Emerging determinants of firm performance

A case study research examining the strategy pillars from a resource-based view

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Abstract

Purpose – The purpose of this paper is to study advance four factors – strategy pillars – that help explain firms' success: leader and top management team; strategic focus; trust in the future; and resources support.

Design/methodology/approach – These factors were identified in five case studies of well-known multinational corporations often referred to in the strategy literature and research.

Findings – The paper proposes the four pillars from a resource-based view (RBV) as a departure point for the identification of strategic resources.

Research limitations/implications – Limitations derive from case study methodology, such as difficulty of generalization. The paper helps clarify how to look at the resources and how the strategy pillars may embody the four characteristics VRIN.

Practical implications – The role of the chief executive officer entrepreneur as a core strategic pillar.

Social implications – To deepen understanding of strategic leadership succession, namely to avoid firms' decline once the founding father retires.

Originality/value – The paper not only uses the RBV to help identify strategic resources and understand the major strategic pillars of competitive advantage, but it also contributes to the debate on where lies the source of competitive advantage.

Keywords Corporate strategy, Business performance, Leadership, Competitive advantage

Paper type Research paper

Resumen

El propósito – Este estudio presenta cuatro factores – "pilares de la estrategia" – que ayudan a explicar el éxito de la empresa: el líder y el equipo de los altos cargos (en inglés: TMT); el enfoque estratégico; la confianza en el futuro; y los recursos de apoyo.

La metodología – Estos factores fueron identificados en cinco estudios de caso de corporaciones multinacionales que son bien conocidas y bien citadas en la investigación y la literatura de estrategia.

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Los resultados – Proponemos los cuatro pilares a partir de la “Resource-Based View” como un punto de inicio para la identificación de recursos estratégicos.

Las limitaciones/implicaciones de la investigación – Las limitaciones están asociadas con la metodología de los estudios de caso, por ejemplo, la dificultad en generalizar los resultados. El artículo ayuda a clarificar como los recursos deben ser considerados y como los ‘pilares de estrategia’ pueden expresar las cuatro características VRIN.

Las implicaciones prácticas – El papel del CEO emprendedor como pilar estratégico central.

Las implicaciones sociales – Profundizar la comprensión de la sucesión del liderazgo estratégico y evitar la decadencia de la empresa con la jubilación del fundador.

La originalidad/el valor – El artículo usa el RBV para identificar los recursos estratégicos y comprender los pilares estratégicos de ventaja competitiva, también contribuye al debate sobre las fuentes de ventaja competitiva.

Palabras clave Estrategia Corporativa, Desempeño del negocio, Liderazgo, Ventaja Competitiva

Tipo de artículo Artículo de investigación

Introduction

Strategic management research has evolved around the attempt to explain and find a way to drive organizations in their search of a sustainable competitive advantage (Porter, 1985, 1991; Hoskisson *et al.*, 1999). According to the resource-based view (RBV), the source of a competitive advantage lies in the firm’s resources (Barney, 1991). Although, we do not yet hold some form of truth, or sure theory, for strategy creation, corporations of all sizes and from all sorts of industries are using guidelines and frameworks to assist them in the formulation and administration of their strategic resources (Mintzberg *et al.*, 1998; Hoskisson *et al.*, 1999; Mintzberg and Quinn, 2002). Less clear, however, is what those resources are and what they involve (Lippman and Rumelt, 1982a, b; Nelson and Winter, 1982; Teece *et al.*, 1997; Ferreira *et al.*, 2008).

After Mintzberg (1973) critics to strategic planning in the 1970s – including Mintzberg *et al.* (1998) himself – have been concerned in setting clear taxonomies for strategic management. These taxonomies purport to simplify broad complexities into well-defined situations and actions. As such they are not only useful for practitioners but also for academics. Widespread examples are Ansoff’s (1965), the BCG, A.D. Little, and the McKinsey’s matrices, Porter’s (1980) five forces and the diamond model (1990), the strengths, weaknesses, opportunities, and threat (SWOT) analysis (Andrews, 1971), Levitt’s (1965) product life cycle, the value chain (Porter, 1985), among several others. Nonetheless, in spite of the recent emergence of the RBV of strategic management (Hoskisson *et al.*, 1999; Ramos-Rodriguez and Ruiz-Navarro, 2004), that shifts the scholars’ attention from the broad environment and the industry to the firms, a fundamental question still remains: why do some companies succeed where others fail (Porter, 1991; Carroll, 1993)? Understanding how can firms develop a competitive advantage is of central interest to executives and entrepreneurs, as firms’ performance varies widely.

