

The Influence of External Stakeholders and Expansion Strategies on the Relationship between Organisational Resources and Firm Performance

¹Mahasi John, ¹Awino, Z.B., ²Pokhariyal G. P and ¹Ombaka Beatrice

¹School of Business University of Nairobi, University of Nairobi.

²School of Mathematics, University of Nairobi.

Corresponding Author: Mahasi John

Abstract

For decades, the field of strategic management has focused on the determination of drivers of performance and the causes of variation in performance within and between firms. The frameworks so far identified such as resources, external stakeholders and expansion strategies provide partial explanations to performance. This paper seeks to investigate the drivers and causes of variation in performance from a resource based perspective while considering the joint influence of external stakeholders and expansion strategies. According to the resource based theory, resources are central to a host of organisational actions and outcomes. Resources determine a firm's response capabilities and response strategies, growth and expansion strategies and can ultimately be leveraged to secure superior performance. Stakeholder theorists have argued that paying attention to and satisfying stakeholder needs is essential to organisational success. However, the influence of stakeholders on firm performance has seldom been articulated. The effect of expansion strategies such as diversification and internationalization on performance has been investigated. The literature review done and the conceptual model developed establish the moderating effect of external stakeholders and the intervening role of expansion strategies on the relationship between resources and performance. The findings will provide useful insights to managers on factors affecting performance and the manner in which they affect performance. This will help refocus strategic effort towards improved performance of the institutions and contribute to the steadily growing knowledge on the drivers of firm performance and causes of variation in firm performance and could possibly guide future research.

Keywords: resource based view, strategy, performance, competency, capability, stakeholder(s), growth, expansion.

INTRODUCTION

Strong forces of change such as globalization, advances in information technology and hyper-competition are reshaping the competitive landscape worldwide, steering organisations to identifying and managing factors and processes critical to their survival and success. Companies are not only undergoing rapid and radical change, but are also experiencing a fundamental shift in the rules of competition and the way the game of competition is played (Ilinitich et al., 1996). The competitive advantage (CA) of firms is seen as resting on distinctive processes, shaped by the firm's specific asset positions and the evolution paths it has adopted or inherited (Teece et al., 1997). Recent studies have focused on the importance of strategy and environmental fit on firm performance (Kratzer et al., 2008). Further efforts have focused on how stakeholders affect strategy (Freeman et al., 2004; Ferrell, 2004); environment and stakeholder commitment (Henrique and Sadorsky, 1999); resources, capabilities, competencies and expansion (Wernerfelt, 1984; Marino, 1996; Mishina et al., 2004) and finally firm performance (March and

Sutton, 1997). These studies have come short of investigating the moderating effect of external stakeholders and the intervening effect of expansion strategies. Convergence is yet to occur on the conceptual underpinnings and definitions of core competencies and strategic capabilities. For organisations to respond effectively to the challenges inherent in the environment, they need sufficient resources (Pfeffer & Salancik, 1978). Large firms are associated with economies of scale and scope, ease of access to credit financing, brand visibility and allegiance, significant resources to foster research and development, valuable patents and competences. Growth is often viewed as an important organizational outcome, and firms have a number of motivations to expand (Penrose, 1959). Organisational growth and expansion can be seen as strategic response options. The resource dependence theory proposes that the key to organisational survival is to acquire and maintain resources (Pfeffer and Salancik, 1978) and that firm behaviors are resource-driven (Barney, 1991; Dierickx and Cool, 1989).

This traditional view of resource dependence theory is limited in application and is viewed as untenable. A stock of assets in itself is not value adding and cannot provide sustainable competitive advantage. The fundamental principle of the expanded resource based view (RBV) is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal (Wernerfelt, 1984). Freeman (1984) suggests that the idea of stakeholders, or stakeholder management, or a stakeholder approach to strategic management requires that managers must formulate and implement processes which satisfy all and only those groups who have a stake in the business. Freeman postulates two variables to determine the optimal strategy for stakeholder management: the relative power of stakeholders and their potential to cooperate or threaten corporate strategy. Savage et al. (1991) gave guidance on the measurement of these variables. The power of threat is determined by resource dependence, the stakeholder's ability to form coalitions, and relevance of the threat to a particular issue. The discussions and propositions in this paper are anchored in a number of prominent theories discussed below.

