

# **CONFIGURING COMPETITIVE ADVANTAGE**

## **The Balanced Strategy View in High-Growth Small Firms**

Key Findings & Strategic Implications from the Master of Commerce Thesis by Andrew Mitchell

Exploratory Examination of New Zealand High-Growth Small Firms (HGSFs)

University of Otago

# EXECUTIVE SUMMARY: THE CONGRUENCY MANDATE

## THE CONTEXT

- **Study Scope:**  
12 High-Growth Small Firms  
(New Zealand)
- **Growth Rates:**  
50% – 400% Annual Revenue Growth
- **Revenue Range:**  
\$200k – \$30M (NZD)
- **Methodology:**  
Qualitative Case Study Analysis  
(NUD\*IST & ATLAS.ti coding)



## THE FINDINGS

### THE CORE INSIGHT:

High-growth small firms (HGSFs) cannot succeed by simply emulating large corporations. They lack the buffer for strategic error. Success requires a tight 'strategic fit'—or congruency—between internal resources, competitive strategy, and market position.

### THE FRAMEWORK:

This deck introduces the Balanced Strategy View (BSV), a model that integrates the Resource-Based View (Internal) with Positioning Theory (External).



### KEY RESULTS:

Successful firms in the study clustered around two distinct configurations:

1. **"Product Leadership"**  
(7 Firms): Driven by innovation and quality reputation.
2. **"Customer Intimacy"**  
(4 Firms): Driven by relationships and bespoke service.



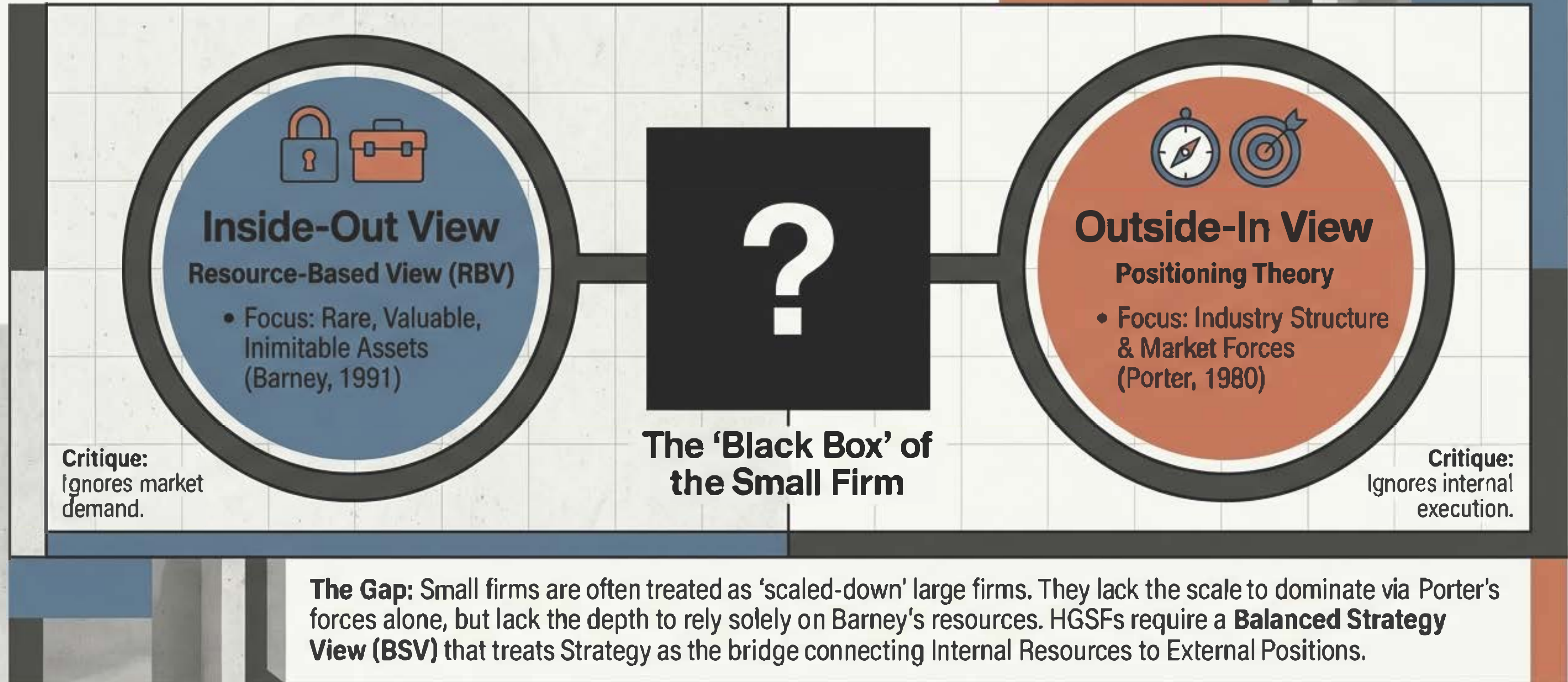
### CONCLUSION:

Competitive advantage is not a single product, but an internal engine of alignment.

