

Reputational Resources

Reputations can be of great value and contribute significantly to firm competitiveness. The reputation of a firm is a "perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals" (Fombrun, 1996). Stakeholders of a firm such as customers, employees, and investors are influenced by its reputation because it signals the firm's quality and abilities. In many cases, the reputation of a firm can help leverage its relationship with existing and future exchange partners to obtain lower costs, enter new markets, and create competitive barriers (Deepphouse, 2000).

Reputation contributes to firm competitive advantage mainly because of the difficulties in creating, imitating, or substituting reputation. First, it is evident that reputation is difficult to create (e.g., rare) because of the variation in reputation among firms. Because a firm's reputation is a perceptual representation by key stakeholders, the development of reputation is also very socially complex. This leads to difficulties for firms in imitating the reputation of others (Barney, 1991). While guarantees and other long-term contracts have been argued to serve as potential substitutes for firm reputation, Barney argues the implicit psychological contract differs when an arrangement is made because of reputation. This makes reputation difficult to substitute.

Human Resources

The human resources of a firm can also serve as a key competitive advantage. If a firm hires the right person(s), it has the potential to make all the difference. Those employees with a highly specialized skill set or knowledge base, coupled with the right motivation and ability to work well in a specific organizational culture, can at times be especially difficult for a firm to identify and recruit. Yet, it is also difficult to find a substitute for these individuals.

The importance of human resources as a contributor to competitive advantage is especially apparent in the consulting industry for many firms. A famous global management consulting firm has worked hard to create a organizational culture that is attractive for persons that not only have the right skill set and knowledge base for consulting, but also that are willing to put in the time and travel required of such a career. This firm also invests heavily in their employees by sending them to customized training on a

regular basis. By doing so, they are helping contribute to their knowledge base and team-building skills. The end result is a group of employees that enables the firm to derive a competitive advantage and perform well.

Innovation Capabilities

Being innovative is not something that comes so easily to every company but can contribute significantly to a firm's competitive advantage. One of the most innovative companies known for sticky papers (and much more) is also one of the most admired companies. How exactly did this company develop such a capability? It is difficult for the management team to explain exactly how to create such a culture. This, in part, is one of the reasons why it serves as such a great competitive advantage for them. It is difficult to imitate or recreate a comparable innovation capability. Many of its competitors frequently benchmark and try to learn from this company, yet its position in the market stands firm.

References

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