A MODEL FOR THE DEVELOPMENT AND IMPLEMENTATION OF CORE COMPETENCIES IN RESTAURANT COMPANIES FOR SUPERIOR FINANCIAL PERFORMANCE

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Dissertation submitted to the Faculty of the Virginia Polytechnic Institute and State University in partial fulfillment of the requirements for the degree of

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(ABSRACT)

The purpose of this study was to identify whether firms that implement and develop core competencies perform significantly better than firms that do not. A model of core competency implementation and development in restaurant firms was developed and tested in three casual dining restaurant firms. The amount of co-alignment in the core competency process was compared to financial performance. Results indicated that firms that had a greater amount of alignment performed better. The highest performance was evidenced in the firm that not only had internal alignment but that appeared to have competencies that are also critical to success in the restaurant industry.

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Chapter 1. Introduction

Introduction

The development and use of core competencies to create competitive advantage is being used more widely in the hospitality industry. Core competencies are created by bundling employee skills, organizational assets, processes, and technologies enabling a company to provide a particular benefit to customers in a manner superior to their competitors. Companies such as Holiday Inn (Crowne Plaza), Sunrise Assisted Living, Ruby Tuesday's, and Houston's Restaurants have begun to research core competencies within the human resource function. "Recently there has been a resurgence of interest in the role of a firm's resources as the foundation for firm strategy" (Grant, 1991).

> *"Core competencies are the well spring of future product development. They are the "roots" of competitiveness, and individual products and services are the "fruits". Every top management team is competing not only to protect the firm's position within existing markets, but to position the firm to succeed in new markets. Hence any top management team that fails to take responsibility for building and nurturing core competencies is inadvertently mortgaging the company's future"(Prahalad and Hamel, 1994:202).*

The purpose of this study is to examine whether the development and use of core competencies by restaurant firms results in improved financial performance. To examine this issue, a multi-case study and survey was completed, using three chain restaurants.

This study addresses three research issues in core competencies. The first issue concerns the identification of core competencies within organizations by members at different levels of the organization. The second issue relates to the process of embedding the core competency process within an organization. The final is whether higher financial performance is evidenced in firms that embrace the concept of core competencies.

This chapter provides an overview of the study. The first section of the chapter identifies the problem. After identifying the problem, the chapter describes the theoretical underpinnings from the literature in business strategy in general and then specifically within the hospitality industry. The next section of the chapter presents the research purpose, the proposed model, methodology, and limitations of the study. The second chapter presents the literature review on competitive advantage and core competencies. Chapter 3 presents the research methodology. Chapter 4 presents the results of the data and Chapter 5 provides the discussion of the results and conclusions.

Problem Statement

Research on how organizations gain and sustain competitive advantage has been addressed from both an external, Industrial Organization Theory (I/O), and internal view, Resource Based View (RBV), largely within the manufacturing field. The external view focuses on the environment and competitive forces. The concern is how organizations gain a competitive advantage within the industry environment by their ability to identify threats and opportunities in respect to the industry, competitors, and the environment. These studies tend to emphasize either a certain skill offering competitive advantage to a firm (Ulrich et al., 1991) or the linkages of a series of skills or activities in concert (Porter, 1985, 1990) creating competitive advantage.

The resource based view adopts a different perspective. “The resource based view of the firm provides a useful complement to Porter’s (1980) well-known structural perspective of strategy. This view shifts the emphasis from the competitive environment of firms to the resources that firms have developed to compete in that environment. Unfortunately, although it has generated a great deal of conceptualizing, the resources based view is just beginning to occasion systematic empirical study. Thus the concept of resources remains an amorphous one that is rarely operationally defined or tested for its performance implications…” (Miller and Shamsie, 1996:519). There have been several methods, classifications, or frameworks for analyzing what these internal resources and capabilities (core competencies) are, but the information on how they are developed or their financial impact has been sparse. In examining the literature, there are many different terms that refer to the skills, processes, and abilities of the organization. There is a lack of agreement on terminology and definitions vary as to whether it is capabilities or competencies. Selznick (1957) and Snow and Hrebiniak (1980) refer to them as distinctive competence. Ulrich (1987) and Collis (1994) use the term organizational capabilities. Roberts and Shea (1996) consider them synonymous and interchangeable, defining them “as the set of differentiated skills, complementary assets and routines that provide the basis for a firm's competitive capacity and sustainable advantage (Teece, Pisano & Sheun, 1990:28)" (p. 142). This is similar to a strength/weakness analysis except that managers identify the factors their success is most likely to depend on (Pearce and Robinson, 1994). In this study, the term core competencies will be used. The commonality is that core competencies are internal to the organization, and are activities or processes the organization does well. The characteristics that researchers attribute to the core competencies also vary. Barney (1986) suggests that they are rare, valuable, and inimitable, while Tampoe (1994) suggests they are essential to the strategic vision and decisions of the organization. The various characteristics, when examined, appear to suggest they are something very intrinsic (something produced within the organization affected by its characteristics and experiences) and internal (not easily viewed or understood by outsiders). There is little conclusive evidence, however, from industry or researchers that core competencies provide a competitive advantage.

In addition to the lack of agreement on terms, there appears to be a lack of agreement on how to identify the core competencies of a firm. It is clear that it is important for researchers to identify them, but there is no agreement on the means to do so. Wintersheid (1994) identified them through interviews with managers. Roberts and Shea (1996) and Collis (1994) generated their own lists from literature or through surveys. Here again the I/O view and RBV differ. I/O focuses on generic strategy types while the RBV focuses on the combination of internal skills and resources unique to the organization. The characteristics of core competencies suggest that they are intrinsic to the organization, which seems to discount identification by outsiders. Core competencies are specific to the organization, and the generating of lists from sources other than the organization is insufficient. These generic lists, as they are used in I/O theory, would identify competencies needed for a specific strategy but not those necessarily unique to the organization that provide added value to a product or service in a manner superior to other firms. These characteristics suggest that organizational participants are most able to identify them, since they have an insiders view of the workings of the organization not afforded to others.

Both I/O and the RBV adopt the position that organizations should develop their competencies. Porter (1990) refers to it as upgrading skills or management of linkages RBV theorists suggest that management's role is important (Castanias and Helfat, 1991; Lado, Boyd and Wright, 1992; Schulze, 1993) in gaining competitive advantage from core competencies, and knowing the necessary resources to develop, enhance, and protect core competencies (Schulze, 1993; Hall, 1993). It appears that it is not sufficient to only identify the core competencies; the allocation of resources to develop, enhance, and protect them is also critical. There have been few empirical studies (Powell, 1992; Hall, 1992, 1993; Winterschied, 1994, Roberts and Shea, 1996; Cho, 1996) to date on these issues. The focus has been more on actual competency identification and the effect on competitive advantage.

As Miller and Shamsie (1996) posit resources are rarely tested for performance implications. Financial performance achieved by focusing on core competencies has been theorized, but there have been only a few empirical studies on the relationship between competencies and performance. Studies by Snow and Hrebiniak (1980) and Hitt and Ireland (1986) have followed an I/O theory based framework. This study will use RBV framework to test the relationship between competencies and performance.

The restaurant industry tends to be volatile and is in a state of maturity (Olsen, 1989). Volatility and maturity are reflected in market saturation and sales rising at the same rate as the economy. If core competencies do affect organizational performance and provide a competitive advantage, they would be an additional aid to firms implementing and developing them in the current environment. There has been limited research (Roberts and Shea, 1996, Cho 1996) in the service industry on core competencies. Investigating factors, such as core competencies that may affect financial performance, will add to the knowledge base and will provide operators with tools to continually improve performance.

In view of this, the research to be conducted attempts to extend the field of knowledge by focusing on core competencies affecting competitive advantage which results in improved financial performance by examining influences such as the allocation of resources and management's role in core competence development. This study will identify core competencies, resource allocation, and the financial performance of casual theme chain restaurants, to test whether higher performing firms develop their core competencies.

Context of the Study

This study will be conducted in the casual theme sector of the restaurant industry. Three casual theme chains will be studied. The restaurant industry was chosen for several reasons: the research examining core competencies in the industry to date is very limited; the environment is in a state of maturity and volatility and methods that could improve performance are needed; restaurant firms are embracing the concept, and research needs to be done to identify the benefits if any. Restaurant chains, such as Ruby Tuesday's, are focusing on core competencies to improve financial performance. For a year they investigated which competencies are exhibited in successful restaurants and by successful executives. Research on core competency development must examine this process throughout the entire firm.

Chain restaurants are being investigated because compared to individually owned units, which have decreased in number by 4% from 1989 to 1994 (see Table 1.1), chain restaurant units have increased 8% (Papiernik, 1995). Casual theme chain restaurants have experienced a 9% average growth from 1985-1995 with number of units increasing from 2645 to 6254 (see Table 1.2). Not only are the sales they generate significant but they continue to exhibit growth. Sales in 1992 were up 7.9% from 1991 (U. S. Industry Profiles, 1995). Casual dining represented $46 billion in sales, a 14.7% share of the total food service industry in 1996. This is an increase from 9.2% in 1986 (Ryan, 1996). Sales growth, however, has been largely fueled by the addition of new units not by unit sales growth.

Table 1.1 Number of Units for Chain vs. Independent Owned Restaurants

	Chain Restaurants	**Independent Restaurants**
Number of Units	up 8%	down 4%

Table 1.2 Casual Theme Restaurants Average Percentage Growth in Units and Sales

	Chain Restaurants
Growth in Units (1985-1995)	9%
Growth in Sales (1991)	7.9%

The casual dining segment is expected to continue to experience problems due to higher wages, product costs concerns, and a slow down in same-store sales (Value Line Investment Surveys, 1996). The importance of identifying competitive methods in the current climate of maturity and volatility is of utmost importance.

Theoretical Underpinnings

Theories of Competitive Advantage

Barney (1986) posits that there are three economic based theories of competitive advantage: Industrial Organization (I\O); Chamberlinian; and Schumpeterian. Each focuses differently on the match of strengths and weaknesses with opportunities and threats within strategy.

I/O, introduced by Mason (1939) and Bain (1956, 1968), is a more external broad view, in which structure and industry are important; while Chamberlinian requires a more internal analysis for critical firm specific variables to be matched with the environment; and. Schumpeterian views the environment as having a major often destabilizing effect (Barney, 1986).

I\O theories have addressed the structure of industry and its effect on strategy and financial performance. "The key attributes of an industry's structure that are thought to have an impact on firms returns include (Porter, 198) the existence and value of barriers to entry (Bain, 1956), the number and relative size of firms, the existence and degree of product differentiation in the industry, and the overall elasticity of demand for the industry (Porter, 1980)" (Barney, 1986b:792). Porter contends that a central question in a firm's competitive strategy is its relative position in the industry structure. It stresses creating market barriers. "Competitive Advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it" (Porter, 1985:3). Positioning affects performance. "The fundamental basis of above average performance in the long run is sustainable competitive advantage. Though a firm may have a myriad of strengths and weaknesses vis-a-vis its competitors, there are two basic types of competitive advantage a firm can possess: low cost or differentiation" (Porter, 1985:11). Organizations follow one of these strategies and attempt to protect or enhance their position in the industry structure.

Chamberlin (1933) examined the unique assets and capabilities within the company that effect returns (Barney, 1986b). "Chamberlinian logic implies that firms should seek to choose strategies that most completely exploit their individuality and uniqueness" (Barney, 1986:793). The combination of the I/O and Chamberlinian theories has given rise to theories such as SWOT ("strengths, weaknesses, opportunities and threats") (Thompson and Strickland, 1980). I\O theories suggest a generic strategy as the organization's competitive strategy. The organization develops and performs the discrete activities it needs to support the competitive strategy chosen. Chamberlinian theory posits that a firm decides, based on its abilities, which competitive strategy to choose. These abilities, skills, or resources may be a competitive method or the building blocks for the competitive methods the organization uses.

Schumpeter ((1934, 1950) suggested competition is not stable and predictable. Schumpeterian theory suggests that planning must be done to predict shocks to an industry; but, due to volatility in the environment these shocks can never be fully predicted. Planning is still carried out but is revamped often due to the constant state of flux. Schumpeterian Economics incorporates more of a contingency view of strategy (Barney, 1986).

The I/O focus, the most well researched, examines the external environment concentrating on evaluating opportunities and threats in the environment, while the Chamberlinian focuses on internal analysis examining strengths and weaknesses (Barney, 1986). As more research is conducted, the interrelationship between the viewpoints becomes clearer. As an example, Porter (1980) began with the I/O view and the external effects, such as industry structure on competition. Through the value chain concept, Porter (1985) incorporated more of the Chamberlinian view of core competencies. Yet Porter takes the position that we examine organizational activities to "understand the behavior of costs and the existing and potential sources of differentiation” (Porter, 1985:33). According to Naugle and Davies (1987), current strategic planning systems are deficient since they view diversified firms as a collection of SBU’s, but overlook the strengths of the organization. Strengths are the skills and abilities within functional areas, such as marketing, administration, operations, and human resources, that provide the resources for competitive advantage in the current businesses and can be a source for new business ventures. In Chamberlinian theories, skills and abilities have a great importance in choosing a strategy to achieve strategic match with the environment.

The important thrust of strategy is where the company competes, the how is relatively unimportant. Today in a volatile environment, the “essence of strategy is not just the structure of a company’s products and markets but the dynamics of its’ behavior” (Stalk et al., 1992:62). Behavior includes how companies identify, develop and implement core competencies. According to Amit and Schoemaker (1993) “the resource-based view must begin to consider the contexts within which various kinds of resources will have the best influence on performance” (Miller & Shamsie, 1996:520). It appears that the process of resource allocation is important. Resource allocation involves deciding what resources to allocate, as well as the process of combining/using resources to support core competencies.

Ultimately the influence of this process on financial performance must be addressed. Improved financial performance is one of the goals of organizations. The ultimate goal of strategic management is performance improvement (Muthy, 1994; Venkatramen & Ramanujam, 1986). Core competencies should contribute significantly to the value of the product if they allow a firm to create a customer benefit. A product with good value should add to customer satisfaction. Measures of profitability and sales growth were found to be significantly correlated with measures of customer satisfaction (Pearce and Robinson, 1985; Tse, 1991). Investing in core competencies for their development is important (Reed and Defiliipi, 1990; Prahalad and Hamel, 1990; Stalk et. al, 1992; Bharadwaj et. Al, 1993; Collis and Montgomery, 1995). Resources would be allocated to their development (Naugle and Davies, 1987). The rent generating capabilities of these core competencies would need to be measured.

The Hospitality Industry Research

Strategy and Competitive Methods

While theories on competitive methods and core competencies have been developed in the manufacturing industry, the amount of research is very limited in the hospitality industry. Competitive methods are the actions chosen by firms to compete. Firms should evaluate which methods they choose in light of both external and internal forces.

Tse and Olsen (1988), using Porter's (1980) generic strategies tested the strategy, structure, and organizational performance relationship. They did not find any relationship between these constructs. They were unable to validate Porter's framework and concluded it might be possible that the models from manufacturing do not apply to services and/or the unique characteristics of the restaurant business.

Sirkis and Race (1982) discussed strategy in the food service industry and suggested there are limited strategies; focus on marketing, production, distribution, harvesting, and investing. They discussed these strategies and the competitive methods which support them. As an example, production strategy requires technological expertise and capital investment. West and Olsen (1989) researched strategies in the restaurant industry and identified innovation and development, focus, image, differentiation, control, and no apparent strategy. The competitive methods required by these strategies differ.

DeNoble and Olsen (1982) investigated the relationship between the strategic planning process and the service delivery system. They examined how executives in the food service industry scan the environment, how they perceive their environment, and who were the participants in the strategic planning process. They concluded that executives may be too operations oriented, not exhibiting enough concern with opportunities in the environment based on their internal capabilities (Ansoff, 1977; DeNoble and Olsen, 1982). West and Anthony (1990) examined the effect of environmental scanning by restaurant executives on firm performance within different strategic groups. They found that higher scanning firms within different strategic groups did perform at higher levels. They also found that ROS was the best performance discriminator.

Schaffer (1987) identified strategies within the lodging industry and the competitive methods supporting each. In all cases, the strategies identified differed from those found in the manufacturing field. Murthy (1994) investigated the competitive methods used in the lodging industry and identified competitive methods which were associated with successful and unsuccessful firms. He identified seven strategic dimensions; service quality leadership, technological leadership, push, cost control, pull, group channels, and cross training. He examined the performance of the firms and found that high performing firms tended to emphasize push, service quality leadership, and technological leadership. Several conclusions can be drawn from these studies:

1. the strategies identified in manufacturing could not be validated in the hospitality industry;
2. studies in hospitality that identified and classified strategies did indeed find that the strategies used in manufacturing were different;
3. these studies examined the environment and effective strategies but did not address the firms' abilities to implement them.

Critical Success Factors

Boynton and Zmud (1984) define critical success factors (CSFs) as "those things that must go well to ensure success for a manager or an organization, and therefore, they represent those managerial or enterprise areas that must be given special attention to bring about higher performance" (p. 12). According to Brotherton and Shaw (1996), the CSF approach has been linked with core competencies. "CSFs are must achieve factors both within a company and its external operating environment. They are combinations of activities and processes designed to support the achievement of such desired outcomes specified by the company's objectives or goals. In short …CSFs will reflect the company's specific situation, in terms of the core capabilities and competencies which are critical" (p. 114). CSFs are what the company needs to do to succeed in the industry environment. These studies have failed to address the role of core competencies. Core competencies reflect their ability to meet the critical success factors of the industry.

Gellar (1985) examined CSFs in hotels. He conducted personal interviews with 74 executives in 27 hotel companies to ascertain what the organization’s goals were and what executives considered to be critical to their company’s success. They identified the goals of the organization and what factors they must complete in order to achieve those goals. Gellar compiled a list of the most frequently cited goals and CSFs by the hotel executives. The interviewees were also asked to state the measures they used in monitoring their CSFs. Gellar posits that some CSFs are hotel industry specific, such as good guest service and clean rooms, but then some are company specific based on the firm’s situation. Brotherton and Shaw (1996) conducted an exploratory survey to identify CSFs and associated critical performance indicators (CPIs). CSFs are comprised of those which are firm/industry environment specific or generic derived from conditions and trends in a wider business environment. The authors surveyed CEOs in the hotel industry and using content analysis identified and categorized CSFs based on functional departments: front desk, food and beverage production, conference and banquet, leisure operations, back of the house, marketing and sales, human resource management, accounting and control, and guest accommodations.

Resource Based View

Research specifically on core competencies in the hospitality industry has been very limited. Roberts and Shea (1996) addressed core capabilities in the lodging industry and asked managers to rate in terms of importance 30 items they listed as core capabilities. The data was factor analyzed to determine if there were any underlying strategic dimensions. They identified seven factor; sales, pricing, marketing planning, tangible assets, intangible assets, human resource management, and facility management. Cho (1996) investigated the effects of capabilities but only with one competitive method, information technology. Cho examined the effects of information technology on competitive advantage and how a company’s resources and capabilities affect the degree of competitive advantage derived from the use of information technology (IT). Cho examined three lodging firms and found that the strategic mission of the firms influenced the approach the firms used in their application of information technology.

Alignment

According to Venkatramen and Prescott (1990) “co-alignment is emerging as an important organizing concept in organizational research. In simple terms the proposition is that the fit between strategy and its context…has significant positive implications for performance”(p. 1). According to Lawrence and Lorsch (1967) managers’ ability to create organizational alignment is a valuable but scarce organizational skill. They suggested that such alignment skill may create a rent producing strategic factor within the resource based view of the firm. Powell proposed that top managers exercise considerable influence on organizational alignment. Powell (1992) examined the consequences of organizational alignment in the context of industry, market share, and strategy. He found that some organizational alignments do produce above average profits. He concluded that alignment results from skill and can be considered a strategic resource within the context of the resource based view of the firm. Tse and Olsen (1988) investigated whether certain structural attributes are necessary for the implementation of each of Porter’s generic theories in restaurant firms. They did not find a difference financially but did suggest that follow up research on other organizational attributes and their effect on implementation of strategy should be studied. It is quite possible that they found no relationship in their study as Porter’s generic strategies have not been confirmed in the service industry.

Teece, Pisano, and Shuen used the Leonard-Barton (1997) definition of dynamic capabilities as a firm’s ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. According to Aoki (1990) “managers coordinate or integrate activity inside the firm. How efficiently and effectively internal coordination or integration is achieved is important” (Teece, Pisano, and Shuen, 1997:518). They suggest that creating rents in times of rapid change depends on honing internal technological, organizational and managerial processes. Organizational alignment skill appears to be a necessary but rare skill in creating rents. In effectively developing and implementing core competencies used to support competitive methods it appears that managers ability to organize and align the processes necessary for that task will generate rents. The better management’s skill, the greater the rents.

Model

The model (Figure 1.1) initially developed from the theoretical review of the resource based view examines the relationship between restaurant firms that support and develop their core competencies and financial performance. The constructs to be investigated are core competencies, resource allocation, communication, and financial performance. The alignment in the development by allocating resources and communication of their importance would allow core competencies to be used to the fullest for competitive advantage. This process would add value for the customer over other products. The elements of core competencies are that they create a competitive advantage if they are rare, unique, inimitable, add significant value to the product, support multiple products, essential to the organization and its strategic vision, invisible to competitors, greater than the competence of an individual, and limited in number.

Core competencies once identified should be developed. Development is two fold. There must be a capital budgeting plan and the processes, assets, technologies and skills associated with the core competencies must be identified. Resource allocation to the development of these competencies should be continuous and part of the strategic plan of the organization.

The financial measurement must address a measure of performance applicable to the industry and the variables being investigated. A match between strategic leaders and unit managers on core competencies should reflect in higher financial performance for the organization overall, and differences should be reflected by unit also based on the degree of match. The financial measure will be cash flow per seat. A firm that achieves the match more effectively than another firm should experience better performance. A company that effectively uses core competencies and develops core competencies for the future should reflect investors confidence. According to Salomon Brothers (1997), performance is best evaluated from the demand side - customers. They posit understanding what customers are choosing can help investors (p. 3). Core

A Model for the Relationship Between Core Competencies and Financial Performance

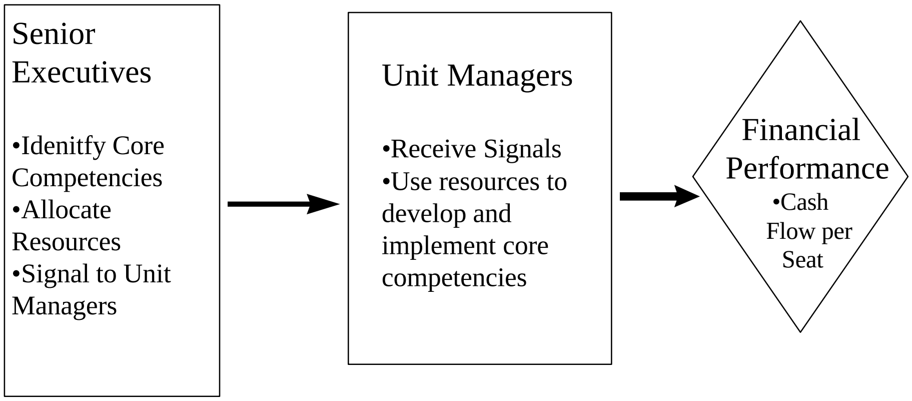
Senior Executives
•Idenitfy Core Competencies
•Allocate Resources
•Signal to Unit Managers
Unit Managers
•Receive Signals
•Use resources to develop and implement core competencies
Financial Performance
•Cash Flow per Seat

Figure 1.1

competencies that create a valued benefit in a product affect customer demand. A cash flow based ratio is a good measure to reflect customer demand.

Research Purpose

There have been two studies on competitive advantage from an internal resources based view within the hospitality industry. The first study (Roberts and Shea, 1996) examined lodging companies. The second study (Cho, 1996) focused on IT applications and competitive advantage in the lodging industry.

The purpose of this study is to identify the relationship between core competencies, resource allocation, communication, and financial performance. The study will be conducted in several steps. The first step is to have executives identify the core competencies of their organization, the allocation of resources to those competencies, and the methods used to communicate their importance to unit general managers. Executives will also assist in developing a survey to assess unit managers' perceptions of the organizations core competencies, as well as the process of implementation and development of competencies within the organization. The purpose is to assess whether these competencies are manifested and supported throughout the organization. It will then examine whether the financial performance is higher in companies that exhibit a match between strategic leaders' and unit managers' definitions of core competencies and the development of those core competencies.

