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**HOW CORPORATE STRATEGY CONTRIBUTES TO FIRM PERFORMANCE: A
CROSS-SECTIONAL STUDY OF RESOURCE GOVERNANCE DECISION MAKING
IN US FIRMS.**

A thesis presented in partial fulfilment of the requirements for the degree of
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Corporate strategy has been a neglected topic in both theoretical and empirical discussions on superior firm performance. In addition to using competitive strategy to attain sustainable competitive advantage, firms should also focus on achieving a corporate level measure of performance, namely, persistent superior firm performance. The resource based theory paradigm suggests that factors which lead to superior firm performance are largely endogenous to the firm. Corporate strategy is one such factor. Empirical evidence has shown that corporate strategy matters. It has a small but significant influence on the variance of both business unit performance and firm performance. This research extends current knowledge by determining, firstly, if corporate strategy could be used to distinguish successful firms from unsuccessful firms and, secondly, if so, how does corporate strategy actually influence firm performance. Fifteen Fortune 1000 US firms were categorised into three subpopulations based on persistent superior, average and inferior levels of performance. Eighteen indicators representing both excellence in corporate strategy and the incidence of corporate strategy were collected through the content analysis of Wall Street Journal articles from 1980 to 2004. Various inferential statistical techniques were conducted to provide a broad profile of findings.

The frequency of resource governance decisions was found to distinguish the persistent superior firm performance category from both the persistent average and inferior firm performance categories. The corporate level decision making skill perspective provides an explanation for this empirical evidence. Superior performing firms, through the use of superior corporate level decision making skills, are able to simplify resource governance decision making (e.g., decision making rules). This simplification results in superior resource governance decisions being made, *lowering* the incidence of resource governance decisions. This research extends resource based theory by providing empirical evidence of the importance of resource governance decisions in achieving persistent superior firm performance. This research also integrates the concept of superior corporate level decision making skills into existing resource based theory. The research has implications also for both theoretical and practitioner literatures as it redefines corporate strategy. It shows that corporate strategy matters to firm performance, and importantly, it shows why corporate strategy matters.

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TABLE OF CONTENTS

Abstract	i
Acknowledgements	ii
Table of Contents	iii
List of Abbreviations	vii
List of Tables	x
List of Figures	xiv
Chapter 1 Introduction	1
1.1 Research aims and objectives	2
1.2 Research process	3
1.3 Delimitation of scope	7
1.4 Justification for the research	8
1.5 Outline of the thesis	9
Chapter 2 Literature review	11
2.1 Chapter overview	11
<i>Part I: Theoretical literature review</i>	<i>11</i>
2.2 What is the aim of strategic management?	11
2.3 Defining persistent superior firm performance	12
2.4 The exogenous perspective of sustainable competitive advantage	14
2.4.1 Structure-conduct-performance paradigm	15
2.5 The endogenous perspective of sustainable competitive advantage	25
2.5.1 Resource based theory	26
2.6 Differences between the exogenous and endogenous perspectives of sustainable competitive advantage	41
2.7 Theoretical summary: Part I	42
<i>Part II: Empirical literature review</i>	<i>47</i>
2.8 Empirical overview	47
2.9 The empirical evidence of corporate effects	48
2.9.1 Methodologies employed	54
2.9.2 Measurements of corporate effects	55
2.9.3 Validity issues with models employed to estimate corporate effects	60
2.9.4 Corporate effects research summary	65
2.10 Other empirical corporate strategy – performance research	66
2.10.1 Specific corporate strategies and their effect on performance	66
2.10.2 Normative models of the parent, corporate advantage and performance	68
2.10.3 Implicit assumptions of a relationship between corporate strategy and performance	70
2.11 Empirical summary: Part II	72
Chapter 3 Conceptual framework and operationalisation	75
<i>Part I: A conceptual framework of corporate strategy</i>	<i>75</i>
3.1 Conceptual overview	75

