ABSTRACT

The present study is an application of the Resource Based Theory. It attempts to study various aspects related to resources in their relation to competitive advantage in the Indian corporate sector. The study seeks to identify the resources, to establish the interactions that exist among these resources and to explore the deployment aspect of these resources. The past research highlights the various aspects of the Resource Based Theory and their relationship with competitive advantage. However, very few studies are found to explore the various aspects of the Resource Based Theory and their relationship with competitive advantage in the Indian corporate sector. The present study tries to bridge the gaps as it tries to identify the resources, together with the interactions between them that lead to competitive advantage. The study recognizes the importance of each firm’s industrial context and thus, identifies resources for each sector specifically, and brings forth the influence of various industrial characteristics on the relationship among resources and competitive advantage. Further, the study explores the deployment issue by studying the role played by competence and governance in utilizing a firm’s resources and their relationship with competitive advantage.

The specific objectives of the study are as follows:

1) To identify the resources that lead to competitive advantage in the Indian corporate sector. Specifically,
   a) To establish the resources that lead to competitive advantage for the Indian corporate sector, in general.
   b) To establish the interactions among the resources that lead to competitive advantage.
   c) To establish the resources that lead to competitive advantage in various business sectors.
2) To establish the impact of industry context on the relationship between investment in resources and competitive advantage of a firm.
3) To establish the effect of management competence and corporate governance on a firm’s competitive advantage.
4) To establish the relationship between management competence, corporate governance, resource investments and competitive advantage.

The study is divided into four sections. The first section identifies the resource investments that influence competitive advantage. This identification is performed, first, for the Indian corporate sector, in general and then, specifically for the various business sectors. This section further identifies the interactions among resources that influence competitive advantage. The second section attempts to establish, the influence of industry features viz. industry dynamism, concentration, growth and capital intensity, on the resource—competitive advantage relationship. The third section attempts to examine the impact of management and corporate governance mechanisms on competitive advantage. Lastly, the fourth section attempts to establish the relationship between management competence, corporate governance, resource investments and competitive advantage.

The study utilizes a panel-dataset for a period of seven years from 2004-05 to 2010-11. The sample consists of the firms comprising the BSE-500 as on 31 March, 2011. The various statistical tools viz. random effects generalized least squares regression, fixed effects regression, independent sample t test, two stage least squares regression and structural equation modeling, have been employed in accordance with the requirement of a particular objective.

The findings of the study highlight that investment in resources, individually and in interaction among themselves influence the competitive advantage of a firm. Though, the resources that influence competitive advantage are found to vary with the changing industrial context. The industry characteristics like, dynamism, concentration, growth and capital intensity have an important role to play in rendering the resource—competitive advantage relationship as significant.

Further, in the present research study, corporate governance mechanisms and management are found to play an important role in attaining competitive advantage for a firm. The analyses probing the linkage between Resource Based Theory and corporate governance mechanisms find that the corporate governance mechanisms and managerial
competence through deployment of resources influence the competitive advantage of a firm.

The study offers various suggestions to the managers regarding their resource acquisition and resource development strategies. The study also offers recommendations to the public policy makers while framing the corporate governance policies so as to aid better regulation and to the academicians to explore the linkages between Resource Based Theory and corporate governance.