The Link between a Firm´s Internal Characteristics and Performance: GPTW & VRIO Dimension Analysis

José Guadalupe Vargas-Hernández[a], Francia Contreras Garcia[b]

[a] Doctor en Estudios Económicos. University Center for Economic and Managerial Sciences. University of Guadalajara. Zapopan, Jalisco, México. E-mail: jvargas2006@gmail.com
[b] PhD student University Center for Economic and Managerial Sciences. University of Guadalajara. Zapopan, Jalisco, México. E-mail: magafl53@hotmail.com

Abstract

The following article addresses the models of Dr. Jay Barney, author of the article "Firm Resources and Sustained Competitive Advantage" and Robert Levering, author of the book "A Great Place to Work", which deals with the internal characteristics of companies and how they impact on the performance of it. We analyze the dimensions of Value, Rarity, Imitation and Use of Dr. Jay Barney's VRIO model and the dimensions of Respect, Credibility, Equity, Pride and Camaraderie through the Trust of Robert Levering's model, as indicators of the company's performance. This document conceptually describes theoretical arguments of these authors, why organizations need to focus on their internal characteristics, in order to improve their performance. The hypothesis is that the internal characteristics of the organization and its management impact on the performance of the company. The models of both authors provide extensive data on the positive relationship between the internal characteristics of the company and its performance.

Keywords: Internal Characteristics; Performance; Organizational Culture; Company.

Introduction

In pursuit of competitive advantage, organizations throughout history have sought the key element for their outstanding performance with relationships to their competitors, with the human resource being the prevailing factor in the management of companies from the past, present and future. The following article approaches au-
thors throughout the organizational theory that approach the human resource as the competitive and differentiating advantage to stand out in the market and the industry.

This document conceptually describes theoretical arguments from classical authors to contemporary authors, of why organizations need to focus on their internal characteristics, in order to improve their performance. These internal characteristics, according to the authors, determine how efficiently and effectively a company performs. Considering that a company will be positioned to succeed if it has the best and most appropriate resource for its strategy. Being the organizational capacity, the culture and its people the most valuable resource.

The lack of sources of sustained competitive advantages for companies has become an important area of research in the field of strategic management. Since 1960, a single organizational framework has been used to structure a large part of this research. That firms obtain a sustained competitive advantage has been focused on weighing the opportunities and threats of a company, describing the strengths and weaknesses, or analyzing how they combine to choose strategies. Both internal analyzes of organizational strengths and weaknesses and external analysis of opportunities and threats in their competitive environment (Barney, 1991a).

Companies seeking to be more competitive have learned to value their employees because they recognize that they are the most important intangible asset that the company has. An indicator of success and achievement of strategic objectives is the degree of motivation and loyalty of its members. Employees may be motivated to accept authority by giving them material rewards, promotions and recognitions to advance organizational goals, such rewards certainly provide motivation, but they only work satisfactorily when certain conditions are met (Simon, 1991).

The employees of a company constitute the internal client. The company needs to create strategies to generate loyalty and a better response from them (Martínez, Sánchez and Rodríguez, 2005). Academically speaking, the importance of human resources in financial performance in organizations is discussed. However, rarely is analyzed on what this importance is based, what is the relationship and what are the concepts and tools necessary for an effective planning and management of this in order to achieve an impact on the achievement of the objectives.

Nowadays, the employee looks for the company where he works to estimate it and it is undeniable that he also wants to realize himself. Clearly we are all looking for this level of achievement. This type of development provides the ingredients of the main changes in the way it is organized and managed the new company. Pure management is no longer enough, both employees and their new roles raise the need for a change in the work culture that companies listen to, attend to their needs and integrate them with the objectives of organizational growth. The new company is based on learning, well-managed and implemented knowledge. A company will be positioned to be successful if it has the best and most appropriate stock of resources for its business and strategy. The valuable resource can be an organizational capacity integrated into the routines, processes and culture of a company (Collis & Montgomery, 1995).

Background
A study by the Manpower Group on 2015 talent shortages shows that 38% of managers say they have problems finding good professional profiles. Being skilled
manual trades, those that managers worldwide have greater difficulty finding (Prising, 2015). Through this research, the importance of human resource management in the competitiveness of the company through history can be analyzed theoretically. It can yield information that allows identifying the positioning of internal characteristics beyond a simple instrument within the organization, and contributes to the knowledge of this discipline as an internal economic and social mechanism through which the company improves its financial performance and by this increases competitiveness.

