



Seminário

European Women's Management Development (EWMD) Portugal

Competitive Advantage and Organizational Leadership in the UK Service Sector

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José Manuel Veríssimo

- Received his PhD degree in Management in 2004 from the Manchester Business School, University of Manchester, UK,
- Received his Honour's degree in Business Administration in 1989 from the Higher Institute of Economics and Management (ISEG), a Faculty of the Technical University of Lisbon (UTL), and his Master of Business Administration in 1993 from the European University (Lisbon).
- Since 2002 he holds a lecturer position at the Higher Institute of Economics and Management (ISEG), a Faculty of the Technical University of Lisbon (UTL), where he teaches in the marketing and strategy subject area.
- Research Stream: Competitive Advantage



Objectives

- To establish the relationship between organizational leadership with competitive advantage
- To present findings of a mixed methodology study on the drivers of competitive advantage in the UK services sector
- To discuss management implications of findings



Agenda

- Theoretical background of competitive advantage and organizational leadership
- Methodology
- Qualitative findings
- Quantitative findings
- Management implications
- Study limitations
- References

Competitive Advantage

- The notion of competitive advantage has been a cornerstone of strategic management. It is perhaps the most widely used term in strategic management, yet there is no common meaning for 'competitive advantage' in practice and in the marketing strategy literature (Ma, 2000).
- Sometimes the term is used to mean relative superiority in skills and resources, whilst at other times the term refers to what we observe in the market – positional superiority, based on the provision of superior customer value or the achievement of lower relative costs (Day and Wensley, 1988).
- Any service firm that sells its product at a profit undeniably enjoys a competitive advantage with those customers who choose to buy from it instead of its competitors. The advantage can result either from implementing a value-creating strategy not being simultaneously employed by current or prospective competitors or through superior execution of the same strategy as competitors (Bharadwaj et al, 1993).



Definitions of Competitive Advantage

| Reference | Definition of Competitive Advantage |
|---------------------------------|---|
| Hofer and Schendel (1978, p.25) | Competitive advantage "is the <u>unique position</u> an organisation develops vis-à-vis its competitors through its patterns of resource deployments." |
| Carroll (1982, p.10) | Competitive advantage is "a <u>factor or an effect</u> which permits one participant in a business to offer a product or service more effectively than competitors." |
| Porter (1985, p.3) | "Competitive advantage grows fundamentally out of the <u>value a firm is able to create</u> for its buyers that exceeds the firm's cost of creating it." |
| Barney (1991, p.102) | "A firm is said to have a competitive advantage when it is implementing a <u>value creating strategy</u> not simultaneously being implemented by any current or potential competitors." |

Leadership (1)

- Top management is composed of the key managers who are responsible for formulating and implementing the organisation's strategies (Hitt et al, 2001).
- As leaders, they are involved in the process of influencing people so that they will strive willingly and enthusiastically toward the achievement of the group's mission (Wehrich and Koontz, 1993).
- Leadership is therefore linked with the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary (Hitt et al, 2001).
- Peters (1984) argues that leaders are, above all, creators or shapers of skills.
- Leadership has a significant influence on the purpose of the organisation (Lynch, 2000).
- Leadership is also a process of continually questioning assumptions about "how markets work" (Williams, 1992, p.48).

Leadership (2)

- Top management's values and philosophies are major determinants of competitive strategy choices (Andrews, 1980), which can be used to establish a motivating vision for the organisation (Senge, 1990) that communicates norms for behaviour and provides guidance for the type of knowledge to be pursued (Slater and Narver, 1995).
- They are enthusiasts who transmit excitement, passion, and energy to their organisations. Leaders constantly articulate and reinforce the organisation's vision through their speech and action. They share information about business trends and competitors' focus, a means of sharing success and quickly identifying problems (Slater and Narver, 1995).
- This view extends considerably the concept of top management leadership present in the organisational behaviour literature, which generally stresses supervisory role functions, such as task function performed by giving a definite lead in relation to the task to be done, and the socio-emotional function (O'Shaughnessy, 1995).