The research questions that are the focus of this study are:

1. Are executives able to identify the core competencies which are essential to realizing their intended strategy?
2. Are executives able to identify the processes, skills, assets, and technologies essential to executing these core competencies?
3. Do unit general managers clearly understand what the core competencies of the chain are?
4. Do unit general managers understand what processes, skills, and assets are essential to executing these core competencies?
5. Do executives allocate resources to the development and maintenance of core competencies?
6. Have executives communicated the firm's competencies to unit general managers?
7. Do executives have a means for evaluating the economic impact of core competencies?
8. Do firms which have a high measure of congruity of understanding between executives and unit managers on core competencies perform significantly better financially?
9. Do firms where there is agreement between executives and unit general managers of the necessary processes, skills, assets, and technologies perform at a significantly higher level?
10. Do firms that have clearly defined channels of resource allocation to competencies perform at a significantly higher level?

Three propositions will be tested:

Firms with a higher cash flow per seat will:

1. have defined core competencies;
2. have a system of allocating resources to the development, implementation, deployment and maintenance of core competencies;
3. have signaled to the organization what the core competencies are and their role in sustaining them.

Research Description

This study is exploratory. A combination of qualitative and quantitative methods was utilized. First, the literature was reviewed to provide the theoretical background, previous research findings, and questions for the interview. A pre-test group, of academics and industry managers, was utilized to evaluate the interview questions to minimize errors in question wording, sequence, or other design elements. Interviews of senior level executives were conducted to identify competencies and the resource allocation and communication processes. The interviews also provided information to develop the survey instrument sent to unit general managers. The survey was pre-tested using the same method as with the interview questions. The survey ascertained whether unit managers have the same perception of core competencies and their development and implementation in the organization. Documents and supporting materials produced by the companies were gathered and analyzed as secondary sources for triangulation purposes of testing the model.

Limitations

A number of limitations arise in the use of case studies. According to Yin (1994) if a case study is not carefully planned it will lack rigor. There is also the potential for bias, especially if only one researcher is gathering the data. There is also the difficulty of managing a large amount of data. Miles and Hubermann (1994) suggest the difficulty in using qualitative data is that the methods of analysis are not well formulated. This study is also limited in generalizability as is the drawback with case studies (Yin, 1994). These limitations were addressed by exposing the data to several methods of data reduction, display and analysis. Techniques for reducing the limitations above are suggested by Yin (1994), Miles and Huberman (1994) and Steiner (1996). These methods are discussed in Chapter 3 on methodology.

Limitations also arise during the process of creating and conducting surveys. There may be random sampling errors and nonsampling errors. Reliability and validity are other issues in survey research, especially of concern when surveys are developed and used for the first time. Techniques used to address these limitations are reviewed in Chapter 3.

Chapter 2. Literature Review

Introduction

This chapter reviews the literature on competitive advantage and firm performance. The chapter is divided into three main components. The first section summarizes the literature on competitive advantage from three theoretical viewpoints, the Industrial Organizational (I/O), Schumpeterian, and the Resource Based View (RBV). The second section reviews the literature on competitive advantage, core competencies, resource allocation, signaling, and financial performance. Theories, proposed models, and empirical research are examined. The third section is a review of the interrelationships of the constructs in the proposed model: core competencies, resource allocation process, signaling, and firm performance.

Competitive Advantage

There is a multitude of research on competitive advantage: identifying the most important factors that contribute to a competitive advantage, and the methods used to maintain competitive advantage. Porter (1985, 1987) posits that corporate strategy is concerned with creating competitive advantage. Distinctive skills (Peters, 1984); organizational culture (Barney, 1986), organizational capabilities (Ulrich, 1987); size, superior access to resources or customers, and restrictions on competitors action (Pankaj, 1986); information technology (Porter and Millar, 1993; Chan and Heide, 1992); geographic advantages (Coyne, 1993); protection against the five competitive forces (Porter, 1979); timing and many other variables have all been suggested as having the ability to create a competitive advantage.(See Table 2.1)

There are three prevalent theoretical viewpoints of competitive advantage; Industrial Organization (I\O), Chamberlinian, and Schumpterian. The literature based on these theories are reviewed first. The theoretical base for the current research stems from Chamberlinian theory or as it is also termed, the Resource Based View (RBV). The thrust of RBV is to use and develop the organization’s unique resources to create competitive advantage. The unique resources that create competitive advantage for organizations are their core competencies. The literature

Table 2.1 The Skills, Resources, and Assets That Have Been Suggested in Research to Provide a Competitive Advantage

Aaker ((1989)	Customer orientation, name recognition/high profile
Bamberger (1989)	Competence and image, marketing and service, financial capabilities, creativity capabilities, technological competencies and productive differentiation, low cost policy and pricing
Barney (1986)	Organizational Culture
Barney (1991, 1997), Barney and Zajac (1994), Grant (1991), Hall (1992, 1993), Hofer and Schendel (1978), Klein and Hiscocks (1994), Lado et al. (1992), Naugle and Davies (1982), Prahalad and Hamel (1990), Roberts and Shea (1996), Schendel (1994), Schulze (1993),Synder and Eberling (1992), Winterschied (1994)	Core Competencies
Barney (1991)	Physical capital, human capital, organizational capital
Bharadwaj et al. (1993)	Scale, cost and demand synergys, product, process and managerial innovations, brand equity, relationships/pre-commitment contracts, spatial preemption, communication good effects, corporate culture, organizational expertise/producer learning/experience effects, information technology, innovation, quality and customer related skills, functional skills, implementation skills
Castanias and Helfat (1991)	Top managers' skills
Chan and Heide (1992)	Information technology, task design, work flow, people
Cho (1996)	Information Technology

Table 2.1 Cont.

Coyne (1985)	Consistency of leadership, scale or scope differences, geographic differences, organizational characteristics, operational characteristics
Doz and Prahalad (1988)	Quality of Management
Hall (1992)	Reputation of products, know how of employees, know how of suppliers, know how of distributors, networks, data bases, public knowledge, trade secrets, contracts, intellectual property, specialist physical resources, organizational culture. Information technology, management of linkages, learning curve
Haskell (1989)	Situational factors, attitudinal factors, behavioral factors
Lado, Boyd and Wright (1992)	Managerial competencies, strategic focus, input based competencies, transformation based competencies, output based competencies
Porter and Millar (1985)	Information technology, management of linkages, learning curve
Porter (1979), (1985)	Economies of scale, product differentiation, access to distribution channels, inbound logistics, operations, outbound logistics, marketing and sales, service, firm infrastructure, human resources management, technology development, procurement, optimization of linkages, coordination of linkages

Table 2.1 cont.

Pankaj (1986)	Size in target market, superior access to resources or customers, restrictions on competitors actions
Peters (1984)	Focus on customer satisfaction, continuous innovation, constant improvement of skills
Powell (1992)	Organizational alignment
Ulrich (1987)	Human resources; staffing, rewards, development, appraisal, communication
Ulrich (1991)	Employee attachment, customer attachment
Stalk (1988)	Time
Stalk, Evans and Schulman (1992)	Speed, consistency, acuity, agility, innovativeness
Reed and DeFillippi (1990)	Casual ambiguity
Spitzer (1993), Powell (1993)	Total Quality Management
Simmons (1990)	Management control systems
Snow and Hrebiniack (1980), Hitt and Ireland (1986)	Financial management, production, engineering, general management, marketing/skills, market research, product research and development, distribution, legal affairs, personnel
Sisodia (1992)	Product design, process design
Turner and Crawford (1994)	Performance management, resource application, motivating and enthusing, integration of effort, enaction, communication, commitment formation, pathfinding, development, system process engineering, option management

review then focuses on the RBV, reviewing the theory on core competencies, resource allocation, signaling, and their implications for firm performance.

The Industrial Organization Viewpoint of Competitive Advantage

Porter (1979) examines competitive advantage within the context of I/O economics theory. He suggests that competitive forces make a company vulnerable to attack. The five basic forces that must be guarded against are: threat of entry; powerful buyers; powerful suppliers; threat of substitutes; and, existing competitors. The strategies used to guard against these forces are important. For example, companies must create barriers to entry through such tactics as economies of scale, product differentiation, and access to distribution channels.

Porter has researched corporate strategies and examined which create competitive advantage. He investigated diversification strategies (1985,1987), generic strategies, and other means for corporations to gain an advantage. Porter posits corporate strategy is concerned with two different questions: what business to be in and how the various strategic business units (SBU) should be managed. Within each SBU, there is a need for competitive strategy. "Competitive strategy concerns how to create competitive advantage in each of the businesses in which a company competes" (Porter, 1987:43). According to Porter, a number of companies are unable to take their broad competitive strategy and implement specific actions needed to gain a competitive advantage. He identified two broad generic strategies; low cost and differentiation. According to Porter, each strategy requires different skills to create competitive advantage. These skills create a need for different organizational structures and cultures.

Porter posits that, "competitive advantage cannot be understood by looking at a firm as a whole. It stems from many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product" (Porter, 1985:33). Porter developed the value chain model as a means for analyzing which activities effect competitive advantage. The value chain "desegregates a firm into the strategically relevant activities in order to understand the behavior of costs and the existing potential sources of differentiation." (Porter, 1985:33) These activities are interdependent and are related by linkages. These linkages affect the way the value activity is performed and the cost of performance on other activities. Through optimization and coordination, linkages can create competitive advantages. According to Porter (1985), information and information flows are important to optimize linkages. The most difficult task is to recognize and manage these linkages in order to yield a competitive advantage. Sustaining competitive advantage requires that the firm's managers understand its' value chain and how it is affected by the value chains of suppliers, competitors, and buyers.

While Porter has developed his theories of strategy using the I/O approach, his work has evolved from focusing on industry structure to emphasizing assessing, improving, and maintaining skills and systems. His linking of specific skills needed to execute certain strategies incorporates Chamberlinian theories into his research.

The management of the linkages in the value chain is very important to competitive advantage. "Careful management of linkages is often a powerful source of competitive advantage because of the difficulty rivals have in perceiving them and in resolving trade-offs across organizational lines" (Porter and Millar, 1993:228).   Porter and Millar (1985) investigate the use of information technology to manage linkages and advise that firms which can manage linkages better than others gain the competitive advantage. The benefit is not from the actual technologies that can be copied. Within the concept of the value chain, information technology is a "value activity". Value is the amount a customer is willing to pay for a product. If the value the customer places is higher than the cost of production the company realizes a profit. Porter discusses that implementation, skills and processes are important in gaining a competitive advantage. However, he has done little work to ascertain what skills or processes are important or how they should be developed and maintained.

According to Pankaj (1986), sustainable competitive advantage occurs in three areas: size in target market; superior access to resources or customers; and, restrictions on competitors' options.   He proposes these advantages are contestable. Sustainable competitive advantage is when the advantage exists in more than one area, there are few environmental threats, or the firm can pre-empt other contestants. While Porter and Panjak discuss resources or processes, they pay little attention to defining them, how they are identified, created, developed, and maintained.

They posit that competitive advantage comes from how managers position the organization based on analysis of the industry structure. The I/O view acknowledges resources as a source of competitive advantage, but according to Snyder and Eberling (1992), it is more concerned with activities than with capabilities. Snyder and Eberling contend that Porter's value chain addresses identifying activities that create a competitive advantage, but addressing the core competencies is more effective. A quality product or good reputation is not a core competency. The discrete activities that create a quality product or good reputation constitute the core competency. They found through their research that " gaining a strong relative share in key value-added activities is more relevant to competitive position than gaining share of the related product market" (Snyder and Ebeling, 1994:26)**.**

Schumpeterian Theory and Competitive Advantage

A firm bases its' strategy on its' resources and the opportunities and threats in the environment. Schumpeterian theory posits that there are revolutions in the environment. These revolutions are sudden and create unpredictable changes in the threats and opportunities facing a firm. These shocks change the value of resources if it creates, for example, an unpredicted change in demand or technology for creating products (Barney, 1997).

Due to the conditions posited in this theory it has not been well translated into strategic thinking. This is due in part to the fact that there is no assumption of a level of stability that allows a firm to anticipate and respond to threats and opportunities. The theory basis is unpredictability.

Chamberlinian Theory and Competitive Advantage

Chamberlinian theory has given rise to the resource based view of the firm which addresses the role of core competencies in creating competitive advantage. Selznick (1957) originally introduced the concept of distinctive competencies. Yuchtman and Seashore (1967) emphasized the importance of the resource based view of the organization and attempted to categorize resources. They posited that the liquidity, stability, relevance, universality and substitution of resources can affect their ability to create competitive advantage. The researchers viewed resources as important to gaining a competitive advantage. Hofer and Schendel (1978) were the first to state that there was a relationship between distinctive competencies and competitive advantage (Reed and DeFillippi, 1990). Distinctive competence is not just having resources but the capability to manage those resources well. A company can build a sustainable competitive advantage if managers base their strategy on a feature of the company that is not easily copied (Coyne,1985; Barney 1986, 1991).

Conclusions on the Three Economic Concepts

The three economic theories, while each having a different focus, do have links to each other. The Schumpeterian and Chamberlinian/RBV link is that firms may posses unique skills that allow them to adapt quickly to revolutions or may have the skills that allow them to create the revolutions. The Schumpeterian link to I/O economic theory is that revolutions may change industry structure which could impact the financial performance of the firm (Barney, 1986). Chamberlinain complements I/O as the linked activities of the value chain necessary to compete in the industry structure require certain skills and abilities to manage the linkages and carry out the activities.

Table 2.2

Key Factors in Firm Performance in the Schumpeterian, I/O and Chamberlinian Theories

	Schumpeterian	Industrial Organization	Chamberlinian
Firm Performance	Ability to weather major revolutionary technological and product market shifts	Industry Structure, Industry Environment and Competitive Forces	Firms Unique Resources and Skills

The Resource Based View

Theories

According to Peters (1984) the best performance is due to the distinctive skills of the organization. He proposes there are only three distinctive "skill packages" that are sources of sustainable competitive advantage: a focus on customer satisfaction; continuous innovation; and, the ability of the organization to constantly improve skills. He discusses the 7-S model that consists of seven variables; strategy, structure, systems, style, shared values, staff and skills. According to Peter's "the driving variable in the model, which creates the pre-conditions for effective strategizing, is, above all, skills." (p121). "Top performers are a package of distinctive skills. In most cases one distinctive strength." (113). According to Peters, skills are the independent variable affecting strategy, the dependent variable.

According to Naugle and Davies (1987), adding businesses to the portfolio should be evaluated in terms of current strengths, or as they refer to it functional strengths. When resources or capabilities are not available they should be developed. They refer to functional talents as strategic skills pools (SSPs). These SSPs are not always easy to identify. They are not all skills in general but those that assist a business to win and maintain a competitive advantage. An example is Citicorp, which identified the opportunities in computers in banking, then set out to acquire and develop those skills. A method of assessing the skills is to list the success factors of the company and identify the skills behind each of those successes. A plan for resource allocation for SSP development should then be developed; and, the amount of capital used for development and the individuals associated with those skills should be maintained and tracked (Naugle and Davies, 1987).

Barney adopts Daft (1983) definition of firm's resources to "include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by the firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness." (Barney, 1991:101) The resources may be physical, human and organizational. Barney posits that competitive advantage is a firm's ability to create a value not currently being implemented by any other competitor and a sustainable competitive advantage is when the firms are unable to duplicate the benefits of other firms' strategies. The RBV model of the firm makes two assumptions in evaluating the source of competitive advantage:

1. that firms may be heterogeneous in their control of strategic resources
2. these resources may not be mobile across firms and therefore heterogeneity can be sustained (Barney, 1991).

These resources to create a sustainable competitive advantage must be valuable, rare, imperfectly inimitable (Barney 1987,1991). Valuable refers to the firms' ability to produce or do things that lead to financial value for the firm. Rare refers to the firm having attributes and characteristics that are not common to all firms; and, inimitable suggests that firms without these attributes and characteristics cannot successfully adopt the same practices to develop that culture. For the advantage to be sustainable, proper management and controls must be in place or the financial returns will not accrue.

"When a series of activities are organized into a system that works better than the sum of its parts, this business process can also create competitive advantage..." (Synder and Ebeling, 1992:26) They suggest that a core competency should: contribute significantly to the ultimate value of the end product or service; represent a unique capability that produces enduring competitive advantage; and, have the potential to support multiple end products or services (30).

Barney and Zajac (1994) discuss how competitive advantage in the context of strategy should be studied. They posit that you cannot separate the study of the strategic consequences of the behavioral and social phenomenon from the study of the content of strategy. The authors suggest the quality of strategy implementation, the content of the firm's strategies, and the competitive context within which the firm operates should be evaluated all together. "Resource-based logic recognizes the strategic importance of behavioral and social phenomena in enabling a firm to conceive of, choose, and implement their strategies."(Barney, 1986b, 1991, 1994:6) They posit it is necessary to examine: how competition leads to the development of competencies; how competencies affect the competitive field; how bundles of firms competencies are related and linked to each other; how to measure firm's resources and capabilities; and, to empirically test the impact of these competencies on a firm's strategic options. They contend that the RBV is not the final level of the development of a theory of the firm. Questions they say need to be addressed are:

1. How does competition affect the development and evolution of a firm's competencies?
2. Once defined, how are sets of competencies in a firm related to each other?
3. What are the competitive implications of a firm's competencies?

Dierickx and Cool (1989) argue that Barney (1986) fails to account for rents due to non-tradable asset stock accumulations such as reputation or trust. They contend that if the returns of these assets can not be accounted for, attention will not be paid to protection of these assets. These special skills or assets are accumulated internally over time. They suggest that "a complementary framework is required to gauge the sustainability of the stream of quasi-rents generated through the deployment of non-tradable assets." (Dierickx and Cool, 1989:1506). They argue that sustainability hinges on how easily these assets are imitated or can be substituted for by other assets. Accumulation of the assets are affected by time compression diseconomies, asset mass efficiencies, interconnectedness of asset stocks, asset erosion, and casual ambiguity which affects imitability. Both Barney (1986) and Diercks and Cool (1989) agree that "firms need to be analyzed from the resource side as well as from the product side: if a privileged product market position is achieved or protected by the deployment of scarce assets, it is necessary to account for the opportunity costs of those assets" (Dierickx and Cool, 1989:1509; Barney, 1986).

Prahalad and Hamel (1990) posit core competencies: provide potential access to a wide variety of markets; make a significant contribution to the perceived customer benefits of the end product; and, are difficult for competitors to imitate (p. 84). Core competencies are built and enhanced over time. A company that does not invest in them will find it hard to enter emerging markets. They will have missed the learning curve period. Global leadership battles are waged in three areas: core competence, core products, and end products. They suggest that time spent more on the budget allocation process and less on competing for the best people and their development makes the company lose out. They suggest building "a road map of the future that identifies which core competencies to build and their constituent technologies" (Prahalad and Hamel, 1990:89).

Collis proposes that competitive advantage comes from organizational capabilities which he defines as "the socially complex routines that determine the efficiency with which firms physically transform inputs into outputs" (Collis, 1994:145) while constantly improving. He proposes that organizational capabilities can be a competitive advantage but that they will never be an ultimate source of sustainable competitive advantage. A skill can be superseded because there may be another way of accomplishing what you do. Another firm may find a better and more effective means to the same or an improved end. A skill can also become obsolete by a change in customers needs. He refers to this as infinite regress. Collis suggests that researchers should "generate lists of the enormous variety of capabilities that have apparent potential in a particular industry in the near future, while recognizing that these might always be blindsided by a substitute or higher order capability."(Collis, 1994:151)

Grant (1991) examines the distinction between resources and capabilities. "Resources are inputs into the production process - they are the basic units of analysis. The individual resources of the firm include items of capital equipment, skills of individual employees, patents, brand names, finance, and so on. But, on their own few resources are productive. Productive activity requires the cooperation of resources to perform some task or activity. While resources are the source of a firm's capabilities, capabilities are the main source of its competitive advantage"(118). He relates that research has been looking at the business level of strategy to see the relationship between resources, competition and profitability.

Schendel (1994) discusses why internal assets cannot be duplicated by others to create the same competitive advantage that one company may have. He proposes that the assets that create the advantage are built hierarchically out of elemental assets. These assets combine to form compound assets, which are built out of experience and past performance.

Barney posits that competitive advantage can come from certain skills or a combination of skills functioning within a culture as opposed to a strength in a functional area such as finance. Barney

(1986, 1991, 1997) contends that there are three attributes of a firm's culture that produce competitive advantage.   It must be valuable, rare, and imperfectly inimitable. Organizational culture also is not the source of competitive advantage for all firms. Barney posits that if a firm does not have a rare and inimitable culture, a firm cannot engage in activities to change their culture to one that is truly rare and inimitable. Firms may develop new ways that replace or change the way things are done and thus change the competitive advantage map.   He defines culture "as a complex set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts its business." (Barney, 1986:657)

According to Barney (1986), even if a firm manages to imitate the culture of a successful firm, the very fact that they could shows that the culture is not rare and changes the dynamics of the industry resulting possibly in a change in which firm has a competitive advantage.   Any such change would at best result in only normal economic returns.   Industry dynamics would change when other firm's were able to copy the more successful culture. Competitive advantage may accrue if only a few or one firm can change their culture. Firms that have a culture which assists in maintaining a competitive advantage should analyze what part of their culture provides that advantage and develop it.

Ulrich (1987) reviews that competitive advantage traditionally is believed to come from economic, strategic, or technological means. Ulrich contends that a sustained competitive advantage, a firm's ability to generate unique valued products or services that cannot be easily copied, can no longer be achieved solely by the traditional means. While companies must still try to produce at low costs, maintain efficiency, and innovativeness they must also now develop organizational capabilities. Ulrich defines organizational capability as the "capacity of the organization itself to change and adapt to financial, strategic, and technological transformations." (Ulrich, 1987:171). As the pace of change increases and the economy changes, organizational capabilities are becoming very important to companies. It is the task of human resource professionals to develop organizational capabilities. Development in organizational capabilities will help the development of the three other traditional means of gaining competitive advantage. "Organizational capability is more than just people. People represent a critical aspect of organizational capability, but it is the organization and people management systems that focus people’s attention and shape their behavior to create organizational capability...To be an organizational practice which builds organizational capability, the practice must meet the following criteria: Affect the entire organization...be institutionalized within the organization...[and]..be recognized and have a visible impact on attitude and behavior of employees in the organization.” (Ulrich 1987:173) According to Ulrich, these capabilities create a firm’s culture (Kim and Ulrich, 1987), focus attention on motivations and behavior (Lawler, 1981), reinforce common goals and values (Cummings, 1984), and become levers to affect change (Tichy, 1983).

Doz and Prahalad (1988) contend the quality of management affects competitive advantage. Cost and technology are important but less discriminating. “Competitive advantage derives from how quickly and effectively the company can muster and apply its resources. This requires a reconfiguration of its deployment”(Doz and Prahalad, 1988:355). If two competitors have similar configurations it will be the quality of internal management that produces the competitive advantage. Multi-national companies need management that can conceive and implement complex and differentiated strategies. They add that the variables that used to provide competitive advantage; cost advantages, imperfect market knowledge, financial market imperfections (i.e. cost of capital or access to capital), and resource configurations provide less and less of a sustainable competitive advantage. In the current environment, competitive advantage derives from how quickly and effectively the company can muster and apply its resources. This requires an ability to re-deploy and change coordination patterns in order to respond to new competitive needs and strategies. “This requires an underlying management structure which can facilitate effective strategy development and implementation” (Doz and Prahalad, 1988:355). The variables necessary to accomplish this are: managers must possess superior information processing capability; a differentiated management system able to be responsive to a variety of businesses; the ability to manage interdependencies such as technology and product flow; the ability to manage strategic change and innovation; a quality executive process viewed as fair and open with rewards that are visible; and the establishment of pivot points. Pivot points provide stability to managers by giving them some commonality within the organization so the constant and rapid changes to suit the environment and competition can be tolerated. These pivot points establish basic principles, or emotional and intellectual roots for management to focus upon.