In this paper, we follow previous studies in the search for major strategic factors, assets, or resources, that may, at least partly, explain the determinants of firms’ success. This study, supported in secondary data, is based on five case studies of major multinational corporations. We identified the following four strategy factors – that we term as strategy pillars: leader and top management team (TMT); strategic focus; trust in the future; and resources support. Moreover, given the current focus of strategy research on the RBV, we examine how well the pillars fit within what the RBV acclaims to be the core characteristics of strategic resources. Indeed, we use the RBV as starting point for the identification of strategic resources. It is worth pointing out that understanding the major strategic pillars of competitive advantage not only has a practical impact on managers' actions, but it also contributes to the debate on where lies the source of competitive advantage.

This paper is structured as follows. First, we present and discuss the RBV as to its antecedents and focus. Second, we describe the methodology and how we selected the five cases for analysis. Third, we present the results and analysis. We conclude with an overall discussion, the identification of avenues for additional research, limitations, and implications for academics and practitioners.

Literature review

The most important area of research in the discipline of strategic management delves in the understanding of performance differentials between firms. That is, why do firms differ (Carroll, 1993) and why do some firms have higher performance (measured in many different ways – from financial ratios to longevity, growth, or international expansion) than others. Indeed, the discipline has been nurturing several different approaches to tackle this issue. The industry-based view typical of, for instance, Porter (1980, 1991), the population ecology perspective (Hannan and Freeman, 1989), the institutional approach (Williamson, 1985) have been more recently replaced by the RBV (Barney, 1986a, b, 1991; Wernerfelt, 1984; Lippman and Rumelt, 1982; Peteraf, 1993) in the search for the sources of firms' competitive advantage.

Resource-based view: definitions and concepts

The work of Penrose (1959) is recognized as the basis for the theoretical approach of RBV (Wernerfelt, 1984; Ramos-Rodriguez and Ruiz-Navarro, 2004). Penrose (1959) argued that the firms' growth depends on the use of heterogeneous resources effectively. In the RBV approach, firms are considered as bundles of heterogeneous resources (Peteraf, 1993), a bundle of unique resources and relationships (Rumelt, 1984). A firm resource is defined by Wernerfelt (1984, p. 172) as:

> [. . .] anything which could be thought of as a strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm.

Or, according to Barney (1991, p. 101), firms' resources:

> [. . .] include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness. [. . .] In the language of traditional strategic analysis, firm resources are strengths that firms can use to conceive of and implement their strategies.

The RBV stipulates that firms are different because they have different resources (Wernerfelt, 1984; Barney, 1991). Hence, it is clear from the RBV that firm's competitive advantage is, at least partly, a function of heterogeneity conditions, such as imperfections in the markets for resources and firms, differences in management decisions in issues such as the deployment and development of resources (Barney, 1986a, b). A firm holds a competitive advantage when it implements a value creating strategy, and one that is not identical to the strategy pursued by a competitor.

Barney advanced a set of four characteristics that should permit us identify the strategic resources worth nurturing, because these are the ones that may constitute sources of competitive advantage. To be a source of competitive advantage, a resource must have four characteristics – usually simply referred to as VRIN resources (Barney, 1991):

(1) must be valuable to explore opportunities and/or neutralize threats in the competitive environment;
(2) must be rare, as it cannot be available for the actual or future competitors;
(3) must be imperfectly imitable or inimitable, because the organizational development depends on unique historical conditions (is path dependent), causal ambiguity and is social complex; and
(4) must be non-substitutable, as other resources or bundle of resources cannot generate an equivalent outcome.

The resources value was already recognized, and is the basis of RBV (Penrose, 1959; Rumelt, 1984; Wernerfelt, 1984). Porter (1985) also recognized the value created by the activities performed in the firm in its relation with the competitive environment, even assuming homogeneous competition. Barney (1986b) argued that the internal skills and capabilities are more important for valuable strategic resources evaluation than the environmental analysis. Valuable resources or bundle of resources are not a source of sustainable competitive advantage if they are available to competitors (Barney, 1991).

