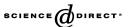


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Strategic Information Systems

Journal of Strategic Information Systems 15 (2006) 29-50

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## Resource-based view and competitive strategy: An integrated model of the contribution of information technology to firm performance

Suzanne Rivard<sup>a,\*</sup>, Louis Raymond<sup>b</sup>, David Verreault<sup>c</sup>

<sup>a</sup>Holder of the Chair in Strategic Management of Information Technology, HEC Montréal, 3000, chemin de la Côte-Ste-Catherine, Montréal, Que., Canada H3T 2A7

<sup>b</sup>Canada Research Chair in Business Performance, Département des sciences de la gestion, Université du Québec à Trois-Rivières, 3351, boul. des Forges, C.P. 500, Trois-Rivières, Que., Canada G9A 5H7 <sup>c</sup>Deloitte Inc., 1, Place Ville-Marie, Bureau 3000, Montréal, Que., Canada H3B 4T9

> Received 1 April 2004; accepted 15 June 2005 Available online 26 July 2005

#### **Abstract**

The contribution of IT to business performance has been studied from two main perspectives: a 'strategy as positioning perspective,' which underlines a market power imperative, and a resource-based view perspective, which conceptualizes the enterprise as a 'bundle of unique resources.' The objective of the present study is to improve our understanding of the contribution of IT to firm performance in building upon the complementarity between the two perspectives. To do so, a model proposed by [Spanos, Y.E., Lioukas, S. 2001. An examination into the causal logic of rent generation: contrasting Porter's competitive strategy framework and the resource-based perspective. Strategic Management Journal 22(10), 907–934], which comprises both a competitive strategy framework and the resource-based perspective was adapted to reflect the role played by IT. More precisely, the model encapsulates the effects of both IT support for business strategy and IT support for firm assets on firm performance. To test the model, a survey of 96 small- and medium-sized enterprises (SME) was conducted.

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Keywords: Information technology and business value; Resource-based view of the firm; Competitive strategy

<sup>\*</sup> This study was supported by the Fonds québécois de la recherche sur la société et la culture (FQRSC).

<sup>\*</sup> Corresponding author. Tel.: +1 514 340 6493; fax: +1 514 340 6132.

E-mail addresses: suzanne.rivard@hec.ca (S. Rivard), louis\_raymond@uqtr.ca (L. Raymond), dverreault@deloitte.ca (D. Verreault).

#### 1. Introduction

The contribution of Information Technology (IT) to the achievement of business objectives is an important management issue. Indeed, the 2001 Computer Sciences Corporation's annual survey reported it as the second most important issue for North American IT executives (CSC, 2001). It has also been an enduring issue; every year since the 1991 edition of the survey, it has been ranked among the top five IT management concerns. In terms of research, numerous studies, adopting various perspectives, have focused on the research problem for several years now (Melville et al., 2004).

Two of the research perspectives originate from the strategic management literature. The first perspective reflects a market power imperative, and views the firm as a "bundle of strategic activities aiming at adapting to industry environment by seeking an attractive position in the market arena" (Spanos and Lioukas, 2001, p. 907). In the strategy literature, the dominant paradigm of this perspective is Porter's (1980, 1991) competitive strategy framework. In an IT context, it is best exemplified by Porter and Millar (1985) who see IT as a means by which firms can gain competitive advantage by altering the competitive forces that collectively determine industry profitability. IT can contribute to this alteration of competitive forces by contributing to either lowering costs or enhancing differentiation. The second perspective, the resource-based view of the firm, conceptualizes the enterprise as a bundle of resources—assets, processes, knowledge—that are inherently valuable, and contends that the firm's unique resources should define the essence of strategy (Spanos and Lioukas, 2001). In an IT context, this perspective sees IT capabilities themselves—e.g. IT infrastructure, IT human resources, and IT intangibles—as a source of competitive advantage (Bharadwaj, 2000).

Although the premises on which the two perspectives are based differ, strategic management researchers have recognized the complementarity between the market driven perspective of strategy and the resource-based view (Henderson and Mitchell, 1997; Spanos and Lioukas, 2001).

In IT literature, the two perspectives have been used independently of each other; they have even be described as competing views (Duhan et al., 2001). The objective of the present study is to improve our understanding of the contribution of IT to firm performance in building upon the complementarity between the two perspectives. To do so, a model proposed by Spanos and Lioukas (2001), which comprises both Porter's competitive strategy framework and the resource-based perspective, was adapted to reflect the role played by IT. More precisely, the proposed model encapsulates the effects of both IT support for business strategy and IT support for firm assets on firm performance. To test the model, a survey of 96 small- and medium-sized enterprises (SMEs) was conducted.

#### 2. Theoretical foundations

The market driven perspective and the resource-based view of the firm are established on different premises. The first originates from traditional economic research, and is based on a market power imperative; it considers industry structure as the primary cause of strategy and performance (Henderson and Mitchell, 1997). The second tradition derives

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