Improving competitiveness requires a strategic attitude of the organization in the constant search for new sources of advantage or to consolidate the existing one. It is also possible for the organization to redesign its value chain, considering doing things in a completely different way than it had been doing as the competition does so far, that is, being creative enough not to tie itself to pre-established forms. This confronts us to conceive the management of the human resource not only as a set of techniques, or a set of activities that make up the mix, but above all as a business philosophy of customer orientation that integrates the entire organization. Philosophy that will be the logic to look for the necessary combinations of technologies and management of the company that generate the competitive advantage and guarantee their objectives in the market.

Similarly, these results would be valuable for academics, researchers and consultants, who may continue to investigate new relationships of endomarketing with respect to financial performance and other factors of interest such as business strategy, participatory management, technological capabilities, among others. The objective of this paper is to theoretically analyze the impact of the human resource on competitiveness according to the mentioned authors, it leads us to the following research question: Is human resources and their management a determining factor in the competitiveness of the company.

Review of Literature

This topic is not recent. Several authors have shown great interest in organizational culture. Peters & Waterman (1982) describe the economic value of certain organizational cultures. Companies that are successful in obtaining productivity through their people generally have an organizational culture that supports and values the employee (Berger & Luckmann, 1993; Goffman, 1959). Organizational culture is a system of shared values, what is important, and beliefs, how things work, that shape the company, people, organizational structures and control system to produce behavior and norms, the way in which we do things here (Schein, 1985). Culture is a powerful force to explain the behavior of individuals and groups within organizations (Smircich, 1983). The components of organizational culture include values, symbols and beliefs (Jeuchter, Fisher & Alford, 1998).

Culture is a key factor that can help companies improve their performance and is what really distinguishes high performance organizations. Barney & Wright (1997) conducted several studies to identify the characteristics of human resources in the construction of competitive advantage. The characteristics considered in the study were: knowledge, experience, skill and commitment of the employees, as well as some of the practices used by human resources. Wright, McMahan & Williams (1994)
demonstrated that human resources can address these points, to contribute to the construction and sustenance of competitive advantage.

The importance of human resources is recognized by different authors. All agree that the members of a company exert a considerable influence on the generation of value perceived by the external client, regardless of the job they perform or the place they occupy in the hierarchical order, which will impact the profitability of the clients of business (Berry & Parasuraman, 1992). The human being is capable; and under proper management, guidance and motivation can be productive and achieve both industrial or professional goals as well as personal ones (Taylor, 1910).

From this principle emerges the idea of seeking competitive advantages within the organization through a series of programs and efforts that empower human resources, both for their own welfare and for the growth of the company. Bansal, Mendelson & Sharma (2001) point out that internal tools such as endomarketing should be formed by human resources management practices, since they are the ones that meet the objectives set out in the general concepts of orientation and customer satisfaction. Other studies show that endomarketing is still under development (Ahmed and Rafiq, 2003 and Bohnenberger, 2005).

Managers have to foster a culture of learning within their organizations and encourage employees to own their own careers. They need to promote the value proposition of their employees to position their company as a talent destination. Companies can no longer count on maintaining a sustainable competitive advantage over the years, but must be prepared to identify and achieve more transient competitive advantages. The ability to direct at the speed and agility necessary for success depends on attracting, developing and engaging talent, as well as on organizing the teams so that they support the business strategy (Prising, 2015).

In other investigations, measures of six "attributes of required tasks" were developed that were predicted to be positively related to employee satisfaction and attendance, where they concluded that employees who work in high performance positions in the basic dimensions show a high work motivation, satisfaction, performance and assistance (Hackman & Grec, 1976). Companies must develop skills to effectively manage three key aspects: company culture, endomarketing and employee loyalty (Alcaide, 2008). 54% of managers in Mexico report that qualified manual trades are nowadays one of the most complicated talents to find, having an impact or high (20%) or medium (34%) in their ability to meet the needs of the clients.

Every year, Fortune magazine publishes the list of the 100 best companies to work for. All types of organizations have been part of this list, from transnational corporations to non-profit organizations. What distinguishes these companies is the organizational culture and not the management of them. The experience of the employee in his place of work is key, since it is where he spends most of his time, impacting not only on the personal scope and quality of life, but on the organizational performance through productivity (Levering & Moskowitz, 2001). Positive trends in the workplace have taken deep roots throughout the corporate world. It is not long before most companies believe that generating an excellent work environment is a requirement for doing business. Many companies now profess a corporate goal to become the "Best place to work" within their industry and / or community.
The formal structures of companies are designed to achieve the main activities and enabled to capitalize on human potential (Argyris, 1998). Barney in his theory of resources and capacities (Barney, 1991b), from which organizational learning is considered a dynamic capacity, establishes a direct link with the competitive advantage of organizations (Camisón, 2002, Collis & Montgomery, 1995) that impacts, therefore, the final results of the company. Organizational culture can then be considered as a resource to achieve objectives, and if that resource adds value, is different from the culture of other organizations and is not easily imitated by competitors, it can become a competitive advantage and a "strategic asset" that sustain success (Barney, 1986).