The concept of inimitability was analyzed by several authors. Lippman and Rumelt (1982), for instance, introduced it in explaining differences between firms. Ghemawat (1986) argued that inimitability depends on preferred access to resources and customers and to the restrictions imposed to the competition. Rumelt (1984) presented the concept of isolating mechanisms, that are inimitable and results from market imperfections. Inimitability acts as a mobility barrier, and is a source of heterogeneity in the competitive landscape. It is probable that historical dependencies drive an heterogeneous development of inimitable competitive position, such as is the case of an organization's culture (Barney, 1986b).

The resources that gestate a competitive advantage may be causally ambiguous (Lippman and Rumelt, 1982; Rumelt, 1984; Barney, 1986b). The concept of casual ambiguity is related to the difficulty to disentangle the "true" source of competitive advantage, but may also refer to the discontinuity and uncertainty involved in the process of asset stock accumulation. In other words, a rival firm may not be able to understand which resource(s) hold particular value (Dierickx and Cool, 1989).

Social complexity increases the difficulty in imitating the resources. Social complexity may be found on factors such as interpersonal relationships between organization's executives, organizational culture, firms' reputation, and complex information management systems (Barney, 1991). The socially complex resources cannot be marketed and are internally accumulated as follows: firm reputation, customer loyalty, trust, and firm specific labor. Socially, complex resources have a better chance to generate sustained competitive advantage (Dierickx and Cool, 1989).

The non-substitution results from the adequate maintenance of strategic resources that become obsolete by the renewing of asset stocks (Wernerfelt, 1984).

A brief review of the RBV warrants an equally short statement on the critics most often pointed out to the RBV. The critics to the RBV refer its tautological[1] nature (Williamson, 1999; Priem and Butler, 2001), because it is difficult to identify a priori which are, and are not, VRIN resources (Williamson, 1999). Priem and Butler (2001) go further to set the RBV as eschewing from determining the resources' values, its imprecise definitions and static approach. Nonetheless, Barney (2001) in defense of RBV stated that despite the lack of a measurement scheme of the value of a resource – its value is necessarily dependent on the context of the firm – it is possible to specify a set of resources that could become sources of competitive advantage. Further studies would have to answer questions: where the strategic alternatives come from; how firms appropriate rents; and the importance of strategy implementation for sustained competitive advantage (Barney, 2001).

Method – the case study

The strategy problem and the use of case studies

A major strategy problem is the identification of why some firms succeed whereas others fail, and how can firms develop a sustained competitive advantage. Porter (1991) divided the strategy problem in two parts: transversal, by the link between organizations characteristics and results; and longitudinal, to explain the evolutionary path firms follow over time. How can our knowledge improve using case studies to explore inside firms in the search for the sources of sustained competitive advantage? To attain a longitudinal perspective, the case study approach is a relevant manner to understand both the "Why" and the "How" organizations succeed or fail (Yin, 2003). Porter (1980), in the preface of the 16th edition of his book *Competitive Strategy* noted the importance of case studies for revealing the gap between real competition and theoretical models, creating a sense of urgency to the development of tools to support real choice in real markets. It suffices to quote Porter's (1991, p. 99) reference to the need of empirical tests to confirm theoretical models and frameworks:

> The need for more and better empirical testing will be a chronic issue in dealing with this subject. Academic journals have traditionally not accepted or encouraged the deep examination of case studies, but the nature of strategy requires it. The greater use of case studies in both book and articles will be necessary for real progress at this stage in field's development.

Barney (1991, p. 107) recognized that in the RBV "firms are intrinsically historical and social entities," and "their ability to acquire and exploit some resources depends upon their place in time and space." Moreover, Barney (1991, p. 108) further states that the "literature in strategic management is littered with examples of firms whose unique historical position endowed them with resources that are not controlled by competing firms and cannot be imitated." Thus, case studies seem to be a good methodology to understand firms and the value of their resources, fulfilling the transversal component identified by Porter (1991).

Case study method

The case study, or case method is a technique often used in teaching (Vergara, 1997; Ferreira and Serra, 2009) and research (Yin, 2003; Serra *et al.*, 2007). In research, the case study is a technique of qualitative research where the researchers focus on diagnosing one or a limited number of cases (Ikeda *et al.*, 2005) – generally a firm, but it may be any other unit of analysis, such as a person, family, product, company, government unit, community, or even a nation. Case studies must be deep and detailed, prepared or not in the field (Vergara, 1997). Yin (2003) considers the case study as a form of empirical research that investigates contemporary phenomena embedded in its real life context.

