

Chapter 4

How Radical Transparency Can Turn the Brand Equity Into a Basis for Sustainable Competitive Advantage

ABSTRACT

This chapter begins with the analysis of the question whether the real sources of sustainable competitive advantage derive from the strengthening of the companies' internal strengths and eliminating internal weaknesses or are they the result of a successful manipulation with the opportunities in the environment and the avoidance of external threats. Despite the efforts of many authors to summarize the first with the latter, modern scientific thought in the field of strategic management underlines the first variant. As a logical sequence, the analysis of the intangible resources of companies and their (im)mobility follows as a necessary condition for sustainable competitive advantage. The authors analyze the idea of the brand equity as a resource which summarizes all typical resources and capabilities of the company creating and maintaining the desired competitive advantage. Finally, the analysis of the brand equity through the prism of the VRIO model is a further proof for the brand equity role as a source of sustainable competitive advantage.

INTRODUCTION

This chapter begins with the analysis of the question whether the real sources of sustainable competitive advantage derive from the strengthening of the companies' internal strengths and elimination of internal weaknesses or are they the result of a successful manipulation with the opportunities in the environment and the avoidance of external threats. Despite the efforts of many authors to summarize the first with the latter, modern scientific thought in the field of strategic management underlines the first variant. As a logical sequence, the analysis of the intangible resources of companies and their (im)mobility follows as a necessary condition for sustainable competitive advantage. Here we analyze the idea of the brand

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equity as a resource which summarizes all typical resources and capabilities of the company, creating and maintaining the desired competitive advantage. Finally, the analysis of the brand equity through the prism of the VRIO concept is a further proof for the brand equity role as a source of sustainable competitive advantage.

The company's resources include all assets, capabilities, organizational processes, company's attributes, information and knowledge that the company owns and controls which enable it to define and implement strategies that improve its efficiency and effectiveness. With the language of traditional strategic analysis, company's resources are the advantages that the company can use in the selection and implementation of the strategy.

Many authors suggest a long list of companies' characteristics that allow the implementation of strategies that create value. Numerous possible resources are conventionally classified into the following three major categories (Williamson, 1992):

- **Physical Capital:** Includes technology in physical form used by companies, the buildings, the equipment and machinery, geographical location and access to materials and resources.
- **Human Capital:** Refers to training, experience, assessments, intelligence, relationships, knowledge and understanding of individuals (managers and employees) in the company.
- **Organizational Capital:** Includes formal reporting structure of the company, the formal and informal planning systems, coordination and control, and all the formal and informal relationships between individuals and groups within the company and its environment.

Naturally, all aspects of physical, human and organizational capital of the company are not strategically relevant resources. Some of them may restrict the company in the selection and implementation of an appropriate strategy. Others may lead the company to a suboptimal choice of strategy that reduces the efficiency and effectiveness of the company. However, the goal of this research (and of the companies in reality) is to recognize the mix of resources that can be a source of sustainable competitive advantage. The latter raises the crucial question of what is the basic motive of this book: Which is the role and importance of brand equity in this discussion? Brand equity is a common denominator that summarizes the company's resources. It is a synergistic cause and effect of the company's resources (people, objects, activities and relationships). The brand equity is the result of all relevant activities and links of the company's value chain. As a synthetic resource, the brand equity is the most distinctive source of competitive advantage for companies.

It is said that the company has a competitive advantage when it can implement a strategy that creates value and simultaneously is not implemented by any other current or potential competitor. The company has a sustainable competitive advantage when it can implement a strategy that simultaneously is not implemented by other current or potential competitors and when other companies are not able to replicate the benefits of such a strategy (Porter, 2008). Isn't it what the brand equity allows?

THE SWOT ANALYSIS WITH RADICAL TRANSPARENCY

The analysis of the sources of sustainable competitive advantage of companies turned into the main area of research within the strategic management in the past 30 years (Porter, 1985, Barney, 1996, Rumelt, 1990, Andrews, 1995 and others). Most researches result in a joint statement converted into an axiom

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