Leadership and Competitive Advantage

- In essence, the crux of leadership is the ability to manage the firm's operations effectively and sustain a high performance over time (Kono, 1999).
- Hitt et al (2001) posit that "a firm's long-term competitiveness depends on a manager's willingness to change continually their managerial frames and that global competition is more than product versus product or company versus company: It is also a case of mindset versus mindset, managerial frame versus managerial frame" (p.489).
- As such, a firm's ability to achieve competitiveness and earn superior returns is compromised when leaders fail to respond appropriately and quickly to market changes (Hitt et al, 2001), because managerial beliefs affect strategic decisions that in turn affect the firm's performance (Chattopadhyay et al., 1999).

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Problem

Products are imitated readily, especially in the services sector

Why are some products/firms systematically more profitable than others?

In most industries, some firms are more profitable than others, regardless of whether the average profitability of the industry is high or low (Bharadwaj, Varadarajan and Fahy, 1993).
Examples from the services sector: Ikea, First Direct, Zara, Direct Line, ...

Purpose

Some firms are systematically more profitable than others



Superior performers possess something special and hard to imitate that allows them to outperform their rivals.



Superior assets and skills taken together represent the ability of a business to do more or do better than its competitors.



To empirically explore several unique skills and assets, which form the basis of competition and provide the foundation of competitive advantage and long-term performance.

Theoretical Justification

- **Limited empirical research into SCA**

- Although sustainable competitive advantage occupies a central place in strategy research few studies of valuable advantages have been studied in detail from a sustainable competitive advantage perspective (Rouse and Daellenbach, 1999)
- Despite the recent attention given to how skills and assets are leveraged into CA in the services industries, there has been little empirical research (Powers and Hahn, 2002)

- **Limited focus on services**

- There has been a tendency to generalize findings from the manufacturing sector across all industries (O'Farrell et al, 1993)
- A closer examination of the sources of competitive advantages in the context of services can provide unique managerial insights (Bharadwaj et al, 1993)

- **Contribution to the RBV**

- There has been limited empirical research testing the theory (Hoskisson et al, 1999, Farjoun, 1994)

- **A holistic perspective is needed (Amit and Shoemaker, 1993)**

- Previous studies have not accounted for the effects of strategy, environment, or time (Powell, 1992)

- **Extend previous work carried out in mainly in the US**

- There is neither theoretical work nor empirical findings suggesting that the existing body of knowledge, largely obtained in the US, is equally applicable in other countries (Hoskisson et al, 1999)

Managerial Justification

- **Current theme**

- New competitive landscapes forces firms to evaluate the sustainability of their positions (Hitt, 1998; Porter, 1996)
- The importance of services leads to a tremendous demand for services marketing literature. However, some services seem to be just entering the branding age (Kapferer, 1997).

- **Searching for a SCA is at the heart of management**

- Achieving a competitive strategy is the goal of every strategy (Coyne, 1986)
- Current reviews on sustainable competitive advantage provide little help on how firms can attain it (Fahy, 1993)
- Understanding which resources lead to competitive advantage is considered to be a fundamental issue in marketing strategy (Varadarajan and Jayachandran, 1999)
- How a business achieves and maintains a superiority competitive position is at the heart of strategic management (Day, 1994)

- **Limited research**

- Most of the services literature focuses on short-term tactical issues (Fahy, 1993).

Questions and objectives

Research Questions:

Do hard-to-copy products exist in the services sector?

What is special about hard-to-copy services and what makes them hard-to-copy?

Objectives

Qualitative

1. To identify a number of service products that had enjoyed market and financial success, and had proven difficult to imitate.
2. To gather information on the factors behind the hard-to-copy positions for some of the products identified previously.

Quantitative

3. To develop a profile of hard-to-copy products in the service sector.
- 4. To explore the relationship between organizational culture and hard-to-copy products in the service sector.**
5. To explore the relationship between customer benefits and hard-to-copy products in the service sector.
6. To explore the relationship between branding issues and hard-to-copy products in the service sector.
7. To explore the relationship between innovation and hard-to-copy products in the service sector.
8. To explore the relationship between competitive strategy and hard-to-copy products in the service sector.