Once employers consider their employees as the source of corporate success rather than liabilities, culture becomes a competitive parameter. For a long time, the most effective way to improve organizational performance was to improve process management. The majority has resorted to administrative, technical, redesign, quality, time, etc. approaches. However, over the years, more and more efficiency companies fail because of their lack of culture and commitment of their employees. Companies that are on the GPTW list tend to have happier clients, there is less turnover of executives. They have more profits, people are getting less days off and they get sick less, etc. That’s thanks to the intangible that means having a better moral. In addition, a good climate fosters innovation and, very importantly, cooperation. (Capital, 2009).

A recent analysis of the Frank Russell Company among the companies listed in the US, showed significant data to determine a relationship between the rankings in the list of the best companies to work for and their financial performance. They concluded that these organizations showed consistently superior results, where the value of the action was almost 2.5 times higher than the regular rate of return, (Marrewijk, 2014).

Today, more and more companies are convinced that encouraging an excellent work environment is already an organizational imperative. But perhaps more revealing, is that employees are no longer willing to tolerate outdated and hierarchical management attitudes. The main characteristic of a great place to work is the level of trust between management and employees, not specific policies and practices.

The business world has grown impetuously, all we are part of globalization and its new demands. The administration demands improvements in the internal characteristics of the organization to deal with these new stakeholders. Having to adopt new values, acquiring new skills, applying new styles of leadership, designing more effective decision methods and structuring the organization.

Managers expect less competitiveness and a more limited capacity to serve clients if they cannot hire the talent they need. Among executives who feel that the shortage of talent impacts on their ability to meet the needs of customers, it is expected that the most likely consequences are the reduction of the capacity to serve customers (42%) and lower competitiveness / productivity (42%). In addition, 30% expect an increase in employee turnover and 26% expect a lower commitment and motivation of the same. One in four (25%) expects less innovation and creativity in their organizations and the same proportion declares that shortage of talent can lead to higher compensation costs (Prising, 2015).

Marrewijk & Timmers (2003) concluded that, in the traditional human resource, policies are often implicitly based on the notion that the organization can influence assign, seduce, provoke, manipulate and thus manage its human resources to do what
is interest of the firm. Through contracts, payment plans, benefits, bonuses, training programs, a satisfactory job and environment, employees are supposed to do their part of the bargain: work and be productive! When there is a lack of alignment between the values of employees and the values of the organization, employees are less willing to share their ideas. When there is fear, control, bureaucracy, territory, behavior and manipulation, employees are reluctant go further, (Barrett, 2000).

It is evident that the current economic boom and labor shortages are contributing to companies seeking to be a great place of work. Positive trends in the workplace have taken deep roots throughout the corporate world. It may not be long before most companies consider that creating an excellent work environment is a requirement for doing business in the same way that most companies now assume that they have no choice about whether to produce high-end products, quality or services (Lev- ering, 2000). Employees appreciate being kept informed of important problems and changes in the workplace. Doing this helps employees understand where the organization is going. This allows them to work more effectively, and proactively address information. When managers have clear expectations, employees can set their goals, choose priorities and trust them.

Companies with sustained superior financial performance are characterized by a strong set of basic managerial values that define the ways in which they conduct business. These core values are about how to treat employees, customers, suppliers and others that encourage innovation and flexibility in companies; when they are linked to management control, they are believed to lead to sustained superior financial performance (Barney, 2003). Fulmer, Barry & Scott, (2003) in their study examined whether “The 100 best companies to work for” are actually the best performers. The authors based their analysis on the idea that a positive organizational culture generates employees with greater motivation and productivity, resulting in a reduction in turnover that would translate into financial performance over a period of 6 years. In this it was found that the 100 best companies outperformed their comparison groups in their annual performance, as well as outperforming their competitors.

Companies without a strong and positive organizational culture will not be able to maximize their productivity through their human resources. This does not imply that companies that enjoy the benefits based on culture always have the best performance. There may be other attributes of the company that can also generate sustained performance. It is possible that several companies in the same industry obtain sustained superior financial performance based on different competitive advantages (Lippman & Rumelt, 1982).