Stalk, Evans, and Schulman (1992) state that time was the focus of competitive advantage in the 1980's: the ability to get products to the market quickly; just in time manufacturing; and, responding to customer complaints quickly. They propose that time based acuity is just a piece of a larger puzzle, "capabilities-based competition". It consists of fine tuning business processes and organizational practices. They cite Walmart which surpassed K-mart in growth and earnings. Walmart concentrated on developing the infrastructure that supported the capabilities that gave them a competitive advantage. Stalk et al. (1992) suggest that the four basic principles of capabilities based competition are:

1. "Business processes are the building blocks of corporate strategy
2. Success depends on developing these processes to provide superior value to customers
3. These capabilities must be invested in and must be linked together
4. Since capabilities cross functions the CEO has the ultimate responsibility for championing the development of a capability-based strategy" (p. 62).

The focus can't be solely on fast new product development, but the process must include how the product will be marketed and serviced. Stalk et al. refer to this as new product 'realization'. "The prize will be companies that combine scale and flexibility to outperform the competition along five dimensions: speed...consistency...acuity... agility...innovativeness" (Stalk et al, 1992:63). The process to transform oneself into a capability-based competitor is to: "shift the strategic framework to achieve aggressive goals, organize around the chosen capability and make sure employees have the necessary skills and resources to achieve it, make progress visible and bring measurements and reward into alignment, do not delegate the leadership of the transformation." (p. 65)

According to Castanias and Helfat (1991), top management plays a role in creating rents both Ricardian and quasi. Top managers skills and discretion can affect the generation of rents. Top managers can affect the structure, systems, new strategic initiatives, culture, and lobbying. They categorize managers' skills as generic, type of business or industry related, and firm specific. Generic skills are transferable from one industry or business to another, the other skills are not.

Two types of rents Ricardian and Quasi accrue from these categories of skills. Ricardian rents "derive from scarcity relative to demand" (Castanias and Helfat, 1991:161). If one resource creates a better product and the resource commands a premium, it is a superior resource which by definition usually means it is also scarce. The creation of a better product generates rent. When superior resources are used efficiently in creating Ricardian rents the rents are also referred to as efficiency rents. Quasi rents "are defined as the difference between the value of an asset in its first best use and its value in its next best use. Assets that are specialized to a particular use and therefore lose value in another use produce quasi-rents"(Castanias and Helfat, 1991:162). Industry related skills can generate quasi-rents. All of the skill categories can generate Ricardian rents. Because most skills are acquired by doing and learning, they provide an isolating mechanism creating casual ambiguity (Rumelt, 1984). The authors link these skills and their effect on generation of rents to stockholder interests through the use of incentives.

Simmons (1990) examines management control systems and suggests that these systems are important in implementing and formulating strategy. Interactive systems which can guide the emergence of new strategies and are able to adjust organizational activity are important. He reviews that previous studies suggest that there is a link between the way firms achieve competitive advantage and their management control systems. He studied two competing companies to see how they organized their management control systems at top management levels. While the companies had similar systems, they were used differently. He integrates four concepts to develop his model: limited attention of managers; strategic uncertainties; interactive management control; and, organizational learning. He discusses that due to the daily demands on the attention of top managers many areas of control are delegated. Firms in the same industry will consider different uncertainties as important based on the strategy they are implementing. The system is interactive if managers decide that it is important to gather information about uncertainties. An interactive system is used for signaling, surveillance, and decision ratification. With organizational learning, companies gain knowledge for use in improving the fit between the organization and its environment.

> *"The intended business strategy of a firm creates strategic uncertainties that top managers monitor. While all large companies have similar management control systems, top managers make selected control systems interactive to personally monitor the strategic uncertainties that they believe to be critical to achieving the organization's*

> *goals. The choice by top managers to make certain control systems interactive (and program others) provides signals to organizational participants about what should be monitored and where new ideas should be proposed and tested. This signal activates organizational learning and through debate and dialogue that surrounds the interactive management control process new strategies and tactics emerge over time" (Simmons, 1990:137).*

In this way emergent strategies are managed. The system has its attention directed to threats and opportunities.

Turner and Crawford (1994) discuss basal competencies which they define as competencies that combine to form distinctive competencies which give the company a competitive advantage. The basal competencies they list are performance management, resource application, motivating and enthusing, integration of effort, enaction, communication, commitment formation, pathfinding, development, system/process engineering, option management. They suggest that even if companies have the same competencies, the way they are manifested will differ within different firms.

From the reviewed theoretical research it appears that while there are a number of different variables that can create a competitive advantage. Core competencies is one of the variables that can create competitive advantage. It would appear from the characteristics of core competencies that they are specific to each organization. Even if two organizations have similar core competencies the way they manifest themselves is different. These differences could be created by the way the organization is structured, the corporate culture, how the competencies are developed, or the interaction in the competitive market that shapes them. The core competencies of an organization should be identified.

Frameworks and Models of the RBV

Grant (1991) develops a five stage framework for a resource based approach to strategy formulation. The first step is to: identify your resources; then the capabilities and each resource dependent to that capability; appraise the rent generating capability of each capability and its necessary resources; and, then finally select a strategy which best exploits these capabilities relative to the environment. In a feed back loop, look for resource gaps and invest in developing or augmenting resources. Both an external view to the environment and an internal view is necessary. For example, an organization might choose a low cost strategy based on competition and the industry structure. The organization would analyze its internal resources to asses their ability to accomplish this goal. The resources and capabilities necessary to implement the low cost strategy and generate rents must be in place or there must be plans to develop them. Grant proposes that to identify the firm’s capabilities and resources, managers should use a standard classification system such as accounting, marketing, etc. He relates that maintaining objectivity in identifying capabilities is difficult. Capabilities are organizational routines, a complex interaction of people and resources. The determinants of whether the organizations resources and capabilities will be sustainable is affected by their durability (depreciation or obsolescence), transparency (other’s ability to imitate), transferability, replicability. Transferability can be affected by geographical immobility, imperfect information, firm-specific resources, and the immobility of characteristics (a complex routine may be harder to imitate). Returns are based on two factors, the sustainability of the resources and capabilities, and the ability to appropriate rents earned.

Lado, Boyd, and Wright (1992) propose a model, which addresses firm level strategic behavior and incorporates four components: managerial competencies and strategic focus; resource based competencies; transformation based competencies; and output based distinctive competencies. They reject the I/O model of the firm as failing to look at “idiosyncratic” competencies which create a sustainable competitive advantage. They propose that competencies can be developed through the decisions and actions of leaders so that fit of firm/ environment is more than luck. Their view is different from the deterministic models of I/O that view competitive advantage as being affected more by the industry’s structural characteristics. They see strategic selection, a “pattern of strategic decisions and actions that determines organizational survival and renewal” (Lado et al, 1992:80), as part of the ability of firms to create competitive advantage. The organization has the ability to create opportunity internal and external to the firm.

Lado, Boyd, and Wright (1992) describe the interrelationship between four components of distinctive competence. They posit in their model that managerial competencies and strategic focus affect resource based competencies, transformation based, and output-based competencies. The environment has a moderating effect. Managerial competencies concerns leaders ability to create strategic vision. “It takes unique managerial competencies to evaluate the expected earnings stream accruing from strategic resources that are vital to implementation of a firm’s strategy” (Lado et al, 1992:83). If leadership has the right skills and ability to exploit the firm’s competencies then competitive advantage will accrue**.** Transformation based competencies comprise organizational culture and innovativeness. Resource based competencies are any tangible or non-tangible human and non-human assets leadership has or can acquire. Outputs are products of the firm whether visible or invisible such as reputation. These competencies have the ability to generate quasi-rents.

Bharadwaj et al. (1993) developed a model of sustainable competitive advantage in service industries. They posit that competitive advantage is accrued by two means: implementing a value not currently being implemented by others; or, by superior execution of a strategy. They examined two areas of competitive advantage, unique resources and distinctive skills. The moderators of these advantages are the characteristics of service industries. The sustainability of any advantage is contingent upon barriers to imitation. The resources and skills identified in their model that have a potential to create a competitive advantage are: scale; cost and demand synergy; product; process and managerial innovations; brand equity; relationships/pre-commitment contracts; spatial preemption; communication good effects; corporate culture; organizational expertise/producer learning/experience effects; information technology; innovation; quality and customer related skills; functional skills; implementation skills. These unique resources and skills are not in and of themselves automatically competitive advantages but leverage. It is the identification, development, reinvestment, and constant reevaluation of these resources and skills that provides a competitive advantage and superior financial return. The proper use of these skills according to the authors creates competitive positional advantages. The two they identify are cost leadership and differentiation advantages. They identify characteristics of service industries that have a moderating effect on achieving competitive advantage. The competitive advantage can be sustained by creating barriers to imitation. Barriers to imitation are endogenous and idiosyncratic. They contend that “barriers to imitation are even greater when causal ambiguity exists over the factors responsible for a business’s superior performance."(Bharadwaj et al, 1993:86) The three factors that contribute to ambiguity are taken from Reed and DeFillippi's 1990 work (tacitness, specificity, complexity). The propositions they arrive at are:

1. "The greater the equipment intensity of a service industry, the greater the importance of economies of scale as a source of competitive advantage.
2. The larger the number of local units of a service firm operating under a common corporate identity within an industry, the greater the potential to exploit scale economies to achieve competitive cost advantage and institute systematization, standardization, and other differentiation features to achieve a differentiation advantage.
3. The greater the cost interrelationships between a particular service business in a firm's portfolio, the greater the cost (demand) synergy as a source of competitive cost and/or differentiation advantage.
4. The greater the complexity of assets needed to market a service, the greater the importance of innovation as a source of competitive advantage.
5. The greater the number of co-specialization assets needed to market a service, the greater the importance of innovation a source of competitive advantage.
6. The greater the intangibility of a service, the greater the importance of brand equity as a source of competitive differentiation advantage.
7. The greater the experience and credence attributes of a service, the greater the importance of brand equity as a source of competitive cost and differentiation advantage.
8. The greater the experience and credence attributes of a new service being marketed by a firm, the greater the importance of brand equity as a source of competitive advantage.
9. The greater the experience and credence attributes of a service, the greater the importance of relationships a source of competitive differentiation advantage.
10. The more decentralized the service delivery process, the greater the importance of spatial preemption as a source of competitive cost and/or differentiation advantage.
11. The greater the experience and credence attributes of a service, the greater the importance of communication good effects as a source of competitive differentiation advantage.
12. Potential opportunities for achieving competitive cost and/or differentiation advantage through spatial preemption are greater for the market pioneer than for later entrants.

13. Potential opportunities for achieving competitive differentiation advantage through communication good effects are greater for the market pioneer than for later entrants.
14. The greater the "people" intensity of a service industry, the greater the importance of culture as a source of competitive advantage" (p.88-92).

Schulz (1993) examines the internal resources of organizations to see their role and effect in creating a value for the organization. He examines:

1. "the role of general management in making choices that guide which resources, particularly which skill-based resources, a firm will develop and which markets it will use those resources to serve;
2. …the processes over time by which leaders and managers transform their resources into activities that create value for customers;
3. and identifies the important characteristics and relationships of exemplary resource and skill-based management processes" (Schulz, 1993:3).

According to Schulz, organizational resources and skill development are a relatively unexplored area of the fit equation between strategy and the environment. He examines four current models of the strategy process: traditional; competition-based; structural resource-based; and, process resource. He discusses the strengths and weaknesses of each model and develops his own model. The traditional model proposes that performance is affected by the managers abilities to match internal strengths and weaknesses with the environment. It focuses on the process of strategy. It does not account well for emergent issues, learning, and organizational inertia and change. The competition based model relates performance is a function of the firm's scope and positioning within an industry. The weaknesses of this model are: it assumes all firms have the same resource base; it does not provide a means for assessing any internal sources of competitive advantage; and it does not take into account organizational learning and systems development (Teece et al, 1992). The resource based view focuses on resources that build a competitive advantage through the generation of rents. The firm is the owner of these valuable resources. The weaknesses of this model are that it does not investigate how resources are converted to services, or how the resources fit into the larger strategic management process. The process based model focuses on the role of the firm as creator of the resources. It does not account for:

external and environmental forces in the strategic fit equation; identification and classification of resources as they are transformed in the value added process; the role of general managers as well as the traditional model does. The model Schulz develops is a skill-based process model that examines the relationship between the entrepreneurial processes, managerial processes and leadership processes that help a firm establish a sustainable competitive advantage. It encompasses both structural and process attributes. His model addresses the weaknesses of some of the other models but does not eliminate them. The objectives of his model are to help understand:

1. “how general mangers conceptualize and identify the skills their firms have and need;
2. how they invest in and build relevant skills, and;
3. how they convert these skills into strategic capability and deploy them in an attempt to achieve sustainable competitive advantages.” (p. 31)

Schulz developed his model by first gathering information on the theories, concepts, models proposed by other researchers. He did field research to develop a test model. He had one pilot site and collected data from three additional sites. He combined three methods“ (1) modified constant comparative qualitative research techniques; (2) case study techniques; and, (3) historical analysis techniques” (p. 4). He combined the field studies data with the theoretical information from academicians to create his theory. Schulz’s research questions were aimed to answer ‘What language do practitioners at the pilot site use in describing and understanding skills and resource-based phenomena?’; ‘What processes are involved in how these managers build, nurture, change and deploy skill based resources?’ (p. 195)

Tampoe (1994) discusses the theories of core competencies creating an advantage. He says to be a core competency it must: be essential to corporate survival; invisible to competitors; difficult to imitate; unique to the corporation; a mix of skills, resources and processes; sustainable over time; greater than the competence of an individual; essential to the development of the core products; essential to the strategic vision and decision of the organization; marketable and commercially valuable; and few in number. He posits that core competencies are “the technical sub-system of an organization and therefore embedded within its’ production and management process” (Tampoe, 1994:68). He describes a technique for identifying core competencies. First select the products or services that contribute the most to the organizations strategy, revenues and profit. Next the components such as technologies, skills, processes, strategic assets used to create them must be identified. These are the competencies that can then be nurtured and analyzed for use in new markets and products or for alliances or divestment. His model "suggests that the ability of an organization to sustain profitable growth is derived from converting its vision into reality by combining its shared goals, its organizational motivation, and its core competencies to generate core and end products and services" (Tampoe, 1994:72).

Klein and Hiscocks (1994) outline various techniques for use in competence analysis and strategy formulation. One technique is skill mapping which assists an organization in identifing key skills. A second technique is skill cluster analysis which allows an organization see how skills are clustered "and therefore [suggests] the constellation of skills which would constitute core competencies."(Klein and Hiscocks, 1994:185) They consider a competence to be an aggregated asset, and a skill is a sub part of the competence. The first step in skill mapping is to identify skills by: examining the organizational structure; through interviews; those easily evident from products or services; and, those evident to customers or market watchers. The second step is to benchmark against competitors. The final step is to determine which ones the organization considers most important. They are ranked and the highest ranked skills are chosen. In skill cluster analysis, an opportunity matrix is used which indicates which products require which skills. Skills that are associated with each other in a number of products are the core competencies.

Barney (1997) suggests using a VRIO (Value, Rareness, Imitability, and Organization) framework. Four questions that must be answered are:

1. "Are the resources and capabilities valuable, enabling the firm to respond to environmental threats and opportunities?
2. Which other firms already possess valuable resources and capabilities?
3. Is there a cost to other firms obtaining those resources and capabiliites?
4. Is the firm organized to exploit the full competitive potential of its resources and capabilites?" (Barney, 1997:145)

In examining the models developed, the researchers attach importance to: identifying the actual competencies (Collis,1994; Grant, 1991; Tampoe, 1994; Klein and Hiscocks, 1994); their rent generating capabilities (Grant, 1991); how managers identify them (Schulze, 1993); the effect of the managerial processes (Schulze, 1993); managerial competencies (Lado et al, 1992). Schulze (1993) identified competencies of companies in his case study. Klein and Hiscocks (1994) suggest that identification can be done by examinig the structure of the organization, and conducting interviews. It should be evident from examining product/services, or evident to customers and market watchers. The skill clusters should be ranked in importance. Naugle and Davies (1981) suggest that the success factors of the company be listed first; then identify the skills behind those factors. These models identify only certain resources as core which fits with the theory of an organization possessing only a few core competencies. How they are developed and converted into strategic capability should be examined (Schulz, 1993).

Empirical Research Incorporating the RBV

Snow and Hrebiniak (1980) examined the relationship between strategy, distinctive competency and performance based upon managers perceptions They desired to see if top “managers in organizations pursuing different strategies would show different patterns in their perceptions of distinctive competencies”(318). They chose the four strategy types suggested by Miles and Snow: defenders, reactors, analyzers and prospectors. They used Selznick’s (1957) definition of distinctive competency which “refers to those things that an organization does especially well in comparison to its competitors” (Snow and Hrebiniack 1980:317). They decided to use a broad approach in classifying distinctive competencies in ten categories; financial management, production, engineering, general management, marketing/selling, market research, product research and development, distribution, legal affairs, and personnel. The hypotheses tested were:

1. “Top managers would report all four strategies were being followed in their industry.
2. Top managers who identify their organizations as defenders will perceive distinctive competencies in general management, production, applied engineering and financial management.

3. Top managers who identify their firms as prospectors will perceive distinctive competencies in general management, market research, product research and development, and basic engineering.
4. Top managers that identify their organizations as analyzers will perceive distinctive competencies in general management, production, applied engineering, and marketing/selling.
5. Top managers who identify their organizations as reactors will have no consistent patterns in their perceptions of distinctive competence.
6. Defenders, prospectors, and analyzers will be better performers than reactors in each of the industries studied" (Snow and Hrebiniack, 1980:320).

They employed a questionnaire to measure the ten distinctive competencies and organizational strategy. Top managers identified their strategy types from descriptions and the competencies were scored as a; weakness, strength or OK. Organizational performance was measured as the ratio of total income to total assets. Industries were chosen to reflect a range of environmental uncertainty by four academics and three analysts from financial management/consulting firms. Firms in those industries were then selected from various publications; Standard and Poor's Register of Corporations, Directors and Executives, and the Dun and Bradstreet Million Dollar Directory. The firms sole or primary business had to be within the selected industries. Their findings were that managers perceived that defenders and prospectors outnumbered analyzers and prospectors. They had originally predicted the strategy types would be spread evenly across each industry. They found a high percentage of reactors in certain industries such as air transportation. This was attributed to the firm being in highly regulated industries that provided a protective environment in which a reactor could persist.

Snow and Hrebiniak examined the distinctive competency associated with each strategy. They found none of the strategies could be distinguished on any one distinctive competency, except for, product research and development. The distinctive competencies were analyzed in combination using multivariate analysis of variance to see if there were any patterns. They examined and ranked managers four perceived top competencies for each strategy. They used simple correlation analysis. They established support for their hypothesis on defenders and reactors, and partial support for the hypothesis on prospectors. The analyzer hypothesis could not be supported. A two way ANOVA between strategy, industry, and performance established that they were related to organizational performance. The reactor strategy was shown to be associated with the poorest performance except in the air transportation industry.

Hitt and Ireland (1986) completed a study of 185 industrial firms in the Fortune 1000 to examine the relationship between corporate level distinctive competencies and performance across firms using different diversification strategies and having different corporate structures. The corporate level distinctive competencies and performance relationships were found to vary by type of diversification strategy but not by type of corporate structure. They use Higgins (1983) definition of distinctive competence as a firm's ability to complete an action in a manner superior to that of its competitors or to apply a skill that competitors lack.   They built on Snow and Hrebiniak's work which proposes that there are functions of business which are related to performance based on the conditions within the firm. This suggests a relationship between application of particular competencies and performance. Hitt and Ireland hypothesized that:

1. "The relationship between the degree of diversification and divisionalization would be small and;
2. The relationship between distinctive competencies and performance is moderated by the degree of firm diversification. In looking at diversification they propose: a) financial and marketing activities are related to performance for firms using a single business strategy: b) financial activities are related positively to performance for firms using a dominant business strategy: c) production\ operations, personnel and public and governmental activities are related positively to performance for firms using a related business strategy: d) general administration activities are related negatively to performance for firms using an unrelated business strategy.
3. The relationship between distinctive competencies and performance is not moderated by the degree of divisionalization" (p. 404-405).

They identified from previous research 55 total distinctive competencies which they categorized under the main business functions; marketing, general administration, engineering, production engineering, research and development, finance, personnel, or public and governmental relations. Executives were asked to rate the importance of the functions on a seven point Likert scale.

Market returns were used to assess performance. The results supported hypothesis one, two (b), two (d), and three. There was partial support for two (a) and two (c). The results suggested that "corporate level distinctive competencies related to performance varies by the type of diversification strategy employed by the firm…[but] apparently do not vary with type of divisional structure used by the firm" (Hitt and Ireland, 1986:412).

Bamberger (1989) examines the development of competitive advantage in small and medium-size firms. The model he uses for his analysis reflects a contingency view. He suggests that competitive advantage is determined by five sets of variables: "the characteristics of the environment and especially those of industries and markets, the internal resources of the firm, the objectives pursued, the personalities of the decision makers, and the firm's product/market strategies."(Bamberger, 1989:81) He distinguishes between key success factors, competitive advantages and distinctive competencies. Key success factors are characteristic requirements of the market. Competitive advantages are positional advantages in a market which a firm develops by the deployment of certain resources (distinctive competencies).

Bamberger used data from the STRATOS (Strategic Orientations of Small and Medium-sized Enterprises) research project. The sample consisted of 1135 firms from the clothing, food and electronics industry. Managers were given 26 factors to rank in order of what they place emphasis on to achieve or maintain a competitive advantage. Managers' perception of the market and industry characteristics, objectives and strategies were also measured. The factors were grouped using factor analysis. Six factors emerged: competence and image; marketing capabilities; technological competencies and service; financial capabilities; creativity and product differentiation; low cost and pricing policy. He did note that the three industries developed different types of competitive advantages, validating an assumption that industry conditions are strongly related to the types of competitive advantages developed and different industries require different competitive behaviors. He also found differences within industries.

Aaker (1989) in his research addresses what assets and skills give a business a sustainable competitive advantage (SCA). He posits there are many questions organizations need to answer. He conducted a survey of 248 businesses in the Northern California area. The businesses were in varied fields; services, high tech and manufacturing. The most cited assets and skills were customer orientation, name recognition/high profile. The questions he says must be addressed are: What are the relevant skills and assets for your industry? Which should be obtained or neutralized in order to compete effectively? Which should be used to underlie your SCA? Of the relevant ones how do you select the optimal ones to develop, strengthen and maintain? How do you create assets that will support SCA? How can the formidable assets of competitors be neutralized? What are the quality dimensions in this industry? How should quality be measured? What are the perceptions of the quality of the competing businesses and how are these perceptions developed? To identify the relevant assets and skills for a particular industry he suggest you should ask: Who are the successful businesses over time? What assets or skills have contributed to their success? Who are the businesses that have chronically low performance, why, what assets or skills do they lack? What are the key customer motivations? What is really important to the customer? What are the key activities providing customer value? What are the large cost components? What are the mobility barriers in the industry? He suggests that the skills that need to be developed should be defined with respect to the competition.

Hall (1992) proposes that intangible resources can effect sustainable competitive advantage, and that analysis of these resources should be a major part of the strategic management process. He posits that by comparing the organization's balance sheet valuation with its stock evaluation, you will get an indication of the value of intangible resources. He uses the four capability differentials developed by Coyne (1986): functional differential; positional differential; cultural differential; regulatory differential. "Functional differential results from the knowledge, skill, and experience of employees and others in the value chain such as suppliers, distributors, lawyers, advertising agents, etc. Cultural differential…incorporates the habits, attitudes, beliefs and values, which permeate the individuals and groups which compromise the organization. Positional differential is a consequence of past actions that, for example, have produced a certain reputation with customers. Regulatory differential results from the possession of legal entities such as intellectual property rights, contracts, trade secrets, etc" (Hall, 1992:136). He identifies and categorizes intangible resources which he claims act as 'feedstock' to Coyne's capability differentials. He surveyed CEOs in the United Kingdom as to what effect reputation had on their success. They were asked to rate the contribution of 12 resources: reputation of products;

know-how of employees; know-how of suppliers; know-how of distributors; networks; data bases; public knowledge; trade secrets; contracts; intellectual property; specialist physical resources; and organizational culture. Reputation, product reputation, and employee know-how were rated as the most important contributors to company success. There was little difference between industries. They were also asked to estimate how long it would take to recreate those intangible resources if they had to start over. The resources that were rated as the most important were also rated as having the longest replacement time. Company reputation was rated an average 10.8 years. The companies were analyzed based on high and low performers. High performers predicted a longer time period than low performers. They also asked what is the most important variable of employee know-how? Operations was rated as the most important except in retailing and manufacturing consumer products. In those two industries sales and marketing were viewed as the most important area of employee know-how.

