Internal and External Organisational Orientations: Comparing the Resource Based View and Market Orientation.

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Two methods for attaining organisational success include the exploitation of firm resources by adopting the resource based view (RBV) and the development of a market orientation (MO). The ultimate objective of the RBV is to create superior value for the firm by deploying unique and costly to imitate resource bundles for the purpose of exploiting environmental opportunities and neutralising threats (Barney 1991). The MO of a firm differs from the RBV as its objective to create superior value for customers relative to competition (Narver & Slater 1990).

No research has compared the RBV with MO to analyse their relative impact on organisational performance. It has been proposed theoretically that a RBV leads to a sustainable competitive advantage, yet this has not been supported empirically. By contrast, the literature has demonstrated that the adoption of a MO is capable of yielding superior performance for a firm. However, we do not have evidence to support the proposition that adopting a high MO is more or less effective than being dedicated to a RBV.

Both of these approaches encompass an internal and external orientation, but the relative emphasis placed on the internal versus the external aspects vary. The MO of the firm examines the customer, the competitor and the degree to which they are responded to by the firm (organisational resources are implicitly addressed). The RBV, on the other hand, appears to reverse the order, analysing organisational resources first, followed by the competitors and customers (implicitly). Hence, the initial starting points and drivers of strategy are different.

The dominant starting point could lead to different outcomes as market oriented firms might attempt to provide products/services to customers they are ill equipped to serve, while resource based firms may miss major changes in the marketplace which would require the development of new capabilities.

In addition to contrasting the RBV and MO, it is also relevant to determine if their combined use will provide for superior performance relative to that yielded by either approach used independently. It is also possible that organisations may possess high or low levels of both orientations

We propose that organisations can be classified in a matrix with market orientation (higher and lower) on the *x* axis and the resource based view (higher and lower) on the *y* axis. This yields four quadrants labelled (1) unfocused, (2) externally focused, (3) internally focused, and (4) balanced (see matrix below).

In general, we propose the balanced quadrant will outperform the others. The relative performance of the externally versus internally focused quadrants are hypothesised to be subject to industry conditions. Finally, the unfocused quadrant will perform least well.

MARKET ORIENTATION

RESOURCE BASED VIEW	LOWER	HIGHER
LOWER	UNFOCUSED STRATEGY (COMPETITIVE DISADVANTAGE)	EXTERNALLY FOCUSED
HIGHER	INTERNALLY FOCUSED	*BALANCED STRATEGY (HIGHEST DEGREE OF COMPETITIVE ADVANTAGE)

We are currently devising a scale to measure the RBV. Narver and Slater's (1990) scales will be used to measure market orientation. The performance measure will include subjective and objective measures of profitability, sales and new product success rates relative to competitors. We plan to present the conceptual arguments, hypotheses, methodology and the results of the RBV scaling effort at the conference.

References

1. Barney, Jay. 1991. "Firm resources and sustained competitive advantage." Journal of Management, 17 (1): 99 - 120.
2. Narver, John and Slater, Stanley F. 1990. "The effect of a market orientation on business profitability." Journal of Marketing. 54(4): 20-35.