THEORETICAL PERSPECTIVE

Resource-based theory (RBT) indicates that intangible resources, or intangibles, underlie value creation (Penrose, 1959). According to the RBT the bundling of resources creates the potential for complementarities, or conditions in which the total value creation and appropriation potential of the bundle are greater than the sum of its parts (Amit & Schoemaker, 1993). Resources are used in production, to manage stakeholder expectations, fuel growth and expansion as well as secure sustained performance. The dynamic capabilities theory explains how the resources are bundled and configured for sustained CA. Dynamic capabilities theory postulates that private wealth creation in regimes of rapid technological change depends in large measure on honing internal technological, organizational, and managerial processes inside the firm (Teece et al., 1997). Dynamic capabilities enable exploitation of existing internal and external firm specific competences to address changing environments and enable the organisation to perform at the level required to survive and prosper (Teece et al., 1997). Stakeholder theory puts as a primary managerial task the charge to influence, or manage, or balance the set of relationships that can affect the achievement of an organization's purpose (Freeman and Philips, 2002).

According to the open systems theory, organisations are affected by a number of factors that occur in the external environment and they can affect factors in the internal environment (Burnes, 1996). Preston and Post (1975) argued that organizations and

environments could operate as interdependent systems effectively legitimizing the interdependence between external stakeholders and organisations. Transaction cost economics (TCE) theory focuses on the transfers of goods or services across a technologically separable interface and whether specific assets are involved (Williamson, 1975). According to the signaling theory, signals need to reduce information asymmetries between high and low quality firms, the costs of the signal need to be higher for the low quality firm, and rational optimization paths exist for firms with respect to their quality and signal (Bergh et al., 2010). Expansion strategies are underpinned by the pecking order theory and tradeoff theory. Cheng & Weiss (2012) contend that under the (modified) pecking order theory (Donaldson, 1961), firms finance their investments with the cheapest forms of capital, starting with internal capital and ending up with equity capital (as a last resort). The tradeoff theory of firm expansion suggests that firms trade off the benefits of holding capital with the costs of holding capital, in arriving at an optimal or target capital level.

RELATED LITERATURE

Organisational Resources

The resource based view (RBV) proposes a variety of ways in which resources can be configured and combined to ensure superior performance. It is associated with the works of (Penrose, 1959; Hamel and Prahalad, 1990; Barney, 1991; Peteraf, 1993). According to Marino (1996) proponents of the resource-based view often define resources broadly as the assets, knowledge, capabilities, and organizational processes that enable the firm to conceive and implement strategic decisions. Assets fall into one of following categories: financial, physical, human or organizational. Most authors of the resource-based view state that competencies and resources are often tacit or intangible (Hamel and Prahalad, 1990).

In spite the years of research RBV scholars have failed to agree on the definition of key variables and constructs, leading to inconsistent presentations of theory (Bromiley, 2005; Priem & Butler, 2001). Priem and Butler (2001) criticize the RBV as tautological, or self-verifying. They discredit Barney's (1991) perception of competitive advantage as a value-creating strategy that is based on resources that are, among other characteristics, valuable arguing that this reasoning is circular and therefore operationally invalid (Priem and Butler, 2001). Further, the RBV has been criticized for resorting to unobservable variables, thus making empirical research and validation problematic (Godfrey & Hill, 1995). Beyond the conceptual gaps, questions abound regarding the influence of resources on performance. Collis (1991) noted that no coherent body of theory

has as yet emerged to summarize the resource-based view leading to the possibility of a number of false starts in its adoption by marketing researchers. This paper makes three key propositions based on the conceptual model developed to resolve some of the gaps identified. Resources directly affect firm performance. Firm resources can be configured as capabilities or competences and leveraged for superior performance by matching the resources with critical environmental dictates. The relationship between resources and performance is intervened by expansion strategies and moderated by growth and expansion jointly. These propositions are supported in literature by the conceptual works (Terreberry, 1968; Thompson, 1967) as cited in Bourgeois (1980) emphasizing that organizations must adapt to external forces/stakeholders in order to maintain viability. This emphasis has its origins in the design and environmental schools of strategy upon which various scholars (Mintzberg, 1994; Ansoff &Suvillan1993) based their strategic success formula, which emphasizes that to optimize profitability in a turbulent environment, the responsiveness of an organization's strategy must match the turbulence in the environment, but also the organization's capabilities should match the aggressiveness of its strategy. The resource based view has a strong focus on performance as the key outcome variable. Work adopting the resource-based view explicitly recognizes the importance of intangible concepts, such as knowhow (Teece et al, 1997), corporate culture (Barney, 1986), and reputation (Hall, 1980).

