

ANALYSIS OF THE COMPLEX INTERACTION OF RESOURCES AND CAPABILITIES ON THE WAY OF CREATING FIRM SUCCESS THROUGH CAUSAL NETWORK MODELS

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Abstract

This study aims to investigate the complex interaction of different resource sets and capabilities in the process of performance creation within the context of resource-based theory. In order to address this objective, an inductive case study approach that included multiple data collection methods such as in-depth interviews, observation and documentation was utilized. The data that were analyzed through causal network models indicated organizational culture, reputational assets, human capital, business processes and networking capabilities as the most important determinants of firm performance within the context of an emerging market firm case study findings.

Keywords: Performance creation, resource-based view, causal network model, Turkey

JEL Classification: M1, M19

1. Background to the research

In recent years, the RBV's focal point has been to gain insights about managing strategic resources effectively since a firm's ability to acquire, bundle, deploy and develop resources through complex social and organizational capabilities is more important than absolute resource levels in achieving sustainable competitive advantage as well as driving performance (Teece, 2007; Maritan & Peteraf, 2011; Sirmon *et al.*, 2007, 2011). As of yet, the "black box" role of these social and organizational capabilities in creating firm performance is an unexplained issue in the RBV research which needs further examination (Maritan & Peteraf, 2011; Sirmon *et al.*, 2007, 2011; Bridoux *et al.*, 2013; Huesch, 2013). Sirmon *et al.* (2011) and Bridoux *et al.* (2013) suggest that a complete understanding of the interactions, causal relationships and other value-creating mechanisms among resources and capabilities is not only a necessary condition for managers to make effective decisions regarding their own resource investments but also an important issue for academics to build a more accurate resource-based theory. The nature of these interactions is still unknown in the RBV literature and more attention should be paid to "how" questions in order to have a better understanding about the underlying mechanisms of firm performance.

The resource-capability interactions on the way of creating performance are just more than complex and still remain opaque in strategic management literature (Maritan & Peteraf, 2011; Bridoux *et al.*, 2013). However, these interactions that are called micro-foundations certainly need to be explained thoroughly to be able to understand the performance related issues in the organizations (Teece, 2007; Foss, 2011). Micro-foundations of the RBV are defined "as the foundations that are rooted in individual action and interaction" (Foss, 2011, p. 1414). According to Foss (2011), the roles that micro-foundations play in explaining firm-level performance are critical since they take into account individual level heterogeneity of resources, address macro-constructs such as routines and capabilities in terms of individual behaviors, explain how the links between macro variables are mediated by micro-mechanisms related to behaviors, and investigate how strategic dynamics may be rooted in individual characteristics and behaviors. Abell *et al.* (2008) claim that links between macro variables are always mediated by individual action and interaction and for this reason, the micro-foundations have a certain explanatory power. Among micro-foundational issues, appropriation, routines, work top management teams, leadership characteristics of owners and managers, creative skills of managers and employees, strategic human resource management, management of knowledge and relationships established with external parties along with networking capabilities can be mentioned (Foss, 2011; Argyres & Zenger, 2012).

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Maritan and Peteraf (2011) suggest that lack of thorough investigation of micro-foundational aspects of the RBV limited the understanding of the issue of how intangibles, routines, capabilities and firm performance are linked. Most of the RBV studies which were based on statistical data sources (*e.g.*, Galbreath & Galvin, 2008; Surroca *et al.*, 2010; Weigelt, 2013) that measure the links between a single resource or a number of resources and firm performance provided atomistic evaluations about specific resource-performance relationships rather than offering a holistic understanding about the creation of performance in an organization. However, “the ability of a firm to create performance is a function of multitude of factors” (Levitas & Ndofor, 2006, p. 139) and “firms generally compete by deploying bundles of complementary resources” (Foss, 2011, p. 1384). Therefore, resource-based competition along with performance creation cannot be understood through analyzing an independent single transaction of resources. For example, when the relationship between corporate reputation and firm performance is measured, it is likely to have results that justify a positive relationship between two constructs. Although the study can show that corporate reputation (or image) is linked to firm performance, it may not provide information about how corporate reputation was transformed to firm performance which may be more important for practitioners and theorists than just being aware of the existence of this relationship. Sometimes corporate reputation can only be a source of firm performance as long as it can be used effectively in marketing campaigns or launching new products. Market and product decisions are made by managers and different managerial decisions may result to different performance levels. So, explanation of the roles of marketing or other managers and also other micro-foundations (*e.g.*, leadership characters and risk taking attitudes of the managers and/or human resource management policies of the firm that motivate the managers, creative skills of employees) in the creation of performance in an organization may remain unveiled in the study.