**Research Method**

Self-motivation is the general trend in most modern companies (Marrewijk & Timmers, 2003). The institutional development of Human Resources Management departments and their policies has changed accordingly. Employees are no longer considered as resources, and tend to be considered as the main assets and in those that are worth investing. Companies are beginning to build human capital, backed by a cultural transformation. That is why it will have analyzed two authors who over the years have worked in the search for indicators of organizations committed and based on strategies oriented to people.
Yale University's Doctor of Sociology, Jay B. Barney has been a professor of management and president of the "Chase Chair for Excellence in Corporate Strategy" at Ohio State University, where he has taught since 1994. He teaches organizational strategy and policy focusing on the relationship between capabilities and sustainable competitive advantage, to doctorate and master's students. Dr. J. B. Barney is best known for his contributions in the theory of competitive advantage based on resources in the field of strategic management. The field of strategic management focuses on explaining why some companies outperform others.

However, there is often substantial variation in the performance of companies within the same industry. For example, both Wal-Mart and Kmart operate in the discount retail industry and, however, Wal-Mart became one of the largest companies in the world, while at the same time, Kmart had problems with bankruptcy. A theory that used the structure of competition in an industry, such as Professor Porter’s theory, had little to say about the intra-industry variation in the performance of the company. Resource-based theory is designed to address this problem (Barney, 1991b).

The assumptions of resource-based theory are that companies can vary in their resources and capabilities, and that these differences can last over time. These characteristics of resources and capabilities can create information asymmetries between the companies that own them and those that do not. These asymmetries can make it costly for companies without certain resources and imitating capabilities. The clear example of a disadvantage of one organization over another may be that the success of its competitor is due to its organizational culture, which is an example of a resource that is socially complex and difficult to imitate.

In 1991, Barney's article "Firm Resources and Sustained Competitive Advantage" provides the framework to distinguish between different types of companies' performance: competitive disadvantage, competitive parity, temporary competitive advantage, competitive advantage and sustained competitive advantage, also identifying the attributes of resources and capabilities that would make them expensive to imitate.

The framework is known as the VRIO (Valuable, Rare, Expensive to Imitate and Exploited by the Organization). (Barney, 1991b). Resources that do not increase a company's income or lower its costs are not valuable and are a source of competitive disadvantage. Resources that are valuable, but not rare, are a source of competitive parity. Resources that are valuable and rare can be a source of temporary competitive advantage. Resources that are valuable, rare and expensive to imitate can be a source of sustained competitive advantage (Barney, 1991a). This model suggests that the sources of competitive advantage are firm resources that are valuable, rare, imperfectly imitable and non-substitutable. These resources include a wide range of organizational, social and individual phenomena in companies that are subject to a large amount of research in organizational theory and organizational behavior (Barney, 1991b).

Robert Levering, author of the book "Great Place to Work", who was a journalist 20 years ago working on labor issues, visited companies on strike, denouncing the abuses of certain employers and writing notes on the stratagems that employees used to abuse bosses. Willing to write about the bad work practices of the United States, he was challenged to find the best places to work and wrote "The 100 best companies to
work in North America," which was very successful. After the impact caused by it, he decided to write another book that would be called: "Great Place to Work".

Research has shown that in general the companies that are in the GPTW index tend to work much better. The return of the 100 best companies to work in the United States is 6.8%, while that of the S & P 500 is only 1.04%. According to the market capitalization of the 500 largest companies of the New York Stock Exchange or the Nasdaq Stock Exchange, the S & P 500 index (US500) covers 502 common values of these 500 companies and is calculated and propagated in real time, with its components and weights determined by the Dow Jones S & P Indices. The 500 companies included in the S & P 500 index (US500) are selected by the S & P Indexes Committee. The industries covered by the stock index are very versatile, including health, consumer finance, information technology, investment banking and brokerage, industrial, chemical and biotechnology, to name a few (The Balance, 2018).

The main defining characteristic of an excellent place to work is the level of trust between management and employees, not specific policies or practices. The benefits represent a modern version of Elton Mayo’s approach, oriented towards individual job satisfaction that does not address many of the most basic problems necessary to create a high level of trust. In fact, improving the benefits can only, at best, create a good place to work, not a great place to work (Levering, 2000).

Having interviewed employees from over a thousand organizations, Levering and his team selected the distinctive characteristics of truly great workplaces. Finally, they defined a great workplace as a place where employees trust the people they work for, take pride in what they do, and enjoy the people they work with. Confidence and its dimensions: Respect, Credibility, Equity, Pride and camaraderie appeared as the set of values that often makes the difference between corporate success and failure (Marrewijk, 2014). The Credibility in the "Great Place to Work" model consists of Communication, Competence, and Integrity that are essential to promote trust in the workplace. Good communication skills invite bidirectional dialogue. Managers are clear, accessible and provide information to their employees (Levering & Moskowitz, 1993).