Strategic Capabilities and Core Competencies

Strategic capability is the ability to perform at the level required to survive and prosper. It is underpinned by the resources and competences of the organization. Teece et al. (1997) define dynamic capabilities as 'the firm's ability to integrate, build, and reconfigure internal and external competences to address the demands of rapidly changing environments. Ansoff (1979) made significant contributions to the concept of strategic capability by analyzing it in terms of general management capability and competence, logistical competence, strategic capacity and discussed their dynamics. Danneels (2002) studied how, over time, product innovation leads to organisational renewal and could therefore be considered a dynamic capability. Hamel and Prahalad (1990) and Barney (1991) define core capabilities as complex bundles of skills and collective learning, exercised through organizational processes that ensure co-ordination of functional activities. Ansoff (1984) posits that, where there is equilibrium between the strategy and strategic capability, the performance of the organization is optimized for a particular business environment.

Peteraf and Helfat (2003) introduced the capability lifecycle (CLC) concept that underpins a more

comprehensive approach to dynamic resource-based theory. Without an understanding of where heterogeneity in resources and capabilities comes from, it is difficult for researchers to fully explain how firms use resources and capabilities to create competitive advantage. Dynamic capabilities involve adaptation and change, because they build, integrate, or reconfigure other resources and capabilities. The essence of the dynamic-capabilities approach is that competitive success arises from the continuous development, alignment and reconfiguration of firm-specific assets (Teece et al. 1997). We can conceptualize capabilities as the propulsive force that enables a firm and its resources to overcome resource inertia. The core competence concept popularized by Hamel and Prahalad (1990), is premised on identifying organizational resources offering the greatest strategic value. They argue that to be considered a core competence, a stock of assets should offer real benefits to customers, be difficult for competitors to imitate, and provide access to a variety of markets.

Those bundles of assets or resources that pass these three tests are strategic, or most relevant to the future product and market decisions of the firm (Marino, 1996). Competencies have a technology or knowledge-based component and often result from a blending of technology and production skills (Marino, 1996). The two competencies involve a hierarchy: the former is a particular strength within a company that is difficult to imitate and may be used to generate sustainable profits; the latter are competencies that primarily drive the aspirations system (Eden and Ackermann, 2000). Clardy (2008) questioned the effectiveness of traditional competence assessment techniques on organizational performance, which conducts a bottom-up approach to investigate a generic or universal set of behavioral characteristics across organizations. Priem and Butler (2001) conclude that the resource-based view has contributed very little to the explanation or prediction of competitive advantage and recommend that scholars address core connections between resources and the environment because, while resources represent what can be done, the competitive environment represents what must be done to compete effectively in satisfying customer needs.

Various scholars have proposed an extended resource-based view to bridge the traditional resource-based view and the relational perspective (Dyer and Singh, 1998; Lavie, 2006). We advance the more recent and extended resource-based view, which leverages on competences and capabilities (Marino, 1996; Teece et al., 1997; Danneels, 2002; Johnson et al., 2008; Johannesson, 2010; Chen and Chang, 2011); expands firms' boundaries to their inter-firm alliance relationships and the alignment with their external environment (Dyer and Singh,

1998; Lavie, 2006) leading to strategic expansion and superior performance (Hamel and Prahalad, 1990; Teece et al., 1997, Mishina et al., 2004). Resources may represent the supply side dynamics while external stakeholders represent demand side and can never be viewed in isolation.

