data were anonymized, securely stored, and disposed of in accordance with the Data Privacy Act of 2012.

Ethical Considerations. The researcher is committed to upholding the highest ethical standards while conducting this study. To ensure full compliance, the research protocol was submitted for review and approval by the University of the Immaculate Conception Research Ethics Committee (UIC-REC), which granted clearance under Protocol Code GS-ER-02-25-0203. This approval confirms that the research adheres to ten core ethical principles: social value, informed consent, consideration of vulnerability, risk-benefit assessment, privacy and confidentiality of information, justice, transparency, researcher qualifications, adequacy of research facilities, and community involvement.

RESULTS AND DISCUSSION

Level of Competitive Advantage, Status of Dynamic Capabilities and Status Total Quality Management Practices

The overall mean level of competitive advantage is 4.55, which is very high and indicates that competitive advantage is very evident in insurance companies. The standard deviation of 0.70 implies consistency of the responses. This shows that surveyed companies deliver specialized services while maintaining operational efficiency and keeping costs low, enabling them to remain competitive in the insurance market. The finding is similar to the study of Setiawan (2016), who observed that competitive advantage is evident among companies that strategically integrate differentiation and cost-efficiency to reinforce their market position. Likewise, it is consistent with Jane (2022), who emphasized that firms combining cost-effective operations with distinctive service strategies tend to achieve a stronger competitive edge.

In terms of differentiation, the study yielded a very high mean score of 4.55, indicating that differentiation is very evident among the insurance companies.

Table 1

Level of Competitive Advantage, Status of Dynamic Capabilities, and Status of Total Quality Management Practices

Variables	Mean	SD	Description
Competitive Advantage	0.70	4.54	Very High
Dynamic Capabilities	0.64	4.58	Very High
Total Quality Management Practices	0.68	4.58	Very High

This very high rating further implies that insurance companies have a strong commitment to standing out in the market through strong branding, innovation, service excellence, and unique solutions. This affirms the findings of Muchiri and Muthimi (2025), who asserted that companies offering value-based, innovative products are more likely to stand out in the market. The result is also aligned with the observations of Faivishenko (2020), who highlighted that innovation and branding serve as key drivers of market differentiation, and with Brenes et al. (2014), who underscored the importance of product diversification and brand development in supporting business growth.

Furthermore, the study revealed that dynamic capabilities are strongly demonstrated among insurance companies, with an overall mean of 4.58, indicating a very high level and very evident. The standard deviation of 0.64 further indicates consistency in employee perceptions. A very high rating in dynamic capabilities indicates that the company strongly demonstrates the ability to adapt, innovate, and respond effectively to changes in the business environment. These findings are consistent with the study of Dias et al. (2022) and Hanan and Hamed (2019), who stressed that firms with strong dynamic capabilities are more adaptive to market shifts and resource realignment. Similarly, Abdaljabar and Alshaer (2024) found that companies equipped with well-developed dynamic capabilities can quickly adjust their strategies in response to external challenges.

The findings further indicate that Total Quality Management (TQM) practices are highly evident among insurance companies, as evidenced by an overall mean of 4.58, indicating very high levels. The standard deviation, which ranged from 0.68, signifies a strong demonstration of quality practices. This result echoes the findings of Attakora-Amaniampong et al. (2014), who reported that companies maintain TQM by placing strong emphasis on both customer satisfaction and employee development, allowing them to respond proactively to customer needs while nurturing internal capabilities. Extending this idea, Ulle and Kumar (2014) revealed that effective TQM implementation is sustained

when management provides clear direction, upholds high standards, and ensures that policies, strategies, and goals align with the organization's mission and quality objectives. Additionally, Elhawi (2022) supports this finding, emphasizing that TQM involves continuous improvement and support for workplace changes. These findings reinforce the view that quality management has evolved beyond operational control and now serves as a strategic resource that directly contributes to competitive advantage through customer satisfaction, process efficiency, and organizational learning.

Correlation Between Variables

The outcome of the correlation analysis between dynamic capabilities, TQM practices, and competitive advantage is presented in Table 2. The data reveal a statistically significant relationship between dynamic capabilities and competitive advantage ($R = .793$, $P < .05$). Similarly, TQM practices show a significant positive correlation with competitive advantage ($R = .859$, $P < .05$). The correlation coefficients indicate a strong, direct relationship between the variables.

Table 2

Correlation between Variables

Variables Correlated with Competitive Advantage	r	*p*	Interpretation
Dynamic Capabilities	.793**	$p < .001$	Significant
Total Quality Management Practices	.859**	$p < .001$	Significant

***Correlation is significant at the 0.01 level (2-tailed).

These findings suggest that improvements in dynamic capabilities and TQM practices are likely to enhance competitive advantage. Since the p-values are less than 0.05, this confirms that both dynamic capabilities and TQM practices are significantly positively associated with competitive advantage.

The findings of this study affirm the Resource-Based View (RBV) theory by demonstrating that TQM functions as a strategic internal resource that contributes to sustainable competitive advantage. At the same time, the study supports the Dynamic Capabilities Theory, which emphasizes a firm's ability to adapt, innovate, and transform in response to changing business environments—capabilities that enable agility and resilience in dynamic markets, leading to competitive advantage.

In the study of Fainshmidt et al. (2019), the findings show that dynamic capabilities help firms use resources efficiently and achieve both differentiation and cost advantage, which are the fundamental elements of competitive advantage. Similarly, Sirait and Anisah (2024) showed that TQM boosts competitive advantage through continuous improvement, customer focus, and efficient processes. These practices enable firms to outperform competitors and sustain long-term success. From a managerial perspective, the findings emphasize the need for insurance companies to continuously invest in organizational learning, employee capability development, and quality-oriented cultures to maximize the strategic value of their internal resources.

Regression Analysis on the Identified Variables

Table 3 shows that dynamic capabilities and total quality management, in their own right, significantly influence competitive advantage ($P<0.05$). Notably, among the two independent variables, total quality management practices have a stronger capacity to influence competitive advantage, with a higher beta coefficient of .834. This beta coefficient indicates that a 1-unit increase in total quality management is associated with a .834 improvement in competitive advantage. On the other hand, dynamic capabilities have a lower beta coefficient of .296, indicating that for every unit increase in dynamic capabilities, competitive advantage is expected to improve by .296.

Table 3

Regression Analysis on the Identified Variables

Variables	Beta	p-value	t	Interpretation
Dynamic Capabilities	.296	.005	2.827	Significant
Total Quality Management	.834	.000	8.934	Significant
r = .867 r2 = .752 p = .000 F = 298.045				

The regression model, with an R2 of 0.752, indicates that 75.2% of the variation in competitive advantage can be attributed to the combined influence of dynamic capabilities and total quality management practices. The data also suggest that 24.8% of the variance may be attributed to other factors not included in the study.

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