Hall (1993) classifies intangible assets as those that you “have” such as patents, which are capabilities based on assets; or those that are concerned with “doing” such as functional skills and cultural capabilities, which are capabilities based on competencies.

Hall completed a case study of six successful companies. He developed a frame work that was to: help managers identify key intangible resources; identify a means of communicating these key resources to managers insuring their ability to focus on how to enhance, best use, and protect these resources.

The framework he used for his study was to assess:

- The product attributes comprising the competitive advantage.
- The roles of capabilities(differentials) in producing competitive advantage
- The role of each intangible resource within the relevant capability.
- The sustainability of competitive advantage.
- The sustainability of the capability differentials and finally the management of the key intangible resources.

The assets were classified into the four differential categories by using the following questions to classify them:

1. Is the resource defendable in law? (regulatory differential asset)

2. If it is not. (positional differential asset)
3. Is the resource a functional or professional skill? (functional differential competence)
4. Is the resource concerned with shared values and attitudes? (cultural differential competence).

Hall tested his framework in six case studies. He examined the role of each of these capabilities and also the role of the intangible resources within these capabilities. The assets most quoted as contributing to competitive advantage were; quality, availability, image and price. Regulatory capabilities ranked as the least important contributor to competitive advantage by all executives. He suggests that sustainability of competitive advantage is related to sustainability of key product attributes and the durability of the superiority of these resources

Powell (1992) proposes that organizational alignment skills play a role as a source of competitive advantage and should be studied in combination with the effects of industry, market share, and strategy. He suggests that alignment results from skill not luck and that the correct alignment can generate economic rents. This is consistent with the resource based view of the firm as alignment results from skill and this skill generates economic rent. Powell builds on Lawrence and Lorsch's work by testing one of their propositions along with several of his own:

1. "The better the fit between organizational differentiation and integration, the greater the supernormal profits." (Powell, 1992:121) (Lawrence and Lorsch proposition)
2. The other hypotheses that Powell tested are as follows:
3. The better the fit between organizational size and structural formation, the greater the supernormal profits.
4. The better the fit, organizational size, and formal planning, the greater the supernormal profits.
5. The better the fit between environmental stability and structural formalization, the greater the supernormal profits.
6. The better the fit between environmental stability and formal planning comprehensiveness, the greater the supernormal profits.
7. The greater the internal CEO locus of control, the greater the supernormal profits" (p. 121-122).

Powell measured production costs, product differentiation, innovation, market breadth, firm size, age and he used the deviation score method to measure organizational alignment. These variables represented his independent variables. "All firms were ranked on structural integration and differentiation, and the correlation between profitability and the absolute value of the firms' rank differences were observed" (Powell, 1992:126). He chose two industries, wood upholstered furniture as the stable industry and women's dresses as the unstable industry. A total of 544 surveys were mailed to CEO's of the companies and 113 responded. Hypothesis 1,2,3 and 6 were not rejected, but 4 and 5 were only significant at the $p<0.10$. Powell was able to show support for his theory that some organizational alignments produce supernormal profits and provides impetus for the resource-based view. This suggests that competitive advantage can result from other than traditional economic variables. He states his research lacks external validity to other industries. The structures in the two industries may have been very simple or mechanistic and it might not apply to other structures. Correlation not causation was been shown and he was not able to show that the advantages could be sustained over time.

Powell (1993) examines TQM's ability to sustain competitive advantage and concludes that quality, training, process improvement and benchmarking, the elements of TQM, do not offer a competitive advantage. The features of open culture and employee empowerment, and executive commitment produce competitive advantage. He refers to these features as the tacit resources. Powell proposes that TQM might not be inimitable in many firms because it requires a complete restructuring of culture. His results show that firms that have had TQM longer do not have significantly higher performance, so those that implement it late in the game are not lost. His research demonstrates that it is the ability to implement it well that makes the difference and arrives at a hypothesis that it the presence of a skill or resources that aids in good implementation of TQM. He researched the relationship between TQM and performance and found a correlation. He compared 12 variables associated with TQM to performance and found that executive commitment, open organization, and employee empowerment were the only variables to produce significant partial correlation's with the performance variables. The results are consistent with the resource based view of the firm. This suggests that TQM provides some firms a means to understand and acquire the resources it needs for a competitive advantage. He analyzed successful firms that did not have “TQM” and found that many of them while not espousing TQM had on their own implemented many of the TQM standards.   He responds that a limitation of his research is that their is no causation shown between TQM and performance only a correlation. There is no indication which came first and his sample size was small.

Winterscheid (1994) researched insiders descriptions of core competencies and also if perceptions of existing core competencies would affect the development of new competencies. Through the interview method she inferred from their accounts of the development of a new product what the competence was and the process of capability building. Competence was coded as any statement that “described being good at something, knowing something better than others or being number one in a particular area. Any statements of personal or organizational learning processes or mention of explicit transfer of skills was coded as the process of capability building” (Wintersheid, 1994:274).

Hospitality Industry Research Firm’s Resources

Roberts and Shea (1996) completed a study of core capabilities in the lodging industry. They created a panel of six experts from industry, academia, and editors of industry publications. Using the Delphi method they generated a list of 30 core capabilities. They created a survey scoring the capabilities using a Likert scale. They had the two managers on the panel test it and then sent the survey out to 105 different hotels located in different areas. The surveys were to be completed by a team of managers at each property. They received 251 usable surveys. The 30 capabilities were then factor analyzed. Seven factors were created from 18 of the capabilities; two assets based factors and five skill based factors. The asset factors loaded into tangible and intangible factors. The skill based factors loaded as; human resource management, sales, architectural design, pricing, and marketing planning. The twelve other factors did not load. They suggest that maybe they were competitive requirements as opposed to an actual competitive advantage. The example they give is yield management which has been implemented by so many companies. Yield management is now a requirement resulting in a loss if not present but not actually giving one organization an advantage over another.

Cho (1996) investigates if the use of information technology (IT) within the lodging industry provides competitive advantage and how a firm's resources and capabilities affect the degree of competitive advantage obtained from IT. Cho used a case study approach to investigate her theory and developed her study based on the RBV theory. The case study approach was chosen for three reasons:

1. "it allowed the practitioner to gain valuable experience by learning from practitioners;
2. it enabled the question "how are resources and capabilities of lodging firms moderating the impact of IT on competitive advantage?" to be addressed;
3. because the interaction between and IT application and organizations was being studied as opposed to just an investigation of IT application." (Cho, 1996:85).

Cho used the Sethi and King (1994) instrument, CAPITA to measure competitive advantage from IT application. The instrument has seven dimensions that represent the construct: primary activity efficiency; support activity efficiency; resource management functionality; threat; preemptiveness; and, synergy. Three other dimensions were developed from her literature review to measure a firm's unique resources and capabilities. They were organizational, human resources and technical resources and capabilities.

Cho's results indicate that the relationships were different depending on the overall strategy of the firm. Cho concluded the asset holding and managing companies had a different pattern of relationships focusing more on improving efficiencies associated with primary and support activities IT application. These two companies showed a positive relationship between organizational structure and primary and support activity efficiencies. There was also a relationship found between management's business style and attitudes, and efficiencies associated with primary and support activities through IT application; and a between the degree of centralization of the IT department and the firm's focus on primary and support efficiencies. The franchising company focused more on achieving a preemptive strike through an IT application.

From the research in the hospitality industry on core competencies, it appears that the standard classification system used in previous research (Snow and Hrebiniak, 1980; Hitt and Ireland, 1986) is not applicable. Roberts and Shea factor analyzed capabilities originally generated through the Delphi method and arrived at several which are not the standard classification of functions, i.e. marketing, finance, human resources. operations, administration. Human resource management and market planning are closely related to the functional departments but such factors as architectural designs and pricing are more detailed. Organizations may posses a competency within the marketing function but not have the marketing function as a core competency. Skills from different functional areas may also combine to create a competency not specific to a functional department.

Model

The relationship between core competencies and their development and implementation in an organization and competitive advantage will be investigated. Figure 2-1 depicts a model that shows the relationship between core competency, resource allocation, communication, and financial performance.

A Model for the Relationship Between Core Competencies and Financial Performance

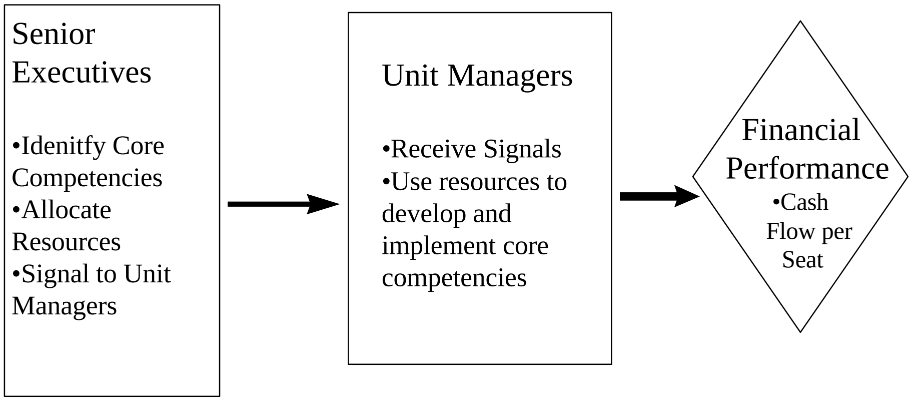
Senior Executives
•Idenitfy Core Competencies
•Allocate Resources
•Signal to Unit Managers
Unit Managers
•Receive Signals
•Use resources to develop and implement core competencies
Financial Performance
•Cash Flow per Seat

Figure 2.1

These constructs will be reviewed in the next portion of this literature review. Financial performance will be measured using cash flow per seat. The core competencies for each organization might be very similar but due to different organizational environments they will manifest themselves differently. Core competencies, resource allocation, and signaling will be identified by executives within the organizations.

Key Constructs and Their Interrelationship

Core Competencies

Characteristics of Core Competencies

From the literature the following characteristics of core competencies have been identified:

1. Rare (Barney, 1986, 1991, 1997)
2. Unimitable, lack of transferability, and replicability (Barney 1986, 1991; Dierickx and Cool, 1989; Prahalad and Hamel, 1990; Grant, 1991; Tampoe, 1994)
3. Add significantly to the ultimate value of the product or service (Barney, 1986, 1991, 1997; Synder and Ebeling, 1992; Grant, 1991; Tampoe, 1994)
4. Have potential to support multiple products or services (Prahalad and Hamel, 1990; Synder and Ebeling, 1992)
5. Represent a unique capability that produces long lasting competitive advantage (Synder and Ebeling, 1992; Tampoe, 1994)
6. Essential to corporate survival (Tampoe, 1994)
7. Invisible to competitors (Tampoe, 1994)
8. Greater than the competence of an individual (Tampoe, 1994)
9. Essential to the strategic vision and decisions of the organization (Tampoe, 1994)
10. There are a limited number within each organization (Tampoe, 1994)
11. Durable (Grant, 1991)
12. Manifest differently in organizations (Turner and Crawford, 1991)

Selznick (1957) posited that special capabilities and limitations arise as the organization develops. These capabilities and limitations are intrinsic to the organization and dependent upon the development of the organization. No two organizations will develop the same; every variation in environment, personnel, strategic choice, etc. will create a different manifestation.

Examining such characteristics as invisible to competitors, rare, and lack of transferability suggests that these competencies would have to be identified by the organization. Outsiders would not have the ability to identify competencies to which they are not privy.

Identifying Core Competencies

In reviewing the research on identifying core competencies a number of methods have been suggested. The method of using a standard classification system of functional activities such as marketing, finance, human resources, etc. (Snow and Hrebiniak 1980; Grant, 1991; Hall, 1992) or a pre-determined list (Aaker, 1989) appears to be in contradiction of the RBV theory. The characteristics of core competencies of rareness and lack of imitability suggest they are specific to the organization. For instance, a company might possess a competency in technical execution which might rely on systems that cross the functional activities of human resources and operations. A pre-set classification system would miss the dynamics that occur in these linkages. Barney (1986) and Powell (1993) singled out culture and TQM as variables creating competitive advantage. These variables are more likely to help create competitive advantage as systems through which resources and skills are developed and deployed. Culture would affect how resources and skills are manifested. According to Barney (1986) competitive advantage results form a combination of skills, that can cross functional departments, within a culture. Organizational capabilities and core competencies must be identified by individuals within the organization. Collis (1994) suggests creating a list of capabilities that appears to have potential. The list is then reviewed by managers. Klein and Hiscocks (1994) posit that the competencies be identified by examining the organizational structure, products and services, and by interviewing organizational managers. Winterschied (1994) identified them during interviews with organizational members, coding any response described as “being good at” as a core competency. Tampoe (1994) suggested that core competencies be identified by selecting the products and services that contribute the most to the organization’s strategy, revenues, and profit and identify the technology, skills, assets, processes, and strategic assets used to create them. Since they are invisible to competitors identification must be accomplished using individuals within. Core competencies are expected to be the underlying strength of a competitive advantage.

Core Competencies and Competitive Advantage

Hofer and Schendel were the first to link competitive advantage to core competencies. "Competitive advantage, …is, the unique position an organization develops vis-a-vis its competitors through its pattern of resource deployments" (Hofer and Schendel, 1978:25). They posit that the importance of resource deployment is indicated by the fact that scope can be affected by weak resources or poor positioning of resources. To asses what opportunities and threats there are in a particular product/ market segment, a business must compare its resource profile with the critical success factors of the segments in which it competes. Examining Hofer and Schendel's theory it appears that resources contribute to competitive advantage if they are strong and properly positioned. For resources to be strong and properly positioned: organizational members would have to be cognizant of what they were; they would have to be developed; they would have to be a part of the strategic planning.

Resource Allocation Implementation and Signaling

Once core competencies have been identified, they should be invested in (Reed and DeFillipi, 1990; Prahalad and Hamel, 1990; Stalk et al, 1992;Collis and Montgomery, 1995) and nurtured (Tampoe, 1994). Unique skills and resources do not automatically create competitive advantage, it is developing, investing in and constantly revaluating these resources and skills that provides a superior financial return (Bharadwaj et al., 1993). Naugle and Davies (1987) suggest a plan for resource allocation be developed and capital for development be designated. There should be a tracking system and individuals associated with key competencies should also be tracked. "One indication of the importance of resource deployment and competitive advantage is the fact that scope can be limited by weak resources or poor positioning of resources" (Hofer and Schendel, 1987:25). They state that resources must be developed, invested in, and deployed for competitive advantage. The actual process of doing this has not been well explored in the literature. This process must be detailed and analyzed by management. Synder and Eberling (1992) suggest that competitive advantage arises when a series of activities are organized into a system that works better than the sum of its parts. Part of management's responsibility is to organize activities into productive systems.

Competitive advantage relies on the quality of management. Management's ability to quickly and effectively gather, interrelate and apply or redeploy its resources affects the achievement of competitive advantage (Doz and Prahalad, 1988). According to Castanias and Helfat (1991) top management's skills affects structure, systems, new strategic initiative, culture and lobbying. As Barney posited, culture affects competency development. Culture also aids in creating some of the characteristics of core competencies; difficult to imitate, rare, and valuable. Management affects and perpetuates the culture of the organization by its practices. Core competencies can also be a series of activities or skills grouped together in systems that work better than the sum of its parts. Management's role is to manage these systems (Porter, 1985). Management also decides on strategic initiatives. According to Lado et al. (1992), competencies are developed through decisions and actions of leaders. The fit that accrues between the firm and the environment is more than just luck. Managers must make and implement decisions that create that fit.

Hall (1992) suggests that managers not only identify key resources but they must have a means of communicating them to others in the firm. This insures the ability of all organization members to focus on, enhance, use, and protect these resources. Signaling what is important to organization occurs when members understand what variables management is monitoring. Where management places an emphasis is a signal to the organization where members should concentrate their efforts. Simmons (1990) relates that one way top managers signal to organization participants what is important is by making certain control systems interactive and programming others.   According to Peter's (1994) all members of the organization must be working on improving their skills.

While the literature promotes management's role and responsibility in the identification, development, implementation and deployment of core competencies, there has been little effort too outline exactly how this process occurs.

Barney (1991) suggests that proper management controls must be in place for financial returns to accrue. Ultimately management's goal is to produce financial returns for stakeholders. Without an understanding of the process, the attainment of competitive advantage and superior financial returns will be haphazard at best. Unique managerial competencies are also required to evaluate the economic returns of core competencies (Lado et. al, 1992).

Some of the key factors in resource allocation, development and implementation are:

1. There must be a plan for capital investment in developing competencies
2. There must be a tracking system for competencies and people associated with certain skills
3. Management must gather, organize and interrelate, deploy resources
4. Management must reevaluate core competencies
5. Management must signal to organization members what competencies are important
6. Management must have a system for evaluating the economic return

Core Competencies and Financial Returns

Financial returns are compared based on the theories that alignment produces above normal rents (Lawrence and Lorsch, 1992; Teece, Pisano, and Schuen, 1997) and resources create value for a company. An organization's ability to identify, develop, and implement core competencies should create above normal returns. In order for development and implementation to occur, the managers responsible for the development and implementation must work together. There must be alignment between the actions of corporate managers and unit managers in the development and implementation of competencies.

Hall (1992) suggests that comparing the organization's balance sheet valuation to its stock valuation gives an idea of the value of firm resources. Hall, in his 1992 study, compared the competencies of high and low performing firms. To differentiate high performers from low performers he calculated the increase in sales per employee over several years. Snow and Hrebiniak (1980) used the ratio of total income to total assets. Hitt and Ireland (1986) used market returns and Haskell (1989) used return on market investment to assess performance. The financial ratios chosen by previous researchers were used for firms in the manufacturing field.

These ratios seem to be better suited to those types of businesses rather than single industries. Analysts who evaluate the restaurant industry use quite different ratios for evaluating financial performance. Investment analyst such as Solomon Brothers use cash based ratios that analyze financial strength focused upon the demand side, which represents customers' choice. In addition, Ventrice (1983) and Min Ho Cho (1995) found in their research in restaurant firms and lodging that cash measures were better predictors of business success. Ventrice (1983) who examined which ratios were better indicators for predicting restaurant failures suggest that the ratios that address handling cash flow problems are the best indicators.

Conclusion

The common denominator in the reviewed research seems to be the ranking of the most important capabilities and identifying which ones support specific strategies. Since competencies support the competitive methods that provide an organization advantage they were analyzed in relation to performance. What is notable about a majority of the actual research is that they utilized pre-generated lists of factors. Two studies had lists generated by academics and executives within the fields. However, many of the lists were different and each time different factors loaded. One study noted that the factors chosen varied not only by industry but also within industry. This suggests that firm managers should identify both firm specific and industry specific competencies. Generic competencies for the industry should also be identified. They differ by company and for each industry and that pre-generated list may not be sufficient. If the attributes are really rare and unimitable and competencies though similar may be manifested within a company differently then the generation of lists may not leave the avenue for the discovery of specific versus industry or strategy dependent competencies.

Also resource allocation and the different factors needed to develop and implement core competencies that create competitive advantage were alluded to but there was no actual research on the process. Missing from the literature was the how and what of the resource allocation process. The question of the necessity for congruency between all management levels in the development and implementation of competencies is also unresolved. It appears that alignment is necessary between external and internal forces of the organization.

There is still a lack of sufficient research in the RBV view, more so in the service industry and most especially the restaurant industry where there is little means of protection of resources. While competitive methods used in the hospitality industry have been explored the competencies to support these methods has been largely ignored. The review exposes areas within the field which still require research such as what are core competencies and how are they sustained and developed.

Summary

This chapter reviewed the literature on competitive advantage reviewing competitive advantage from two differing theoretical viewpoints, the I/O and the RBV. The RBV theory was the theory focused on for further study into creating competitive advantage in firms. Both the theoretical and the empirical research were reviewed on this topic. A model of was developed based on the interrelationships posited between the constructs discussed in the literature. The restaurant industry was chosen to test the model in due to the environment of the industry and the recent investment by restaurant firms in analyzing their core competencies discussed in Chapter 1.

Chapter 3.   Methodology

Introduction

As indicated in Chapter 1, this study examined whether organizations that identify core competencies and allocate resources to competencies are more successful than their competitors who do not. The study used a combination of quantitative and qualitative methods to test the proposed model and research questions. Three chain restaurants were utilized to investigate the concept of core competencies, resource allocation, communication, and financial performance. In the previous chapter, a literature review was conducted on the relevant research associated with these constructs. This chapter presents the research questions and propositions, the operational definitions of the constructs, and the methodology and instruments to be utilized in collecting the data. The research called for both qualitative and quantitative methods for data gathering.

Research Design

Research Questions and Propositions

The first component suggested by Yin (1994) to be included in the research design is a statement of the research questions and propositions, if any. The following research questions were the focus of this study:

1. Are executives able to precisely identify the core competencies that are essential to realizing their intended strategy?
2. Are executives able to precisely identify the processes, skills, assets and technologies essential to executing these core competencies?
3. Do unit general managers understand what processes, skills, assets, and technologies are essential to executing these core competencies?
4. Do unit general managers clearly understand what the core competencies of the firm are?
5. Do executives allocate resources to the development and maintenance of core competencies?

6. Have executives communicated the firm's competencies to unit general managers?
7. Do executives have a means for evaluating the economic impact of core competencies?
8. Do firms that have a high measure of congruity of understanding between executives and unit managers on core competencies perform significantly better financially?
9. Do firms where there is agreement between executives and unit general managers of the necessary processes, skills, assets and technologies perform at a significantly higher level?
10. Do firms that have clearly defined channels of resource allocation to core competencies perform at a significantly higher level?

The propositions are:

Firms with a higher cash flow per seat will:

a) have clearly defined core competencies;
b) have a system of allocating resources to the development, implementation, deployment and maintenance of core competencies;
c) have signaled to the organization what the core competencies are and their role in sustaining them.

Case Studies

Case studies are used most often when the question is "how" or "why" and the field of data is low. The case study's strength is "its ability to deal with a full variety of evidence - documents, artifacts, interviews and observations" (Yin, 1994:8). Case studies are generalizable to theoretical propositions, not to populations or universes. They serve to explain the causal links in real life interventions that are too complex for the survey. "The objectives [of the exploratory case study] are to refine the research questions to be studied later and to identify the parameters and conditions that might change the interpretation of the results" (Campbell et. al, 1982).

The methodical development of a case study is very important. The first task is to design the case study and have outlined:

1. a study's questions;

2. its propositions, if any;
3. its unit of analysis;
4. the logic linking data to propositions;
5. the criteria for interpreting the findings (Yin, 1994:20).

"The study must possess construct validity, internal validity, external validity, and reliability" (Yin, 1994:33). Multiple sources of evidence and establishing a chain of evidence will help ensure construct validity. Information for this research was gathered through interviews, surveys, company documents, and printed articles. The use of these various techniques for data gathering helped create construct validity. Internal validity is important for explanatory studies where we desire to establish causal relationships. Using pattern matching techniques or explanation building are means to establish internal validity. External validity concerns establishing the domain to which the study's findings may be generalized. The results of this research are limited in generalization, but offer propositions and conclusions concerning core competencies and their contribution to the organization performance in the restaurant industry. Reliability concerns the ability of others to repeat the study and achieve the same results. This was accomplished by documenting procedures used in detail.

A multiple case study allows for the "development of a rich, theoretical framework" (Yin, 1994:45). The framework must state the conditions under which a particular phenomenon is likely to be found. Results cannot be pooled, but instead may focus on attitudes and behaviors contained within each case" (Yin, 1994).