Stakeholders

Freeman et al. (2004) define stakeholders as those groups who are vital to the survival and success of the organization. Van der Ven and Jeurissen (2005) have suggested that the firm itself is a nexus of stakeholders. Stakeholder theory claims that whatever the ultimate aim of the corporation or other form of business activity, managers and entrepreneurs must take into account the legitimate interests of those groups and individuals who can affect or be affected by their activities (Freeman, 1994). According to Morsing & Schultz (2006) the theory of stakeholders has developed a focus on the importance of involving stakeholders in creating long term value. Carroll (1989) suggested that stakeholders could be classified as primary or secondary. Primary stakeholders are those who entertain a direct and contractually determined relationship with the organisation while secondary stakeholders are situated at the borders of the organisation and may be impacted by its actions without having any contractual connection to it. Clarkson (1995) defines a primary stakeholder group as one without whose continuing participation the organisation cannot continue as a going concern.

Mahoney (1994) classifies stakeholders either as passive or active. Active stakeholders being those that seek to participate in the organisations activities, whether or not they are part of the organisation's formal structure. Passive stakeholders are those that do not normally seek to participate in an organisation's policy making. Pearce (1982) classifies them as both internal (shareholders, employees) and external (customers, suppliers, competitors). Evan and Freeman (1993) classify stakeholders as narrow or wide, the criteria being the effect of the organisation's policies and strategies on the various stakeholders. Narrow stakeholders are those who are most affected by the organisation and are dependent on the organisation's output. Wider stakeholders are those who are less affected by the organisation and do not directly depend on the organisation's output. Both external and internal factors exert influence on and shape the life, growth and development of the business. Customers are key stakeholders that help establish the firm's reputation and identification (Ferrell, 2004). Customers are a force to reckon with and can voice their discontent by boycotting a company's product or filing a suit against it (Greeno & Robinson, 1992). When competition is perceived as a threat by the organization, there is a greater tendency to adopt a market orientation (Pulendran et al., 2000). Despite

well documented effects that competition can have on performance, the underlying mechanisms of the competition-performance relationship remain a source of debate. Young et al., (1996) found that increased industry competition decreases average industry profitability, but increased firm-level competition actually increases individual firms' profits.

Kuuluvainen (2011) suggests that if management has good relationships with its suppliers and other actors in the industry it may get signals in advance concerning changes occurring in the industry's technological standards and therefore it has more time to prepare than some of its competitors may have. Porter's (1985) five forces model that includes; bargaining power of suppliers can be used to assess and determine the inherent profit potential of an industry. Attention has over the years shifted from individual suppliers to value adding supply chains and supply chain management. Global hard competition means, enterprises cannot respond rapidly to the customers' demand through traditional operation mechanism (Chang, 2009). The wide spread globalization, e-commerce, global hard competition among other challenges have radically redefined the business landscape calling for new business models. This has seen the emergence and popularity of Business Process Outsourcing (BPO) and Total Quality Management (TQM).

Chang (2009) posits that since the 1980's, the competition between enterprises has become one between supply chains. Therefore, the implementation of (TQM) in supply chain system but not only in enterprise has become an exquisite premise for the survival of enterprise. Firms use BPO leveraging the larger scale of outside service providers to cut costs, improve process quality and speed time to market. Strategic alliance or partnership between a client and a vendor that ensures sharing of risks and rewards may be implemented by; contracts that specify clauses on sharing risks and rewards and joint ownership of supplier enterprise (Currie, 1998). This approach to supplier management resonates with Svendsen's (1998) stakeholder-focused corporate strategy. Rich & Hines (1997) view increased outsourcing to fewer suppliers managed using collaborative techniques can be characterized as a means of achieving the adventures of Supply Chain Management (SCM) without owning the means of production and the inherent risks of advances in technology or changes in law.

Firm Growth and Expansion

Growth helps to establish legitimacy, achieve economies of scale, attract investment capital, and increase firm profitability (Nicholls-Nixon, 2005). The premise that firms desire to grow underlies the popular resource-based view of the firm (Barney,

1991; Peteraf, 1993). Tracing the origins of their work to Penrose (1959), resource-based theorists have argued that a firm's unique portfolio of tangible and intangible resources influences the rate and direction of a firm's expansion. Increased size has been associated with visibility, prestige, and the ability to withstand environmental shocks (Hannan and Freeman, 1984). Mishina et al., (2004) examine firm growth along two lines. They suggest that in examining the role that strategy and resources play in firm growth, researchers generally have either relied on variations of Porter's (1985) generic business strategies (Bamford et al., 1997) or have employed idiosyncratic definitions of strategic dimensions such as degree of technical innovation to describe the strategies that firms use to expand their business.