The type of research is defined by its ends and by its research methods (Vergara, 1997). Regarding the ends, this study is explanatory in nature as we aim at clarifying a group of determinants that help explain where does firms' competitive advantage comes from. However, it is also descriptive as it exposes the characteristics of the organizations targeted by the five case studies under consideration (Serra *et al.*, 2007; Ferreira and Serra, 2009).

Selection of the cases

In this study, we resorted to secondary data to collect data on five distinct firms and on the indicators of firms' success. We analyzed published papers and articles in academic journals and books. The articles and books were content analyzed searching for indications considered of the main determinants of firms' performance. This procedure permits us to identify, describe, and qualify potential common factors that may explain some firms' competitive advantage(s).

The case studies were selected examining several publications that have the largest impact and influence in strategic management literature considering the identification of successful organizations (Collins and Porras, 1994; Porter, 1980, 1985; Hamel and Prahalad, 1994). The five corporations selected were Honda, Swatch, General Electric, Southwest Airlines, and Microsoft. These companies and the reports on their performance and strategic choices capture worldwide attention. The material for each corporation was individually prepared and the content analysis performed, always attending to the authors' (of the papers and books) explanations for those corporations' success. These five corporations are undoubtedly among the most well-regarded multinationals in Brazil, and the most often referred to in scholarly publications.

In Table I, we reveal the cases selected and some of the main references – books and articles – mentioning those cases. The case studies scrutinized were of successful companies, and as such considered by scholars and practitioners writing some of the most influential works in strategic management. The triangulation of information using additional sources (Table I), minimizes potential methodological hazards, biases, and single source conflicts.

Table I.
Cases and references

Corporation	Main references
Honda	Pascale (1984, 1996a, b), Mintzberg *et al.* (1996, 1998), Mintzberg and Quinn (2002), Porter (1985), Hamel and Prahalad (1989) and Prahalad and Hamel (1990)
Swatch	Hamel and Prahalad (1994), Moon (2004), Reavis (2000), Zehnder and Gabarro (1994) and Kim and Mauborgne (1999, 2000, 2005)
GE	Ghemawat (1999), Kay *et al.* (2003), Mintzberg *et al.* (1998), Tichy and Charan (1989), Charan and Tichy (1998), Kleiner (2003), Welch and Welch (2005), Welch and Byrne (2001) and Ulrich *et al.* (2002)
Southwest Airlines	Porter (1996), Porter (1985), Kim and Mauborgne (2005), Hamel and Prahalad (1994), Ghemawat (1999), Carrigan (1994), Frei and Hajim (2001) and Kelleher (1997)
Microsoft	Ghemawat (1999), Kim and Mauborgne (2005), Stauffer (1997), Bartlett and Wozny (2001), Lowe (1998), Rosenztweig (1991) and Stross (1996)

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Clues from the case studies

The content analyses of the materials collected from secondary sources on each of the five cases and the most often pointed factors for competitive advantage in the extant research, permitted to identify four main factors to explain these firms' success. In this paper, we termed these factors as strategy pillars, and they are: TMT, strategic focus, trust in the future, and resources support. The evidence for each case and its corresponding pillar are shown in Table II. It is reasonable to suggest in this respect that the pillars must "work" together, since the lack of one of the pillars, at least for a long period of time, may hinder the firms' success. Stated differently, although we identify four distinct factors, they interact and are interdependent. For instance, it is likely that the chief executive officer (CEO) and the TMT have a major influence on the other factors, since they obviously decide on the allocation of resources and have the power to make changes. Notwithstanding, albeit a partial overlap, they emerge individually from the content analysis conducted.

Other evidence in all cases was the personnel importance for performance, despite different forms of management and human resources policy. Both pillars – leader and TMT and resources sustaining – consider personnel differently, but in all cases, the collaborative effort was essential for each of the five corporations' abnormal performance. The involvement of all key personnel, and even of medium and lower ranking workers were explicitly acknowledged by the corporations' top executives. Table II summarizes the main results of the content analysis on the emerging determinants of competitive advantage for the five corporations.