3.2	What is corporate strategy?	75
3.2.1	Corporate strategy as all strategy formulated within the organisation	76
3.2.2	Corporate strategy as strategy at the level of the corporate	76
3.2.3	Strategy at the corporate level	78
3.2.4	The definition of corporate strategy employed in this research	80
3.3	The ends and means of corporate strategy	81
3.3.1	Organisational direction	82
3.3.2	Means of achieving organisational direction	89
3.4	Corporate strategy and persistent superior firm performance	102
3.4.1	The proposed relationship between corporate strategy and persistent superior firm performance	104
3.5	Conceptual framework summary: Part I	104
<i>Part II: Operationalisation of corporate strategy attributes</i>		105
3.6	Introduction to operationalisation	106
3.7	Operationalising firm performance	110
3.8	Hypothesis five: Corporate strategy	112
3.9	Indicators of the corporate strategy attributes	113
3.9.1	Strategic intent	113
3.9.2	Organisational domain	117
3.9.3	Internal governance	121
3.9.4	Resource governance	124
3.10	The nature of the association between the firm performance categories	127
3.11	Potential confounds	127
3.11.1	The potential confounds considered	127
3.11.2	The potential confounds selected	130
3.12	A model measuring the effect of corporate strategy on persistent superior firm performance	134
3.13	Operationalisation summary: Part II	136
Chapter 4 Methodology and data		138
4.1	Introduction	138
4.2	Selection of the time frame	139
4.3	Share market price	139
4.4	Selection of sample firms	140
4.4.1	Sample error	143
4.5	Data collection tool: Content analysis	144
4.6	Selection of the data source for explanatory variables: The Wall Street Journal	145
4.6.1	The benefits of the Wall Street Journal	146
4.6.2	Limitations of the data source	147
4.7	Data cleaning	147
4.7.1	Missing data	148
4.7.2	Index creation	149
4.7.3	Outliers	149
4.7.4	Data transformation	155
4.8	Statistical analysis	155
4.8.1	Descriptive statistics	155
4.8.2	Inferential statistics: Tests of heterogeneity for three samples	156
4.9	Dataset summary	164
4.10	Reliability	167
4.10.1	Stability	168

4.10.2	Consistency	168
4.10.3	Robustness	169
4.11	Validity	169
4.11.1	Internal validity	169
4.11.2	External validity	172
4.12	Potential confound variables	173
4.12.1	Data source selection	173
4.12.2	Potential confound results	175
4.12.3	Potential confound results summary	176
4.13	Summary	177
Chapter 5	Results	179
<i>Part I: Preliminary data analysis</i>		179
5.1	Preliminary data analysis overview	179
5.2	Tests for normality	179
5.3	Tests for the assumption of homogeneity of variance	181
5.4	Exploratory data analysis	181
<i>Part II: Hypothesis testing: Between-firm performance categories</i>		182
5.5	Hypothesis testing overview	182
5.6	Hypothesis testing: Corporate strategy	183
5.6.1	Did the corporate strategy index differ between the firm performance categories?	183
5.6.2	Could the corporate strategy index be used to distinguish the PSFP category from the non-PSFP categories?	185
5.7	Hypothesis testing: Strategic intent	187
5.8	Hypothesis testing: Organisational domain	187
5.9	Hypothesis testing: Internal governance	188
5.10	Hypothesis testing: Resource governance	188
5.10.1	Did the resource governance attribute index differ between the firm performance categories?	189
5.10.2	Could the resource governance attribute index be used to distinguish the PSFP from the category non-PSFP categories?	191
5.11	Hypothesis testing results summary: Part II	192
<i>Part III: Hypothesis testing: Excellence and quantity indices</i>		193
5.12	Excellence and quantity overview	193
5.13	Hypothesis testing: Corporate strategy excellence	194
5.13.1	Did the corporate strategy excellence index differ between the firm performance categories?	194
5.14	Hypothesis testing: Corporate strategy quantity	196
5.14.1	Did the corporate strategy quantity index differ between the firm performance categories?	196
5.14.2	Could the corporate strategy quantity index be used to distinguish the PSFP category from the non-PSFP categories?	198
5.15	Hypothesis testing: Quantity indices	199
5.15.1	Did the quantity indices differ between the firm performance categories?	199
5.15.2	Could the resource governance quantity index be used to distinguish the PSFP category from the non-PSFP categories?	202
5.16	Excellence and quantity indices results summary: Part III	203