Methodology:

Qualitative and Quantitative combined

To study the sources of advantage from a sustainable perspective researchers must look for firms with performance that is consistently above the industry average (Rouse and Daellenbach, 1999)

Sources of advantage are elusive

It's difficult to understand why one firm consistently outperforms others (Demsetz, 1973)

- Integration of qualitative and quantitative methodological tools is likely to be a fruitful course (Hoskisson et al, 1999)
- Combining qualitative and quantitative approaches is expected to improve research outcomes (Jick, 1979)

1st Phase Qualitative

Focus groups
+
Depth Interviews



2nd Phase Quantitative

Self-administered survey

Each research design should be selected according to nature of the issues to be investigated, the extent of existing knowledge and previous research, the resources and time available, and the availability of suitably experienced staff to implement the design. (Hakim, 1987)

Methodology: Sample

It is to firms with performance consistently above the industry average that strategists and scholars must look for the sources of CA (Reed and DeFillippi, 1990)



Focus groups

Objective:

Identify a number of service products that had enjoyed success and had proven difficult to imitate

Target:

Expert consultants
(14 consulting companies, 23,3% RR; 21 consultants)

Depth interviews

Objective:

Elicit the factors relating to a hard-to-copy position

Target:

List of htc products identified during group discussions
(14 companies, 30,4%RR)

Survey

Objective:

Draw a profile a profile of htc products and explore the relationships between htc products and several CA

Target:

1,527 companies, by number of employees, from six service sectors (155 replies, 11,5% RR)



Methodology:

Focus Groups

Objective

- To identify a number of service products that had enjoyed market and financial success and had proven difficult to imitate

Guidelines

- Definition of htc:
 - A product which is successful in terms of generating more sales and/or more profits in its target sector, perhaps several times more, than its nearest competitor in that same sector, yet has not been effectively copied.
- Proviso:
 - The product's success should have been demonstrated over a reasonable period of time, perhaps 12-18 months, although this constraint could be relaxed in the case of Internet products.
 - Although this study was looking for products, sometimes the product is the company, and vice-versa.

Time and Location

- First quarter of 2000
- London
- Sessions lasted in average 90 minutes

Participants (21 consultants; 6 groups)

- Arthur D Little, Brand Futures, Booz.Allen & Hamilton, Ernst & Young, Fitch, Gemini Consulting, Interbrand, KPMG Consulting, Logica, P Four Consulting, New Solutions, Management Horizons, Landor Associates, and Price Waterhouse Coopers.

Methodology:

Interviews

Objective

- To gather information on the factors behind the htc positions for some of the products identified by the focus groups

Guidelines

- Open-ended questions, based on a topic guide, including:
 - Product description, strategy, target sector, and success achieved
 - Factors that may contribute to the htc position, namely:
 - First or early to market, innovation, ability to learn and adapt, customer service, economies of scale, alliances and partnerships, brand reputation, distribution network, products benefits, financial strength, organisational culture, customer understanding, low, market research skills, price, support from parent company, leadership, and customer retention.

Time and Location

- 1st interview: May 2000, Last interview: December 2000
- Leeds (Asda, First Direct), Manchester (The Co-operative Bank, Direct Line), Norwich (Virgin One Account), Oakham (Land's End), Windsor (Legoland), Eakring (Center Parcs), Oxford (Blackwell's Retail), Whyteleafe (Ann Summers), Chertsey (Regus), Watford (Majestic Wine), London (Nike Town), Perivale (Accessorize)
- Meetings lasted in average 90 minutes, with transcripts varying from 16 to 40 pages.

Participants and job positions (14)

- Nike Town (Regional Mktg Mgr), Asda (Mktg Mgr), Virgin One Account (Mkt Dir, Sales Dir, Account set-up Mgr, Cust Service Mgr), Land's End (Operations Mgr), Direct Line (Mktg Dir), Legoland (Mktg & Sales Dir), First Direct (CEO, Commercial Dir), Center Parcs (Head of Mktg & Sales), Blackwell's Retail (Managing Dir), Ann Summers (Head of PR and Brand Mktg), Regus (Group Mktg Dir), Majestic Wine (Mktg Dir), Accessorize (Managing Dir), The Co-operative Bank (Exec Mktg Dir).