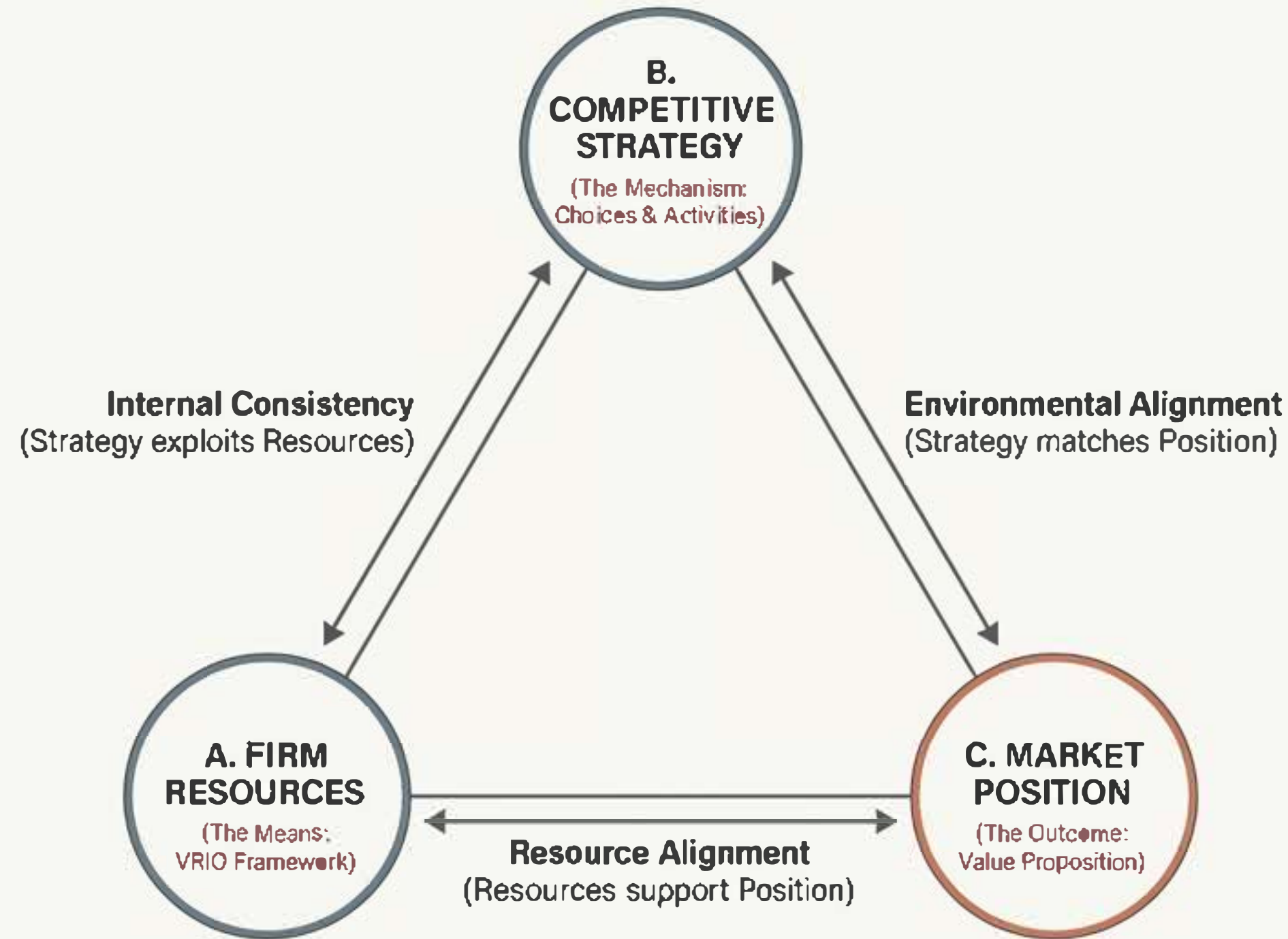




# THE STRATEGY CONFLICT: INTERNAL CAPABILITIES VS. MARKET POSITION



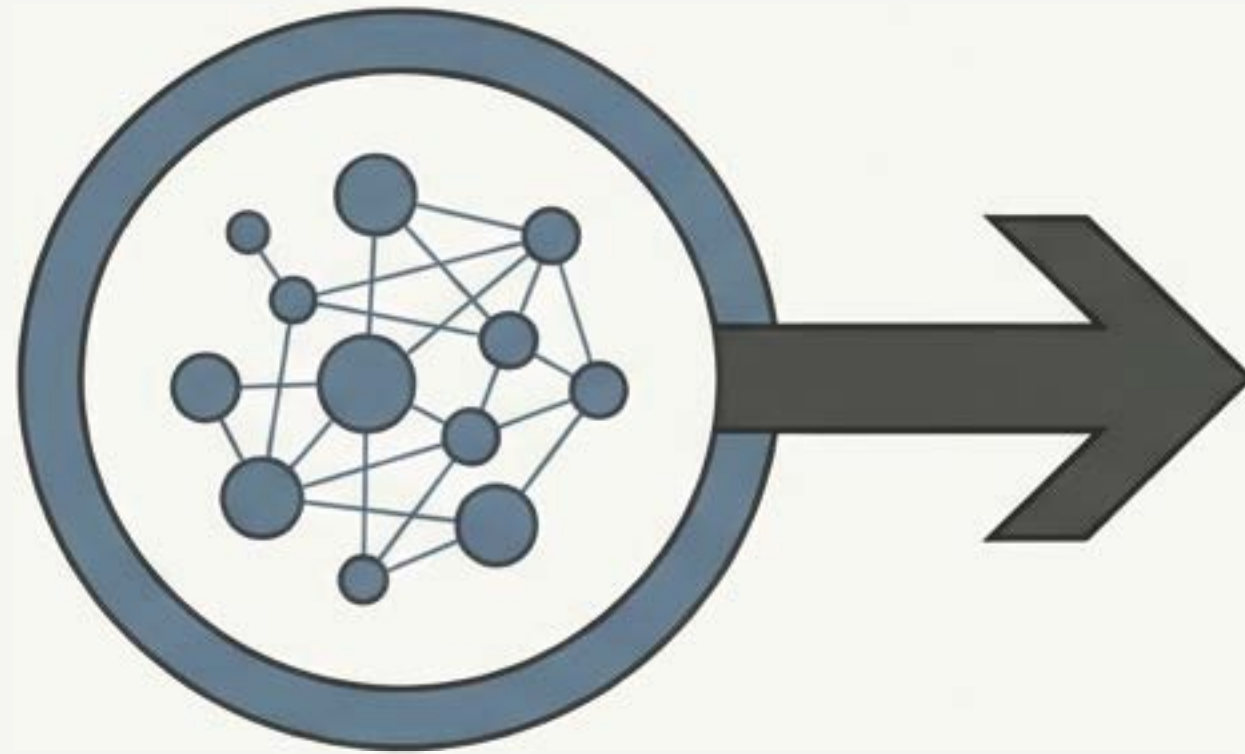
# THE THEORETICAL SOLUTION: THE BALANCED STRATEGY VIEW (BSV)



Advantage comes from the interaction of these three nodes, not one in isolation.