About the pillars

A few characteristics, easily noted in each of these firms seem to drive their path in their quest for competitive advantage. The fundamental influence of the leader is far more important in shaping the corporate vision and direction than in strategy formulation (Hamel and Prahalad, 1989). In the cases selected, the TMT, in addition to the leader, seemed to have much influence in strategic decision making. The TMT influences, for example, the administrative complexity and the adoption of sophisticated management tools (Papadakis and Barwise, 2002). When the leader is replaced, the strategic focus usually changes, and also changes the composition of the TMT. Careful attention to matters of succession is fundamental not just for the focus dimensioning but to find a leader capable of the endeavor of substituting a predecessor. This is also evidence of the major role of the entrepreneur in entrepreneurial firms. And, in fact, four of the five corporations are identifiable with an entrepreneurial figurehead.

The strategic focus is conceived by "someone" and disseminated through the organization by a committed executive team. The strategic intent as formulated by Hamel and Prahalad (1989) or the business vision (Collins and Porras, 1994), may be used as indicative of the strategic focus. In the case of Honda and Southwest Airlines, the strategic focus is expressed differently – as ploy and as pattern, considering Mintzberg's 5P's of strategy definition patterns (Mintzberg and Quinn, 2002). The strategic focus is important for corporations because it pulls the organizations' resources and efforts in a certain direction, is inspiring and clear, and indicates the progress achieved in reaching the goals.

The trust in the future is related to the risk-taking behavior, and perhaps to uncertainty avoidance and tolerance to ambiguity. In strategy making, firms make choices and these choices imply a direction and a path, based on expectations. That is,

Table II. Strategy pillars of the cases

Company	Honda	Swatch	GE	Southwest	Microsoft
Situation	Entering and following leadership of Honda in North American motorcycles market	Swatch founding and the leadership in low-price world market, dominated by the Japanese	Evolution from prior CEO work to review the decentralization level Reshape competitiveness	New concept and leadership in the American aviation industry saturated and in crisis	Opportunities responding and creation Flexibility to maintain leadership through the competence of human resources
Time period	1950 to 1970 decades	1980 and 1990 decades	1980 and 1990 decades	1970 to 1990 decades	1970 to 1990 decades
Leader	Soichiro Honda (entrepreneur)	Nicolas Hayek (entrepreneur)	Jack Welch (executive)	Herb Kelleher (entrepreneur)	Bill Gates (entrepreneur)
Strategic focus	"Grandiose Dream" as Fujisawa says and the constant chase for technology	The survival of Swiss watch industry through entry barriers to the luxury market	'In addition to the strength, resources and reach of a big company […] we are committed to developing the sensitivity, the leanness, the simplicity and the agility of a small company' (GE, 1988)	Airplane speed with car travel price	"Microsoft was a dream Paul Allen and I had about what software could become – the idea that you could buy PCs from many different hardware companies and yet they would all run the same software," (Bill Gates)
TMT	Takeo Fujisawa (partner and executive) With three managers in the beginning and growing up the executive team according to the needs	Constructed over time, function of resources needs and challenges. For example, the designer Franco Bossio, Concerned about succession: Hayek Jr 21 executive committee members after growing	Shaped through the history Function of personal competences, merit and challenges – explicitly cited in his books	James (Jim) Parker (vice-president); Colleen Barret (COO, Herb's ex secretary and "right arm") Changing and progressing with the needs	Paul Allen (partner) Steve Balmer ("right arm")

(continued)

Company	Honda	Swatch	GE	Southwest	Microsoft
Trust in the future	Starts selling in the American market with distinct consume behavior and strong competition in the 1950 decade with 50cc motorcycles The same for the car market in de 1970 decade	Financial resources use focusing strategy Developed a cheap watch, with Swiss labor, integrally produced in Switzerland, with opposite technology and message from the industry standard Leave the functional appeal for the emotional appeal	Leave and sell some business where it is not competitive enough Make available some GE businesses that were loosing competitiveness End with bureaucracy	Adoption of a distinct value chain regarding the usual for the industry Search for new market – cars and busses	Become the standard in market. First or faster to conquer it in network externalities where there is a consumer advantage
Resources	Competence in engines; brand image and building; innovation capacity; opportunism; efficiency; economy of scale; financial sustainability and competent asset management	Financial resources support for the start up; competences development; human resources appraisal; technological innovation capacity; design competence; organizational climate; brand image	Financial resources directed to the strategic focus; new competences acquisition; innovation; participation and commitment with the lower levels	Activities simplification capacity (clear strategy for the workers); work and personnel appraisal; resource and capabilities developed for the strategic focus	Personnel quality and management style; human resources appraisal; innovation and speed

Table II.

firms assume conscious risks – largely environmental-driven, associated to the external threats – in their search for sustained competitive advantage. Indeed, the cases selected, show the existence of a trust in the future that does not ignore unfavorable factors. Facing an unfavorable factor may be riskier but has a higher expected return. It attenuates another fundamental question of strategy: what is next in the future? The corporations' bet to reach their strategic focus is important in any sector. It may be called "reinvent the business," as mentioned by Hamel and Prahalad (1994), or "create new sector demands" as suggested by Kim and Mauborgne (2005). The idea is to influence the future (Hamel and Prahalad, 1994; Kim and Mauborgne, 2005).

