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A resource-advantage perspective of product–market strategy performance & strategic capital in high technology firms

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Abstract

Contrary to common misconceptions, firms tend generally to remain constant in their strategic approach to markets and rarely deviate from their prevailing strategic archetype. Consequently, the effectiveness of a firm's product–market strategy is as important as its persistence in achieving overall strategic performance. Adopting a resource-advantage perspective, we examine the extent to which resource bundles differ among firms within a product–market strategy performance typology. Analyzing data generated from high-technology industrial manufacturers, we find that *successful strategists* are endowed with significantly greater levels of resources–that include 'strategy championing', 'strategy commitment', 'implementation support', 'implementation effectiveness', 'learning', and 'memory'–in contrast with *unsuccessful strategists*, *hopeful strategists*, and *fortunate strategists*. Further, important inter-group differences are identified and discussed, along with the implications of this study for researchers and marketing managers.

Keywords: Resource-advantage theory; Implementation; Product–market strategy; Strategic capital; Adherence; High-technology; Cluster analysis

1. Introduction & background

According to the resource-based view, resources are either tangible or intangible and both heterogeneous and imperfectly mobile among firms (Barney, 1991)—with emphasis on the possession of these resources. In contrast, competence-based theory seeks to explain how firms develop strategies to effectively deploy resources in such a way as to enable the firm to compete in a marketplace (Sanchez, Heene, & Thomas, 1996). The resource-advantage theory (hereafter R-A theory) of competition draws on both theories viewing resources as significantly heterogeneous and imperfectly mobile between firms and emphasizes resource deployment over mere resource possession (Hunt, 2000; Hunt & Morgan, 1995).

R-A theory considers resources as, "the tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively a market offering that has value for some market segment or segments" (Hunt & Morgan, 1995, p.6). So, in contrast to the resource-based view, possessing valuable, durable, and inimitable tangible or intangible resources alone do not allow the firm to achieve sustainable competitive advantage. Rather, it is necessary to cultivate and deploy all value creating, tangible and intangible entities through product–market strategy.

Resources may be described as tangible (physical) or intangible (non-physical). Under R-A theory intangible resources can include organizational learning; relationships; entrepreneurial skills and capabilities; culture; brands, and so forth. The implication of intangible resources being heterogeneous and imperfectly mobile is the potential this provides for creating value and achieving competitive advantage. Hence they may be referred to as *strategic*. To achieve a sustainable advantageous position, the firm must use resources which are hard for competitors to imitate or acquire. These resources should therefore be mostly intangible (making them harder to obtain and also lack transparency); heterogeneous and so differ between firms; and, imperfectly mobile so that even if

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competitors can see what intangible elements contribute to value and advantage, they are then difficult to acquire.

Firms may be regarded as bundles of strategic resources, capabilities, and competencies that provide a distinct source of competitive heterogeneity (Barney, 1991). Capabilities and competencies are intangible in nature and involve the capacity of firms to deploy resources advantageously through product–market strategy (Hunt, 2000). They are complex bundles of skills and accumulated knowledge enabling firms to utilize their resources to create value and competitive advantage (Day, 1994). R-A theory (Hunt, 2000; Hunt & Morgan, 1995) views competencies as distinct resources to be employed in product–market strategy. Firms may develop comparative advantages not only from their resource bundles but also by combining lower order resources into distinct combinations or composites termed higher order resources, synonymous with competencies (Hunt, 2000). These, like other *strategic* resources, can be applied through product–market strategy to create superior value and competitive advantage.

Informed by R-A theory, we propose a multi-dimensional construct described as *strategic capital*. The 'capital' metaphor has been widely used in the management and cognate disciplines to refer to resources within the firm that contribute to its market value. Here, we employ the term 'strategic capital' as a construct that captures some of the salient resources enabling the successful realization of product–market strategy. We argue that this is a higher order resource composed of human, organizational, informational, and relational capital elements (Hunt & Morgan, 1995) and the manner in which strategic capital can be manifest in firms is through intangibles inclusive, but not exhaustive, of strategy championing, strategy commitment, strategy implementation support, strategy implementation effectiveness, learning, and memory. We contend that comparative advantage in these intangible resources creates strategic capital that can be leveraged to improve the product–market strategy performance of firms.

Our objective in this study is to address recent calls for research adopting R-A theory. We attempt to contribute to this literature by empirically examining whether strategic capital differences exist across firm groups identified from a product–market strategy performance typology. We begin by discussing product–market strategy and strategy adherence in the light of R-A theory, and our rationale for using typologies is then presented. The theoretical underpinnings of strategic capital are then considered leading to our hypothesis. The research method, analysis, results, and implications are then discussed.

2. Theoretical considerations

2.1. Product–market strategy

Product–market strategy concerns the basis by which the firm is to compete in its chosen markets (e.g., Morgan, Strong, & McGuinness, 2003). Moreover, it is concerned with deploying resources to accomplish product–market goals (Day, 1999). Product–market goals refer to desirable goals that the firm seeks to achieve such as improving market position, positional advantages, market share growth, acquiring new customers, increasing sales to existing and new customers, customer satisfaction, and providing customer value (Day, 1999; Vorhies & Morgan, 2003). Product–market strategy is therefore concerned with how to best leverage the resources of the firm so that it may compete in its chosen markets to achieve product–market goals (Day, 1999); ultimately with the objective of achieving superior performance relative to rivals. For example, firms with goals of improving market share, position, and providing customer value could focus on mobilizing resources through a differentiation-based strategy to create a valued offering satisfying customer needs better than competitors. This may be done by providing superior quality and other valuable benefits relative to those offered by competitors. Product–market strategies may also reflect elements such as lower cost and niche.

A key aspect of product–market strategy is its focus on how to provide valued offerings to targeted customers through the deployment of firm resources. R-A theory suggests that firms should develop and exploit all available tangible and intangible resources that enable them to produce valued market offerings. Moreover, comparative advantages in resources and resource deployment can serve to enhance the value provided (Hunt, 2000). Consistent with R-A theory, it appears of central importance that when a comparative advantage in resources is exhibited then, other things being equal, this should lead to improved levels of product–market strategy performance. We argue that there are two aspects to considering the outcome performance of product–market strategy. The first concerns the extent of adherence to the strategy while the second reflects the degree to which the strategy has been effective in terms of achieving its product–market goals.

The strategy literature is replete with empirical studies sourced to varying contexts that have found firm strategies can remain remarkably consistent over long periods of time (Schul, Davis, & Hartline, 1995). This is certainly not to imply that aspects of the product–market strategy do not change. Rather, it is commonly believed that the firm's strategic posture is relatively enduring. For example, Fox-Wolfgramm, Boal, and Hunt (1998, p. 87) reported that, "second-order change, a shift from one strategic orientation to another, is atypical even in times of environmental upheaval…Authors have noted, for example, that organizations typically converge around a prevailing archetype: strategic orientation and inertia tend to bound the organizational change to that which is consistent with the archetype representing first-order change".

To achieve high performance, top managers must provide a strong sense of strategic direction (Hart & Banbury, 1994). Managers can demonstrate clearly the firm's strategic direction by comprehensively developing a clear product–market strategy and adhere to that strategy, so that all organizational members are clear on the strategic direction of the firm and understand where the firm is going and why. We have noted that firms tend to adhere to strategy even during turbulent environmental conditions and have stressed that to achieve superior performance managers must provide a clear and strong indication of the strategic direction of the firm. Covin, Slevin, and Schultz (1997) support this by demonstrating that adherence (to strategic plans)