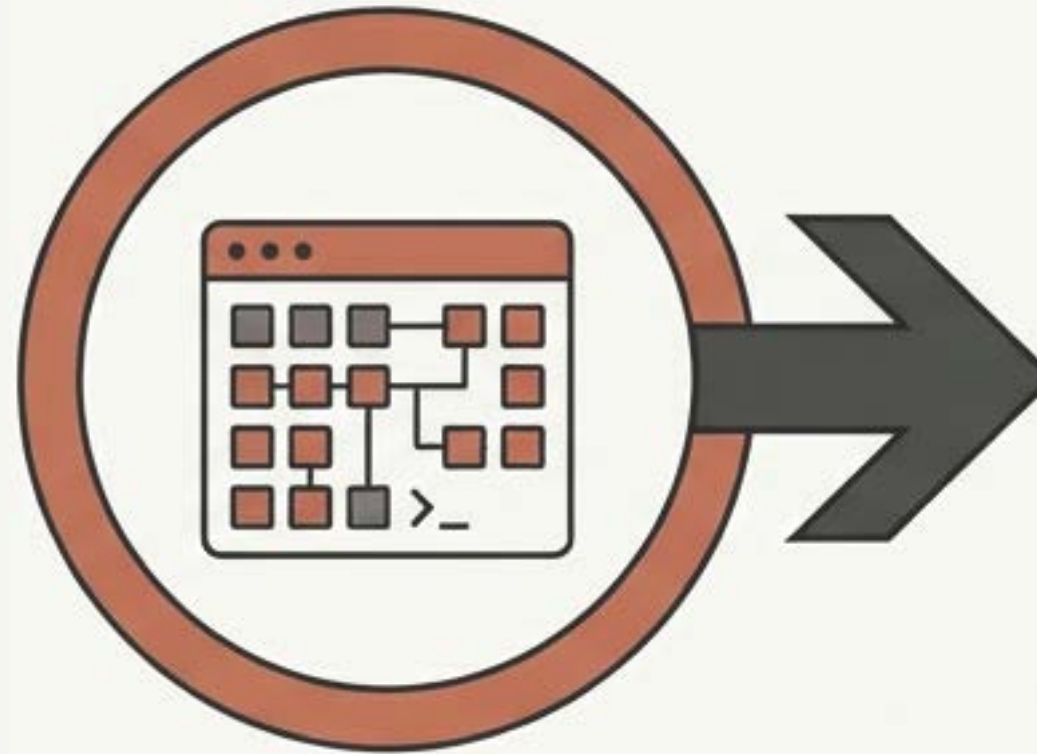


# METHODOLOGY & ANALYTICAL RIGOR



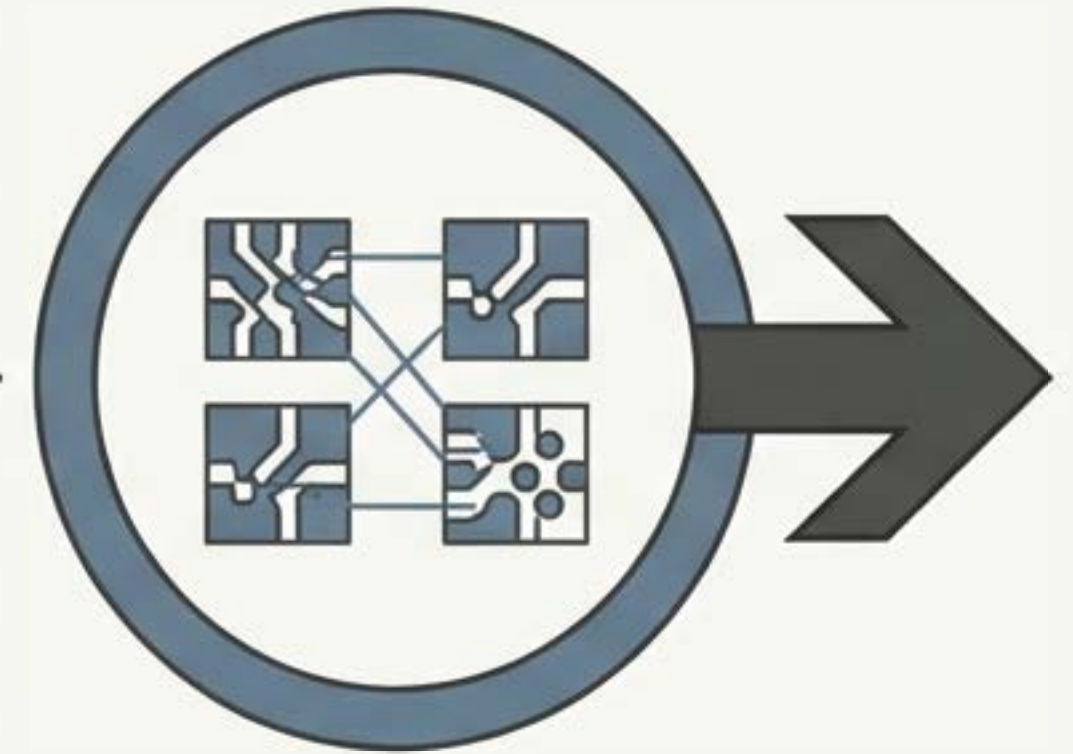
## THE DATASET

- 12 High-Growth Small Firms (HGSFs)
- Criteria: 50–400% Annual Growth
- Sectors: Biotech, Ag-Tech, Manufacturing, Film Production
- Turnover: \$200k – \$30M



## THE TOOLSET

- Knowledge Management Software
- **\*\*NUD\*IST\* & ATLAS.ti**
- Utilized for coding complex qualitative interview transcripts into thematic categories.