No corporate strategy will succeed without the support of resources that enable the firm of reaching the intended strategic focus, its objectives and vision. This support may be found in several ways. In some instances, they may be additional financial resources from selling non-core business units, from cost-reduction programs, better personnel training, or strategic partnerships. In spite of the importance of different types of resources, two types of resources warrant a special reference: human and financial resources to build this pillar. For instance, a large number of firms' failure, particularly of many micro and small enterprises, is related to the lack or strategic planning of the financial resources.

Looking for the strategy pillars in the resource-based view

As mentioned previously, we searched for the pillars of successful corporate strategy in five selected, and abnormally successful, well-performing multinational corporations. These firms were selected for being most often cited in reputed academic references. We identified four major strategic pillars. It now matters to examine how these pillars fit into the RBV framework. The RBV is emphasized due to three reasons: first, the RBV has emerged in strategic management as the leading perspective for explaining performance differentials between firms, even firms in the same industry, and has since then become the most researched theory of strategic management (Ramos-Rodriguez and Ruiz-Navarro, 2004). Second, the RBV complements traditional industrial organization theory looking inside the corporation for the strengths and weaknesses with which the firm is better able to face environmental opportunities and threats. That is, the RBV examines the attributes that resources must hold to be a source of competitive advantage (Barney, 1991). Third, the RBV permits us a tool for internal analyses.

The leader and the top management team. The leader and the TMT are an important resource in the RBV. Hoskisson *et al.* (1999) studying the development of the strategic management discipline considered strategic leadership and strategic decision theory a sub-stream of RBV. Firm's strategic leaders are considered a "potentially unique resource" of the firm (Hoskisson *et al.*, 1999, p. 440). Moreover, they have a strong influence over resource deployment and development (Barney, 1991; Amit and Schoemaker, 1993; Peteraf, 1993). The firms' strategic choices are influenced by background, knowledge, skills, and cognitive styles of TMT (Hambrick and Mason, 1984) or managerial talent (Selznick, 1957; Hambrick, 1987). In fact, in this study and in practice, most cases of success are related to bundle of resources, unique and with specific relationships (Rumelt, 1984) that are available for managerial action. Thus, we consider the leader and his management team valuable resources as it enable the firm to conceive and implement strategies to exploit opportunities and neutralize threats (Barney, 1991), across all types of firms and industries. Similarly way, mainly the leaders, are rare. For example, Rumelt (1987) defines entrepreneurship as the creation of new business with novelty and as isolating mechanism. It must consider that the social-cognitive capacities of the TMT as resources that induce the heterogeneity in the industry (Prahalad and Betty, 1986; Grant, 1988), or event that, as their decisions are discretionary about the resources development and deployment contribute to sustainable rents (Amit and Schoemaker, 1993).

The inimitability is sustained as the decision making is behavior dependant and also depends on the organization implementation (Amit and Schoemaker, 1993). Barney (1991) considers that the managers or management team can be a resource with potential for competitive advantage generation. However, Barney also cautioned that in some instances these resources may be replicated or substituted by the competitors, and hence, by themselves it is not enough to have excellent leaders and TMTs. In our study, we found that the quality of the leadership was a component of success. Leaders, such as Jack Welch, for instance, are not easily replaced because they are rare. They isolate their corporations from imitation by acting extraordinarily to keep and obtain customers' loyalty, innovations and finding opportunities (Rumelt, 1987). The importance of the leader, is also found in entrepreneurship research (Gartner, 1988) and the organization and the entrepreneur path dependent. This also leads to a social complexity and casual ambiguity consideration as it is difficult to understand the process and the way the decisions about resources are taken, or the interrelationship between TMT.

In our analysis, the leader and TMT emerged as a determinant resource for success. The leader and TMT are rare and not substitutable, even if they may be hired. For instance, Castanias and Helfat (1991) studying managerial rents[2] and treating TMT as resource and their influence in those rents, find out that managers keep part of the rents they help create.