A similar example can be given for innovation and performance relationship. At the macro-level, a strong relationship between innovation and performance can be found. But as long as the interdependencies and interactions among micro-foundations (such as organizational culture that supports the creative skills of the employees or managerial interventions that boost innovative thinking atmosphere in the organization) are not explained and the roles and effects of these heterogeneous complementarities on innovation performance are not revealed, innovation capability of the organization cannot be managed. To increase performance of the firm, innovation and creative skills of the organization should be increased as well. To achieve this, managerial intervention is required. Although the managers cannot directly affect the innovativeness of the firm, they can influence capabilities by hiring new employees with new characteristics and creative skills or by creating conditions that favor the accumulation of certain kinds of human capital or by modifying the architecture of the organization in favor of flat structure rather than hierarchical structure. So, managerial intervention plays a mediating/moderating role in the relationship between innovation and performance and without analyzing these interventions, performance creation process cannot be understood.

2. Method and data collection

This study aims to contribute to the understanding of complex interactions and interconnectedness of resources and capabilities by providing several illustrations derived from the case study of Estée Lauder, Turkey. In order to achieve this, an inductive case study method was utilized in this research. Given the complex and embedded characteristics of resources and capabilities, the exploratory nature of the study requires the use of “what”, “how” and “why” types of questions and researchers need to interact closely with top managers in the organizations to maximize the quality of data collected. In such circumstances, case studies provide in-depth knowledge and deeper understanding of the sources of firm success by taking the researcher into the organization (Eisenhardt, 1989; Yin, 2003). Data was collected by using multiple sources. The multiple sources used in this study were the semi-structured interviews with the managers of the firm taking part in the study, the observations within the organization in the complete observer mode and the documents that provide information about the organization.

3. Analysis

In the stage of the analysis, narratives were used in order to provide some real snapshots from the interviews and compel researcher to be less mechanistic and more coherent. After multiple readings of the interview questions and transcripts that contain the answers of the participants, the open-ended text and narratives were interpreted by a thematic analysis based on identifying recurrent words and emerging themes (Patton, 1990). Findings derived from inductive (thematic) analyses along with the development of individual causal network model of the company.

A causal network helps to identify causal mechanisms and complex interactions between variables and provides a rich picture that explains “why variables are related, why they are rated differently, why some precede others, and which ones matter more” (Miles & Huberman, 1994, p. 160). In order to clearly display all kind of relationships

between well-defined concepts along with the complex interactions, a causal network model for the case was generated.

In the causal network model employed in this study, whilst dotted lines (- - -) showed the relationships between resources and capabilities, direct lines (—) showed the relationship between a resource/capability and firm performance and points (•) denoted the interactions of resources and capabilities. Direction of the relationships was shown by arrows and names of the resource and capabilities that were derived from the qualitative findings were shown in boxes with assigned numbers and letters (*e.g.*, 1b, 3c). For example, in a relational notation; (3a → 9a → 10a → 7c) taken from Estée Lauder case where (3a) was assigned to indicate the concept of “company policy”, (9a) was assigned to indicate the concept of “digital, mobile and social media tools”, (10a) was assigned to indicate the concept of “professional services know-how”, and (7c) was assigned to indicate the concept of “brand loyalty”, the notation attempted to mean that “through digital, mobile and social media tools that were used as a company policy, a professional services know-how created which led to brand loyalty among customers”. Causal network modeling is widely used in qualitative investigations because it brings out directional relations along with co-relational ones. Causal network model of Estée Lauder – Turkey was shown in figure 1.