Methodology: Survey

Sample source

- FAME CDROM, as of April 2001 (7,000 British firms)

Sample method

- Non-probabilistic sampling.
- Service sectors chosen because they share a high degree of intangibility and common use.
- Reasonable number of companies from each service sector selected, in order to achieve a fair representation of each sector. Whole sample equals 1527.
 - Financial Services (UK SIC 2002: 65, 66, 67) - 253
 - Accommodation & Eating Out (UK SIC: 2002 55) - 262
 - Leisure & Entertainment (UK SIC 2002: 92) - 255
 - Retail (UK SIC 2002: 50, 52) - 253
 - Travel & Transportation (UK SIC 2002: 60, 61, 62, 63) - 245
 - Business to Business (UK SIC 2002: 74) - 259

Respondent

- Selected according to their knowledge about product's strategy (Marketing Manager)

Time

- Last quarter 2001

Replies

- 155 usable questionnaires
- Retail: 25; Accommodation and Eating Out: 29; Travel & Transportation: 31; Financial Services: 24; Business-to-business: 24; Leisure & Entertainment: 27

Profile of respondents

- More than 70% of questionnaires were answered by Marketing Directors / Managers or Managing Directors / CEOs.
- The sample includes companies with different sizes, although almost 48% of replies were from companies with more than 1,000 employees.

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Qualitative Findings:

Focus Groups

Objective

- To identify a number of service products that had enjoyed market and financial success and had proven difficult to imitate

Hard-to-copy products which emerged during group discussions (79)

| Service sector | Products identified as hard-to-copy |
|--|---|
| Retail (39) | The Carphone Warehouse, Home Depot, Amazon.com, The Body Shop Direct, The GAP, Zara, Matalan Retail, Nike Town, The Disney Store, Walmart/Asda, Games Workshop, Scholl, Ann Summers, Oddbins, Majestic Wines, Vision Express, The NEXT Directory, Lands' End, QVC Britain, Ikea, Accessorize, Seven-Eleven, Paper Chase, The Conran Shop, John Lewis, Superdrug Stores, Victoria's Secret, Lastminute.com, e-bay.com, Buy.com, QXL.com, New Look, Blackwell retail, Mac, Russell & Bromley, Pets-mart, Carrefour, Makro, and Liberty's. |
| Accommodation and eating out (12) | Starbucks Coffee, Rainforest Café, Heron City, Waggamama, Prêt-a-Manger, Pizza Express, Formule One hotels, Travellodge, Belgo, TGI Fridays, Hard Rock café, and Little Chef. |
| Financial services (14) | Direct Line Insurance, First Direct, Charles Schwab, Merrill Lynch, Prudential Egg, First E, Virgin One Account, Amex Corporate Card, Motley Fool, The Co-operative Bank, MBNA Affinity Cards, Capital One Cards, Lloyds of London Insurance, and Yorkshire Bank. |
| Travel and transportation (1) | Southwest Airlines. |
| Leisure and entertainment (8) | Disney Theme Parks, Legoland, Center Parcs, Sea World, Residensea, Star Trek Series, Rocky Horror Show, and Formula 1. |
| Business-to-business (5) | McKinsey & Co, Excel Shipping, Regus Group, Rentokill Initial, and Electronic Data Systems (EDS). |

Qualitative Findings:

Interviews - Sources of advantage researched

Objective

- To gather information on the factors behind the htc positions for some of the products identified in the focus groups

Sources of advantage investigated based on the works of:

Aaker, 1989;
Bharadwaj et al 1993;
Doyle and Wong, 1998;
Day and Wensley, 1988;
Peters, 1984; Carroll, 1982;
Barney, 1986, 1991;
Dess and Davis, 1984;
Fahy, 1993; Ghemawat, 1986; Day, 1994; Pfeffer, 1994;
Hall, 1991, 1993;
Baghai et al, 1999;
Hitt et al, 2001

- Being first, or early to market
- Innovation
- Customer benefits provided
- Ability to learn and to adapt to change
- Quality of customer service
- Economies of scale achieved
- Alliances and partnerships formed
- Branding
- Distribution network
- Financial strength of the organisation
- Culture of the organisation
- Understanding of customers
- Low costs achieved
- High-level or market research skills
- Pricing below competitors
- Support from a parent company
- **Leadership provided by top management**
- Strength of the customer retention program

Qualitative Findings:

Interviews - Operational definitions

| Competitive Advantage | Operational Definition |
|-----------------------|--|
| Leadership | Is a process of continually questioning assumptions about "how markets work" (Williams, 1992, p.48). |

Interviews - Reliability assessment of coding

Coding process

- Two coders noted patterns and themes in the data
- Transcripts were examined separately

Qualitative analysis software (NUD*IST NVivo)

- Used to sort out the codes
- Assigning codes to factors

| Advantages coded | Total Coded | Total Agreed | Reliability | Deleted Items |
|---------------------------------------|-------------|--------------|--------------|---------------|
| Leadership provided by top management | 19 | 17 | 89.5% | 2 |
| Total | 736 | 644 | 87.5% | 92 |