5.17	Chapter summary	204
Chapter 6	Discussion	205
6.1	Introduction	205
6.2	Identifiable patterns in the dataset	205
6.2.1	Factors to consider when interpreting the statistically nonsignificant results	211
6.3	Distinction between the PSFP versus the non-PSFP firm performance categories: Theoretical explanations	212
6.3.1	Alternative explanation 1: Chance	213
6.3.2	Alternative explanation 2: Spuriousness	213
6.3.3	Alternative explanation 3: Core competencies	213
6.3.4	Alternative explanation 4: The role of corporate level resource governance decision making skill	224
6.4	Theoretical implications	245
6.4.1	Theoretical implications: Core competency theory	245
6.4.2	Theoretical implications: Corporate level decision making skill	249
6.5	Empirical, conceptual and operational implications	255
6.5.1	Strategic intent	255
6.5.2	Organisational domain	257
6.5.3	Internal governance	258
6.5.4	Resource governance	260
6.5.5	Corporate strategy	261
6.6	Implications for the field of strategic management	264
6.7	Implications for practitioners	265
6.7.1	Implications for PIFP firms	267
6.7.2	Implications for PAFP firms	268
6.7.3	Implications for PSFP firms	269
6.8	Summary	270
Chapter 7	Conclusion	272
7.1	Chapter introduction	272
7.2	The theory and results	273
7.2.1	The corporate level decision making skill perspective	274
7.3	Limitations: Exogenous to the results	276
7.4	Directions for future research	277
7.5	Recommendations for practitioners	279
References		281
Appendix 1	Coding book	312
Appendix 2	Examples of article coding	317
Appendix 3	Exploratory data analysis	324
Appendix 4	Hypothesis testing results	335
Appendix 5	Discriminant analysis results	338
Appendix 6	Excellence and quantity results	350

LIST OF ABBREVIATIONS

Text abbreviations

BU P	Business unit performance
Compustat	Standard and Poor's Compustat Business-Segment Reports database
CRSP	Centre for Research in Security Prices of the University of Chicago
DJIA	DOW Jones Industrial Average
FTC	Federal Trade Commission database
H-form	Holding firm organisational structure
IO	Industrial organisation economics
M-form	Multidivisional firm organisational structure
PAFP	Persistent average firm performance
PIFP	Persistent inferior firm performance
PSFP	Persistent superior firm performance
RBT	Resource based theory
ROA	Return on assets
R&D	Research and development
SBU	Single business unit
SCA	Sustainable competitive advantage
SCP	Structure-conduct-performance paradigm
SIC	Standard Industrial Classification codes
SMP	Share market price
SPSS	Statistical Package for Social Science 13.0 for Windows
US	United States of America
U-form	Functional firm organisational structure
WSJ	Wall Street Journal

Sample firm abbreviations

Amerada	Amerada Hess Corporation
BNSF	Burlington Northern Santa Fe Corporation
CMS	CMS Energy Corporation
CSXC	CSX Corporation
Duke	Duke Energy Corporation
Emerson	Emerson Electric Company
FPL	FPL Group, Incorporated
GenCorp	GenCorp Incorporated
Masco	Masco Corporation
Northrop	Northrop Grumman Corporation
Raytheon	Raytheon Company
Southern	Southern Company
Sunoco	Sunoco Incorporated
Union	Union Pacific Corporation
Whirlpool	Whirlpool Corporation