4. Case study: Estée Lauder – Turkey

Estée Lauder which is originally an American Company and headquartered in New York was founded in 1946 by Mrs. Estée Lauder with four products and an unshakeable belief: “that every woman can be beautiful”. The company that has gained a worldwide reputation for elegance, luxury, and superior quality has been producing and marketing skincare, make-up, fragrance, and hair care products since with a network of firms in 135 countries with more than 22,000 people. With a brand portfolio that includes quite well-known brands such as Estée Lauder, Aveda, American Beauty, Kiton, Tom Ford, Clinique, Coach, Smashbox, Bobbi Brown, Aramis, Donna Karan, Tommy Hilfiger, and Ermenegildo Zegna, the company offers more than 9000 high quality products to satisfy its demanding customers. The company first appeared in the Turkish market after a distribution agreement signed with a local cosmetics company Vépa in 1988 and the operations of the company continued for nearly 20 years in this form. But the lucrative and fast growing Turkish market brought forth the firms establish its affiliated company ELCA Limited in Istanbul in July, 2006³. Information for this case study was collected from two in-depth interviews that were conducted with two top managers of the company.

Background on the business

Cosmetics that include luxurious fragrance, make-up and especially personal care products constitute a relatively new product range for the Turkish consumers. This is mainly because of the protected Turkish economy until 1980s that imposed limitations in producing and importing cosmetics and personal care products. After the economic transition period which allowed the country to have a well-functioning private sector, most of the major multinational cosmetics and personal care products companies such as Avon, Nivea, Procter & Gamble, Henkel, Colgate Palmolive and Unilever have entered the Turkish market through joint ventures and licensing agreements. In addition to this, entrance of some other new well-recognized brands (*e.g.*, L’Oréal, Estée Lauder, Merck, and Dow Corning) that address all market segments from luxury to low-priced cosmetics products to the Turkish market between 2000–2012 years increased the level of competition. Moreover, several strong local manufacturers such as Evyap, Eczacıbasi, Aromel and Hunca Cosmetics made substantial amount of investments and achieved large production capacities starting from 1990s.

In conjunction with the easy importing procedures, growing interest of the young Turkish population in Western lifestyles and increasing marketing and advertising expenditures from manufacturers, the potential of Turkish cosmetics market reached to nearly 4 billion USD in 2012, according to the official statistics published by the Turkish Ministry of Health. Ministry of Health statistics also show that nearly 180,000 cosmetics products exist in the local market but only 45,000 of them were manufactured by domestic firms (Ministry of Health, 2013). Therefore, 80% of the cosmetics products sold are imported. This market composition pushed Turkish companies to improve their offer and raise their standards, particularly, they could not compete with the prestigious international brands that offer products at superior quality and address the upscale market segment. However, export figures of the Turkish cosmetics and personal care products achieved a remarkable increase (*e.g.*, from 61 million USD in 2000 to 920 million USD in 2012) due to the recent modernization and technological improvements that enabled firms produce innovative goods such as bath and shower products that include milk, honey or cherries (TUIK, 2013). In such a business environment, based on the operational performance achieved with its Turkish representative, Vepa Cosmetics, Estée Lauder decided to increase its investments in Turkey and opened its own offices in 2006.

³ Corporate information was taken from the official global website: www.esteelauder.com and the local website: www.esteelauder.com.tr