Clear communication allows employees to meet the expectations of managers, choose their priorities carefully and, therefore, be more productive. The managers are consistent: everything they say, they do; creating employee perceptions about the credibility of management, which helps maintain confidence in the workplace. Respect consists of support, collaboration and care. Professional support is shown to employees through the provision of training opportunities, resources and equipment necessary to perform the job. Collaboration between employees and managers, inclusion is promoted. Finally, pride, born of people because of their association with the organization and their public image. The reputation of the company within its industry, its ability to meet the needs of the client and its commitment to serve the communities in which it is located (Levering & Moskowitz, 1993).
Table 1: VRIO and GPTW indicators for a competitive advantage

<table>
<thead>
<tr>
<th>GPTW</th>
<th>VRIO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trust</strong></td>
<td><strong>Valuable</strong></td>
</tr>
<tr>
<td>Place where employees trust the people they work for, take pride in what they do, and enjoy the people they work with.</td>
<td>Resources that allow a company to exploit opportunities or defend against threats.</td>
</tr>
<tr>
<td><strong>Respect</strong></td>
<td><strong>Rare</strong></td>
</tr>
<tr>
<td>Consists of support, collaboration and care. Inclusion is promoted</td>
<td>The resources that can only be acquired by one or very few companies.</td>
</tr>
<tr>
<td><strong>Credibility</strong></td>
<td><strong>Inimitability</strong></td>
</tr>
</tbody>
</table>
| Communication is clear, accessible, and consists of Integrity and competence. | 1) There are three reasons why resources can be difficult to imitate:  
2) Historical conditions. The resources that were developed due to historical events or during a prolonged period.  
3) Causal ambiguity. Particular resources difficult to identify.  
4) Social complexity. Culture and / or relationships |
| **Equality**                | **No substitute**           |
| Equality of opportunities, inclusion and promotion of diversity. | Management systems, processes, policies, organizational structure and culture. |
| **Pride**                   | **COMPETITIVE ADVANTAGES**  |
| Born from people because of its association with the organization and its public image. | COMPETITIVE ADVANTAGES |
| **Camaraderie**             |                             |
| The willingness of the employee to make an extra effort. |                             |

Table 1: Own elaboration.

Table 1 shows the comparison of indicators between both models: VRIO and GPTW, making reference to the intangibles that each author considers generates the competitive advantage through human resources. Both models translate the competitive advantage in the financial performance through the sales that are achieved with the external customer through the internal client (employee).

Analysis of Results

It has been analyzed two authors who have described elements that can support the identification of the relationship between internal business characteristics and the performance of the organization.

Companies already recognize that intellectual capital also depends on cultural capital. The degree to which the employee is dedicated, motivated, committed and willing to share their creativity and knowledge depends on how aligned they feel with the organization and the relationship they have with their manager.

For the culture of a company to provide competitive advantages, according to the authors must meet internal conditions and characteristics that allow through the employee, make the company an innovative and competitive organization. Success driven by the culture of a company creates an incentive for other companies to modify their cultures to duplicate that success.
Conclusions

Companies around the world to attract and maintain skilled workers must differentiate themselves from their competitors by internal characteristics, creating the workplace in an attractive space, where current and future employees enjoy being. Employees who feel that the administration is competent trust their decisions. The integrity of the management depends on honest and reliable daily actions.

The general management evaluates today which parts of the operation create value; A company can only be productive when the value it creates is higher than the cost of resources. Organizations have to face the current challenges of the diversity of the workforce, looking for new ways to motivate employees to work together to achieve organizational goals. The redesign of organizational structures is important, as these can contribute to greater efficiency. Companies must motivate to create, innovate in their way of designing their organizational structure. The development of large organizations transformed society, being the modern organization the most significant innovation of recent times.

The objective is to open the black box of the internal functioning of organizations, where decisions in organizations were produced by collections of individuals with different interests, information and identities. These differences have led to interesting phenomena, such as conflict and subjective optimization, which had important implications for the behavior and performance of firms (Argote & Greve, 2007).

References


Hackman, J; Oldham, G. Motivation through the design of work: Test of a theory. Organizational Behavior and Human Performance, 16. 1976.


Marrewijk, V. The social dimension of organizations: recent experiences with Great Place to Work® assessment practices. Journal of Business Ethics. 2014.


Received: 06/04/2018

Approved: 11/25/2018