The strategic focus. The strategic intent of the organization is one of the main functions of the company leader (Hamel and Prahalad, 1989). This strategic intent is defined by Hamel and Prahalad (1994) as an ambitious dream that compel to the company's future, providing emotional energy for the journey. This may be considered as one of the consequences of a valuable, rare, inimitable, and non-substitutable leader, which gives the strategic focus to the organization.

Strategic focus is closely related to the entrepreneur's vision of the long-term future. It allows the entrepreneur to have ideas and concepts that follow a path (Malheiro, 2003). The strategic focus may be expressed in several ways, as mentioned, and as it is a part of companies' direction to future success or failure. Hence, it is arguably path dependent. For future positive performance, it will be directly related to a unique historical position of the firm (Barney, 1991).

The trust in the future. The SWOT framework (Andrews, 1971) was presented by Barney (1991) as showed in Table III. Arguing about the classical interpretation,

	Internal factors	External factors
Favorable factors	Strengths	Opportunities
Unfavorable factors	Weaknesses RBV approach (internal factors)	Threats Environmental models of competitive advantage (industry and institutional)

Source: Adapted from Barney (1991)

Table III.
SWOT + RBV + environmental models

the author says (Barney, 1991, p. 100): "it suggests that firms obtain sustained competitive advantage by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weakness."

The "trust" we found may be due to the strategic actions undertaken namely in response to opportunities. The five firms do not limit their action to the exploitation of their internal strengths to cope with the opportunities. Instead of neutralizing external threats and avoiding internal weakness, these firms work on turning their weaknesses into forces and the threats into opportunities.

Using the classical RBV concept of first mover advantage[3] (Wernerfelt, 1984; Lieberman, 1987; Lieberman and Montgomery, 1988), for example, all companies in a certain historical moment enjoy a first mover advantage, by becoming the standard of the market, by having a positive reputation from a certain competence or by offering the best price due to cost advantages. However, to be the first, the market leader, a risk must be taken, something extraordinary must happen, a novelty must be offered (Rumelt, 1987).

To diversify or to grow firms have to develop, or to deploy, a unique bundle of resources (Penrose, 1959; Wernerfelt, 1984; Rumelt, 1984). Even this fact, according to Dierickx and Cool (1989), is overlooked. For example, according to the authors, imitability depends on time compression diseconomies. Deploying a strong effort over a short period of time will produce less sustained competitive advantages instead of investing less over a long period of time (Dierickx and Cool, 1989). This is also the case for asset erosion where asset stocks may become obsolete over time (Dierickx and Cool, 1989). Such effects are easily understood when you think of a specific equipment. It is also an important aspect in succession, as is for brand aging.

Sustaining with resources. Wernerfelt (1984) mentioned several examples of resources, such as brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, capital and forth. We may broadly suggest that these resources may be classified, or are related, in two types of primary resources: financial and human capital resources. As for financial resources, it includes the so-called financial capital but also the ability to manage the resource needs in several ways. The same applies for human capital, since for almost any valuable resource there are specific needs of human resources.

Growth and diversification of the firm were cited before. It may be true that the greatest pressure in fast growing or in diversification strategies is over financial and human capital resources. Strategy success also depends on the implementation costs of the strategies (Barney, 2001).

Discussion and concluding remarks

This study contributes to the large body of research on the sources of sustained competitive advantage, and particularly in the stream of research broadly delimited within the RBV. In doing so, it helps clarifying how we may look at the resources and which resources may embody the four characteristics VRIN. A broad research of the extant literature over the main determining factors of firms' success and combining with a qualitative analyses of five cases, we identified four factors – that we term strategic pillars – that determine, at least in part, corporations' differential performance. These pillars are: the leader and TMT, trust in the future, strategic focus, and the support of the resources. A tentative framework is shown in Figure 1.