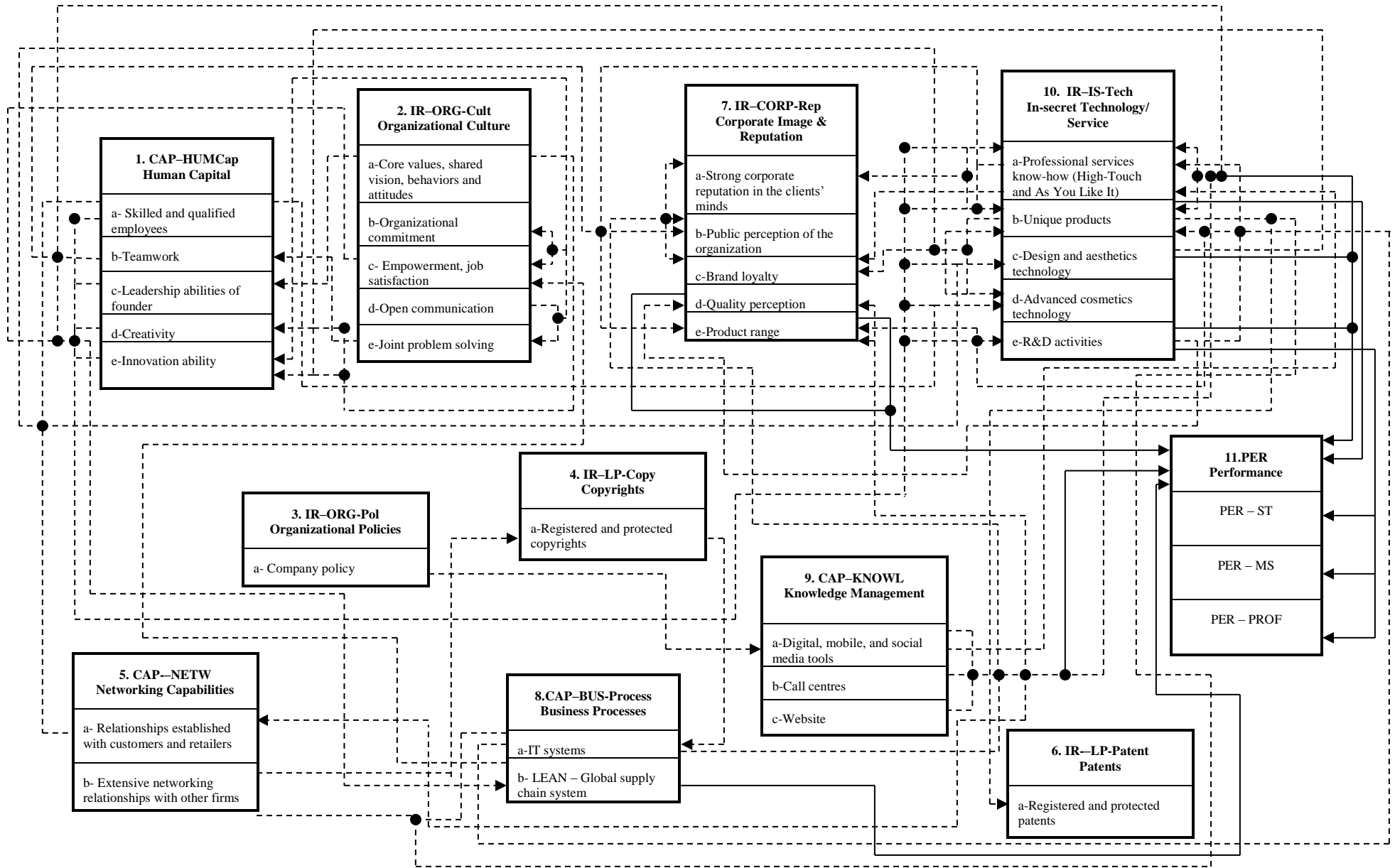


Figure 1. Causal network model of relationships between resources, capabilities, and firm performance for Estée Lauder, Turkey

A creativity-driven company

Since its foundation year 1946, creativity (1d) and innovation (1e) have been the leading drivers of the business at Estée Lauder. As stated in its vision and mission statement, throughout the years, the company provided customers with innovative cosmetic products and services of the highest quality by dreaming up many beauty-industry firsts which enabled the firm outperform rivals and stand a formidable global competitor (1d, 1e → 10a, 10b → 11). The heritage of innovation and creativity comes from the imaginative and entrepreneurial talents of the founder and deep family values that form a sound basis for the culture of the organization (2a → 1c → 1d, 1e). The company has a strong reputation for developing inspirational products as well as providing customized services (10a, 10b → 7a) to the consumers. The manager A elaborates this feature of the organization:

“Estée Lauder launches around 500 to 600 new products annually, compared to 100 to 150 introduced by competitors (7e → 11). We always try to build a diverse range of products in order to provide retailers with variation and depth. 180,000 products constitute a really big range! (7e). Hence, wherever you go in this world you can come up at least one Estée Lauder product. This strength emerges from the entrepreneurial abilities of our employees and our distribution ability as well as the design, aesthetics and other technical abilities (*e.g.*, technology) of our company (1a, 5a, 10c → 11). The optimal mixture of these abilities does not only enable the firm to design products and services that creates brand loyalty (1a, 5a, 10c → 10b, 10d → 7c) by capturing the imagination of consumers but it also takes the industry to new directions and expansions”.