For a multiple case study there should be a protocol, so the procedures are the same for each inquiry. "The heart of the protocol is a set of substantive questions reflecting the actual inquiry" (Yin, 1994:69). It differs from the survey on two characteristics. The questions are developed for the investigator outlining the data to be collected. Each question should be followed by a set of sources. The pilot study, a pre-test using academics and industry professionals, was used to develop relevant questions, provide clarification, and dress rehearsal (Yin, 1994).

Justification for the Case Study Methodology

A case study was called for in this study because a phenomenon specific to each organization was being studied. The conclusion reached from the review of the literature is that core competency identification by strategy type, using only quantitative methods such as surveys, is insufficient and provides only a cursory examination of competencies. The competencies identified are general and are more related to industry or strategy. For superior financial returns, however, a company must develop competencies that provide them with " a unique position vis-a-vis its competitors through its pattern of resource deployments and or scope decisions" (Hofer and Schendel, 1978). Unique is defined by Random House Webster's College Dictionary (1992:1457) as "existing as the only one or as the sole example; solitary in type or characteristics". This suggests that no other company would have the exact same characteristics. In some instances they may have similar methods of competing, but the means they use to develop and deploy their resources are unique to each company. The corpus of their competencies will differ. Such phenomena require that each company be analyzed separately.

A case study approach also helps in defining terms. Robert Bingham, Senior Vice President of Executive Development for Sunrise Assisted Living, stated they investigated core competencies required for human resources using focus groups and surveys. Competencies and their definitions were identified for managers in general then specifically for their company based on product and market. Completion of the competency identification had been hampered by lack of agreement on definition of terms. The company conducted focus groups to refine definitions of competencies. For example, a competency such as 'compassion' is defined differently by different people. Individual interviews were going to be conducted as they would provide indepth information but cost made the focus group and survey more feasible. Since the companies were willing to invest the time, interviews were used to identify and define, based on executives perceptions, core competencies for the firm.

Core competencies also manifest themselves differently in organizations due to factors such as management of linkages, company culture, and how organization participants are signaled to develop and deploy resources. These variables may be unique to the specific organization and must be investigated within the company.

Three chain restaurants were examined initially using a case study approach. This was a convenience sample. The companies had stated upon initial approach that they were willing to devote the time and resources needed for the researcher to interview, collect documents, and survey unit managers. The first part of the study involved interviews with senior level executives to identify and define competencies in their organization. The interviews provided: a listing of their organization's core competencies; an outline of "how" and "what" resources are allocated and deployed to core competency development; and "how" organization members are signaled about core competencies. Since this information has received little attention in the literature, a case study approach was appropriate for theory development.

Second, the case study was used to assist in developing the survey for the quantitative portion of this study. The literature suggests that management must provide signals as to what competencies are important. For financial returns to accrue, organization participants must understand, receive, and act upon these signals. In the study of strategy, matches/alignment are always important, whether it is a match between the environment and strategy, or strategy and structure, or other environment/organization variables. The interviews provided information to develop the survey to ascertain whether lower level managers have received the message regarding what executives were stressing in competency development. It is posited that firms where executives and unit general managers agree on competency development and implementation will experience higher performance.

The use of multiple sources of data in the case study for triangulation purposes also lends credence to the study. The third portion of the study collected supporting data. Memos, communications, and other documents provided evidence of the communication of signals by executives. It was an additional means to support executives' perceptions of how the importance of core competencies is transmitted and to generate financial data.   Other media, such as articles, will be obtained through a data base search tool, ABI, for the time period 1995-1998.

Unit of Analysis

According to Zikmund (1984), to define the problem researchers must define the unit of analysis. The unit of analysis specifies at what level data will be collected. The level may be at that of the organization, a department, work group, or individuals. It may occur at more than one level. Yin (1994) states a "case" could be an event or entity that is less well defined than, for instance, a single individual. In this study, the units of analysis are:

1. core competencies
2. resource allocation processes
3. communication processes, and
4. financial performance.

The units of analysis will be defined separately in the following sections of this chapter. Case studies have been done about programs or about implementation processes. Yin does address that these cases are not easily defined in terms of the beginning or end points. This holds very true in the case of the resource allocation process. This process is ongoing with no easily identified beginning or end. The core competencies were identified for the point and time the interviews were conducted. The processes were defined as what resources are allocated to those core competencies at that point and time. Financial data was examined for the past and current fiscal year to ascertain financial performance.

Identification, resource allocation, and signaling are all tasks carried out by executives and management. In this study the financial condition of the organization was investigated. Do organizations that show congruity in competency identification and development perform better financially? Because signals as to what the organization is placing emphasis upon must be received by unit managers, then acted upon, unit managers were questioned as to what they perceive the competencies to be. Firms where there is a high amount of congruity between executive and unit managers on core competencies are predicted to have superior financial performance.

Site and Firm Selection

Three restaurant chains were investigated. The criteria used to choose firms to be used in the study were:

a) a multi-unit company with company owned units;

b) upper executives aware of the concept of core competency development and its financial impact;

c) convenience.

Each firm was first contacted to establish a rapport and possible interest. The next step was to send a proposal to explain the study and to request permission to conduct the study.

Data /Study Rationale Linkage

Research in the case study format requires that the rationale be provided for how the data collected relates to the research questions (Yin, 1994). The data collected in this study was analyzed to test the Model (Figure 3.1) that was developed from the literature review. The theoretical underpinnings for choosing these variables and their interrelationship were provided in Chapter 2.

A Model for the Relationship Between Core Competencies and Financial Performance

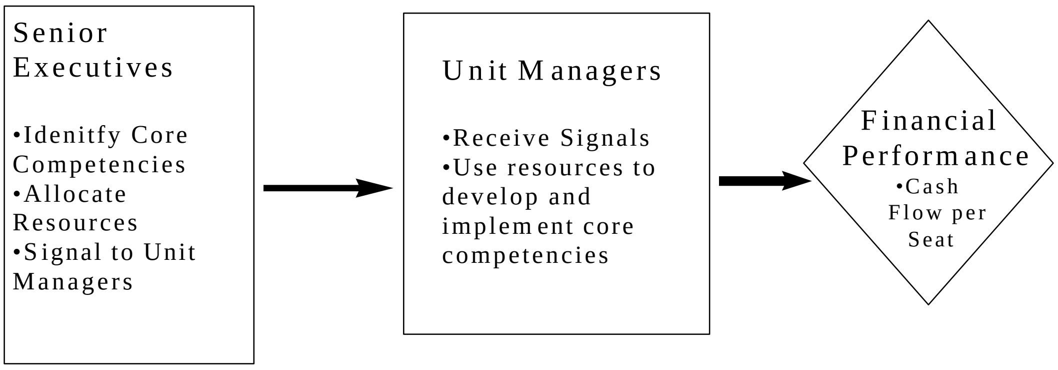
Senior Executives
•Idenitfy Core Competencies
•Allocate Resources
•Signal to Unit Managers
Unit Managers
•Receive Signals
•Use resources to develop and implement core competencies
Financial Performance
•Cash Flow per Seat

Figure 3.1

The following section provides the definitions, typical measurements used, and the measurement used in this study.

Definition of Constructs

As illustrated in the model in Figure 3.1, the constructs that were studied are:

1. core competencies for chain restaurant firms;
2. resource allocation for development and implementation and signaling;
3. the organization's financial position.

As each construct is defined and examined, the research question pertaining to it and the operational questions used in the interviews will be reviewed.

Core Competencies

In the literature, various terms were used by different researchers. Distinctive competencies, core capabilities, organizational capabilities, and resources have been several of the terms identified. The distinctions between the terms are subtle (Barney, 1997). The term core competency was adopted for this study. According to Prahalad and Hamel (1990) a core competency is a "bundle of skills and technologies that enable a company to provide a particular benefit to customers" (p. 199). It has also been defined to include assets and processes which were incorporated into the definition. Managers were asked to identify core competencies 'what bundle of skills, assets, processes, and technologies they posses that enables them to provide a benefit to customers that creates competitive advantage'.

Previous studies have suggested a number of methods for identifying core competencies. Klein and Hiscocks (1994) suggested that core competencies be identified through interviews, examining organizational structure, products, and services. Tampoe (1994) suggested selecting products and services that contribute the most to the organization's revenue/ strategy, as well as identifying the components used to create them. The interviews provided the core competencies as decided by executives, that were then listed on the survey for unit managers to chose those they believed to be the core competencies. For each research question, the data source is noted.

Secondary data in the form of documents and printed media also provided additional data for these questions. Following the discussion of each construct, the research questions, operational questions, and data source are provided. (see Table 3.1, 3.2, 3.4) Questions for the interviews were open ended.

The data from the interviews with the executives provided the listing on the survey for general managers of competencies, skills, asset, technology and other data relating to the core competencies. In the final analysis data gathered from the executives for research questions #1 and #2 will be compared to the data gathered from general managers for research questions #3 and #4.

Resource Allocation

Competitive advantage was previously defined as “the unique position an organization develops vis-a-vis its competitors through its pattern of resource deployments and or scope decisions” (Hofer and Schendel, 1979:25). An implicit concept arising from this definition is that decisions must be made, and there must be a pattern of resource deployments. Patterns arise from the decisions of executives and managers on how and what resources are to be used to develop core competency.

Barney (1997) relates that, according to Daft (1983), resources are all assets, capabilities, competencies, organizational processes, firm attributes, knowledge and so forth controlled by the firm to conceive and implement strategies that improve its efficiency and effectiveness. Executives were asked to identify what assets, skills, organizational processes, and technologies are developed/allocated to support competencies. Since this research was conducted in restaurants, skills were categorized as managers’, servers’, and cooks’ skills. In restaurants these categories constitute the majority of the workforce. The importance of allocating resources to the development and implementation of core competencies was posited in the literature. The literature mentioned little about what resources should be allocated and processes for doing this. The questions to gather this information were developed from the literature review and the knowledge of the researcher. They were tested and reevaluated for clarity by a pre-test group consisting of academics and industry professionals. The interviews with executives provided the information on core competencies which was used to develop the survey questions. The data gathered through this process will aid in developing theories and propositions in this relatively under explored area.

In Chapter 2 a number of theories were culled from the literature review concerning developing and implementing core competencies. These serve as a starting point:

1. Management should identify the core competencies and the resources their firms need (Grant, 1991; Schulze, 1993; Klein and Hiscocks, 1994; Collis 1994; Tampoe, 1994)
2. There must be a plan for capital investment in developing competencies (Naugle and Davies, 1987; Reed and Defillipi, 1990; Prahalad and Hamel, 1990; Stalk et al., 1992; Collis and Montgomery, 1995);
3. There must be a tracking system for competencies and people associated with certain skills (Naugle and Davies1987);
4. Management must gather, organize and interrelate, deploy resources (Doz and Prahalad, 1988; Schulze, 1993);
5. Management must signal to organization members what competencies are important (Simmons, 1990; Hall, 1993).

Financial Impact

Another key factor culled from the literature review pertaining to core competencies is that:

Management must have a system for evaluating the economic return (Lado et al., 1992; Hall, 1992).

Core competencies allow an organization to achieve a unique position in relation to its competitors. Barney (1997), in his review of the organizational performance suggests a good definition of an organization is "an association of productive assets (including individuals) that come together to obtain economic advantages" (p. 31). Performance, he suggests, can be measured using four means: organizational survival, accounting measures, stakeholders

Table 3.1

Research Questions

Research Question	**Operational Questions**	**Sample**
1. Are executives able to identify the processes, skills, assets and technologies that are essential to executing their core competencies?	1. What are the core products and services that you provide? 2. What are the skills, assets, resources and technologies that support those core products and service?	Interview, Secondary Data
2. Are executives able to precisely identify the core competencies which are essential to realizing their intended strategy?	1. How do these skills, assets, resources, and technologies interrelate into bundles that allow you to provide particular customer benefits to core products and services? 2. Of these bundles which would you consider to be a core competency of the company. Core competency is defined as: a bundle of skills, assets, processes, and/or technologies that enable a company to provide a particular benefit to customers in a manner superior to their competitors.	Interview, Secondary Data
3. Do unit general managers understand what processes, skills, assets, and technologies are essential to executing these core competencies?	1. Rate the importance of each skill in association to each competency? 2. Rate the importance of each asset and technology associated with executing each competency?	Survey
4. Do unit general managers clearly understand what the core competencies of the firm are?	1. Rate the importance of each core competency listed to their company?	Survey

Table 3.2

Research Questions

Research Question	**Operational Questions**	**Sample**
5. Do executives allocate resources to the development and maintenance of core competencies?	1. How do you decide what resources to allocate to support each core competency? (name the core competencies) 2. Who else is responsible in the decision making process for allocating resources to support core competencies? 3. How are resources allocated to core competencies? 4. What resources are allocated? (Specify for each competency) 5. What controls are in place for managing the resource allocation process at the corporate level? 6. How do you ensure that managers at the unit level are using the resources allocated to support core competencies?	Interview, Secondary Data
6. Have executives communicated these competencies to unit managers?	1) Who in top management is responsible for signaling to unit level managers: a) what the core competencies are; b) how they are to be developed. 2) What is the process used to communicate/signal to managers: a) what the core competencies are; b) how they are to be developed; c) the resources allocated to them. 3) How is the communication process evaluated and controlled?	Interview, Secondary Data

approaches, and present value approaches (p. 34). The most popular are accounting method followed by net present value (Barney, 1997). The methods used in previous research varied. Many used accounting measures such as the ratio of total income to total assets (Snow and Hrebiniak, 1980); market returns (Hitt and Ireland, 1986); return on market investment (Haskell, 1989); increase in sales/employees over a several year period (Hall, 1992). Cho (1995) and Ventrice (1983) both found that cash measures were the only true measures for financial analysis. They suggest cash based ratios compare restaurants from the demand side, the customers, revealing what the customer is buying.

Core competencies should support the creation of desired customer benefits in products/services. Investment in core products with better customer benefits over those that are inadequate will result in greater demand for that product/service. Customers will purchase these products instead of competitors that do not provide the benefits. If the processes associated with core competencies are implemented well by the organizations' leaders and are followed by organization participants (in this case unit level managers), a better product is created and financial returns will accrue. Companies were ranked using a demand side measure, cash flow per seat. The restaurant chains will be compared and ranked from highest to lowest performing based on cash flow per seat.

One of the suggested managerial capabilities is to be able to have the ability to evaluate economic returns of core competencies and ensure controls for financial return. The ranking of companies will use the cash flow per seat. Since one of the capabilities is the ability to measure economic returns executives will be questioned to investigate what other means are being used in the industry. These issues were addressed in the interviews and accounting data was gathered during company visits.

Cash flow per set was defined as total revenues less expenses. Expenses were defined as those the unit general manager had control over. The figures were averaged over 9 months to a years time period to get a cash flow per seat monthly average. The other three research questions were analyzed by comparing the congruency of answers from unit managers and executive in

Table 3.3

Research Questions

Research Question	**Operational Question**	**Sample**
1. Do restaurant executives have a means for evaluating economic impact of core competencies?(I)	1. Do you have a means for identifying the financial impact of your core competencies? 2. Who is responsible for tracking the financial impact? 3. What controls do you use to ensure financial return from your core competency development? 4. What measures do you use to track financial return?	Interview, Secondary Data
2. Do firms that have a high measure of congruity of understanding between executives and unit managers on core competencies perform significantly better?	(will be answered through analysis of data collected)	Survey
3. Do firms where there is agreement between executives and unit general managers of the necessary processes, skills, and assets perform significantly better?	(will be answered through analysis of data collected)	Survey
4. Do firms that have clearly defined channels of resource allocation perform at a significantly higher level?	(will be answered through analysis of data collected)	Survey

relationship to firm performance. These questions compared interview data with survey data. The methods of analysis used are addressed in the survey data section.

Research questions #1-4 will provide the information to address the whether the firm has clearly defined core competencies.   Research question # 5 addresses whether resources are being allocated to developing, implementing, deploying and maintaining core competencies. Question #6 will identify the means executives use to signal to managers what the core competencies are and the means of maintaining them. Corporations where identification, allocation of resources and communication of said processes can be found are the firms that are proposed to have higher cash flow per seat.

Research Steps

Pre-Test

According to Foddy (1993) there are several methods for question testing:

1. Piloting on a small sample.
2. Asking respondents to answer questions and then rephrase them in their own words.
3. Ask questions, then ask series of questions designed to uncover respondent's interpretations of key concepts.
4. Have respondents think aloud as they formulate answers to questions.

A pretest of the questions used in the interviews was conducted. A group of industry professionals and academics reviewed wording and comprehensibility. The participants were asked to go through the steps outlined above.

Interviews

Interviews are used to uncover specific information from participants who know or have access to the information being investigated. Interviews allow the researcher to acquire more details and greater insight. There are a number of steps to be followed in the interview process. The seven steps of the interview process are thematizing, designing, interview situation, transcription, analysis, verification and reporting. The first step in the interview process was to develop the questions. Questions developed should be evaluated thematically and dynamically. Thematically, they should have relevance to the research theme. The questions were drawn from reviewing literature on the subject matter. Dynamically, they should promote a good interview interaction. The pre-test assisted in evaluating whether the questions would elicit good responses. The interview is like a conversation but should have a specific purpose and structure. The second step is designing. Interviewees should be informed as to the purpose of the investigation as well confidentiality. An ethical guide should be in place. The third step is the interview situation and this involves decisions on what type of interaction will take place and how. In this case, the interviewer will use questions to direct the subject flow. The last steps of analysis, verification, and reporting are addressed in the data analysis section.

Survey

The final data to be collected was from unit level managers to test the congruity between executives and unit level managers on core competency identification, development, deployment, and signaling. This data was collected using a survey instrument. Core competencies must be identified by insiders. It has been theorized that all organizational participants should be using the same strategic game plan. The questions for the survey were the result of executives identifying core competencies and the processes used in their organization.

The survey was pre-tested by the executives, unit managers, and a group of academics. Unit general managers were given a list generated by executives from all companies and asked to rate the skills, assets, technologies, and communication processes used to execute competencies in their company. The measurement technique was a Likert-type scale of 1 (always use) to 5 (never use). They were also questioned as to which methods are used to communicate what competencies are important, and what resources are allocated to competency development. These constructs were also measured using a Likert-type scale from 1 to 5. The responses from the executive manager interviews were compared to the survey data for each company to see the amount of congruity.

Documentation for Triangulation

In the case study, additional supporting data is provided through the use of documents. During company visits, documents relating to any of the concepts behind core competencies were requested in addition to the financial data. For example, such documents included but were not limited to:

1. memos to unit managers that state certain areas of service or production they should be concentrating on;
2. memos on assistance/programs offered through corporate that support competency development;
3. memos on inspection reports of units that include their adherence to company guidelines;
4. newsletters;
5. copies of standard operating procedures that relate to processes, etc. and support core competency development;
6. capital budgets detailing where resources are being allocated;
7. financial reports for the company and for the units that include information for calculating financial ratios for company performance;
8. training manuals.

Articles in industry journals were also gathered for the period 1995-1997 through an ABI data base search.

Data Analysis

The methods of analysis for this study are both qualitative and quantitative. The data gathered from the interviews was analyzed using qualitative methods. Miles and Huberman (1994) defined analysis "as consisting of three concurrent flows of activity: data reduction, data display, and conclusion drawing/verification" (p. 10).

Data Reduction

Data reduction is "the process of selecting, focusing, simplifying, abstracting, and transforming the data" (Miles and Huberman, 1994:10). Various methods can be used, such as writing summaries, coding, writing memos, teasing, themes, etc. Interim case summaries were prepared for each firm as the interviews and secondary data was being collected. Summaries are synthesis of what the researcher knows about the case and what remains to be discovered. The summaries were written accounts with first impressions. Data accounting sheets were also produced. The sheet arrays each question by informant and/or source. As data is accumulated for each question, the source and a synopsis of the data was placed in cells. This assisted in showing where data was missing and, when completed, was used to develop summaries. As an example, the summaries provided a description based on the information received from various informants of the process of resource allocation. The data display sheet indicated that the information had been collected for each company as well as from whom.

Data Display

According to Miles and Huberman (1994), data display is a visual format that presents information systematically so the users can draw conclusion. "Analysis of qualitative data rests very centrally on displays that compress and order data to permit drawing conclusions, while guarding against the overload and potential for bias that appears when we try to analyze extended, unreduced text" (Miles and Huberman, 1994:141). Displays can be in the form of matrices or networks. Display types can be used for exploratory investigations in the opening stage when variables are unclear, a time ordered event, descriptions of setting, and finally when a study is less exploratory and involves a rather clearly defined set of variables. A matrix was developed which grouped questions related to each other in rows and columns.

There were two rounds of data display and analysis. The first round displayed answers to the questions in four broad groupings: core competencies; resource allocation; communication processes; financial data for each company (See Sample Table 3.4). This allowed the researcher to determine if data was missing and view all the data collectively for the different constructs.

The second round of data display and analysis was a comparison of all three companies (See Sample Table 3.5). These matrices provided the data for developing the survey questions.

Drawing and Verifying Conclusions

This study drew conclusions and made comparisons. Each of the tables developed were used in this process along with statistical data derived from the survey. Chapter 4 will present the findings from the interviews. Conclusions will be drawn on core competency identification and development processes used by the different firms for resource allocation, and communication in Chapter 5. Methods for drawing conclusions are noting patterns, themes, making metaphors of, counting, etc. Patterns and themes will be examined in the data. Propositions are presented in Chapter 5 in addition to suggestions for future research from any themes and patterns that arise in the data.

Survey Data Analysis

The survey of unit level managers provided the data for comparison to executives' interviews. On a Likert-type scale, they indicated which competencies they use or develop in their units, and what skills, assets, and technologies were necessary for core competencies. The means for each company unit managers on each competency was compared using Analysis of Variance (ANOVA). ANOVA is used to test difference in means when there are three or more independent groups. One way ANOVA is also appropriate when only one dependent variable is used. Each core competency was used as the dependent variable to compare the three companies. The null hypothesis was that there is no difference, Ho: $u_1 = u_2 = u_3$. For this test the level of significance was also set a p=.05. Cash Flow per seat was also compared using ANOVA. The null hypothesis was that there is no difference, Ho: $u_1 = u_2 = u_3$. Where there was a significant difference, the test statistic, Scheffe, was used to indicate between which groups. The results were then examined to verify if companies that performed significantly higher on cash flow per seat, also had significantly higher means on their core competency. Many of the assets, technologies, and resources stated by the firms were different. For example, one company stated they use satellite broadcasts, another stated that they have certified training stores. A comparison across companies is not possible in this case. The means for the companies on these items were compared using chi-squared to verify if managers rated these as 'important' or 'very important'.

Secondary Data

In addition to responses from executives and unit managers, secondary data was reviewed for each company. Data was collected by two means: by request directly to the company; and through a data base search to collect articles and printed material about the companies.   A database search was completed of articles for each company for the time period, 1995-1997. Secondary data gathered included: financial reports; a copy of a training manual; a copy of a newsletter; a copy of a completed mystery shopper report; articles from media packets; and, any additional data they thought addressed their core competency. Secondary data sources were perused to verify that patterns and themes were similar to those in the interviews. Any statements referring to any of the constructs were noted.

Final Analysis

In the final analysis all three companies were compared. Each company was compared to the others based upon cash flow per seat, a congruency score for the interviews, means of core competency calculated from survey data, and secondary data. The congruency score was based upon executive interviews. This score, based on a scale of 1-5, indicated the amount of agreement among the executives in each company.   If all the executives responded that they concentrated on quality food, this was rated as a five, high congruity. If, however, one executive stated creating a fun environment, but no other executive did, this would lower the score. The score was developed based on counting phrases, listening to interviews for themes and the judgment of the interviewer.

Summary

This chapter discussed the data collection methods used; case study/interview, survey, and secondary data collection. Research questions for the interviews were operationalized and the data gathering method noted. Results of the data collection are provided in Chapter 4, and analysis of results, comments, and future research recommendations are presented in Chapter 5.

Table 3.4 (Sample Matrix)

Core Competencies and Resource Allocation as Identified by Company Executives

Company A

QUESTION	**Executive #1**	**Executive #2**	**Executive #3**	**Executive #4**
What are the core products and services that you provide?				
What are the Skill Assets Resources Technologies (SART's) that support those core products and services?				
Of these bundles, which would you consider to be a core competence of the company?				
What are the skills associated with executing each competency?				
What are the assets and technologies associated with executing each competency?				
What are the processes associated with executing these competencies?				

