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COMMENTARY

How marketing scholars might help address issues in resource-based theory

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Abstract Kozlenkova et al. (*Journal of the Academy of Marketing Science* 2013) show that resource-based theory has had important implications for marketing. This paper suggests that marketing might have important implications for resource-based theory.

Keywords Resourced-based theory · Marketing theory · Brand · Product differentiation · Bayesian statistics

Introduction

It is often the case that efforts to apply a theory developed in one context to an entirely different context lead to confusion and misunderstanding. In many of these settings, neither the theory being applied is refined or tested, nor are important insights generated in the new area of application. The result is one or two underdeveloped papers and—by consensus—the fields involved move forward independently.

Kozlenkova et al. (2013) review of applications of resource-based theory in the field of marketing point to a possible exception to this depressing trend. Not only is their summary of resource-based theory—with limitations and all—excellent, but they also identify 173 direct applications of resource-based theory in the marketing literature from the early 1990s through 2012. The depth of their understanding of the theory, and the frequency of its applications in marketing, suggest that resource-based theory and marketing have already enjoyed, and are likely to continue to enjoy, a rich conversation.

In some ways, this does not surprise me. One attribute of resources that can make them costly to imitate is if they are socially complex in nature (Barney 1986a; Dierickx and Cool 1989). Socially complex resources are trust- and value-based relationships—within a single firm or between firms—that enable a firm to create economic value that it would otherwise not be able to create. The first application of this concept was to describe conditions under which organizational culture—value-based relationships within a firm—can be a source of sustained competitive advantage (Barney 1986a). Later, Dyer and Singh (1998) generalized this analysis by describing how relationships between firms can be a source of sustained competitive advantage.

When these ideas were first being developed, I remember asking a marketing colleague to define a brand. I have since heard many other definitions, but this first one was particularly interesting for a resource-based theorist: A brand is a promise made by a firm to its customers. I was struck by the fact that, according to this definition, a brand is, in fact, a socially complex relationship between a firm and its customers and thus has the potential to be a source of sustained competitive advantage. However, at the time I, and several colleagues, were trying very hard to get resource-based logic accepted in the field of strategic management, and this beginning of an insight went undeveloped.

Kozlenkova et al.'s paper shows that application of resource-based theory in marketing has gone well beyond the notion that a brand is a socially complex resource. I won't review their paper in detail, but their discussion of resource-based theory and marketing shows both what has happened and what might still happen in this integrative effort.

All this said, it strikes me that not only can resource-based theory be used to analyze and understand some ongoing issues in marketing, but it may also be the case that marketing research may be used to analyze and understand some ongoing issues in resource-based theory. Consider just three of these areas of work.

Using marketing models to empirically examine resource-based theory assertions

First, marketing scholars are generally more comfortable with micro data than are strategy scholars. Maybe I have been influenced toward the "dark side" by my friendship with Greg

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Allenby, but my own reading of the marketing literature suggests that marketing scholars see the advantages of Bayesian and other non-frequentist models (Rossi et al. 2005). Strategic management is dominated by frequentist models—indeed, very sophisticated frequentist models. However, such models are not well-suited to examining resource-based theory. Resource-based theory suggests that the optimal strategy for a particular firm depends on its constellation of resources and capabilities. Thus, that on average firms in a sample that pursue a particular strategy generate value says nothing about the profit-maximizing strategy for each firm in that sample.

Consider a simple example. Suppose that in a particular sample of firms, there are only two strategies, "A" and "not A." By construction, these strategies are mutually exclusive. Also, suppose that firms in this sample either have the resources and capabilities needed to make money with "A" or they have the resources and capabilities needed to make money with "not A." For simplicity, also assume that all firms in this sample are efficiently organized.

Suppose there happen to be more "A" firms in this sample than "not A." The correlation between the strategy "A" and firm performance in this sample will be positive, and the statement that "on average," firms that purse strategy "A" have higher levels of performance than "not A" strategy firms will be true. However, this frequentist finding is irrelevant for the "not A" firms because we know, by construction, firms with "not A" resources will destroy value if they adopt apparently superior "A" strategies.[1]

A central tenant of resource-based theory is that the return potential of a firm's strategies depends on the attributes of that firm's resources and capabilities. Conceptually, there is no notion of the "average firm" in resource-based theory. And yet, with the exception of scholars that have used comparative cased studies to examine the implications of resource-based theory, the *Strategic Management Journal*—the leading journal in the field of strategy—has published only a handful of non-frequentist tests of resource-based theory.[2] What this means is that many strategy scholars who think they have empirically examined resource-based theory have really used frequentist models to examine the average relationship between a strategy and firm performance, rather than examining the relationship between a particular firm's resources and capabilities and its performance.

[1] If there happen to be more "not A" firms in a sample than "A," the positive correlation between "not A" and performance is equally irrelevant to "A" firms. Most ironic, if the percentage of these types of firms are roughly equal, then the correlation between "A," "not A", and performance will all be zero, even though by construction both "A" and "not A" firms are doing well.