Through advanced cosmetics technology invented by its inspirational engineers and designers (1a → 10d), Estée Lauder offered numerous unique products (10b) to its customers. As a result of extensive research efforts and stringent product evaluation capability (10e), among the flagship brands of the Estée Lauder Inc., Clinique recently launched three powerhouse serums that provide measurable results for treating hyperpigmentation, sun damage and its resulting lines and wrinkles, and the look of enlarged pores (10e → 7e, 10b). For the first time, a prestige cosmetics brand offered that kind of a serum that rivals leading pharmaceutical firms (10b → 11). Another blockbuster product resulted from the technological breakthrough is the advanced Estée Lauder night repair solution which is patented until 2017 (10d → 10b → 6a). Apart from dermatological innovations for skin concerns, the firm offered unique hair care products under Aveda brand. Dimensions of innovation regarding the products enhanced with the design technology (10c → 1d, 1e) of the company. Estée Lauder invests heavily in the R&D (10e) department of its business, focusing on designs and aesthetics (4a). The firm realizes all sorts of design developments internally (1a) rather than outsource. According to the manager B of the firm:

“... R&D department of the company gives us a marvelous competitive edge (10e → 11). All kinds of technological issues related to product formulation to design and packaging were handled internally. We make business in a very competitive and susceptible market and compete purely on quality (7d → 11). We have no luxury of having infinite trust to the outsiders in every aspect of the business and releasing the products through the door unless they look perfect. As long as we have confidence in the product, we can sit back and let the product talk!”.

The general manager states that most companies would not have this advantage in the market (1a, 1d, 1e → 10a, 10b, 10c, 10d, 10e → 11). The strong R&D department consisting of qualified employees who were embellished with creative and innovative skills does not only guarantee the quality (1a, 1d, 1e → 10e → 7d) but also enables the company penetrate the market better than any competitor ever would by creating cost advantages (1a, 1d, 1e → 10e → 11 [PER-MS, PER-ST, PER-PROF]). In Estée Lauder, the dimensions of innovation and creativity are not bounded to its products. The company also offers new concepts in shopping resulting from the creative and innovative tradition embedded into its culture (2a → 1d, 1e → 10a).

The inspired new concept in shopping service, *As You Like It* invites consumers to engage and interact in a creative and welcoming in-store environment by breaking down all barriers in the world (10a → 7e, 10b). By using high technology, the company provides an innovative, dynamic and engaging shopping experience to consumers (10e → 10a, 10b). Being the first cosmetics brand that uses the Apple iPad in-store (5b) and offering the copyrighted (4a) Clinique Apple iPad Skin Care Diagnostic application software, the company enables consumers identify their skin care concerns and receive personalized skin care recommendations using a 90-second computer-guided skin care analysis (5b → 4a → 8a → 10b). Having processed nearly 180,000 product combinations, the software provides a printed receipt that lists the custom-fit product recommendations to the customers. With another unique service, *High-Touch* the company overcomes the mechanistic service approach by making consultants available for a one-on-one consultation and providing expert advice for the consumers (10a). With the support of information and knowledge sharing tools (*e.g.*, digital, mobile and social media tools, websites, and call centers), *High-Touch* is a powerful combination of the Estée Lauder products and personalized services that create priceless value leading to firm success (9a, 9b, 9c → 10a, 10b → 11). In the digital age, the company connects with its consumers on-line via

e-commerce, social networking and other interactive tools (9a, 9b, 9c). The manager B details the relationship between unique services and knowledge management elements of the firm:

“... Our services are also highly differentiated in terms of content and outlook just like our products. Apart from our innovative skills and professional services know-how, these services definitely require a strong IT structure and an extensive networking relationship with other firms (*e.g.*, Apple Inc.) (5b, 8a → 10b)... As a company policy and marketing strategy, we attempt to integrate digital, mobile and social media into our professional services that allow consumers to connect with the brand and obtain sufficient information and feedback from them (3a → 9a → 10a → 7c)... Information and feedback from our customers are vitally important for us on the way of increasing quality in every piece of our business (9a, 9b, 9c → 7d, 10a, 10b → 11)”.

As mentioned above, the IT and knowledge management skills were extensively and effectively used by the company to provide personalized services, obtain feedback, and strengthen the connection with consumers that pioneer to the increase in brand loyalty and corporate image of the organization (8a, 9a, 9b, 9c → 7a, 7b, 7c). A recent service offered in the Estée Lauder brand’s website (9c) is that visitors can experiment with the latest colors and get a virtual makeover by uploading their photo and using the make-up widget on the screen.