Hypotheses and subhypotheses abbreviations

ϵ	Error
CS	Corporate strategy index
CSQ	Quantity of corporate strategy decisions index

CSX	Excellence in corporate strategy index
FS	Firm size (potential confound variable)
HE	Historical endowment (potential confound variable)
H ₀	Null hypothesis
IG	Internal governance attribute index
IGQ	Quantity of internal governance decisions index
CLC	Corporate level commitment to the status quo (potential confound variable)
OD	Organisational domain attribute index
ODQ	Quantity of organisational domain decisions index
ODX	Excellence in organisational domain index
RG	Resource governance attribute index
RGQ	Quantity of resource governance decisions index
RGX	Excellence in resource governance index
SI	Strategic intent attribute index
SIQ	Quantity of strategic intent decisions index
SIX	Excellence in strategic intent index

Additional variables used in formulae

ASI	Alignment (strategic intent excellence variable)
CIG	Change in internal governance decision (internal governance quantity variable)
CSI	Change in strategic intent (strategic intent quantity variable)
DFD	Decrease in firm domain decision (organisational domain quantity variable)
EMC	Emotional connection (strategic intent excellence variable)
FDD	Firm domain decision (organisational domain quantity variable)
FUT	Futurity (strategic intent excellence variable)
IFD	Increase in firm domain decision (organisational domain quantity variable)
IGC	Consequences of internal governance (internal governance variable)
JV	Joint venture decision (organisational domain quantity variable)
RAL	Resource allocation decision (resource governance quantity variable)
RGD	Resource governance decision (resource governance quantity variable)
RL	Resource leverage (resource governance excellence variable)
RLM	Resource leverage mechanisms (resource governance excellence variable)
RNC	Revealing the new and creativity (strategic intent excellence variable)
SSD	Statement of strategic direction (strategic intent variable)
STR	Stretch (strategic intent excellence variable)
SYN	Synergy (organisational domain excellence variable)

Statistical notations

ANOVA I	One-way independent analysis of variance test
ANOVA	Analysis of variance test
BDM	Brunner, Dettter and Munk heteroscedastic rank-based ANOVA test
COV	Variance components analysis test
<i>D</i>	Kolmogorov-Smirnov test statistic
<i>df</i>	Degrees of freedom
<i>F</i>	Levene's test statistic
GH	Games-Howell test
<i>H</i>	Kruskal-Wallis test statistic
<i>J</i>	Jonckheere-Terpstra test statistic
JT	Jonckheere-Terpstra test
KW	Kruskal-Wallis one-way analysis of variance by ranks test

M	Sample mean
Mdn	Sample median
MW	Mann-Whitney test
N	Sample size
η^2	KW effect size statistic
p	The probability value indicating the significance of a statistical test
r	Effect size statistic for JT, MW and planned contrasts
s	Sample standard deviation
SC	Siegel-Castellan critical difference test
Sig	Significance
τ	Kendall's tau statistic
T2	Tamhane's T2 test
T3	Dunnett's T3 test
U	Mann-Whitney test statistic
v	versus
ω	ANOVA1 effect size statistic
Welch's F	One-way independent analysis of variance test statistic for possible violation of the homogeneity of variance assumption
X^2	Chi-square statistic
Λ	Wilks' lambda statistic