Jovanovic (1982) predicted that small and young firms appear to grow faster. Empirical evidence in some recent studies reported positive correlation between firm growth and age, a result that has been adduced to the specific feature of very innovative output of firm activity (Heshmati, 2001; Teruel-Carrizosa, 2010). Based on the understanding that larger firms have higher survival rates (Baum, 1996) and firm size economies of scale are related (Porter, 1985), firm growth is seen as an important indicator of firms' health and market potential. High-growth firms that have achieved substantial market share may be able to generate economies of scale or first mover advantages that will eventually result in profitability. Using a longitudinal database of 45,525 firms, Sexton et al., (2000) found that firm profitability was correlated with sustainable growth. Expansion strategies are game plans to grow and position a firm competitively and are accompanied with varying levels of risk, resource capability and stakeholder involvement. Firms can expand by growing along traditional product and market lines. The main purpose of diversification is to allow the firm to grow by venturing into new businesses through development of new products for new markets (Ansoff, 1998). Markides and Williamson (1996) argue that diversification enhances performance only when it allows a business to obtain preferential access to strategic resources.

Forces of globalisation and technological advancements provide optimal business conditions that favour the internationalisation of business, driving companies to operate internationally (Ohmae, 1999). Internationalisation theories include, the period economic approaches (Hymer, 1976), behavioural sequential and learning experiential approaches (Welch and Luostarinen, 1988), the Dunning's (1993) eclectic models and network approaches (Johanson & Mattson, 1988). The above expansion strategies can be delineated as customer-centric and firm-centric. The delineation is critical in choosing appropriate expansion strategies. For

example, in the firm-centric approach, an organization evaluates its internal capabilities and if these internal capabilities cannot meet external market factors (competition, commoditization, customer demand), the organization should consider less aggressive expansion strategies (Doyle, 2000).

Firm Performance

Business enterprises aim primarily to outperform competitors consistently and deliver sustained, superior returns to the owners, while satisfactorily addressing other stakeholder needs. Hersey and Blanchard (1998) argued that performance has multiple meanings, depending on the discipline and they have given some of the definitions based on management scientists, marketers, accountants and economists. Mackey et al., (2007) adopt a market value based definition positing that market value is defined as the price of a firm's equity, multiplied by the number of its shares outstanding. Static as this definition may seem, it has an important all-encompassing value i.e. share price is a function of profitability, market perception, asset base as well as financial indicators (profit, ratios etc.). A lot of research work has been done on how various strategic management aspects influence firm performance (March & Sutton, 1997; Mackey et al., 2007), with little or no focus on laying an empirical or conceptual framework for defining and exposing what performance really is. Dess and Robinson (1984) contend that research, which incorporates organisational performance, must address two basic issues; a conceptual framework from which to define organisational performance and identification of accurate available measures that operationalize organisational performance. This paper lays a conceptual framework for the definition of organisational performance following Etzioni's (1964) definition based on explicit goals or goals which can be implied from the behaviour of organisational members.

Hatten et al., (1978) posited that performance is a function of controllable or strategic variables and non-controllable or environmental variables. The paper is departure from this school of thought. Recognizing the external environment as a nexus of stakeholders implies that paying varying levels of attention based on their relative importance can give the firm a level of control over the external environment. Yutchman and Seashore (1967) fronted the systems resource approach, which analyses organisational performance in terms of key internal and external factors upon which the organisation depends for survival. This is what has evolved into the resource based view as we know it today. The constituency approach popularized by Thompson (1967) views the organisation as existing to benefit numerous constituencies both internal and external to the organisation, with organisational performance

assessment focused on fulfillment of constituent needs. This is the extended stakeholder perspective.