[2] There are several non-frequentist papers currently under review, so the number of these papers in the SMJ may begin to increase shortly.

My own sense is that of all the business disciplines, marketing is the most advanced in examining its theories using non-frequentist, Bayesian, or other more appropriate micro-models. To the extent that these models could be applied to the examination of central assertions of resource-based theory, marketing might not just be a fruitful setting within which to apply resource-based theory, but it may be the source of the methods and models needed to test resource-based theory as it has been developed in the field of strategic management.

Reintroducing product market dynamics into strategic analysis

Another way that marketing could help address limitations in how resource-based theory has developed in the field of strategic management has to do with the absence of product market dynamics in resource-based theory. The reason that such dynamics are largely missing in resource-based theory has to do with the context within which this theory was developed in the mid-1980s.

In the mid-1980s, the field of strategic management was dominated by the Porterian framework (Porter 1980). That framework, derived from structure-conduct-performance paradigm in industrial organization economics (Bain 1956), focused on the attributes of industries, or strategic groups within industries (Porter and Caves 1977), as the primary determinant of firm performance. Captured by Porter's "five forces," the essential notion of the Porterian framework was that the closer the industry within which a firm operated approximated a monopoly, the higher the average performance of a firm in that industry.

Product differentiation played at least two roles in this explanation of superior firm performance—first, as a way to reduce rivalry within an industry to the point where firms could act as oligopolists and earn oligopolistic profits, and second, as barriers to entry to raise the cost of entry into such an industry, thereby enabling incumbent firms to continue earning these high profits.

Resource-based theory initially took a completely different approach to explaining superior firm performance. It did so by showing first that firms could have very privileged positions in very attractive industries and still not earn any economic rents if the full value of these positions were anticipated in the factor markets where the resources and capabilities needed to build these positions were acquired, and second, that the full value of these resources and capabilities were likely to be unanticipated in these factor markets only when they were taken for granted, tacit, socially complex, etc. (Barney 1986b, 1991). Thus, according to resource-based theory, the returns to an "attractive product market position," per se, could not be evaluated independent of the kinds of resources and capabilities a firm used to create this position.

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Ironically, this factor-market story has come to dominate the field of strategic management so much that important product market-based explanations of superior firm performance have almost disappeared in the literature. Only recently have a few scholars begun to integrate both types of explanations into single papers (e.g., Zemsky and Adner 2006).

That both explanations are important in understanding superior firm performance is clearly evident. For example, I am sometimes asked, "Was the source of the great wealth created by Microsoft a result of their superior resources or monopolistic practices?" The answer is clearly both (Evans 2002). This is probably true for many successful firms. Not surprisingly, firms care less about the theoretical basis of how to gain an advantage and more about gaining an advantage.

All this said, it is time to "bring product markets back in"—but not in a way that contradicts resource-based theory. After all, we already have the contradictory theory in the form of the Porterian framework. What I am calling for is theory that recognizes both resource-based and product market competition.

In this context, marketing—a field that focuses on the competitive implications of, among many other things, product differentiation—is well-positioned to contribute to the rebirth of product market competitive dynamics in discussions of superior performance. These contributions could be theoretical or empirical. In either case, marketing scholars may be well-positioned to develop a more complete theory of superior firm performance that incorporates both resource-based and product market dynamics.

Where do capabilities come from?

A third area of work where marketing scholars may be able to address a limitation of resource-based theory concerns the largely unanswered question: Where do resources and capabilities come from? Of course, resource-based theorists have not left this question completely unanswered, but most of these answers really just relabel our ignorance. So, for example, when we say that resources and capabilities emerge from a path-dependent, causally-ambiguous process, we are really saying we don't know much about the actual process by which these resources emerged. We study the competitive implications of these processes without understanding the processes themselves.

Instead, resource-based theory takes the existence of heterogeneous resources as given and examines the competitive implications of different kinds of heterogeneity. Perhaps it is time to explore, in more detail, how heterogeneity in resources and capabilities has emerged. One approach would be to study entrepreneurship. However, marketing may provide another opportunity.

Here, I return to my original insight—that a brand can be a socially complex resource that could be a source of sustained competitive advantage. However, the study of the emergence of a brand has at least one advantage over studying the emergence of other kinds of resources and capabilities. It is in the self-interest of firms to keep information about the emergence of many of their resources and capabilities in-house, to reduce the threat of imitation. In order to create value, information about a firm's brand must be public. Thus, information about how a firm developed a brand, and partnered with others to build a brand, may give us deep insights into building a particularly important heterogeneous and costly-to-imitate resource.

Firms like McDonald's, Nike, Apple, and IBM apparently all benefit from their brands. How they built their brands over time, and whether or not the process of building a brand creates net positive value, are marketing questions that address central question in resourced-based theory.

Conclusion

These are three areas of research in the field of marketing that, I think, could help address continuing issues in resource-based theory, specifically, and strategic management, more broadly. There are probably many more. But what these three do suggest is that ongoing conversations between strategy and marketing are likely to generate insights in both these fields for some time to come.

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