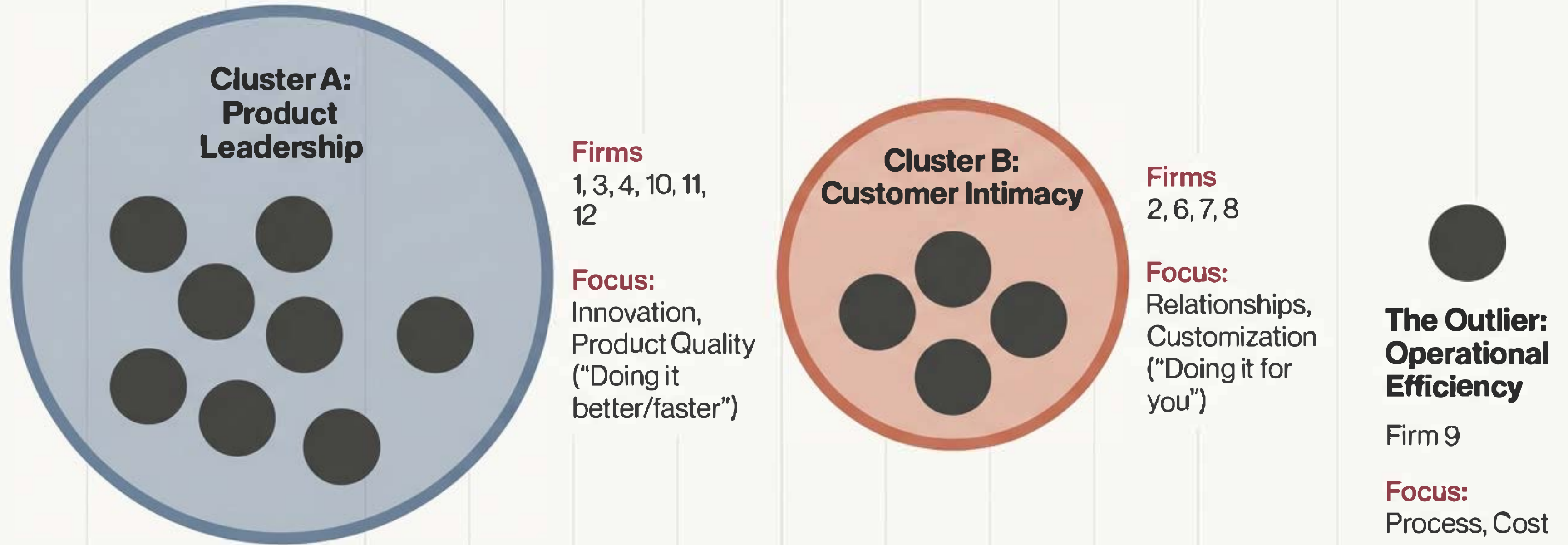
## THE OUTPUT

- Pattern Recognition
- Precise linking of text segments to theoretical constructs (Resources, Strategies, Positions).
- Statistically and thematically robust "Success Profiles".

# THE COMPONENTS OF ADVANTAGE: DEFINING THE VARIABLES

RESOURCES (Based on Barney)	STRATEGIES (Based on Campbell-Hunt)	MARKET POSITIONS (Based on Treacy & Wiersema)
<ul style="list-style-type: none"><li>• <b>External Relationships:</b> Partnerships, networks</li><li>• <b>Internal Relationships:</b> Culture, staff retention</li><li>• <b>Innovation:</b> R&amp;D capabilities</li><li>• <b>Reputation:</b> Brand equity, awards</li><li>• <b>Learning:</b> Adaptation speed</li></ul>	<ul style="list-style-type: none"><li>• <b>Marketing:</b> Branding, segmentation</li><li>• <b>Sales:</b> Promotion, sales force</li><li>• <b>Quality Reputation:</b> Service quality</li><li>• <b>Product Innovation:</b> New development</li><li>• <b>Operations:</b> Efficiency, logistics</li></ul>	<ul style="list-style-type: none"><li>• <b>Product Leadership:</b> Best product / features</li><li>• <b>Customer Intimacy:</b> Best total solution / relationship</li><li>• <b>Operational Efficiency:</b> Best total cost / reliability</li></ul>