Performance can be viewed from the shareholders' perspective. Business owners expect results in terms of returns on their investment, capital appreciation on assets and security of their investment. This traditional economic argument suggests that managers should make decisions that maximize the wealth of their firm's equity holders (Friedman, 1962). Financial viability and returns on investment are good indicators of either project or institutional performance. Some scholars have argued that firms have a duty to society that goes well beyond simply maximizing the wealth of equity holders (Whetten et al., 2001). This extended stakeholder view will measure a firm's performance by the degree to which it responds to address societal needs. Wernerfelt (1988) argues that in the business policy literature there are two major streams of research on the determinants of firm performance. One is based primarily upon an economic tradition, emphasizing the importance of external market factors in determining firm success. The other line of research builds on the behavioral and sociological paradigm and sees organizational factors and their fit, with the environment as the major determinants of success. This paper takes an integrated approach to firm performance by reviewing critical market as well as organisational factors to the success of the business.

Ogollah et al. (2011) found three common approaches to organization performance measurement in literature namely the objective measures of performance that tend to be quantitative, the subjective measures and triangulation. Objective measures focus on end results (financial), while subjective measures focus on the process or means by which ends results are achieved (Cohen, 1993). According to Verbeeten and Bonns (2009) financial metrics are important because they are the primary way performance of both firms and top leaders are

evaluated, and they inform decisions about the firm made by internal and external stakeholders. Financial ratios may be calculated in different ways, using different figures (Gibson and Cassar, 2005) and measures include profitability ratios (gross profit, net profit, return on investment, earnings per share), growth in sales, market valuation, total assets, liquidity ratios (current ratio, quick ratio). One of the primary criticisms of current measurement systems is that they are generally limited to financial indicators, thereby focusing the organization on past performance and encouraging a short-term view of strategic objectives (Eccles, 1991). Kaplan and Norton (1992, 1996) developed the balanced scorecard concept, to address the perceived shortcomings in financially-oriented performance measurement systems. A firm's performance may be viewed in terms of the expected customer oriented results and can be measured by the level of customer satisfaction, loyalty and repurchase of a firm's products. According to Kaplan and Norton (1996) a growing number of firms are replacing their financially-based performance measurement and compensation systems with a balanced scorecard, incorporating multiple financial and nonfinancial indicators. Proponents of the balanced scorecard concept contend that this approach provides a powerful means for translating a firm's vision and strategy into a tool that effectively communicates strategic intent and motivates performance against established strategic goals (Kaplan and Norton, 1996). This paper proposes a measurement system based on the sustainable balanced score card, whose design process is founded on the premise of strategy as a set of hypotheses about cause and effect. Quantifiable resources and outcomes can be measured using the financially based measures, human resources measured on the basis of motivation and satisfaction and finally external stakeholders on the basis of involvement in firm activities and levels of satisfaction respectively.