Market orientation and operational excellence

Against its leadership position in the global cosmetics industry, in the knowledge that the dynamic and competitive environment may abruptly change consumer habits and expectations, Estée Lauder communicates frequently with its customers, including end customers (*e.g.*, 25 to 40 year old career women that consists the primary target market), wholesalers, and retailers as the most important information providers. The manager B elaborates:

“... We operate in nearly every country in the world and deal with millions of consumers with different expectations and tastes. Obviously, this situation necessitates an attentive market segmentation and product development strategy. In order to understand what consumers demand and formulate adequate strategies, apart from analyzing several trends, we try to obtain substantial information from them through different channels (9a, 9b, 9c → 7b, 7e). Consumers usually tell exactly what they like and don’t like... We get in touch with them... We keep a log of all e-mails and respond them promptly. Therefore, while we were trying to address their expectations, we establish and maintain our relationships as well (9a, 9b, 9c → 5a)”.

As consumers’ preferences and shopping habits have evolved, the company used its creative skills to address this situation. Information and knowledge on consumers and other market dynamics (*e.g.*, competitors, economic indicators) were communicated across the organization and nobody left outside the loop. This participative decision making policy that was supported by open communication did not only yield positive organizational outcomes such as empowerment, job satisfaction and organizational commitment (2d → 2e → 2b, 2c) but also maximized teamwork (2d → 2e → 1b). The manager B emphasizes a sense of a team environment:

“... Our industry looks like a Bollywood movie which covers fashion, media, celebrity, scandal, hype *etc.* For this reason, no one can be all sort of static in the company! Everyone in this company feels this and backs up each other with a team spirit (1b). People are encouraged to talk in periodical meetings... Bearing in mind that every country and/or segment may have different needs, we have to work in a team environment (1b) and consult to our employees in every part of the world. In order to develop alternative brands, products, and distribution channels worldwide, we use think-tanks! BeautyBank is a good example of this approach which yielded the launch of different innovative aromatic products for different markets (*e.g.*, organic ingredients for Germany vs. lasting intensive aromas for Turkey and Brazil) (1b, 1e → 7b, 7e)”.

Estée Lauder focuses on the development of products tailored to the specific needs of different segments. Apart from the think-tanks that were established in numerous countries it also opens “innovation centers” (*e.g.*, Asian innovation center, Shanghai, China). According to the general manager, number of this kind of innovation and creativity based centers that were nurtured with global information will increase and these centers will be among the most important contributors to firm success (8a → 9a, 9b, 9c → 11).

Another place where creativity and innovation was used in the organization is the Global Supply Chain that serves as the basis for operational excellence and continuous improvement (1d, 1e → 8b). Estée Lauder’s Global Supply Chain which aims to identify ways for the firm to improve efficiencies and productivity by empowering employees at its facilities has started the journey towards becoming a LEAN enterprise. LEAN enterprise refers to a company that aims to increase its operational efficiency, eliminate waste and promote continuous improvement⁴. In the LEAN project, all employees are encouraged to take the initiative to find new tactics to improve their daily business

⁴ <http://www.elcompanies.com/Pages/LEANing-Towards-Operational-Excellence.aspx>

activities (8b → 2c → 1d, 1e → 10b). The manager B explains how the company attempts to achieve operational efficiency:

“... We believe that emergence of good ideas are not limited to a group of people, department or a function and that innovation is empowering (2c → 1e). Good ideas may come from anyone who works in any part of the organization. With this expectation, we have started the project called LEAN that aims to increase operational efficiency of the company by using innovative solutions and ideas that come from our employees... Thus, enhanced levels of employee engagement, enablement and empowerment yielded fantastic ideas in eliminating waste and increasing the efficient use of natural resources and other materials, promoting the management of processes effectively at facilities around the world and becoming a more dynamic and agile organization in the global marketplace (2b, 2c → 1e → 8b → 11)”.

He continues:

“... May be more importantly, organizational commitment as a result of high levels of engagement and empowerment increased along with the productivity”.