LIST OF TABLES

Table 2.1	Summary of the structure-conduct-performance and resource based theory paradigms.	43-45
Table 2.2	Empirical research of corporate effects reported in academic literature during the period of 1985 – 2006.	49-53
Table 3.1	Summary of research statements.	105
Table 3.2	Levels of data analysis and the associated variables and indices.	108
Table 3.3	Performance variable.	110
Table 3.4	Strategic intent variables.	116
Table 3.5	Organisational domain variables.	120
Table 3.6	Internal governance variables.	123
Table 3.7	Resource governance variables.	125
Table 3.8	Potential confounds.	131
Table 3.9	Abbreviations for the corporate strategy equations.	135
Table 4.1	Outline of methodological stages.	138
Table 4.2	Process to select the three firm performance subpopulations.	140
Table 4.3	Selection of persistent superior firm performance category sample firms.	142
Table 4.4	Selection of persistent average firm performance category and persistent inferior firm performance category sample firms.	143
Table 4.5	Levels of data analysis and the associated variables and indices.	148
Table 4.6	Corporate strategy and attribute indices outliers by firm.	151
Table 4.7	Adjustments to corporate strategy and attribute index values by firm.	152
Table 4.8	Excellence and quantity indices outliers.	153
Table 4.9	Adjustments to excellence and quantity indices outliers.	154
Table 4.10	The corporate strategy index and the attribute indices by firm performance categories.	165
Table 4.11	Validity and reliability measurement methods.	167
Table 4.12	Potential confound data sources.	174

Table 4.13	Kruskal-Wallis one-way ANOVA by ranks test and Brunner, Deitter and Munk heteroscedastic rank-based ANOVA test results for the potential confound variables.	175
Table 4.14	One-way independent ANOVA test results for the potential confound variables.	176
Table 5.1	Kruskal-Wallis test for the corporate strategy index.	184
Table 5.2	Mann-Whitney tests for the corporate strategy index: Post-hoc test for Kruskal-Wallis test.	185
Table 5.3	Siegel-Castellan critical difference test for the corporate strategy index: Post-hoc test for Kruskal-Wallis test.	186
Table 5.4	Discriminant analysis: Summary of results.	190
Table 5.5	Summary of hypothesis results.	192
Table 5.6	Descriptive statistics: The corporate strategy excellence index by firm performance category.	194
Table 5.7	Descriptive statistics: The corporate strategy quantity index by firm performance category.	197
Table 5.8	Descriptive statistics: The quantity indices by firm performance category.	200
Table 5.9	Summary of excellence and quantity hypothesis results.	203
Table 6.1	Hypothesis summary.	206
Table 6.2	Mean and standard deviation: Corporate strategy and its attributes indices by firm performance category.	209
Table 6.3	Mean and standard deviation: Quantity and excellence indices by firm performance category.	210
Table 6.4	Characteristics of core competencies across the firm performance categories.	215-216
Table 6.5	Characteristics of attributes of corporate level decision makers across the firm performance categories.	227
Table 6.6	Characteristics of frames of references across the firm performance categories.	232
Table 6.7	Characteristics of search and evaluation of alternatives across the firm performance categories.	236
Table 6.8	Characteristics of decision implementation across the firm performance categories.	239

Table 6.9	Outcomes of heterogeneous corporate level decision making skill in resource governance.	243
Table A3.1	Descriptive statistics: The corporate strategy index by firm performance category.	324
Table A3.2	Descriptive statistics: The strategic intent attribute index by firm performance category.	327
Table A3.3	Descriptive statistics: The organisational domain attribute index by firm performance category.	329
Table A3.4	Descriptive statistics: The internal governance attribute index by firm performance category.	331
Table A3.5	Descriptive statistics: The resource governance attribute index by firm performance category.	333
Table A4.1	Kruskal-Wallis test for the organisational domain attribute index.	335
Table A4.2	Kruskal-Wallis test for the internal governance attribute index.	335
Table A4.3	Kruskal-Wallis test for the resource governance attribute index.	336
Table A4.4	Mann-Whitney tests for the resource governance attribute index: Post hoc test for the Kruskal-Wallis test.	336
Table A4.5	Siegel-Castellan critical difference test for the resource governance attribute index: Post-hoc test for the Kruskal-Wallis test.	337
Table A5.1	Discriminant analysis: Test of equality of group means.	338
Table A5.2	Discriminant analysis: Eigenvalues.	339
Table A5.3	Discriminant analysis: Wilks' lambda.	340
Table A5.4	Discriminant analysis: Standardised canonical discriminant function coefficients.	341
Table A5.5	Discriminant analysis: Functions at group centroids.	341
Table A5.6	Discriminant analysis: Classification results.	342
Table A5.7	Casewise results: Strategic intent versus resource governance model.	344
Table A5.8	Casewise results: Organisational domain versus resource governance model.	345
Table A5.9	Casewise results: Resource governance versus internal governance model.	346
Table A5.10	Discriminant analysis: Box's M results.	349