CONCEPTUAL MODEL

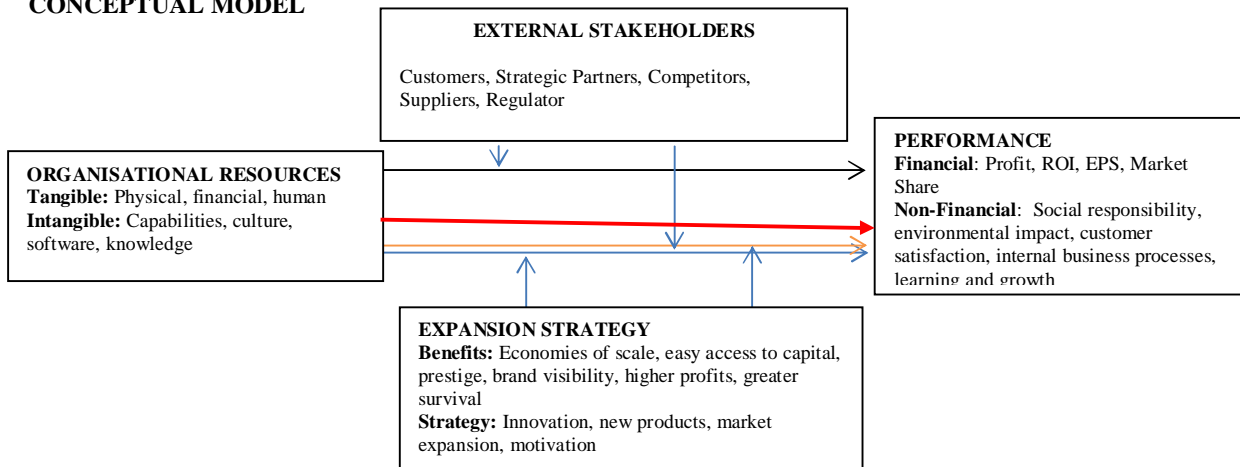


Figure 1: Conceptual Model

The conceptual model above provides a basis for addressing the research gaps highlighted in the review of conceptual and empirical literature. The model proposes a direct relationship between resources and organisational performance consistent with propositions advanced in the literature review. As such firm resources are the independent variable while firm performance is the dependent variable. The Model proposes that external stakeholders and firm expansion strategies affect firm performance jointly and seeks to establish the strength of the relationship. It further suggests that expansion strategies intervene the relationship between organisational resources and firm performance. External stakeholders moderate the relationship between organisational resources and expansion strategies. The relationship between resources and performance is established based on the review of empirical and conceptual literature. What has not been established is the joint effect of external stakeholders and expansion strategies on the relationship between resources and performance.

DISCUSSION AND CONCLUSION

The conceptual paper is an attempt to review drivers and cause of variation in performance by focusing on a number of key variables. The relationship between resources and performance has been established (Helfat et al. 2007; Lee, 2003; Marino, 1996). The conceptual paper has reviewed literature that clarifies the joint effect of expansion strategies and external stakeholders on performance. Booth and Segon (2008) argue that more emergent strategy practices are needed to effectively deal with the frequent and fast paced disruptions occurring in industries and the general business environment, (D'Aveni, 1994) and the competitive focus of the more successful companies to proactively shape their environment through their internal capabilities, business offerings and processes, (Miles and Snow, 2003).

According to Conner (1991), the task for resource-based theorists is to discern the appropriate rent-generating inputs given both external (demand, public policy, and competitor action) and internal (past history, resource endowments, and corporate culture) constraints. Collis and Montgomery (1995) support this integrated approach by observing that resources cannot be evaluated in isolation, because their value is determined in the interplay with market forces. This conceptual study paper adopts the integrated approach proposed by the various scholars in the literature reviewed helping to address the conceptual and empirical inconsistencies apparent from the review. These gaps are occasioned by infancy of the resource based paradigm (calling for further theoretical and empirical attention), a fragmented approach to the review of factors driving organisational outcomes, as well as causal ambiguities and differences in epistemological

foundations and schools of thought. The lack of agreement on the definition of key variables and constructs of the RBV, criticism over its tautological or self-verifying nature are key challenges. The conceptual model adopted in this paper (see figure 1) enables the anchoring of various conceptual definitions in literature. It is a departure from the fragmented view of the firm and the notion that a single aspect can be evaluated satisfactorily as a determinant of organisation performance.

It would be incongruous to ignore the intermediate effect of key environmental and organisational factors on the organisation and dwell on final performance only. Growth is a key organisational outcome that may not be reflected in a firm's bottom-line. It has been argued that a careful scrutiny and balance between product demand (external stakeholder analysis) and resource productivity (RBV) and growth will help an organisation achieve equilibrium growth and good performance. Many studies adopted the view of growth only being beneficial up to a point (Hedberg et al., 1976). This paper supports optimum growth leveraging firm resources and external stakeholders as a necessary means for renewal, survival and sustainable superior performance. Researchers have been unable to resolve the mensuration challenge due capabilities, competences, knowledge and other intangible assets. Dess and Robinson (1984) observed that strategic management researchers often encounter problems obtaining objective measures of selected aspects of organisational performance that are reliable and valid. The paper adopts Dess and Robinson's proposition by developing an integrated conceptual framework from which to define organisational performance and identifying accurate available measures that operationalize organisational performance. It enables the operationalization of the key variables lending them to credible measurement. The problem of measurement and causal ambiguity is overcome in the model by the two stage process of examining the intermediate effect. The framework developed by this conceptual study paper can be used as a guide to and for empirical investigation helping to validate the propositions embodied therein.

LIMITATIONS OF THE STUDY

The paper makes propositions based on prior empirical and conceptual validation. The model proposed should guide future empirical investigation to validate the propositions.

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