^a Reliability formula as suggested by Miles and Huberman (1984): (Total agreed codes / total items coded by both coders * 100 = %)

Qualitative Findings:

Do the hard-to-copy products examined have a strong leadership?

| Case | Verbatim Comments |
|---------------|--|
| Majestic Wine | "Tim Howe, Managing Director, first came in 1992. He had a very clear vision I think for the business and I think that's also in terms of looking at businesses and why they are a success, continuity." |
| Nike Town | "Is the founder's presence still relevant? Phil? Very much so. Very much so. We get weekly missives from him. " |
| Accessorize | "Peter, our Chairman, founded the business. I've been with him for 18 years ; Andrew's been with him for 20 years; 75% of our very senior management are all from within the business, they've grown up within the business ; almost all started at the lowest level." |



Qualitative Findings:

Do the hard-to-copy products examined have a strong leadership?

| Case | Verbatim Comments |
|-----------------------|---|
| Ann Summers | "The Gold Brothers ... weren't really doing anything at all until Jacqueline came along into the company. She is almost like internal marketing for us , because there are 7,500 party plan women. So when they see Jacqueline, they are so inspired by Jacqueline and what she does , that when they read about her in Hello magazine our sales go up, because they want to be like Jacqueline." |
| Center Parcs | "The Managing Director Peter Moore took over as Marketing Director when the company first established over here in 1987. And, his charisma, personality and focus on the guests has rubbed off on the people that we have recruited over the years . His attention to detail in terms of the quality of the product that we offer and the quality of service and ensuring guest satisfaction is second to none." |
| The Co-operative Bank | "The Board appointed a Chief Executive (Terry Thomas) who was a marketer, which was very unusual in those circumstances, because typically it appointed an accountant. And the marketer in this individual was such that he recognised that the source of advantage lay in the roots of being a Co-operative. The individual was single-minded enough to think that yes there was some point of differentiation here, and just drove it through. " |



Qualitative Findings:

Do the hard-to-copy products examined have a strong leadership?

| Case | Verbatim Comments |
|--------------------|--|
| Direct Line | "Direct Line started some 15 years ago. It was an idea from Peter and a few other people who recognised that the way in which insurance was handled was pretty inefficient. He felt that he could deliver a better service, with better prices by utilising new technology. You can't dismiss quality of management, clear-sightedness, strategy, hard work and all the other things that are very important. Peter's a pretty demanding guy. " |
| Virgin One Account | "Our Managing Director, called Jane-Anne Gardia, who's worked for Virgin now for five years, she lives and breathes the Virgin brand values , and every day she gets her directors together at 8:30 - 8:35 a.m. every morning and we discuss the business. We also have the support from Richard, a lot of support from him personally . He's helped us with our advertising campaign; he's been quite involved in that. He has often Jane-Anne (MD) up with ideas or things he's aware of." |
| Regus | " I know the business, I know the people, all the people know me so I can comfortably pick the 'phone up to anyone, anytime, and start shouting and see a difference whereas people who don't know people or haven't been around quite as long would find that a bit more difficult." |



Qualitative Findings:

Do the hard-to-copy products examined have a strong leadership? YES!

| Findings |
|--|
| <ul style="list-style-type: none"> • Many leaders who created the concept are still with the company. • The leaders of these organizations, indirectly or directly, still have a presence in daily operations. |
| <ul style="list-style-type: none"> • Leaders share a similar leadership style: demanding visionaries, with practical sense. |
| <ul style="list-style-type: none"> • Leaders inspire the rest of the organization, such as Ann Summers's CEO, Jacqueline Gold, who inspires and motivates the company's party plan organizers. |

| Theme | Occurrence in Cases | |
|-----------------------------------|--|----------------|
| | Examples | Percentage |
| Leadership has been important | Center Parcs, Co-operative Bank, Accessorize, Ann Summers, Nike Town, Virgin One Account, Asda, Lands' End, Legoland | 64.3% |
| Total Possible Occurrences | 14 | 100.00% |

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Quantitative Findings:

HtC Classification scheme

Definition of HtC provided in the Questionnaire

A hard to copy product is one which competitors have found difficulty in copying effectively. This does not mean that competitors have not copied it. They may well have attempted to do so, but have not been nearly so successful in terms of impact and in terms of revenues and profits generated.