# EMPIRICAL RESULTS: THE TWO DOMINANT PATHS

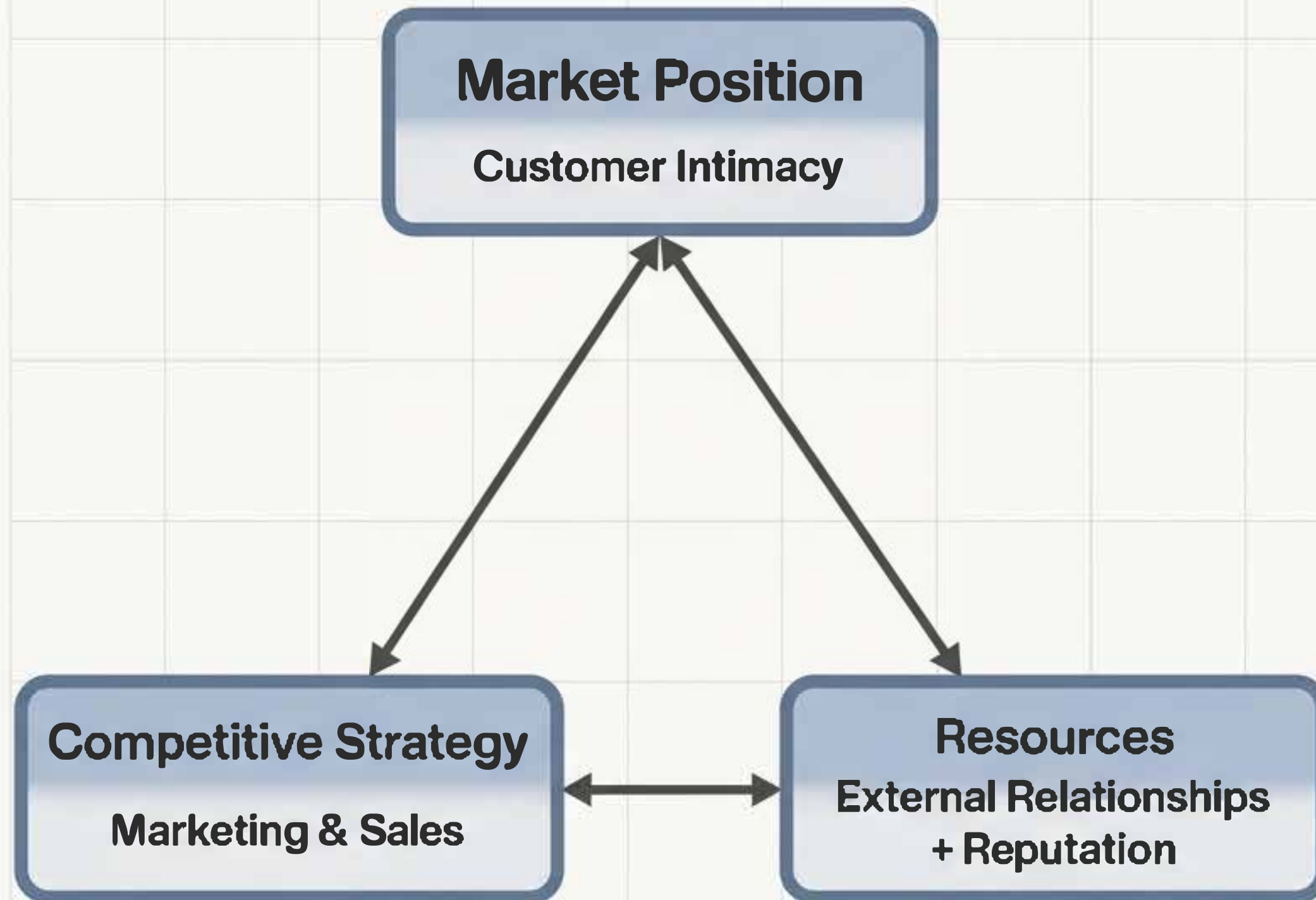


**Key Insight:** Operational Efficiency is rare for small firms due to lack of economies of scale. HGSFs win by being the **best** or the **closest**, not the cheapest.



# CONFIGURATION 1: THE 'CUSTOMER INTIMACY' PROFILE

Primary Drivers: Firms 2, 6, 7, and 8



## Case Evidence

**The Logic:** High-touch relationships create a barrier to entry that larger, impersonal competitors cannot cross.

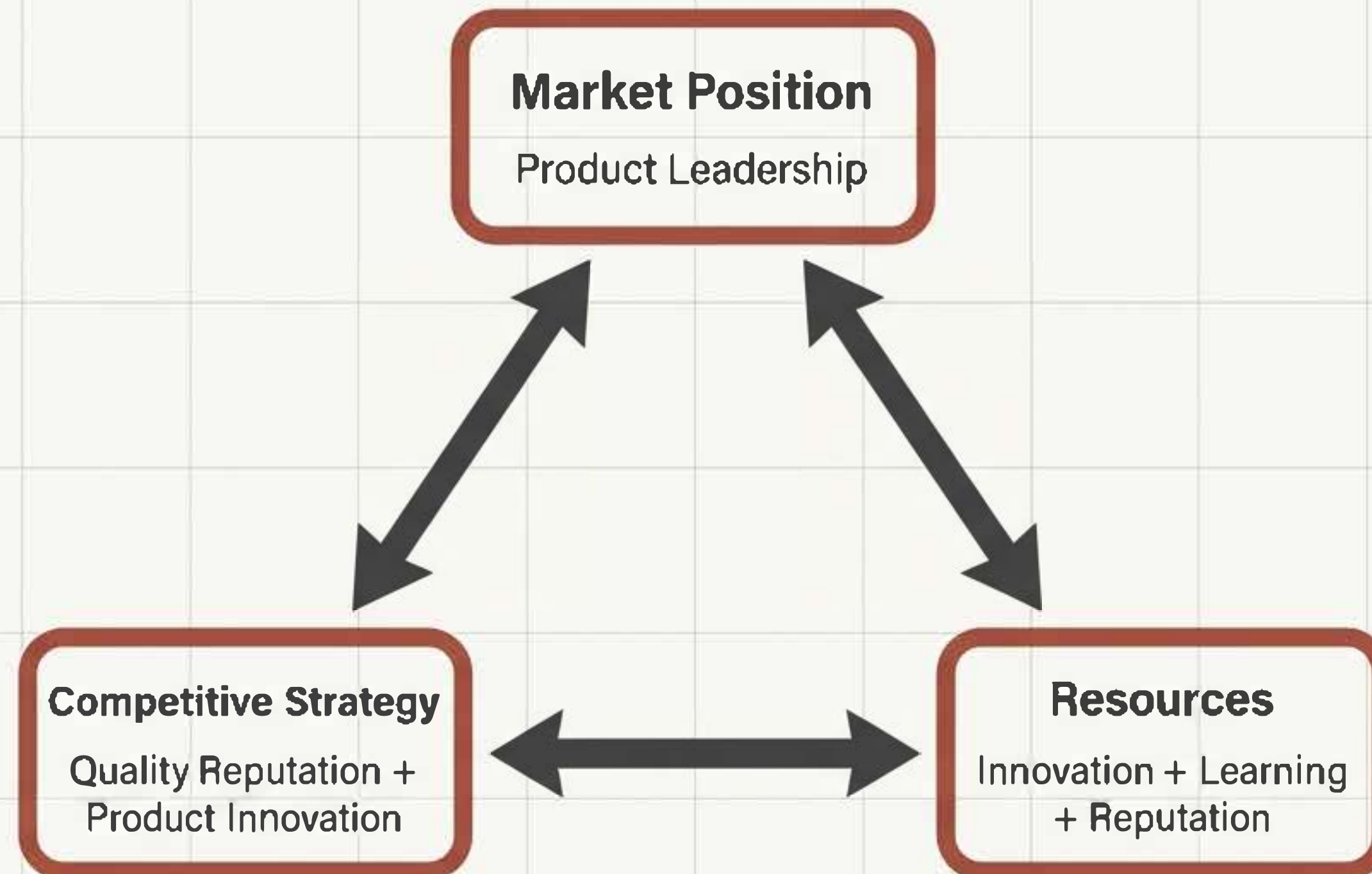
**Firm 6 (Film Production):** “We are very good at listening to what [the customer] has to say... we have the skill base to design the product to actually fit their needs.”