Table 3.5 (Sample Matrix)

Core Competencies and Resource Allocation as Identified by Executives

QUESTION	Company A	Company B	Company C
What are the core products and services that you provide?			
What are the Skills, Assets, Resources and Technologies that support your core products and services?			
What are the skills and people associated with executing each competency?			
What are the assets and technologies associated with executing each competency?			
What are the processes associated with executing these competencies?			

Chapter 4. Results

Introduction

The previous chapter introduced the research questions, operational questions and outlined the methodologies. This chapter presents the results of the research and describes the units of analysis. The first section presents the findings from the case study of the three companies. It starts with a short description of the participating firms. It then presents the findings from the initial interviews of company executives on the units of analysis (core competencies, resource allocation, and firm performance) and the secondary data gathered from the firms and data base searches. The second part of the chapter then presents the results of the survey administered to unit general managers. This data addresses the remaining research questions and the propositions.

Case Study Interview Results

Introduction

This section addresses the following research questions:

- Are executives able to identify the core competencies that are essential to realizing their intended strategy?
- Are executives able to identify the processes, skills, assets, and technologies essential to executing these core competencies?
- Do restaurant chain executives appropriate resources to the development and maintenance of core competencies?
- Do executives have a means of evaluating the economic impact of core competencies?

These questions were developed to test proposition one and two that firms that have higher cash flow per seat will:

1. Have defined core competencies
2. Have a system of allocating resources to the development, implementation, deployment, and maintenance of core competencies.

Sample

The three companies chosen meet the criteria of having multiple company owned units, executives aware of the concept of core competencies, and convenience. Companies had to be willing to give full participation. All companies agreed to the interviews of executives and the surveying of their units. Three or four executives were interviewed in each company. Interviews were recorded, transcribed, analyzed, and placed in the matrices. Categories in the matrices were organized according to constructs investigated. Core competencies were defined as a bundle of skills, assets, technologies and processes that enable a company to provide a particular customer benefit. Skills were classified according to major functional division within restaurants of front of the house (servers), back of the house (cooks), and management.

Company A

Company A is a single business restaurant enterprise, which operates multiple units in many states within the United States. Company A is a privately held firm with approximately $160 million in sales. It is in the casual dining segment. Interviews were conducted with three company executives: the vice president of human resources, the chief financial officer, and a regional vice president. The vice president of human resources was interviewed, along with the chief financial officer; the regional vice president was interviewed separately. Additional information was obtained from the vice president of human resources, as he provided tours of the training facility and restaurants.

Unit of Analysis

Core Competencies

Company A's executives stated that they have two core competencies that differentiate them from the rest of the industry: technical execution and a passion for quality service and food. Technical execution and quality food and service are supported by detailed standards and team work systems. There is a very narrow range of acceptability in the standards. They concentrate on consistency in service and preparing quality food from scratch. The specific skills required to execute the core competency within their restaurants vary by position.

Managers must be strong in profit and loss analysis, project management, and team building. They must understand service and food production and be especially strong in culinary skill, understanding recipe execution and production. Many of the general managers have worked their way up in the company. Most general managers tended to stay at units an average of 25 months. Servers must be high energy, self motivated, posses a detailed knowledge of the food product, a sense of urgency, and function well in the teamwork system. They described a culture where servers who could not meet the standards are "run off" by the other servers because the teamwork system is so strong that under performers are eliminated by their peers. For culinary personnel, they must: be organized, posses a certain degree of athleticism, a sense of urgency, detailed knowledge of cause and effect in cooking, and pride in quality work. They described the personalities of the employees who fit into their culture as being ordered and well disciplined, as "gestalt" (See Table 4.1-4.6).

Review of the secondary data gathered at the company and from articles confirmed some of the information provided in the interviews. Language in training manuals, such as "guest experience is sum total of hundreds of details" or "ours is a business of execution", was similar to what executives discussed in interviews.   The same ideas were relayed by managers in articles on the company. The Research and Development Vice-President was quoted as saying "the company's goal with food is nothing less that perfection". Teamwork was also stressed. For example quoting the training manual, "teamwork is the foundation of Company A's service". The manuals appeared to be detail oriented, stressing execution.

Resource Allocation

Budgeting of monetary resources is decided at quarterly regional meetings with the CEO responsible for firm decisions. Service and production standards are decided by the CEO. The Vice President of Strategic Management is responsible for recipe development. Resources used in the development of core competencies are training, a training facility, and feedback from shoppers' reports.

Training for managers consists of a manager training program, ongoing in-house training provided by regional vice presidents, and seminars, such as Steven Covey's "Self Esteem" seminar. Each restaurant has a training manager. Servers go through a 4-week training program and are evaluated by managers and peers. Culinary employees' training is one to four weeks depending on position and experience; 80% are hired at entry level, and as they demonstrate proficiency, they are cross trained. There are company wide core training guidelines and tests which employees are required to pass.

A training center is one of the physical assets dedicated to developing and implementing corporate core competencies. During a visit to the company, this training facility was examined. Restaurants tend to be less cookie cutter and are designed to fit into the character of the location. They do not accommodate groups larger than eight since management thinks this slows service. The maximum amount of tables in each restaurant is usually 50. Restaurants are renovated to keep them fresh. Hard technology attributable to developing and implementing their core competency is minimal. Videos are not used for training because management thinks that the cost of updating frequently is prohibitive. Personal computers (PC) are provided for the manager's office as well as a point of sale system (POS) system on the floor. Few statistics are tracked. They do have a satellite broadcast system.

Communication Processes

Communicating information concerning the development and implementation of core competencies takes place in a number of ways. The company uses a live satellite program for training and disseminating up-to-date information. Employees can phone-in questions that are answered immediately. The CEO visits each restaurant about once every six weeks in addition to visits from other executives. Managers also exchange visits with other units twice a year and give each other suggestions, ideas, and verbal feedback. Regional Vice Presidents speak to their managers either in person or over the phone every day. The company distributes newsletters for managers which employees are encouraged to read. Quarterly meetings are used to communicate the core competencies. Mystery shoppers visit the restaurants every week and compile reports.

Resource Allocation Process Measurements

Financial returns on core competencies are measured by cash flow and sales increases. The company indicated that they rely heavily on intangibles that cannot be measured, such as people "not leaving because of pride in their store" or thinking the company is on the "cutting edge". When financial data was requested, management had little in terms of statistics. Financial information was scanty. Notes and the annual financial summary was printed on one page. With the following statement in a manual, "profits are not our objective but the result of doing things right", it seems they think if they do things right, such as concentrating on execution, the profits will follow. Executives were certainly aware of the financial position of the company and all units, and managers are evaluated on financial performance.

Company B

Company B is a public corporation in the casual dining business and has numerous brands. It has over 600 units operated both within the United States and internationally generating revenues of over $1.4 billion. Executives from one region were interviewed. The interviewees were a regional vice president, two regional directors, and one area director. The regional vice president was interviewed separately. One regional director and the area director were interviewed together, and the second regional director individually.

Unit of Analysis

Core Competencies

Company B's management described a number of core competencies: creating a casual but efficient operating concept; creating a fun concept; and providing distinctive, delicious, different food daily. Executives stated they want to create a "cool place to work".

The skills needed by position varied. Managers are required: to be strong in communication skills and the ability to listen; possess drive and energy; integrity; an outgoing personality; the ability to create the fun factor; the ability to lead and develop other managers; entrepreneurial capabilities; be profit oriented; posses detail awareness; and be organized. The core standards on evaluation forms for management are: quality of operations; leadership; guest focus; staff development; communication; and sales operating results. Servers must have: outgoing personalities; energy; communication skills; salesmanship; and, good grooming standards. Culinary personnel must: be organized; have good grooming habits; a good attitude; and strong work ethic.

Secondary data confirmed some of the responses. The core competencies were reiterated in their mission statement and training manuals. The director of culinary operations stated that Company B "is dedicated to redefining its food culture". A division president for the company stated "we're very focused on the food quality". Company values stated in their orientation book also reiterated the some of the skills or qualities they were seeking in employees: integrity and honesty; sense of urgency; tough but fair; and have fun.

Resource Allocation

Training for managers consists of a 15-week course. There are on going seminars and fourteen modules that are completed at their individual pace. Part of the development process is also regular feedback from regional directors. Executives stated that they used a number of means to create fun for management and employees, such as having outings and parties. There are designated trainers who provide the training for employees. Servers receive five shifts of training to familiarize them with the company and job. Training consists of classroom training and on the job training. Culinary employees must complete a 10-day training program.

In addition to training, there are certain assets and technologies that support the core competency. There is a test kitchen that is dedicated to menu and video development. There are certified training stores for new managers. Company units have been designed for efficiency in service and food production. They have designed u-shaped kitchens that allow cooks to do more than one job. For technology, there are computer systems that are capable of handling numerous functions, such scheduling and placing orders. Technology in the front of the house is kept to a minimum as they desire more staff/customer interaction that is friendly and warm. This company does use videos for training.

Support of food product rollouts and contests from the marketing department was also stated as important. The marketing department provides table tents and flyers on contests and food products. The company has also aligned with another food service that specializes in developing new concepts and menus.

Budgeting is a top down process executed in corporate headquarters. Functional department heads may make requests and directors and general managers can give feedback whether they think sales projections are feasible. General managers who are strong in sales and cost controls, have more flexibility to run their own promotions, decide on specials, and make decisions on the number of employees to hire. Strong flow through on profit above original projected figures is remitted to corporate.

Communication Process

The company uses voice, e-mail, and memos. Customer focus groups are conducted to solicit feedback. Standards are communicated through training, visits from area directors, regional directors, and vice presidents. There is a newsletter published by the president which provides summaries of performance for the past month and objectives for the following month. There are quarterly meetings between executives. Unit managers maintain logs that are reviewed by regional managers. Shoppers' reports are conducted by area directors and general managers.

Reviewing secondary data sources, the company's mission statement lists quality food, service, atmosphere, spirit, community and profits. The company newsletter provided information on training, store openings and performance, contests, and a one page article on keeping the momentum of their 'Food Culture'. Shopper's reports examined timing in service, friendliness of staff, the amount of information staff relayed to them about such items as frequent diner programs, and house soup and dessert of the day.

Resource Allocation Measures

In terms of financial return, Company B desires a 25% return on investment. Food costs are monitored closely. A food cost percentage variance from budgeted figures indicates to regional directors that managers are either skimping on quality in the product or have too much waste. There should be no more of a variance than ½%. Customer rejection of food items is tracked. All managers and employees are required to monitor and maintain the standards set by the corporation for food. Same store sales are tracked. Top management desires a 4-5% increase per year in comparable store sales.

Company C

Company C is a public corporation with revenues over $300 million. It has three brands in the casual dining sector, with over 350 restaurants within the United States and abroad. The chief financial officer, the vice president of human resources, and a regional director were interviewed. Each executive was interviewed individually.

Unit of Analysis

Core Competencies

Executives of firm C related that their core competencies are consistent service and food quality, day-to-day operations, and management teams. Part of maintaining consistency in service and food quality is related to managers maintaining standards in day-to-day operations. The skills associated with their competency, as in the other firms, varied by position.

Company C seeks managers who possess good communication skills who are very outgoing, and not afraid to talk to people. They must be self-reliant, self-directed, posses an entrepreneurial spirit, and good leadership skills. Servers are hired for “personality, not skill”. They hire friendly people as servers and then train them. There was no detail given on skills that culinary personnel require.

The training manual for servers was reviewed. The manual gave information on policies, tax forms, service standards, and alcohol awareness. The president stated in an article that the "focus these days….is on execution, execution, execution.".

Resource Allocation

According to one company executive, the resource allocation process starts with functional department heads providing an optimal budget, as he stated a "wish list". This is then reviewed along with projection for sales and profits, and the CEO then makes the final decision. Another executive, however, stated that he is just given a budget, which appeared somewhat contradictory. One executive stated that unit general managers who manage cost well and exceed budgeted profit figures, have the discretion to spend the savings on items such as training.

Training for managers encompasses an initial 10-week program that is supplemented with seven modules which are completed at the manager's own pace. There are on going developmental seminars. There is also a training program for assistant managers before they can become general managers that is a skill-based approach on communication and conflict resolution. Service training is for skill. Videos are used when they introduce new products. Training manuals for this company review the basics.

Physical assets to support the core competency are quite varied. They have a culinary team that works on developing products, examines ways to create speed in the food production, and reduces the amount of equipment they have to use for preparation. They have prototype restaurants for their various markets designed for comfort and function. Other resources used to develop and implement core competencies are customer focus groups and market research.

Communication Process

Communication of the core competencies in Company C occurs by various means. There is a 'traveling road show' which is ongoing training brought to different locations by the human resources department. The CEO and other officers are repeatedly in the field visiting stores. Regional directors do not have offices. They remain in the field at all times. They visit each of their units approximately 3 times every four weeks. Units also have information communicated to them through voice mail, memos, monthly objectives sent out by the finance department, and newsletters. Newsletters provide information, such as the accomplishments of various regions, i.e. who had the lowest turnover or the highest sales growth.

Resource Allocation Measures

Company C measures returns on their core competencies by tracking same store sales, the amount of money spent on new training, units sales line, packline (profit generated in units after controllable expenses), and operating profit. At the corporate level, return on investment is tracked.

Summary

When asked in the interviews, all executives stated they had core competencies upon which they concentrated. Such items as execution, quality service and food, day to day operations, and consistent product could be considered core competency if they are a strength of the firm which provides a competitive advantage; however, they may also be considered critical success factors. To be a core competency, a combination of resources and processes must be executed in a manner superior to competitors providing added value to the product and translation into higher performance. In terms of the questions executives were able to respond to all of them. They related skill, processes, assets and technologies. They also stated different means for communicating these competencies. Because the second part of this research effort is to investigate the consistency of unit managers' opinions and executives, executive agreement is an issue. Congruity of answers differed for companies and executives within each company (See

Table 4.7, 4.8, 4.9). Congruity was based upon review of interviews, secondary data, and the judgment of the researcher. Each company's executives statements were compared to count how many responses executives had in common. The score measured:

1. no congruity
2. little congruity
3. some congruity
4. good congruity
5. high amount of congruity.

In some companies, due to scheduling and time issues, executives were interviewed separately or in groups. This was accounted for when examining the amount of congruity. In the instances when there were two executive being examined, there was the chance that congruity in answers was due to group think or having the opportunity to cue another a topic to be discussed. In these instances their answer was counted only as one versus two. Other issues, such as whether both individuals were equally able to describe the assets, skills, technologies, and forms of communication related to the core competencies were examined. Reflecting on the congruity of answers received during the interview process, several conclusions arise. There was not total

Table 4.1

Grand Summary for Core Competencies for each Company

Topic	**Restaurant Company**		
	Company A	**Company B**	**Company C**
Core Competency	Stressed technical execution and maintaining a passion for high quality food and service.	Create a casual atmosphere while maintaining efficiency. Provide distinctive, delicious, and different food and also maintain consistent food product. Create a fun environment.	Maintain high service and food quality. Maintain product consistency. Create strong management teams and day to day operations.

Table 4.2

Grand Summary of Skills Necessary for Core Competency by Functional Position

Topic	**Restaurant Company**		
Skills	**Company A**	**Company B**	**Company C**
Managers	Must be strong in profit and loss accountability; understand food and recipe execution; strong in front of the house operations; strong leader; good at operations project management.	Must possess drive and energy; high integrity; good communication skills; the ability to listen well; possess a certain amount of 'fun factor', the ability to take the job seriously but not themselves; ability to make tough decisions about people and finances; ability to coach and develop others; good detail awareness; leadership skills; entrepreneurial skills; and strong accountability for actions.	Must be bright; able to communicate and talk to others easily; possess leadership skills; ability to train others; a certain level of maturity; be very self-reliant and self-directed; and posses entrepreneurial skills.
Servers	Must be self motivated; possess some prior experience; be energetic; possess detailed knowledge of food product; understand teamwork.	Must be friendly; able to start and hold conversations easily; strong communication skills; energetic; salesmanship skills; good grooming habits.	Must be friendly.
Cooks	Must be organized; understand cause and effect in cooking; possess a sense of urgency; strive for high quality; hands on kitchen experience.	Have kitchen experience; positive attitude; good grooming habits; strong work ethic.	(None were stated by executives).
Miscellaneous	All personnel must possess sense of urgency; like accomplishment; be disciplined and ordered (gestalt); positive can-do attitude; a well rounded individual.		

Table 4.3

Grand Summary of Training Required for Executing Core Competencies

Topic	**Restaurant Company**		
Training	**Company A**	**Company B**	**Company C**
Managers	Completion of 26 week management training, working as line staff then manager; completion of self-esteem and goal setting training.	Completion of 15 week management training' working as line staff then manager; ongoing development through seminars; completion of 14 modules during management tenure; Challenge course which addresses seeing and addressing opportunities.	Completion of 10 week training program; seven modules of ongoing training during management tenure; selected seminars such as Franken Bush and Top Gun; video training on such topics as performance appraisals.
Servers	Completion of 4 weeks initial training; ongoing development at employee line-ups during every shift.	Completion of 5 day training program.	Completion of one week training program; videos provided for updating knowledge; ongoing development at shift line ups.
Cooks	Training done on the job and 80% of individuals must start at entry level. Will be crossed trained as they demonstrate ability.	Completion of 10 day training program.	(none stated).

Table 4.4

Grand Summary of Assets and Resources Required for Executing Core Competencies

Topic	**Restaurant Company**		
Assets and Resources	**Company A**	**Company B**	**Company C**
Physical Assets	Training center situated next to restaurant; restaurants designed for no more than 50 tables, no eight tops, maximum 7000-7500 square feet.	Prototype building designed with u-shaped kitchen, overall restaurant maximum 5500 square feet; certified training stores; test kitchen.	Kitchens designed for compactness and production ability; prototype restaurants designed for comfort and function.
Technology	Personal computers give limited information; satellite television broadcasts; avoid front of the house technology.	Personal computers for schedules, downloading information from corporate and other functions; avoid technology in front of house unless manager can justify financial versus customer contact; videos for training; voice mail and e-mail.	Personal computers are provided for scheduling, and other functions; technology provided to keep regional vice presidents out of the office and in the field.
Other Assets and Resources	Standards with narrow range of acceptability set by President; menus structured for regional taste; Vice President of Strategic Development responsible for recipe development; finance person goes to stores each week and downloads information for managers and reports; shoppers reports.	Aligned with Lettuce Entertain You to take over culinary department in one restaurant to develop and improve menu; contests to solicit recipes; marketing department supports food rollouts with table tens and other media; focus groups and comment cards; shoppers reports.	Culinary team for recipe development and production studies; focus groups and market research.

Table 4.5

Grand Summary of Allocation and Control of Resources Required for Executing Core Competencies

Topic	**Restaurant Company**		
Resources	**Company A**	**Company B**	**Company C**
Allocation of Resources	Regional meetings once a quarter with COO who is ultimately responsible for allocation; invest in capital improvements.	Ultimately corporate sets allocation budgets, then units get to respond to it.	Corporate sets budgets and gives to units and departments; Units can use excess profits to put back into stores in training and other areas.
Resource Allocation Process Measures	Verbal peer evaluations from servers on new servers; training evaluated by customer letters and by executive visits to restaurants; other intangible measures; broadcast to each store figures for other stores; No set figure for same store sales increases; track cash flow; measure managers on controllable expenses.	Managers held accountable for budget, daily inventories; all employees responsible for maintaining standards for 3-D food; track food rejection rate; positive same store sales; look for 25% return on invested capital; track food costs variance to monitor how close food is to specifications; managers responsible for all pack items.	Look for a 2% increase in same store sales; track sales, profit after controllable expenses in each unit; track return on investment, internal rate of return; return on assets and cash flow at regional and corporate level.

Table 4.6

Grand Summary of Means Used to Communicate Core Competencies

Topic	**Restaurant Company**		
Communicating Core Competencies	**Company A**	**Company B**	**Company C**
Verbal Communication	Regional Vice President visits restaurant every other week; President visits stores every six weeks; Regional Directors telephone managers every day one on one; General Managers get to visit two other stores twice a year to get and give feedback.	Voice mail; Two newsletters are printed; Performance Reviews; Area Director visits units on average every 10 days; Regional Vice Presidents visit once a month; Vice President visits twice a year; Information communicated during orientation; Quarterly meetings.	Area Director visits each unit 2-3 times every 4 weeks; Voice mail from the Regional Vice President; Visits from the CEO and Vice President; traveling road shows for training.
Printed Media	Newsletters written for managers; Shoppers' reports.	E-mail; Shoppers reports; Mission Statement; Maintain log books.	Finance sends out monthly objectives; Memos from executive offices.
Other	Satellite Broadcast Programs used to train and disseminate information,		Employee focus groups,

Table 4.7

Summary Comments on Answers from Respondents in Interviews

Topic	**Company A**	
	Congruity Rating	**Congruity of Responses**
Core Competencies	4.8	In this case different terminology was used. Two executives described the competency as technical execution. The third executive stressed quality but in the interview stressed detailed standards as important to achieving quality.
Skills	4.5	Skills necessary for implementing core competencies were in high agreement among the executives. All seemed to have a clear consistent idea of what they look for in employees with few differences or additions.
Assets, Technology, other Resources	4.6	In technology all felt having basic personal computer systems was important. They all also felt the standards for all aspects of operations were important. The top executives added a few more items.
Communication	4.3	All agreed visits from executives were important. The regional vice president added shoppers' reports and newsletters. The other executives added the satellite broadcast system and management exchange visits.
Resource Allocation	4.0	Two of the executives stated the chief operating officer was ultimately responsible.
Measuring and controlling resources	4.3	Here there was agreement on tracking cash flow and the use of specifications. One difference noted was the top executives also stressed tracking intangibles. Two executives stated that the chief financial officer was ultimately responsible. Other items were stated by different executives.

Table 4.8

Summary Comments on Answers from Respondents in Interviews

Topic	**Company B**	
	Congruity Rating	**Congruity of Responses**
Core Competencies	4.0	There was a clear indication from three of the executives here that the 3D food was important. The third executive stressed distinguishing themselves as a grill but not necessarily the 3D food concept. Two of the executives also added the fun, casual atmosphere they attempt to create.
Skills	3.5	Skills stated differed. For cooks there was little matching of responses, and also for servers and managers. The only skills totally agreed on were that servers needed to be friendly and able to hold a conversation, and managers needed leadership skills.
Assets, Technology, Other Resources	4.3	The vice president was very detailed in the resources used and provided a more extensive list than the regional and area directors. The assets listed by the area and regional directors were the very similar. Responses to technology used differed.
Communication	3.9	The same situation occurred here with the top executive providing a more comprehensive list of what communication means are used. All executives agreed that visits from corporate personnel to the units was a main form of communication, and three executives agreed that e-mail and voice mail were important.
Resource Allocation	4.5	Executives stated that corporate sets the budget and they get to review it to see if it is reasonable.
Measuring and Controlling Resources	4.6	For measurement and control the top executive stressed controllables. The other executives also mentioned controllables but also added more detailed measurements; for example, tracking reject items.

Table 4.9

Summary Comments on Answers from Respondents in Interviews

Topic	**Company C**	
	Congruity Rating	**Congruity of Responses**
Core Competencies	3.6	There was agreement between two of the executives on the core competency on consistency and quality, with one of the two adding day to day operations. The third executive stressed management team.
Skills	3.2	In this case one executive was very detailed on skills required, and the other two were not. None of the executives could give skills required for cooks, and it seemed to be unimportant to them, and for two of the executives servers skills were not very important either; one stated they just had to be nice.
Assets, Technology, Other	3.2	There was little in the way of assets or technology listed. Two executives did mention a culinary team. For technology they all stated different items.
Communication	3.5	There was agreement among two of the executives as to the importance of store visits from executives and, specifically, the director. Other means used seemed to reflect their positions.
Resource Allocation	3.0	There was a direct contradiction with one executive stating they simply receive a budget, while the chief financial officer said departments get to submit a budget and wish list. Other areas of control than budget also differed.
Measuring and Controlling Resources	3.0	The chief financial officer was more detailed than the other two executives in listing means of measuring and controlling, but all listed quite different means. Some of the different controls were tracking turnover and churn, to monthly reports, focus groups, market research, department heads' reviews.

agreement among the executives on any of the variables. Part of this may have been terminology. For example, in Company A, two executives stressed technical execution which is supported by detailed standards, while the third labeled the competency as passion for quality. However, the executive discussed that the means to accomplish passion for quality was by following through on the detailed standards. In several cases there were differences in answers among executives. If executives are not highly congruent among themselves, the communication of competencies might tend to dilute more as information traveled through the ranks. Answers also appeared at times to be related to position. For example, Company C's vice president of human resources listed their traveling training show as a means of communication, while the chief financial officer listed objectives sent out by the finance team.