Using the previous definition, managers were asked...

1
(Definetly not)

7
(Definetly Yes)

Has your product proven hard-to-copy?

1 2 3 4 5 6 7

| | Frequency | Percent |
|--------------------|-----------|---------|
| Definitely Not (1) | 10 | 6.7 |
| 2 | 20 | 13.3 |
| 3 | 14 | 9.3 |
| 4 | 16 | 10.7 |
| 5 | 37 | 24.7 |
| 6 | 32 | 21.3 |
| Definitely Yes (7) | 21 | 14.0 |
| Total | 150 | 100.0 |

Not
Hard-to-Copy
(60 Cases)

Hard-to-Copy
(90 Cases)

Quantitative Findings:

HtC and performance

Definition of HtC

A product which is successful in terms of generating **more sales and/or more profits** in its target sector, perhaps several times more, than its nearest competitor in that same sector, yet has not been effectively copied.

| Spearman's rho | Profitability | ROI | Size (sales) | Market Share | Customer Retention | Sales Growth |
|---------------------------------------|---------------|-------------|--------------|--------------|--------------------|--------------|
| Has your product proven hard-to-copy? | .234 *** | .210 *** | .192 ** | .229 *** | .234 *** | .138 |

***. $p < 0.01$ (1-tailed); **. $P < 0.05$ (1-tailed)



| Measures of Performance ^(a) | Hard-to-copy? | | Dif. | Sig. |
|--|---------------|------|------|------|
| | No | Yes | | |
| Profitability | 3.40 | 3.77 | 0.37 | ** |
| Return on Investment (ROI) | 3.47 | 3.77 | 0.30 | ** |
| Size (sales) | 2.86 | 3.54 | 0.68 | *** |
| Market Share | 2.75 | 3.54 | 0.79 | *** |
| Customer Retention | 3.51 | 3.89 | 0.38 | *** |
| Sales Growth | 3.46 | 3.84 | 0.38 | ** |

***. $p < 0.01$ (1-tailed); **. $p < 0.05$ (1-tailed)
a) Measured on a 5-point scored system, from Less (1) to Much More (5)

HtC deliver superior performance across a range of performance measures

- High profitability and ROI;
- Particularly high sales and market share;
- Sharply increasing sales
- Good customer retention performance

Quantitative Findings:

Rank of sources of advantage

| Variables (a) | All Markets | | B2C(b) | | B2B(b) | |
|--|-------------|------|--------|------|--------|------|
| | Score | Rank | Score | Rank | Score | Rank |
| Superior understanding of customers | 5.23 | 5 | 4.98 | 7 | 5.57 | 4 |
| The special culture of the organisation | 5.21 | 6 | 5.24 | 4 | 5.10 | 7 |
| The ability to learn and adapt to change | 5.06 | 7 | 4.90 | 9 | 5.10 | 8 |
| Leadership provided by top management | 4.97 | 9 | 4.92 | 8 | 5.10 | 6 |
| Percentage of products scoring 5, 6 or 7 on question "Has your product proven hard-to-copy?" | 60,0 % | | 33,3% | | 20,0% | |

(a) Measured on a 7-point scored system, from "Not at All" (1) important to "Very Much" (7) important.

(b) Measured on a 7-point scored system, from "mainly b2b" (1) to "mainly b2c" (7), applied to "What type of market does the product serve?". Responses were then split into 3 groups: 1-3 = "mainly b2b" (49); 5-7 = "mainly b2c" (80). Rest: 23

Research Question

What is special about HtC products and what makes them HtC?

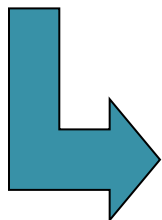


HtC products scored high on CAs that add value to customers (e.g. customer benefits, brand reputation, customer service, innovation).

