Assessing the Relationship Between Brand Image, Market Orientation, and Competitive Advantage

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EXECUTIVE SUMMARY

This study aims to analyze the relationship between intangible resources, namely the brand image, and competitive advantage through differentiation and market orientation. To this end, using a quantitative methodological approach, an empirical study was carried out with Portuguese companies exporting the footwear industry, to which a questionnaire survey was applied, resulting in a sample of 86 companies. Findings show that (1) the brand image has a direct, positive, and significant impact on market orientation and on competitive advantage through differentiation and that (2) market orientation has a significant impact on competitive advantage through differentiation.

INTRODUCTION

We go back to the 20th century to find the first scientific references to the *Resourced-Based View* (RBV) theory, which according to Penrose (1959) argues that the competitive advantage of any organization is based on the set of resources it has and the role they play in its strategy.

It can then be said that the competitive advantage is based not only on the final product or service placed on the market, but mostly on a clear identification of the available resources (Wernerfelt, 1984) and on the way they are optimized (Penrose, 1959).

Foss (1997) concluded that the wealth of the markets and the power over them is based on the heterogeneity of resources between competitors, more specifically on the causes of this asymmetry and the ability to maintain this advantage (Miller, 2003). That is, the Theory establishes a market hierarchy based exclusively on the inherent capacities and resources of each organization (Bouncken et al., 2014).

Barney (1991) defines these resources as "all assets, capabilities, organizational processes, company characteristics, information, knowledge, etc. controlled by the organization and allowing it to develop and implement strategies that improve its efficiency and effectiveness" (p. 101), which can be divided between physical, organizational, financial and human resources.

The degree of organizational productivity achieved will then be directly dependent on the cross-cutting relationship of creating resource-based opportunities, as well as on the ability to create synergies in the current opportunities for more resources to come from them (Madhok & Keyhani, 2012).

Thus, the degree of flexibility and responsiveness to external change comes mostly from internal efforts to create a resource-centric organisational structure (Fredericks, 2005), thus becoming the central purpose of any organisation to "coordinate these resources, and combine them to create new value" (Bouncken, Schuessler & Kraus, 2015, p. 42).

Therefore, the resource-structure-performing model emerges (Barney, Wright & Ketchen, 2011; Brouthers et al., 2008; Ray, Barney & Muhanna, 2004), consisting this one on the "alignment of organizational structure with capabilities/resources will result in superior performance" (He et al., 2012, p. 14). Therefore, from a contingency perspective where there are no irrefutably superior resources or strategies, but rather a manifestly high alignment between an organizational profile and external conditioning (Venkatraman, 1989), and efficient response to market orientation also emerges (Barney et al., 2001).

Nakatani and Teixeira (2009) go further, and argue that the organisational structure can itself become a resource since it allows "establishing relationships with and between workers (internal architecture) and with suppliers and customers (external architecture), or with a group of companies with correlated activities" (p. 66), as well as the reuse of resources and capabilities in various products and services (Wernerfelt, 1984). This approach complements the importance of resources with the growing centrality of partnerships, introducing the concept of resource networks as a new foundation for Resource-Based Theory (Bouncken et al., 2015).

For organisations to gain an advantage over the rest of the market it is crucial that their resources and the way they operate among themselves "are not reproducible, transferable or accessible" (Nalcaci & Yagci, 2014, p. 672), but rather "valuable, rare, difficult or impossible to imitate and irreplaceable" (Bouncken et al., 2015, p.41). This is the VRIO model (Hussain & Terziovski, 2016), depending its value on its ability to "exploit and/or neutralise threats" (Greco et al., 2013, p. 56).

Baker and Nelson (2005) add an external resources component, advocating a corporate "bricolage", where organizations should be on constant alert to new competitive strategies because they may translate into internal optimization opportunities that otherwise would not be developed.

This perspective is in line with the Asymmetry-based Theory (Miller, 2003), which advocates changing the prism of the competitive advantage of resources to an angle with a greater focus on the future and development possibilities (Shane & Venkataraman, 2000), relating precisely to Stevenson & Jarillo's (1990, p. 23) definition of opportunity, "a desired and achievable future situation (...) that is beyond the organization's current activities".

In other words, there is an evolution of focus from an internal perspective of the organisation, to a dynamic prism, where more than identifying and developing capabilities, the organization should have