Survey Results

Introduction

The purpose of the survey was to ascertain if unit general managers were in agreement with company executives regarding the company's core competencies. This section of the study examines the survey data to answer the following research questions:

- Do unit general managers clearly understand what the core competencies of the chain are?
- Do unit general managers understand what processes, skills, and assets are essential to executing these core competencies?
- Have executives communicated the firm's competencies to unit general managers?
- Do firms with a high measure of congruity of understanding between executives and unit managers on core competencies perform significantly better financially?
- Do firms where there is agreement between executives and unit general managers of the necessary processes, skills, assets, and technologies perform at a significantly higher level?
- Do firms that have clearly defined channels of resource allocation to competencies perform at a significantly higher level?

Once these question are answered conclusions may be drawn as to whether there is support for proposition number three that firms with higher cash flow per seat will:

3. Have signaled to the organization what the core competencies are and their role in sustaining them.

The first step of this process is to pre-test the instrument.

Pre-testing

Pre-testing of the survey began in November of 1997. A sample survey instrument was first developed based upon interview data from the interviews of the executives in the study. This survey instrument was then given to a group of academics and industry managers who commented on any questions or wording that were not clear. They also commented on the use of terms that were not familiar to them. Their suggestions and comments were used to refine the instrument. A copy of the refined survey instrument was sent to the executive who was the original point of contact in each company. The executive completed the survey and made comments. All three responded and their input was incorporated into the final survey. Their responses to the survey instrument were compared to the interview. Their responses matched their original interview except for a few exceptions that did not impact on the core competencies. For example, a question developed from their response addressing a necessary skill or asset, may have been rated on the survey as a “4” versus a “5”. This occurred a total of eight times in an instrument that asked 101 questions. It required approximately 15 minutes for the executives to complete the survey.

Mailing Procedures and Sample Population

The respondent firms provided the addresses for the units and also prepared a cover letter to be enclosed (see appendix) encouraging response. One firm chose to mail the letter, the surveys, and the weekly mailings to units with a stamped envelope to return the survey to the researcher. The other two firms mailed the surveys and had them returned to the company. The surveys were then forwarded to the researcher unopened. Follow up mailings were done within a three week period. For the respondent firm that had the surveys mailed directly to the researcher a postcard (see appendix) was sent two weeks later to non-respondents. A total of 233 surveys were mailed out. A total of 133 usable surveys were returned (See Table 4.10 for response rate).

Table 4.10

Target # of Units and Response Samples

Company	Targeted	Responded	Response Rate
A	50	29	58%
B	98	57	58%
C	75	48	64%

Where there was missing data, firms were contacted to get complete information. Surveys were coded and data entered. Preliminary tests (frequencies, means, standard deviation and histograms) were run to examine the data for outliers.

Validity and Reliability

The validity and reliability of a survey is always an issue, as discussed in Chapter 3. Because the survey instrument was newly developed there was concern for validity and reliability. Reliability means the same individual would receive the same score in a re-test. This was the first time the survey was administered. One means of establishing reliability is through internal consistency. Internal consistency is when groups of questions are developed to measure different aspects of a construct. For example, several questions are developed to measure service quality. Internal consistency is measured by calculating Cronbach's Coefficient Alpha. It reflects the homogeneity of the scale, measuring "how well the different items complement each other in their different aspects of the same variable or quality" (Fink, 1995:24). A number of questions were developed to measure each of the constructs identified in the interviews. The coefficients were acceptable for the constructs 'create fun environment', 'concentrate on day to day operations', 'produce consistent meals', and 'concentrate on maintaining high food quality'. Generally levels of .7 or more are acceptable as representing good reliability (Fink, 1995). The constructs 'distinctive, delicious foods', 'technical execution', and 'strong management team' were in the .6 range, while 'provide high quality service' was in the .5672 (See Table 4.11). These coefficient alphas are lower than desired. Due to the exploratory nature of this research and this being an unrefined survey instrument, these coefficients are acceptable. Any additional testing in further research will require adding more items and/or re-examining existing items for clarity to increase the coefficient alpha to a more acceptable range.

Table 4.11

Internal Consistency Reliability Analysis

Variable	Cronbach Coefficient Alpha	# of Factors
Technical Execution	.6277	2
Distinctive, Delicious Foods	.6791	4
Create Fun Environment	.8536	2
Produce Consistent Meals	.7664	3
Concentrate on Day to Day Operations	.7260	3
Strong Management Team	.6746	3
Providing High Quality Service	.5672	2
Providing High Quality Food	.7677	5

Validity refers to whether a test measures what it is supposed to measure. Face and content validity are qualitative subjective measures. Face validity is only a cursory review by untrained judges. Content validity is a review by persons who have knowledge of the subject matter. Criterion validity provides that quantitative evidence of the reliability of the survey can only occur if there is another instrument to compare the survey against; that is, a gold standard. This was unavailable. Construct validity gives a more reliable means but is only determined after repeated use of the survey and refinement.

While criterion and construct validity are not possible at this time, great care was taken to establish the foundations of a valid survey instrument. Over a 4-month period the survey was reviewed by executives familiar with the concepts. They not only reviewed their original responses, once translated into questions for unit general managers, but the responses of the other respondent firms. The survey was also reviewed by four academics with experience in the restaurant field as well as in conducting research and developing surveys. The survey was also administered to two unit general managers to provide feedback. Content validity is “not a scientific measure…nevertheless, it provides a good foundation on which to build a methodologically rigorous assessment of a survey instrument’s validity” (Fink, 1995:35).

Survey Analysis

The purpose of the survey was to provide the additional data that, in concert with the interview data, would answer the following questions and provide verification of support for the final proposition. The remaining research questions were:

- Do unit general managers clearly understand what the core competencies of the chain are?
- Do unit general managers understand what processes, skills, and assets are essential to executing these core competencies?
- Have executives communicated these competencies to unit general managers?
- Do firms with a high measure of congruity of understanding between executives and unit managers on core competencies perform significantly better financially?
- Do firms where there is agreement between executives and unit general managers of processes, skills, assets, and technologies perform at a significantly higher level?
- Do firms that have clearly defined channels of resource allocation to competencies perform at a significantly higher level?

Propositions

Firms with a higher cash flow per seat will:

1) have defined core competencies;
2) have a system of allocating resources to the development, implementation, deployment and maintenance of core competencies;
3) have signaled to the organization what the core competencies are and their role in sustaining them.

The survey data addressed: first, whether the general managers know what the core competencies are; second, whether they know what skills, assets, processes, and technologies are needed; third, what the cash flow per seat of the company is compared to their scores on the questions. The analysis will be presented based on these categories and the required statistical test to answer the research questions.

Core Competencies, Skills, Assets, Processes, Technologies

These variables were measured on a Likert-type scale from 1 - 5. The list of questions unit general managers responded to was developed from the interviews of the executives at the three sample firms. Core competencies were measured from 1 “strongly disagree” to 5 “strongly agree” (See appendix for copy of survey). Unit general mangers were asked to identify what skills and assets were important in implementing their core competencies. They were measured from 1 “unsure” to 5 “very important”.

The means of the managers for each firm were compared to each other to ascertain which of the competencies and skills managers stressed more in their units. ANOVA was used to compare the means across the three companies. In the instances when a significant difference was found, the post hoc test, Scheffe was utilized in order to verify which group of managers was significantly higher. “Scheffe is a procedure for investigating specific groups of interest in conjunction with ANOVA” (Hair et al., 1992:155). Scheffe is a conservative post hoc test with respect to type 1 error.

Core Competencies

At the alpha level, p=.05 , Company A unit managers rated the constructs ‘day to day operations’, ‘quality service’ and ‘quality food’ significantly higher than the unit general managers at Company C. Company A unit general managers rated ‘quality service’ significantly higher than unit general managers at Company B.

Table 4.12

Core Competencies Significantly Higher in Company A

Construct	**Company**		**Means**		**Significance**
Day-to-day Operations	A	C	4.33	3.85	.010
Quality Service	A	B	4.34	3.46	.000
		C		3.55	.000
Quality Food	A	C	4.37	3.88	.001
Technical Execution	A	B	4.76	4.01	.000
		C		4.08	.000

Table 4.13

Core Competencies Significantly Higher in Company B

Construct	**Company**		**Means**		**Significance**
Distinctive, Delicious Foods	B	A	3.95	3.43	.002
		C		3.49	.001
Create Fun Atmosphere	B	A	4.17	3.19	.000
Day-to-Day Operations	B	C	4.18	3.85	.043

Table 4.14

Core Competencies Significantly Higher in Company C

Construct	**Company**		**Means**		**Significance**
Create Fun Atmosphere	C	A	4.21	3.19	.000

Company B rated ‘distinctive, delicious food’ and ‘creating a fun atmosphere’ significantly higher than Company A, and rated ‘day to day operations’ and ‘distinctive, delicious food’ significantly higher than Company C. Company C rated one core competency significantly higher than Company A ‘creating a fun atmosphere’. Company C had no core competencies that rated significantly higher than Company B (See table 4.12-4.14). All other constructs were not statistically significant across companies.

Skills

Certain skills were found to be significantly higher by firm. All means for skills were compared across companies. Company A unit general managers rated the constructs ‘energy’ for servers, ‘teamwork’ for servers, and ‘can do attitude’ for cooks significantly higher than Company C. They also rated the constructs ‘energy’ for servers, ‘kitchen experience’ for cooks, and ‘can do attitude’ for cooks significantly higher than Company B. Company B rated ‘integrity’ for managers and ‘providing quality product’ for cooks significantly higher than Company C; and they rated ‘managers make it fun’ for manager skills, ‘casual’ for servers, and ‘promotes product’ for servers skills significantly higher (See Table 4.15 - 4.16). All other constructs for skills were not statistically significant across companies.

Assets, Technology, Other Resources

Unit general managers responded to questions relating to the assets, technologies and resources that assisted them in implementing their core competencies. The assets stated by executives varied for each company. In this case, means were used to see the level of importance unit general managers attached to the assets. For Company A the means were: the training center a 3.42; design team for restaurants a 3.52; prototype buildings was 2.78; and personal computers a 3.00. These means rate the importance of these assets to general managers as “average”. For Company B, the means were: test kitchen 3.83; culinary team a 3.79; for prototype building 3.41; and for personal computers a 4.37. These means also are in the range of average, with culinary

Table 4.15

Skills Significantly Higher in Company A

Construct	**Company**		**Means**		**Significance**
Energy (servers)	A	B	4.33	3.77	.009
		C		3.63	.001
Teamwork (servers)	A	C	4.63	4.44	.005
Can Do Attitude (cooks)	A	B	4.72	4.38	.013
		C		4.30	.040
Kitchen Experience (cooks)	A	B	3.97	3.07	.003
		C		3.28	.004

Table 4.16

Skills Significantly Higher in Company B

Construct	**Company**		**Means**		**Significance**
Integrity (managers)	B	C	4.79	4.53	.025
Providing Quality Product (cooks)	B	C	4.93	4.54	.001
Managers make it fun (managers)	B	A	4.49	3.85	.011
Casual (servers)	B	A	4.41	3.86	.007
Promotes product (servers)	B	A	4.62	3.93	.003

Table 4.17

***Importance of Assets, Technology, and other Resources (ATR) to Unit General Managers in Core Competency Development**

1 Company A		Company B		Company C	
ATR	**Mean**	**ATR**	**Mean**	**ATR**	**Mean**
Training Center	3.42	Test Kitchen	3.83	Certified Training Stores	3.44
Design Team	3.52	Culinary Team	3.79	Culinary Team	3.96
Prototype Building	2.78	Prototype Building	3.41	Prototype Building	3.02
Personal Computers	3.00	Personal Computers	4.37	Personal Computers	3.26
* ranking: 1 “not at all”; 2 “somewhat important”; 3 “average”; 4 “important”; 5 “very important”					

team coming close to being rated as important, and personal computers rated as important. For Company C the means were: personal computers 3.26; prototype buildings 3.02; certified training stores 3.44; and, culinary team was 3.96. For Company C, all assets were between "average" or slightly above (See Table 4.17).

Communication / Signaling

Unit general managers were also questioned about which forms of communication provide them the most information in regards to the core competencies of the firm and their implementation. For Company A vice president visits as a means of communicating competencies was 4.17, satellite broadcasts a mean of 2.93, newsletters a mean of 3.83, shoppers reports a mean of 4.29, regional directors a mean of 4.48 and regional vice presidents a mean of 4.54. For Company B, regional directors scored a mean of 3.9, shoppers' report a mean of 2.35, newsletters a mean of 2.88, e-mail a mean of 3.12, voice mail a mean of 4.41. For Company C voice mail scored a mean of 4.11, regional directors a mean of 3.98, and regional vice presidents a mean of 3.17 (See Table 4.18).

Cash Flow Per Seat

ANOVA was used to test if the three company's cash flow per seat was statistically significantly different. Cash flow per seat was standardized to z-scores. Company A was found to have a much higher cash flow per seat than the other two firms. The final comparison will be between all three companies, making judgments on the amount of congruity compared to cash flow per seat (See Table 4.19).

Table 4.18

***Degree to Which Each Form of Communication Provides Information About Core Competencies**

2 Company A		**Company B**		**Company C**	
Communication Media	**Mean**	**Communication Media**	**Mean**	**Communication Media**	**Mean**
Vice President Visits	4.17	Shopper Reports	2.35	Regional Directors	3.98
Satellite Broadcasts	2.93	Newsletters	2.88	Regional Vice President	3.17
Newsletters	3.83	Regional Directors	3.90	Voice Mail	4.11
Shopper Reports	4.29	E-Mail	3.12		
Regional Vice Presidents Visits	4.54	Voice Mail	4.41		
Regional Directors	4.48				
*rankings: 1 “not at all”; 2 “limited information”; 3 “somewhat informative”; 4 “very informative; 5 “provides the most information”					

Table 4.19

Company Comparison on Cash Flow per Seat and Congruency

Company	**Cash Flow Per Seat**	**Congruity of Executives**	**Survey Results**	**Secondary Data**
A	$551*	4.41	Significantly higher on the competencies and some of the skills stated; had higher means for communication forms.	Articles and company publications reiterated what executives had said in the interviews.
B	$330	4.13	Significantly higher on some of the competencies and skills. Many of the assets stated as supporting competencies had high means; many forms of communication had low means.	Secondary data such as evaluations for managers, mission statement and other company documents reiterated what executives stated in the interviews.
C	$328	3.25	Few core competencies were significantly higher and no skills were. Communication forms also had low means but assets did have a few higher means.	Secondary data did not support well what managers had stated in the interviews.

* Statistically significantly different at p=.05

Summary

Unit general managers varied from executives in their ranking of the importance of competencies, skills, assets, technologies, and communication. The remaining questions lead to the three propositions. The propositions of the study stated that there would be differences between higher and lower performing firms in the amount of congruity between managers and executives. The results from the interviews, surveys, and cash flow comparison, when examined across companies, gives some reasoning for cash flow differences between Company A compared to Company B and Company C, but not all. Conclusions as to why this may have occurred are presented in the discussion in Chapter 5, along with a discussion on the feasibility of the model and propositions

Chapter 5. Discussion and Conclusion

Introduction

The purpose of this chapter is to present the insights gained from the research findings. In Chapter 1, the model describing the relationship of core competency development and implementation to cash flow per seat was presented. The model posits that higher cash flow per seat would result from executive and unit general manager alignment in core competency identification, development and execution. The model is based on a review of the theoretical literature in the restaurant industry and the resource based view presented in Chapter 2. In Chapter 3 the methods of testing the proposed relationships were discussed, and Chapter 4 presented the results of the data analysis. This chapter presents an analysis of the results in order to present propositions and refine the model. The chapter concludes with a discussion of the limitations of the model, the research methods, and provides suggestions and propositions for future research in the resource based view on core competencies. Before beginning the discussion, there will be a short review of the findings from the data analysis presented in Chapter 4.

1. The interviews with company executives provided the following information:
    a) Company executives identified the core competencies of their firms;
    b) Company executives detailed the skills, assets, processes, and technologies that they think are important to developing and implementing these competencies;
    c) Company executives stated resources are allocated to support the development and implementation of these competencies;
    d) Company executives stated that information is communicated to general mangers at company operated units and identified the means through which this communication took place;
    e) Company executives identified the means they utilize to evaluate the economic impact.

Statistical analysis of the data from the surveys administered to unit general managers revealed that:

a) Unit general managers in Company A and Company B rated the constructs identified by their executives for the core competencies, skills, assets, and technologies significantly higher than Company C managers;

b) Company A general managers identified four forms of communication: shoppers reports; regional directors; regional vice presidents, and the vice president as important sources of information on core competencies, compared to Company B and Company C which only identified voice mail as important.

c) Support was found for the propositions that firms with higher cash flow will have executives and managers more aligned in the core competency process.

Constructs

The model was developed around the constructs: core competencies, resource allocation, communication, and cash flow per seat. Each of the constructs was included in the model based upon research support found in the resource based view and the restaurant industry literature. The three companies were compared based on cash flow per seat, and Company A was found to be significantly higher. The findings from Chapter 4 will be discussed and conclusions drawn based on analysis of the constructs as to why there was a significant difference in cash flow per seat.

Core Competencies

The study collected information from executives on the core competencies employed by their company. This information was compared with responses from unit general managers. It should be remembered that core competencies are invisible to competitors (Tampoe, 1994), rare (Barney, 1986, 1991, 1997), inimitable, lack transferability and replicability (Barney, 1986, 1991; Dierickx and Cool, 1989; Prahalad and Hamel, 1990; Grant, 1991; Tampoe, 1994). Because of these inherent characteristics, it therefore follows that the individuals possessing the most definitive information on the core competencies of the firm are insiders: the executives and managers. Executives, when questioned, identified what they perceived as the core competencies for the firm, along with the related skills, assets, technologies, signaling processes, and control process that were necessary to develop and implement them. General managers then rated the importance of executives' responses.

Company A and B had a greater amount of congruity among executives than Company C. Company A unit general managers rated three competencies, 'technical execution', 'service quality' and 'food quality' significantly higher than unit managers at the other companies. Company C rated two competencies, 'distinctive, delicious food' and 'creating fun' significantly higher than Company A. Company C rated 'create fun atmosphere' significantly higher than Company A but not Company B. Company A significantly outperformed Company B and Company C.

There may be several explanations for why this significant difference occurred. In Chapter 4, tables 4.7-4.9 presented the findings on the degree of congruity among executives of each company. Company A appeared to have the highest amount of congruity among executives, with Company B, the second highest. Alignment in the original model was depicted as occurring between executives and unit general managers. When examining all three companies, comparing interview, survey, and secondary data, both Company A and Company B had more agreement between their executives and managers on the important core competencies, but Company A had the most agreement among executives. Company C had little agreement on what competencies were important among executives and among unit general managers.

Quite clearly, there must be a high amount of congruity among the executives in addition to the congruity between executives and unit general managers. According to Powell (1992), top managers exercise considerable influence on organizational alignment. Aoki (1990) discussed that effective and efficient coordination was important. Executives that can not achieve alignment effectively among themselves and with their unit general managers lack a valuable skill. Company A creates more synergy and has more efficient utilization of resources for competency development and execution due to their stronger alignment.

In addition, reviewing the means of the responses of unit general managers concerning core competencies, Company A managers rated ‘technical execution’, quality service’ and ‘quality food’ above a 4.0. They ‘agreed’ to ‘strongly agreed’ that these were the firm’s competencies. Company B managers rated ‘distinctive, delicious food’ and ‘creating a fun atmosphere’ respectively 3.94 and 4.17. With a mean of 3.94 there was less agreement between executives and general managers as to the importance of ‘distinctive, delicious food’ as a competency. Company B secondary data stated that they were adopting a new food culture; however, this was not the competency that had the lowest rated mean. Changing cultures does take time, and it is quite possible that there is an effect on their cash flow per seat that this study was not able to discern. When communication of information is examined, however, Company C and Company B had only voice mail rated as very informative. General managers may not be receiving the information they require to develop and implement core competencies. Company A had better alignment in other necessary components in the core competency process, such as communication and resource allocation.

The competencies Company B focuses upon may not be correct core competencies for their industry or for customers. As discussed in Chapter 1, there are critical success factors for all industries. Core competencies may be related to industry and customer needs. Emphasizing competencies in the critical success areas of the industry may provide a competitive advantage. Some of the core competencies stated seem to be necessary (critical success factors) in the industry for success, such as ‘technical execution’, ‘quality service’, and ‘quality food’. It is quite possible that for restaurant companies, these are critical success factors; and firms that perform or implement them exceptionally well they are also core competencies. Critical success factors are related to competition and customer issues in the task environment. It is possible Company A is more in alignment with customer needs and competitive forces in the restaurant industry. For example, ‘creating a fun atmosphere’ may not add additional customer benefit that results in increased rents. Concentrating on ‘technical execution’, which also supports ‘quality service’ and ‘quality food’, may provide great customer benefit and generate greater rents. According to Lado, Boyd, and Wright (1992) one of the components of distinctive competence is the outputs. This research examined core competencies strictly from the perception of executives and general managers. The output from competencies, the customer benefit that generates rents, may be greater for Company A than Company B.

Critical success factors were discussed previously in Chapter 1 as the crucial activities and processes within a company that are industry/business environment specific. For a firm to be successful, it must perform at a high level across critical success factors. Core competencies reflect the firm's ability to implement and achieve those critical success factors. Core competencies as defined within the resource based view are the combination of resources, skills, technology, and assets that enable a company to provide a particular benefit to customers in a manner superior to competitors. While critical success factors were not postulated in the original model, the link between the two is shown quite clearly through the example of Company A and Company B. Factors that are critical success factors in the industry and are also core competencies for Company A, provide superior cash flow per seat.

"Initially, researchers focused upon attempting to define competitive situations, strategies and styles which seemed capable of consistently producing good performance. Results have been mixed, and it seems that we should abandon the search for universally appropriate strategies or management styles. Instead it seems more sensible to recognize that any strategy is only appropriate in a given set of competitive conditions. Similarly specific organization cultures and/or leadership styles are only appropriate in given strategic situations" (Chorn, 1991:20). According to Chorn there must be a fit between many factors for superior performance. These factors encompass elements from the external and internal environments of the organization. While executives have to maintain alignment in the process of developing and implementing core competencies, the specific competencies required would have to some degree align with competitive factors in the environment. The degree to which each alignment contributes to improved performance may vary but is likely a linear relationship. The better the alignment between many elements the better the financial performance.

Proposition 1: Firms that have a higher degree of alignment between critical success factors and core competencies perform better

For future research the model should be expanded to test the impact of high alignment between critical success factors and core competencies. The original model was designed to examine internal processes without accounting for other intervening variables. From the results of the research, with Company A having both high congruity and high cash flow per seat and Company B having high congruity but a cash flow per seat similar to Company C which had low congruity it appears that there may be other factors that could help account for differences.

Resources

The lack of congruity or low level of agreement is also found in Company B and Company C in unit general managers' ability to identify the skills, assets, and other resources needed to implement the firm's core competencies. Skills that are necessary for creating 'distinctive delicious food', such as kitchen experience, or other cooks skills, are not rated highly by Company B's unit general managers. According to Barney and Zajac (1994) companies must examine how resources are related to each other. Having skills, assets, and technologies that are in alignment with the core competencies is important.

Assets were easily identified by executives, but general managers were unable to discern the relationship between these assets and the development of core competencies. This may occur because the corporate culinary research and development department may not interact in a meaningful manner with operating units. The importance of the assets may also not have been communicated to general managers by executives. It remains unanswered whether there are assets at the general manager level that are more clearly connected to competency development.