**Mechanism:** Monthly conference calls, “easy to do business with” reputation, leveraging partnerships.



# CONFIGURATION 2: THE 'PRODUCT LEADERSHIP' PROFILE

Primary Drivers: Firms 1, 3, 4, 11, and 12



## Case Evidence

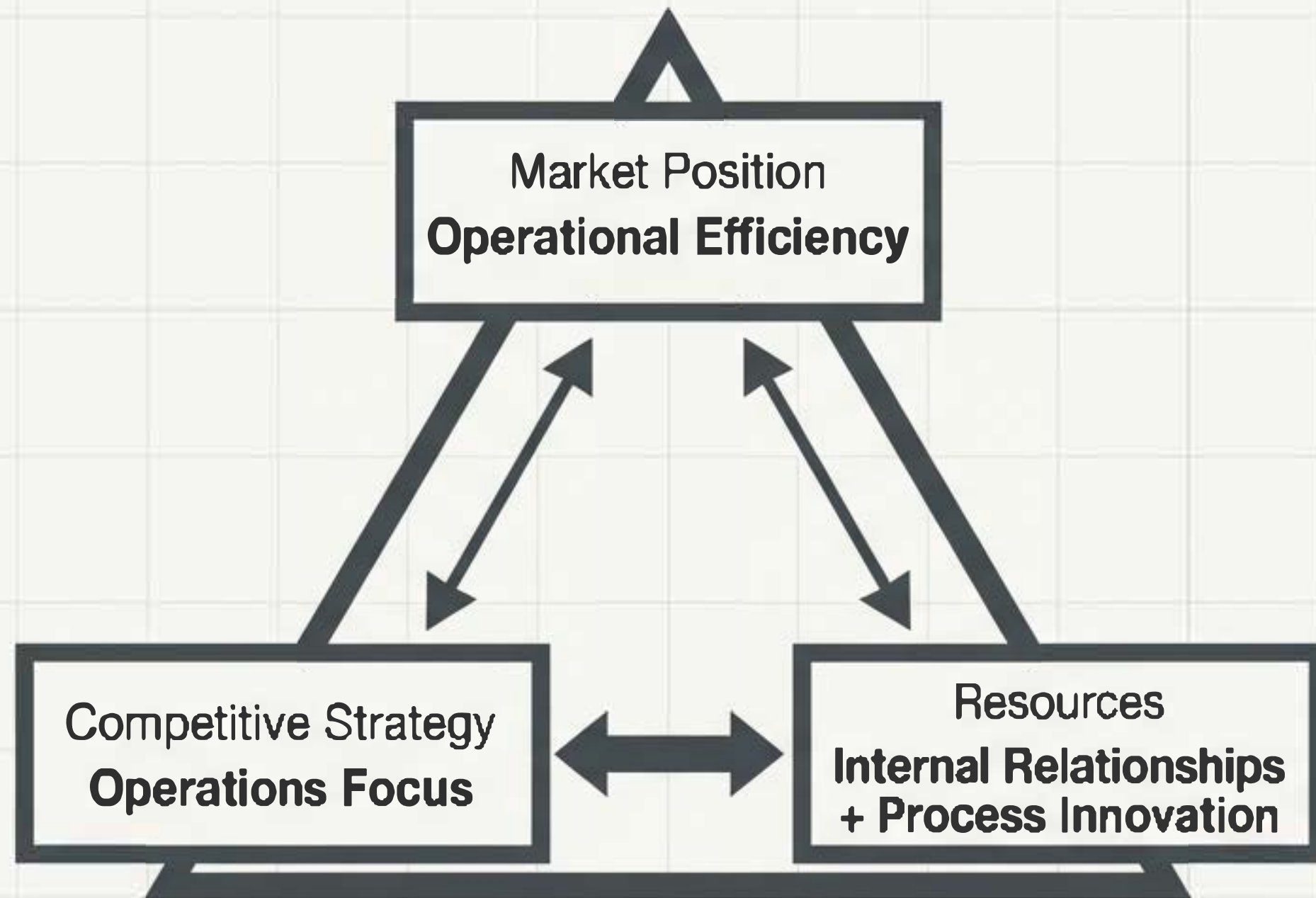
**The Logic:** Constant innovation keeps the firm ahead of commoditization.

**Firm 1 (Prosthetics):** Success drove from a strategic focus on "developing and manufacturing a better wig" supported by specialized machinery (Innovation Resource) and production know-how (Learning Resource).

**Firm 2 (Ag Tech):** "It is all about doing it better, cheaper and faster... we have constantly learnt more and improved the usability."

# CONFIGURATION 3: THE 'OPERATIONAL EFFICIENCY' OUTLIER

The Outlier: Firm 9 (Laminate Manufacturer)