Table A5.11	Discriminant analysis: Kappa.	349
Table A6.1	Jonckheere-Terpstra test for the corporate strategy quantity index.	351
Table A6.2	Kruskal-Wallis test for the corporate strategy quantity index.	351
Table A6.3	Siegel-Castellan critical difference test for the corporate strategy quantity index.	351
Table A6.4	Mann-Whitney tests for the corporate strategy quantity index.	352
Table A6.5	Kruskal-Wallis test for the quantity indices.	353
Table A6.6	Brunner, Detter and Munk heteroscedastic rank-based ANOVA test for the quantity indices.	354
Table A6.7	One-way independent ANOVA test for the quantity indices.	354
Table A6.8	Siegel-Castellan critical difference test for the resource governance index.	354
Table A6.9	Mann-Whitney tests for the resource governance quantity index.	355

LIST OF FIGURES

Figure 1.1	The relationship between the indices.	4
Figure 1.2	Theoretical model of the association between corporate level decision making skill and the rate of resource governance decisions.	6
Figure 2.1	Conceptualisations of the relationship between strategy and firm performance.	13
Figure 2.2	Model of structure-conduct-performance paradigm.	18
Figure 2.3	Model of resource based theory paradigm.	28
Figure 3.1	Strategy hierarchy.	77
Figure 3.2	Corporate strategy conceptual framework.	103
Figure 3.3	The proposed relationship between construct, attributes and concepts.	107
Figure 3.4	The relationship between the indices.	109
Figure 3.5	Monroe's (2002) sense of direction variables.	114
Figure 3.6	Monroe's (2002) sense of discovery variables.	114
Figure 3.7	Monroe's (2002) sense of destiny variables.	115
Figure 4.1	The relationship between the indices.	150
Figure 5.1	The relationship between the indices.	180
Figure 6.1	Strategic intent by firm performance category.	207
Figure 6.2	Organisational domain by firm performance category.	207
Figure 6.3	Internal governance by firm performance category.	208
Figure 6.4	Resource governance by firm performance category.	208
Figure 6.5	Corporate strategy by firm performance category.	209
Figure 6.6	Theoretical model of the association between the adoption of the core competency approach and the rate of resource governance decisions.	214
Figure 6.7	Theoretical model of the association between corporate level decision making skill and the rate of resource governance decisions.	225
Figure 6.8	Theoretical model of the association between corporate level decision making skill and the rate of resource governance decisions incorporating the core competency approach.	246

Figure 6.9	Theoretical model of the association between corporate level decision making skill and the rate of resource governance decisions.	251
Figure A3.1	Box plots of the corporate strategy index by firm performance category.	325
Figure A3.2	Box plots of the strategic intent attribute index by firm performance category.	328
Figure A3.3	Box plots of the organisational domain attribute index by firm performance category.	330
Figure A3.4	Box plots of the internal governance attribute index by firm performance category.	332
Figure A3.5	Box plots of the resource governance attribute index by firm performance category.	334
Figure A5.1	Function 1 versus Function 2 scatter plot: Strategic intent versus resource governance model.	347
Figure A5.2	Function 1 versus Function 2 scatter plot: Organisational domain versus resource governance model.	347
Figure A5.3	Function 1 versus Function 2 scatter plot: Resource governance versus internal governance model.	348
Figure A6.1	Box plots for the corporate strategy excellence index.	350
Figure A6.2	Box plots of the quantity indices.	353