Training in all companies included orientation, standards, and testing. Length of training varied by company and position. Training was stressed by the executives at all firms as a means of communicating the firm's core competencies. Company A unit general managers did indicate that the firm provides 'quite a bit' of resources for training for core competency development. Training for servers and cooks at Company A was more extensive and for a longer time period than at Company B and Company C. Company A servers trained from 2-3 months and cooks from a week to a month initially with ongoing training. Unit general managers at Company B and Company C, however, did not rate training as very instrumental in developing the skills necessary to execute their core competencies. Company B servers received six days of training and cooks were trained for 10 days. Company C had only five days of training for servers and did not indicate any training for cooks. This may indicate that: managers may not perceive the link between training and core competencies; the initial training is not of sufficient depth and time to develop the necessary skills; the importance of training has not been communicated to managers; the training may often times not be completed by the employee due to various circumstances; adequate resources are not allocated to training; or the training is not tied to competency development. According to Dierickx and Cool (1989) resources and skills are accumulated over time. Because core competencies are developed over time, the depth of training provided to an employee may not be sufficient to impart all the knowledge and accuracy required to attain proficiency; therefore, the link may not be as apparent to unit managers. Training is just one part of an overall process of knowledge acquisition and skill development over time. Support, whether from budget allocation or personnel, must also be given by corporate to units.

Technology attributed to core competency development by the executives is primarily information based, including satellite broadcast. The use of technology for delivering service was not mentioned in the interviews. Technology, much like training, may be only a small contributor to the development of core competencies making it more difficult for managers to comprehend the connection. A point of sale system (POS) can be quite sophisticated and have functions that increase managers and servers productivity. It may not, however, be viewed as contributing to quality service even though the POS is a time saving device that allows managers and servers more time to concentrate on other points of service.

In review, comparing the three companies on resources, unit general managers at Company A identified more areas of supportive resources from corporate in core competency development. The rated that the company provided ‘quite a bit’ in the way of resources in training, assistance from regional directors, the test kitchen, and secret shoppers.

Communication

Executives signaling to managers where to focus their attention was considered an important part of the process in creating alignment within the firm for the development and implementation of core competencies. Simmons (1990) and Hall (1992) proposed the importance of signaling or communicating to organizational members what they were to focus upon. Company A unit general managers identified several means of communication that they rated as very informative. They identified shoppers' reports, regional directors, regional vice presidents, and the vice president as important in the transfer of this information. Company B and Company C only rated voice-mail as important. This was interesting considering a Company C executive had stressed that regional directors did not maintain offices in order to remain out in the field at all times. Both Company B's and Company C's executives had also stated a number of means used to communicate information related to core competencies. However, reviewing copies of newsletter, training manuals, and other secondary data sources provided there was little evidence of emphasis upon core competencies. Company B did have an article in their newsletter on the "new food culture". However, considering it is a "new culture" they promoting, it would seem that managers would have been inundated with information. The number of techniques that were important in Company A versus Company B and Company C in communicating information may also account for the significant difference in cash flow per seat between Company A and the other two firms. Having several forms of communication helps reinforce to managers what they should concentrate upon. The information transferred also must be in alignment. Information communicated should reflect the development and implementation of competencies. In Company B and Company C, only one information source combined with the lack of high ratings on competencies and inadequate resource allocation reveals a lack of alignment in core competency development.

> **Proposition 2: Firms that demonstrate a high level of alignment among executives and unit managers regarding core competencies, resource allocation, and communication will achieve higher performance**

These propositions provide the beginning for refining the model (see Figure 5.1) for future testing. The model and propositions developed from the data are to assist in clarifying the proposed process of core competency development.

Model

The model was refined based upon the findings of the study. The relationships proposed reflect a process of alignment between executives and general managers in the identification, development, and implementation of core competencies. It also proposes that there must be alignment between the firm and the task environment as core competencies must reflect critical success factors. The research provided rich data to support and refine the model that cash flow can be affected by the core competency process. The model reflects a mostly internal process, however, with only one possible intervening variable hypothesized.

A Model for the Relationship Between Core Competency Development and Higher Cash Flow per Seat

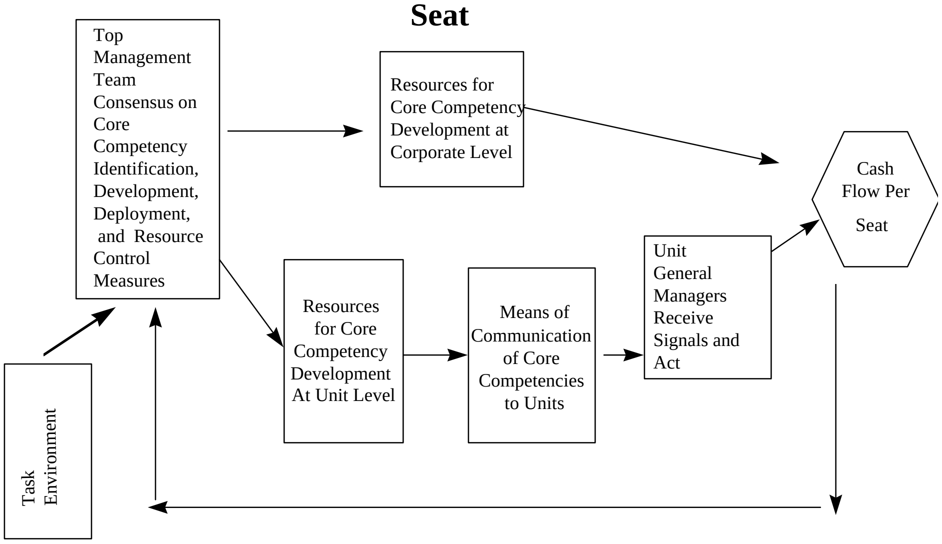
Top Management Team Consensus on Core Competency Identification, Development, Deployment, and Resource Control Measures
Resources for Core Competency Development at Corporate Level
Cash Flow Per Seat
Unit General Managers Receive Signals and Act
Resources for Core Competency Development At Unit Level
Means of Communication of Core Competencies to Units
Task Environment

Figure 5.1

There may be other intervening variables that may affect financial performance, such as structure, strategy, or the general environment. The model and research did not address how much of the variance in cash flow per seat was accounted for by core competency development. The difference between Company A to Company B and Company C in cash flow per seat was considerable. Reflecting on issues in the literature on core competency and their creating competitive advantage there may be several intervening factors not accounted for in the research that could have contributed to the large difference. According to Schulz (1993), organizational resources and skill development are a relatively unexplored area of the fit between strategy and environment. As Schulz indicated core competencies are only a part of a fit between environment and strategy. Whether the competencies that executives and managers identified fit the strategy of the firm is unknown. Grant (1991) suggests that organizations should select strategies that exploit capabilities relative to the environment. The findings lend support to the need for alignment with the task environment but not the general environment. According to Olsen (1989), evidence from research in the hospitality industry suggests that if strategy and structure are aligned with the environment then there will be better financial performance. Peter (1984) posits that within the strategy execution gap is skills. The core competencies for Company B and C may not reflect their strategy, the environment, or market place. It is quite possible that alignment in Company A between strategy, environment, and core competencies may be greater than in Company B and Company C. Aaker (1989) proposes that competencies should be defined with respect to competition. Do the combination of resources, skills, assets and technologies allow an organization to create a product superior to other competitors? Competencies should create a value for customers not provided by the competition. Company A's competencies may provide customers with a better value than the product/service provided by Company B or Company C.

This model also reflects a snapshot in time. Some of the difference in Company A's and Company B's cash flow per seat may be the result of a time issue. Company B refers to their focus on 'distinctive delicious food' as a "new food culture". Changing culture, aligning, and developing the necessary skills, assets, resources, and technologies takes time. Company B may not have had sufficient time to develop the core competencies they have decided to focus upon.

Contributions of the Research

The process of taking current theories in the resource based view and testing them has lead to a refinement of the proposed relationships in the model. This research has provided data in relation to the perceptions of business executives on what core competencies are and the associated skills, assets, and technologies, and what the perceptions of unit general managers are on core competency development and implementation in restaurant firms.

This research has also raised the issue of the interrelationship between critical success factors and core competencies. According to Roberts and Shea (1996) certain skills are critical success factors, and in their research they suggested that yield management in hotels may be one of these factors. It is critical that all hotels have yield management skills. Gellar (1985) in his study on hotels posited that a critical success factor in hotels was to provide high quality food and beverage service in the restaurants. For any restaurant, whether a stand alone or located in a hotel, high quality food would certainly be considered a critical success factor. Critical success factors are defined in response to the industry environment. Future research should continue to explore the link between core competency's alignment with the critical success factors in the environment.

While the sample size was small and the instruments used need more refinement, this study has helped add additional evidence to support the theories in the resource based view that concentrating on core competencies can provide a financial benefit. The data gathered has also provided a more in depth insight into the process of core competency development in three restaurant firms.

Limitations

This study tested a new model using newly developed interview and survey questions. While great effort was made to ensure the validity and reliability of these instruments, the best means of creating validity and reliability are time and re-testing. This research was carried out only in three restaurant companies; therefore, results and generalizations can not be made to other firms or the restaurant industry at large.

Further Research

Further research is required in the area of methodologies to be used and subject areas to be addressed. The questionnaire instruments used in this study were newly developed and there was concern about ensuring the validity and reliability of the instruments. With additional testing the instruments can be further refined.

The best means for identifying core competencies and the processes used to develop them requires further research. This model was tested using a combination of interviews and surveys. Interviews of unit general managers may have provided richer data, resulting in additional insights into why there were differences in alignment.

The model was tested using only three companies. Testing using a larger sample size of more restaurant companies or a sampling of companies across the service industries may provide further validation of the propositions and additional insights into the process.

Another issue in methodology is time. It was suggested that Company B may have experienced a change in cash flow per seat, but because this study is a snapshot in time, it was not apparent. The company was in the process of developing a ‘new food culture’ and change takes time. Future studies might do a longitudinal comparison, or control for companies that may have recently changed strategies or are developing new competencies.

The second area for future research is subject matter. Core competencies are relatively unexplored. The internal process of core competency development and implementation requires further study. In addition the manner in which other intervening variables affect their development and the competitive advantage derived should be explored. Pertinent intervening variables must also be identified. It is important to continue to explore the link between the task environment, critical success factors and core competencies.

Summary

This study was an exploratory study into the development and implementation of core competencies and their relationship to cash flow per seat. In conclusion, the theory of core competencies and their benefits certainly have merit in logical thought processes and through this study also appear to have grounding in reality. This research has begun a process of providing additional data for future research in developing competencies and improving financial performance. Delving into identifying possible means of achieving superior financial performance in the restaurant industry, a service industry plagued with problems of easy replicability of product and service, can only help the industry improve its performance. It has provided as a means of starting this process a refined model, a number of propositions, and suggested areas of future research.

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Appendix A

DEVELOPMENT AND IMPLEMENTATION OF CORE COMPETENCIES IN RESTAURANT FIRMS

1. First please tell me about the core competency(ies) of your firm. A core competency is created by your firm bundling skills, assets, and technologies to create a product/service in a manner superior to your competitors that provides a particular customer benefit. It is what your firm considers is its greatest strength(s) in creating a product/service superior to your competitors. The following is a list of possible core competencies that your firm may have. Please indicate your level of agreement that the statement reflects a core competency.

1 = Strongly Disagree 2 = Disagree 3 = Neither Agree nor Disagree 4 = Agree 5 = Strongly Agree

We concentrate on technical execution	1	2	3	4	5
Detailed knowledge of recipe plate presentation standards	1	2	3	4	5
We concentrate on providing distinctive delicious food	1	2	3	4	5
We concentrate on creating a fun environment	1	2	3	4	5
Strong adherence to standardized recipes	1	2	3	4	5
Creating a causal fun atmosphere	1	2	3	4	5
We concentrate on producing consistent meals	1	2	3	4	5
Evaluative tools for ascertaining food quality	1	2	3	4	5
Culture promotes strong management team	1	2	3	4	5
Extensive training for cooks on food preparation and presentation	1	2	3	4	5
We concentrate on day to day operations	1	2	3	4	5
Systems for soliciting customer feedback on service	1	2	3	4	5
We focus on fresh food plated differently	1	2	3	4	5
Standard processes for managing operations	1	2	3	4	5
Consistent training programs for managers on daily operations	1	2	3	4	5
We concentrate on creating a strong management team	1	2	3	4	5
We have detailed standards and systems for service	1	2	3	4	5
Systems for soliciting customer feedback on food quality	1	2	3	4	5
Maintain adequate number of managers on a team	1	2	3	4	5
We concentrate on providing high service quality	1	2	3	4	5
Feedback loops to minimize customer complaints	1	2	3	4	5
We concentrate on maintaining high food quality	1	2	3	4	5
Reward system promotes strong management team	1	2	3	4	5
Strict adherence to food specifications in receiving	1	2	3	4	5
System for tracking and reducing rejected menu items	1	2	3	4	5

2. Now I would like to ask you about the skills, characteristics, or qualities members of your company must have to implement the core competencies that you have identified above. Please indicate the importance of each to your firm in creating its core competency.

1 = Unsure 2 = Not Important 3 = Somewhat Important 4 = Important 5 = Very Important

Management Skills

Ability to motivate groups to achieve goals	1	2	3	4	5
Understand food and recipe execution	1	2	3	4	5
Knowledge cooking techniques and plate presentation	1	2	3	4	5
Understand operations project management	1	2	3	4	5
Leadership skills	1	2	3	4	5
Drive and energy	1	2	3	4	5
Ability to communicate a vision to employees	1	2	3	4	5
Ability to motivate employees to carry out goals	1	2	3	4	5
High integrity	1	2	3	4	5

1 = Unsure 2 = Not Important 3 = Somewhat Important 4 = Important 5 = Very Important

Management Skills Cont.

Goal and mission oriented	1	2	3	4	5
Ethical Standards	1	2	3	4	5
Ability to prepare employees for promotion	1	2	3	4	5
Understanding right from wrong	1	2	3	4	5
Communication skills	1	2	3	4	5
Ability to create a fun atmosphere	1	2	3	4	5
Ideas and ability to increase business	1	2	3	4	5
Ability to maintain upbeat atmosphere	1	2	3	4	5
Ability to make tough decisions	1	2	3	4	5
Coaching and development skills	1	2	3	4	5
Motivating employees to improve job performance	1	2	3	4	5
Business development skills	1	2	3	4	5
Has good speaking and listening skills	1	2	3	4	5
Takes the job seriously but not themselves	1	2	3	4	5
Exchanges information freely in a easily understood manner	1	2	3	4	5

Server Skills

Casual but efficient service style	1	2	3	4	5
Self motivated	1	2	3	4	5
Prior restaurant experience	1	2	3	4	5
Finds it easy to interact with others	1	2	3	4	5
High stamina person	1	2	3	4	5
Finds working in a group to achieve goal satisfying	1	2	3	4	5
Highly animated person	1	2	3	4	5
Detailed knowledge of menu items	1	2	3	4	5
Finds it easy to converse with guests	1	2	3	4	5
Understands teamwork	1	2	3	4	5
Interacts easily with people	1	2	3	4	5
Always assists fellow workers	1	2	3	4	5
Communicative and outgoing personality	1	2	3	4	5
No prior hospitality work experience	1	2	3	4	5
Exchanges information freely in a easily understood manner	1	2	3	4	5
Works well in groups	1	2	3	4	5
Good speaking and listening skills	1	2	3	4	5
Promotes product to encourage guests to increase check average	1	2	3	4	5

Cook Skills

Organized	1	2	3	4	5
Understand theories of cause and effect when cooking	1	2	3	4	5
Works to complete tasks in a timely efficient manner	1	2	3	4	5
Has good foundation of knowledge in food products and cooking methods	1	2	3	4	5
Works in an orderly manner	1	2	3	4	5
Sense of urgency	1	2	3	4	5
Can keep up with fast pace	1	2	3	4	5
Understand and wish to provide quality product	1	2	3	4	5
Maintains themselves in an orderly neat fashion	1	2	3	4	5
Wants to achieve success	1	2	3	4	5
Kitchen experience	1	2	3	4	5
Degree of athleticism	1	2	3	4	5

1 = Unsure 2 = Not Important 3 = Somewhat Important 4 = Important 5 = Very Important

Cook Skills Cont.

Highly disciplined	1	2	3	4	5
Can do attitude	1	2	3	4	5
Grill experience	1	2	3	4	5
Has a positive disposition	1	2	3	4	5
Well rounded individual	1	2	3	4	5
Is reliable in their work	1	2	3	4	5

3. Please tell me about the training provided by your firm. Please evaluate the training programs offered by your firm for each position below. Please indicate whether the training programs for each position below provides the knowledge or helps develop the skills needed to implement your core competencies.

1 = Strongly Disagree 2 = Disagree 3 = Neither Agree nor Disagree 4 = Agree 5 = Strongly Agree

General Manager	1	2	3	4	5
Unit Managers	1	2	3	4	5
Server	1	2	3	4	5
Cook	1	2	3	4	5

4. Please indicate the degree to which the following media is used to communicate to you what the core competencies are for your firm.

1 = Not at All **3 = Somewhat Informative** **5 = Provides the Most Information**
2 = Limited Information **4 = Very informative**

Private Satellite Broadcasts	1	2	3	4	5
Voice Mail	1	2	3	4	5
E-Mail	1	2	3	4	5
Newsletters	1	2	3	4	5
Shoppers Reports	1	2	3	4	5
Other General Mangers Visits	1	2	3	4	5
Memos	1	2	3	4	5
Regional Directors	1	2	3	4	5
Regional Vice Presidents Operations	1	2	3	4	5
Vice Presidents	1	2	3	4	5
Meetings	1	2	3	4	5
One on Ones with Corporate Executives	1	2	3	4	5
Other ______________________	1	2	3	4	5
Other ______________________	1	2	3	4	5

5. How important are the following items in assisting you to develop and implement your firm's core competencies

1 = Not Important 2 = Somewhat Important 3 = Average 4 = Important 5 =Very Important

Customer Focus Groups	1	2	3	4	5
Comment Cards	1	2	3	4	5
Shoppers Reports	1	2	3	4	5
Training Videos	1	2	3	4	5
Other	1	2	3	4	5

6. Please tell me about the assets the firm provides that assist you in carrying out the core competencies. Please indicate their importance.

1 = Not Important 2 = Somewhat Important 3 = Average 4 = Important 5 = Very Important

Personal Computers	1	2	3	4	5
Training Center	1	2	3	4	5
Restaurant Design Team	1	2	3	4	5
Restaurant Prototypes	1	2	3	4	5
Test Kitchens	1	2	3	4	5
Certified Training Stores	1	2	3	4	5
Culinary Team	1	2	3	4	5
Kitchen Design Prototypes	1	2	3	4	5
U-Shaped Kitchens	1	2	3	4	5
Other _______________	1	2	3	4	5
Other _______________	1	2	3	4	5
Other _______________	1	2	3	4	5
Other _______________	1	2	3	4	5

7. In your opinion at what level does your firm provide resources to develop the skills, assets, and processes necessary to implement and develop your core competencies in the following areas?

1 = Not at All 2 = Very Little 3 = Average 4 = Quite a Bit 5 = A Lot

Adequate human resources	1	2	3	4	5
Training	1	2	3	4	5
Technology	1	2	3	4	5
Market Studies	1	2	3	4	5
Customer Surveys	1	2	3	4	5
Assistance from Regional Directors	1	2	3	4	5
Budgetary Discretion	1	2	3	4	5
Remodeling and renovating restaurants	1	2	3	4	5
Secret Shoppers	1	2	3	4	5
Guest Letters	1	2	3	4	5
Other _____________	1	2	3	4	5
Other______________	1	2	3	4	5

8. Please tell me about the **Cash Flow** and **Average Number of Seats** for your unit for the prior nine (9) months. Please calculate your cash flow using the following formula and fill in the information in the blanks. **Cash Flow is defined as sales minus controllable expenses**. Then please indicate the average number of seats in your restaurant for last fiscal year.

___________ _____________

Cash Flow **Number of Seats**

9. Finally, please indicate how many months you have been General Manager at this unit.

________ **Months**

Thank You. Your contribution to this project is greatly appreciated.

Vita

JACQUELINE DE CHABERT

EDUCATION

9/92 - 6/98	Virginia Polytechnic Institute and State University, Blacksburg, VA Hospitality and Tourism Management Department Ph.D. Major: Hospitality Administration
9/86 - 9/88	Florida International University, Miami, Fla. School of Hospitality Management Master of Science Major: Hotel and Food Service Management.
9/83 - 5/86	Howard University, Washington, D.C. School of Social Sciences Bachelor Degree Major: Political Science.

EMPLOYMENT

Academic Experience

9/96 - present	ASSISTANT PROFESSOR. Florida State University, Tallahassee, Fl. Courses: Strategic Management and Operations Analysis; Introduction to Hospitality and Tourism Management; Human Resource Management; Quantity Food Production Management; Food and Beverage Management. Activities: Florida Restaurant Association Club Advisor; Committee to Develop Tenure Standards for Department
9/91 - 9/92	ASSISTANT PROFESSOR. Norfolk State University, Norfolk, VA. Courses: Food Preparation, Human Resources Management.

ACTIVITIES

Banquet Club - Developed club for students at Norfolk State University wishing to gain training and experience in banquet operations. Trained students in various service styles and in banquet operations and arranged job placements with local catering establishments.
Menu Development - Created menus and provided recipes for faculty cafeteria and catering operations at Norfolk State University.
Rewrite curriculum to meet ACHPA standards for accreditation.

Industry Experience

3/95 - 5/96 RESTAURANT GUEST SERVICES MANAGER. Walt Disney World, The Grand Floridian Cafe and 1900 Park Fare Orlando, Florida.
Responsibilities:
*Meet projected budget figures and account for variances
*Direct and coach approximately 20-25 employees in either a full service sit down or character buffet style restaurant.
*Insure maintenance of quality standards. Interact with guests on a continual basis to ensure guest standards of quality and consistency are maintained.

3/89 - 1/91 CLUB MANAGER. U.S. Army, Pirmasens, Germany
Reported to Chief Operating Director for Club System.
Responsibilities:
*Interviewed and hired applicants for positions.
*Developed training programs for job positions.
*Trained employees on guest service and sanitation standards. Maintained and enforced U.S. Army sanitation standards.

*Scheduled employees according to patronage volume.

*Planned, coordinated and promoted food and beverage service, concessionaire and catering activities off property, entertainment and other promotional activities.

*Prepared daily Management Information System Reports. Reconciled cash receipts with deposits and maintained security system for cash on property.

*Maintained and enforced adherence to internal control procedures for inventory, financial management, beverage operations and sale of rationed items.

*Developed one year operating budget. Developed three year budget for equipment purchases.

*Reported financial condition of club to Chief Operating Director and reconciled financial statements with accounting department.

*Developed purchase specifications for food and equipment purchases.

*Maintained appropriate inventory levels for customer volume.

SPECIALIZED TRAINING

U.S.F.C.A., (United States Family and Community Activities) Alexandria, VA. January 1989. Club Management Training Program.

U.S.F.C.A., Fort Meyer, Indiana. February 1989. Food Preparation Program.

Johnson & Wales University, Norfolk, VA. February 1991 - September 1991. Culinary Training.

Jacqueline de Chabert

Culinary Institute of America, Hyde Park, N.Y.,
June 1992. Completion Advanced Pastry Baking.

PROFESSIONAL MEMBERSHIP

CHRIE, Council for Hotel, Restaurant and Institutional Educators

SCHOLARSHIPS

Patricia Harris Fellowship 1992 - 1995

RESEARCH PAPERS

De Chabert, J. and Taylor, M. "Spatial Characteristics of American Visitors to the United States Virgin Islands". Presented by Taylor, M. at the Caribbean Studies Association Annual Conference, Manaus, Brazil, July 1995.

Taylor, M. and De Chabert, J. "United States Propensity to Travel Abroad and to the U.S.V.I.". Paper accepted to the 4th International Seminar on Tourism Development, October, 1995.

De Chabert, J. "The Implementation of Core Competencies in Restaurant Firms for Competitive Advantage" Dissertation, June 1998