In the quest for competitive advantage, the fundamental influence of the leader is far more important in shaping a company’s corporate vision and direction than in strategy formulation. When the leader or Chief Executive Officer (CEO) is replaced, the strategic focus usually changes, especially when the CEO is an entrepreneurial figurehead.

The strategic focus is conceived by “someone” and disseminated throughout the organization by a committed executive team. 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 beyond the departure of the leader is related to the risk-taking behaviour, 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. Firms assume conscious risks – largely environmental-driven, associated to the external threats – in their search for sustained competitive advantage. This shows the existence of a trust in the future that does not ignore unfavourable factors. Facing an unfavourable factor may be riskier but has a higher expected return. It attenuates another fundamental question of strategy: what’s next in the future?

No corporate strategy will succeed without the support of resources that enable the firm to reach 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 programmes, better personnel training, or strategic partnerships. In spite of the importance of different types of resources, human and financial resources are used specifically to build this pillar.

A firm’s failure, particularly if they are a micro or small enterprise, is related to the lack of strategic planning of the financial resources.

Looking for the strategy pillars in the resource-based view

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.

Strategic resources are 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:

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

The resources value is already recognized, and forms the basis of a resource-based view (RBV).

Using the RBV we can identify four factors – the strategic pillars – that determine corporations' differential performance. These pillars are:

1. the leader and Top Management Team (TMT)
2. trust in the future
3. strategic focus, and
4. the supporting role of the resources.

The leader and TMT

A firm’s strategic leader is considered to be a “potentially unique resource” of the firm. Moreover, they have a strong influence over resource deployment and development. The firms' strategic choices are influenced by background, knowledge, skills, and cognitive styles of TMT or managerial talent. In fact, most cases of success are related to a bundle of resources, unique and with specific relationships that are available for managerial action. The leader and his management team is a valuable resource as it enables the firm to conceive and implement strategies to exploit opportunities and neutralize threats.

The decision making is behaviour dependant and also depends on the organization implementation. The managers or management team can be a resource with potential for competitive advantage generation. But, in some instances, these resources may be replicated or substituted by the competitors, so it is not sufficient to merely have excellent leadership and TMTs.

The quality of the leadership is a component of success. Leaders 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.

The trust in the future

The “trust” in the future may be due to the strategic actions undertaken in response to opportunities. Firms should not limit their action to the exploitation of their internal strengths to cope with opportunities. Instead of neutralizing external threats and avoiding internal weakness, firms should work on turning their weaknesses into strengths and the threats into opportunities.

Using the classical RBV concept of first mover advantage, 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 – you must take risks, something extraordinary must happen, and something novel has to be proffered.

To diversify or to grow firms have to develop, or to deploy, a unique bundle of resources. 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. This is also the case
for asset erosion where asset stocks may become obsolete over time. Such effects are easily understood when you think of specific equipment. It is also an important aspect in succession, as it is for brand aging.

The strategic focus

The strategic intent of the organization is one of the main functions of the company leader. This strategic intent is defined as “an ambitious dream” that drives the company’s future, providing emotional energy for the journey. This may be considered to be 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. 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.

The supporting role of the resources and their sustainability

Resources, such as brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, capital etc. may be classified, or related to, two types of primary resources: financial and human capital resources.

The greatest pressure in fast growing or in diversification strategy is financial and human capital resource. Strategy success also depends on the implementation costs of the strategies.

Sustaining competitive advantage

To sustain competitive advantage, an RBV should look at the resources, and particularly which resources may embody the four characteristics of VRIN. Using the main determining factors of firms’ success and combining them with a qualitative analysis, we can identify 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.

It’s clear that the principal role of the CEO as an entrepreneur is 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.

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The authors are Fernando Ribeiro Serra and Manuel Portugal Ferreira.