Quantitative Findings:

Leadership is linked to organizational culture

| Factor | Item | Factor Loadings | Item-to-Total Correlation | Cronbach Alpha | Eigen value | % Variance Explained | % Variance Cumulative |
|-----------------------------------|---|-----------------|---------------------------|----------------|-------------|----------------------|-----------------------|
| Learning culture | The ability to learn and to adapt to change | .671 | .514 | .692 | 4.157 | 13.71 | 13.71 |
| | The special culture of the organisation | .657 | .420 | | | | |
| | Superior understanding of customers | .601 | .506 | | | | |
| | Leadership provided by top management | .594 | .470 | | | | |
| Efficiency and financial strength | Economies of scale achieved | .773 | .464 | .660 | 1.976 | 12.28 | 25.99 |
| | Network of outlets | .691 | .392 | | | | |
| | The financial strength of the organisation | .636 | .497 | | | | |
| | Low costs achieved | .544 | .440 | | | | |
| Customer benefits and branding | Superior customer benefits provided | .810 | .522 | .619 | 1.427 | 11.89 | 37.88 |
| | The reputation of the brand | .641 | .417 | | | | |
| | The quality of customer service provided by staff | .562 | .356 | | | | |
| Marketing skills | High level of marketing research skills | .728 | .282 | .436 | 1.361 | 10.00 | 47.88 |
| | Strength of the customer retention programme | .662 | .282 | | | | |
| Innovation | Being first, or early, to market | .868 | .405 | .558 | 1.086 | 8.83 | 56.71 |
| | Superior innovation, initial and on-going | .652 | .405 | | | | |



| Factor Descriptive Title | Hard-to-copy? | | Dif. | Sig. |
|---|---------------|------|------|------|
| | No | Yes | | |
| Learning culture | -0.18 | 0.13 | 0.31 | *** |
| Customer benefits and branding | -0.23 | 0.18 | 0.41 | ** |
| Innovation | -0.34 | 0.26 | 0.60 | *** |
| *** $p < 0.01$ (1-tailed); ** $p < 0.05$ (1-tailed) | | | | |

Learning Culture is related to a hard-to-copy position.

Quantitative Findings:

Logistic Regression of Factors

| Hard-to-Copy Factors | B | S.E. | Wald | Sig. | Exp (B) |
|---|-------|------|--------|-------|--------------|
| Learning culture | 0.374 | .190 | 3.889 | 0.049 | 1.453 |
| Customer benefits and branding | 0.482 | .203 | 5.641 | 0.018 | 1.620 |
| Innovation | 0.689 | .199 | 12.004 | 0.001 | 1.991 |
| Constant | 0.402 | .189 | 4.536 | 0.033 | 1.495 |
| Model Fit Summary Statistics: | | | | | |
| $\chi^2 = 22.261; df=3, p<0.005$ -2LL = 164.120 Nagelkerke $R^2 = 0.201$ Classification (% correct): Hard-to-copy: 84.1%; Not hard-to-copy: 42.9%; Overall: 67.4%, from 59.4%. | | | | | |

- The odds of a product from a learning culture being hard-to-copy are almost **one and a half higher** than for a product which does not score high on Learning Culture.

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Managerial Implications

- The findings show that hard-to-copy products do exist in the services sector.
- The challenge posed to managers in general, and leadership in particular, is thus to create the internal conditions that foster a learning culture that leads to a superior understanding of customers and prepares the organization for the future.
- This research could help managers to understand, preserve, and deploy their organization's competitive advantages. For example, it helps managers to differentiate between resources that might support a competitive advantage from others which are less valuable.
- This study suggests that a hard-to-copy position can be protected by performing well simultaneously on a greater number of competitive advantages based on skills and assets.
- The study implies that attainment of a sustainable competitive advantage is not an end in itself, but a means to superior long-term financial and market performance. Results show that hard-to-copy products are positively associated with profitability, return on investment, sales, market share and customer retention. Thus, the objective of the firm is not to create superior advantages over its competition but to create wealth for the company.

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Limitations

- The use of managers' perceptions as data creates familiar problems of accuracy and causality.
- Data obtained for both dependent and independent variables were self-reported rather than obtained from independent sources, and only one reply from each company was obtained.
- There is also an inevitable trade-off between depth and breadth in a postal survey, although the use of personal in-depth interviews helped to improve the richness of conclusions.
- The study used a set of competitive advantages drawn from previous research and from the insights that emerged during the interviewing phase. However, this list may not have been as comprehensive as it could have been hence firms might benefit from competitive advantages not included in this study.
- This study could also be improved by having even larger samples, which would increase the number of respondents in each service sector and allow for deeper analysis within each service sector and across markets served.
- Although the mail survey was complemented by the richness of data gathered during the interviewing process, several single-item measures were used in the study to take managers less time to complete the questionnaire and in order to evaluate the maximum number of possible competitive advantages.

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