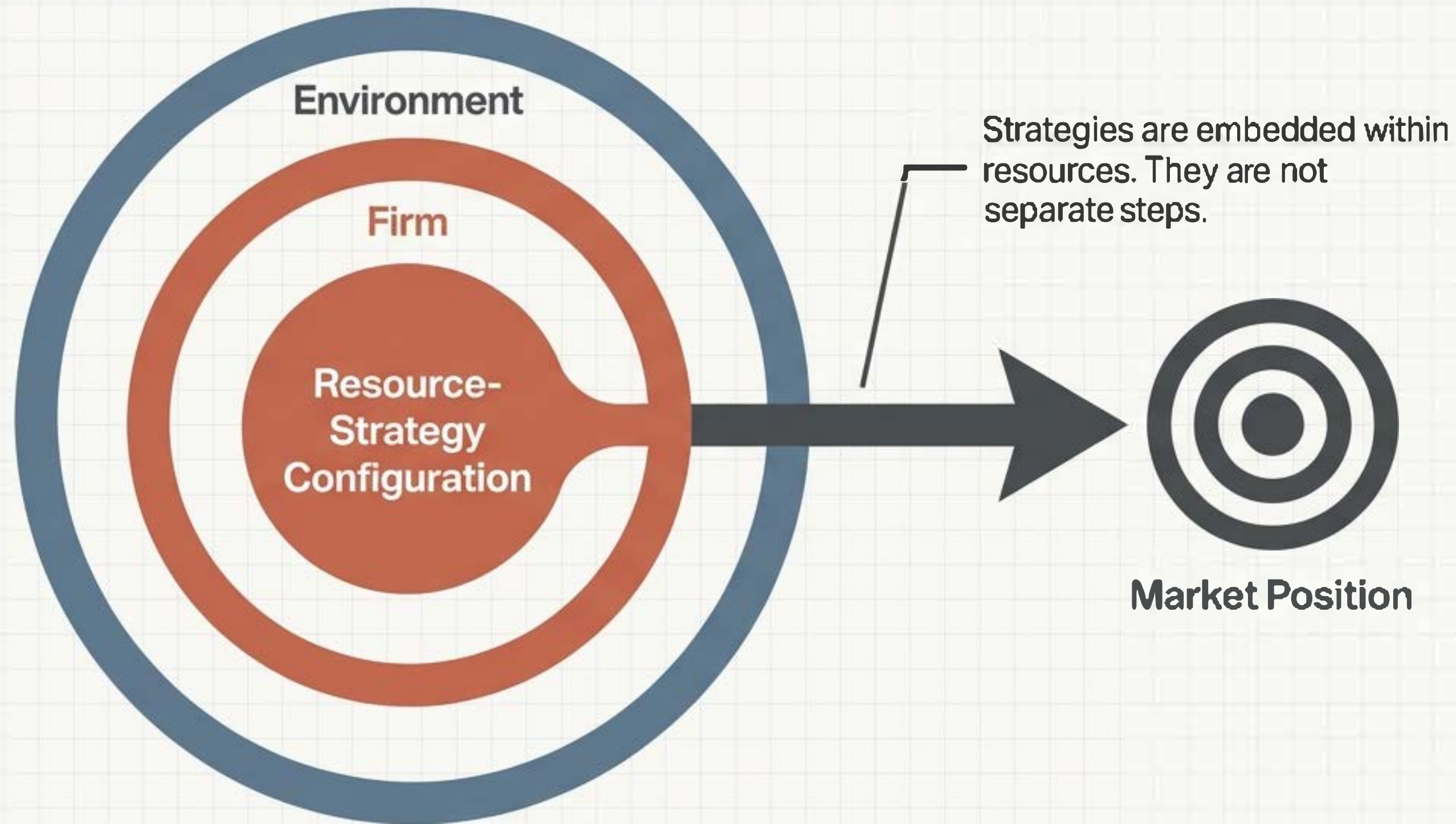
## Case Evidence

**Strategy:** Targeted larger trade operators/resellers to lower the “cost to serve.” Focus on “capacity utilization” and “process improvement.”

**Strategic Warning:** This position is inherently difficult for small firms because they usually lack the volume required to drive unit costs lower than large competitors. Firm 9 succeeded only through extreme niche process efficiency.

# THE REVISED BSV FRAMEWORK: FROM LINKAGES TO EMBEDDING

Figure 20: Revised Small Firm Competitive Advantage Framework



**The Shift:** You cannot simply 'choose' a Marketing Strategy without already possessing 'Relationship Resources.' The configuration provides the means AND the direction simultaneously. Congruency is about creating a unified engine of growth.



# MAPPING THE ECOSYSTEM: COMPLEXITY VS. BREADTH



**Insight:** Warning: Small firms must avoid over-complexity. Match strategy complexity strictly to resource depth.



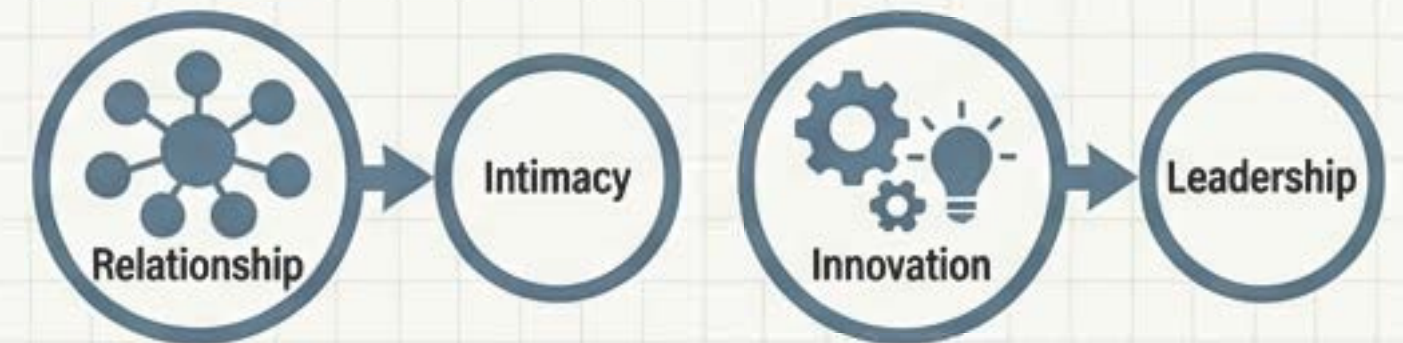
# VALIDATING THE RESEARCH PROPOSITIONS



## Proposition 1: Confirmed

**Argument:** Advantageous market positions require specific configurations of resources.

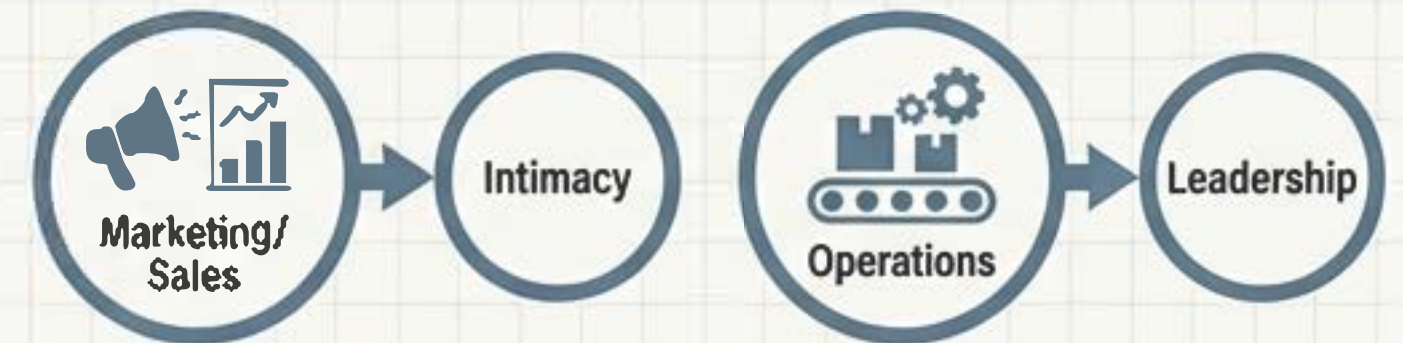
**Finding:** Confirmed. Intimacy relies on Relationship resources; Leadership relies on Innovation resources.