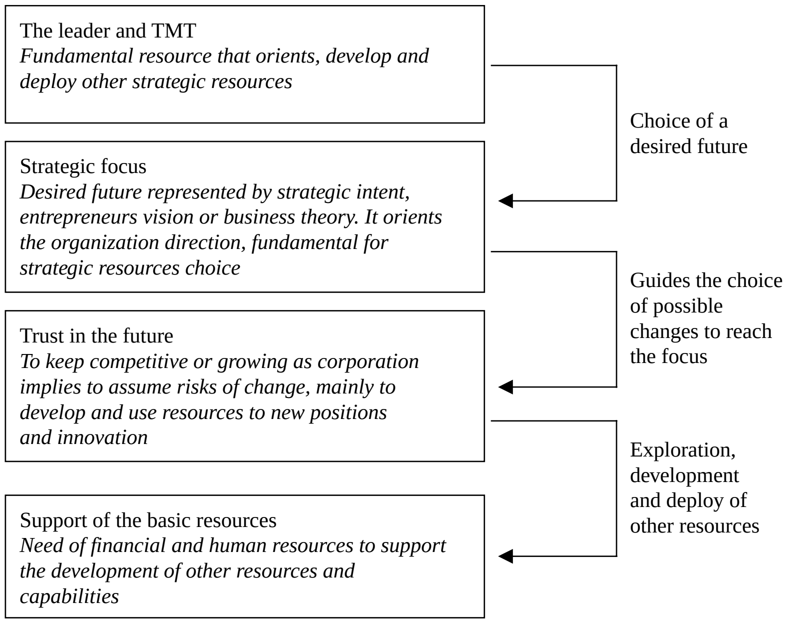

Figure 1.
Suggested framework

These four pillars also add to the extant identified factors that may hold VRIN qualities, according to the RBV, thus preempting partly the criticisms of tautology (Priem and Butler, 2001). Notwithstanding, additional research is warranted and a special note may be put forward that many assets and factors may be taken as resources. Nonetheless, these four pillars may feed additional studies, namely case studies regarding the identification of what are strategic resources. It is further worth noting that, for practitioners, this framework is a useful guideline to analyze the competitive status of their firms, for strategic planning and implementation.

It is worth noting some limitations. Although case studies are a frequent method for research in strategic management (Learned *et al.*, 1969; Miles and Cameron, 1982) there are some caveats. As a research technique, case study research faces two main types of critics: difficulty in generalizing the outcomes behind the idiosyncrasies of the case and, in some circumstances, lack of methodological rigor and procedures regarding the researcher profile and his background (Serra *et al.*, 2007; Ferreira and Serra, 2009). To enhance any generalization potential, the case study must be significant – which often signifies that it must reflect some odd or unusual situation, and that it permits us answer questions of great relevance. In some instances, a case may be interesting because it questions conventional and generally accepted wisdom. It is worth noting that methodological rigor is dependent on procedures such as the triangulation of data and sources, and it is not an intrinsic drawback of the method. In this study, we used multiple secondary sources to prevent eventual biases. However, future research may consider developing empirical research with the test of hypotheses in large-scale samples to test whether these factors are associated to better performance.

Our analyses only focus successful cases[4]. As such, we may fall in the tradition tautology pointed out to the RBV. We cannot and do not try to assess whether companies that also have the four strategic pillars may fail or have below average performance. This is a limitation given that while we try to identify and understand success, we look only at successful companies. Future research may examine also non-successful companies to be able to distinguish if those companies did not have the factors that we identified as critical.

It may be further interesting to explore in future research what is common and what is different between firms. For instance, in our five corporations, there is a lot of variability. They come from different industries, have diverse historical backgrounds, originated in different countries and we are looking at unequal time frames. It is likely that the critical success factors are common among industries, helping explain the differential performance of firms in different industries. But, it is possible that different industries, for example, require a different set of pillars.

An interesting remark regarding the case studies selected is that four of the five corporations, in the time frame considered, were managed by the entrepreneurs that created them: the founders. This may be a clear indication of the principal role of the CEO entrepreneur as a core strategic pillar but it also reinforces how there is a need to deepen our understanding of strategic leadership succession, namely to avoid firms' decline once the founding father retires.

We continue the already long stream of research on the sources of competitive advantage and contribute to the debate on the value of specific strategic resources. More research is needed, perhaps with further case studies, to identify a set of critical factors that may be commonly identified in successful firms. The RBV has an important role in our understanding of what drives success.

Notes

1. Tautology is a proposition given as explanation or proof that, in fact just repeats what was said before.
2. Managerial rents are the rents generated by TMT and are related to their superior management capacities (Castanias and Helfat, 1991).
3. In some instances, the first firm to implement a strategy in an industry may obtain a sustainable competitive advantage over the competition.
4. We thank an anonymous reviewer for calling our attention to this point.

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