## Proposition 2: Confirmed

**Argument:** Specific competitive strategies are linked to market position.

**Finding:** Confirmed. Marketing/Sales strategies link to Intimacy; Operations strategies link to Leadership.



## Proposition 3: Refined

**Argument:** Internal consistency between Resources and Strategy.

**Finding: Refined.** It is not just a link; they are inseparable. Resources limit strategic choice, and strategy dictates resource accumulation.



# MANAGERIAL IMPLICATIONS & RECOMMENDATIONS

1

## Audit for Congruency

**Do not develop a strategy** (e.g., “We want to be a Product Leader”) **without the requisite resource base** (e.g., “Innovation Capability”). Misalignment is the primary cause of stalled growth.

2

## Avoid the Middle

**Commit to ONE value discipline** (Intimacy or Leadership). Trying to be operationally efficient **AND** intimate usually fails due to resource constraints.

3

## Manage ‘Slack’

Unlike large firms, small firms **have no buffer for strategic error**. Resources must be concentrated, not spread thin.

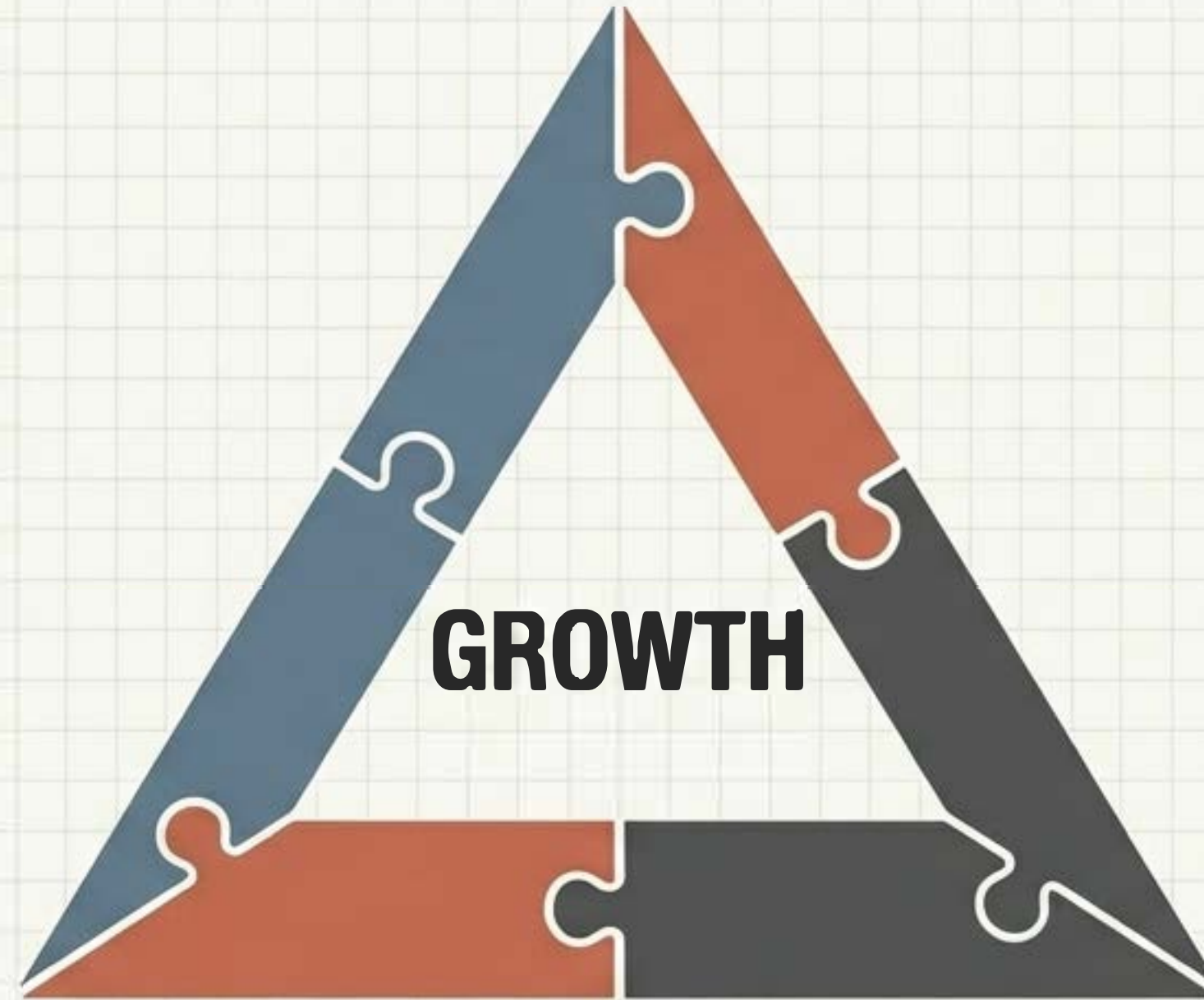
4

## Leverage Founder’s Intent

In HGSFs, **the owner’s motivation is a critical resource**. Ensure the strategy aligns with the founder’s personal definition of value.



# CONCLUSION: CONGRUENCY IS THE ENGINE



Small firms are not just scaled-down large firms. They require unique, tightly coupled configurations of resources and strategy. Sustainable competitive advantage for the High-Growth Small Firm is not found in a single product or a single market trend, but in the internal discipline of **Strategic Balance**.