Therefore, with the combination of innovative and customized products, unique High-Touch services, strategic vision and operating excellence, Estée Lauder strengthens its leadership position in the global marketplace and achieves satisfactory financial results for its shareholders (1d, 1e, 8b, 10a, 10b → 11). As frequently mentioned by the owners, employees strive to create a company that Mrs. Estée Lauder would be proud.

5. Summary and discussion

Estée Lauder's background in manufacturing, design, and retail, along with its innovativeness, creativity, and empowered and committed employees appear in no small way to influence the ways in which Estée Lauder operates as a leading firm in the cosmetics industry. Unsurprisingly, skills and qualities of employees were seen as the most dominant factors that make the company a pure product and service innovator. As an innovator firm, Estée Lauder has been able to launch four to five times more products than competitors. A huge product range that includes many prestigious brands associated with quality and created loyalty is aligned to current lifestyles, cultural expectations and fashion. In order to promote firm growth, a wide range of unique products supported with the professional services that address the needs of global marketplace was regarded as a considerable ingredient. In accordance with this objective, the company recruited and retained passionate individuals who display creative skills and who can work in a team environment. Innovative and creative potential is maximized by the integration of in-secret know-how that includes design, aesthetics and advanced cosmetics technology and organizational culture that provided an entertaining environment and supported engagement along with empowerment. Therefore, a combination of the elements of human capital, organizational culture, and in-secret technology and services is viewed vital for firm success.

Top management of the firm was consisted of foreign expatriates. For this reason, their explanations with respect to performance creation process of the firm may have skewed to global base evaluations rather than local concerns. For example, despite many resources (*e.g.*, innovativeness, hi-tech manufacturing and R&D) that were mentioned in the interviews, it was observed that Estée Lauder Turkey was operating on a pure marketing and sales basis as a foreign subsidiary. Under these conditions, more country-specific resource and capability evaluations can be useful to understand the determinants of performance within the context of Turkish business environment. Moreover, because of the small size of the firm in Turkey, number of top managers was limited. In this situation, the researcher needed to look for other sources of evidence and observation notes from the meetings along with the discussions conducted with the sales executives of the firm in department stores provided valuable information to the researcher in this context.

According to the notes of the researcher that were taken in three different meetings, nearly 90% of the issues mentioned was about how to increase sales and when to launch a new product (manufactured in other countries, there is no manufacturing operation of the firm in Turkey). So, the role of some resources that were mentioned in the interviews such as organizational culture, hi-tech manufacturing, R&D, and innovation ability in the context of performance creation in Estée Lauder Turkey should be treated cautiously. Notwithstanding, innovation can be in different forms other than product innovation such as innovation in service provision or in marketing and sales. Hence, innovative implementations in marketing and sales may create good results for the firm in Turkey. Although the role of a strong brand cannot be overlooked in this industry, several discussions that were conducted with the sales executive ladies revealed that management of a brand can create better results in firm performance more than a static brand name itself. In a department store visit, a sales executive lady elaborated:

“... Oh yes, brand is very important, it is the initiatory step to attract the customers and bring them here. But, look around our competitors are here as well, L'Oreal has Giorgio Armani, Ralph Lauren and Cacharel, P&G has Hugo Boss, Max Factor and Lacoste, and others have this and that... Every

player in this industry has its own well-known brands. The customers are already surrounded by brands as well as us. In this situation can you say that all the customers come here just for 'our' brands? This can be a very naive thought. Two things are more important than brand name: the first is, timing for a new product launch and the price advantage along with the promotions associated, and the second one is, the service provided by sales executives like me. Now you tell me the difference between my product Aramis and my competitor's product Giorgio Armani in terms of packaging, design, and brand name!"

Her explanations brought the importance of an effective brand management and service quality in sustaining advantage more to the fore. Whilst effective branding and marketing decisions were made by managers, a high quality of services was provided by sales executives. In both cases, highly skilled and qualified staff was a must for achieving successful results. So, the effect of human capital and marketing capabilities driven by managers on performance was seen here once more. Referring to the interview results, the researcher asked the sales executive the role of innovative software and IT based applications in the customer service provision process. She explained:

"... In Turkey, customers do not usually prefer using this kind of tools unlike in the US for some reasons. One reason is that since cost of a sales executive who can conduct make-up, skin test and offer other personal care solutions is much lower in this country compared to Europe and the US. Our customers feel like having a real customized service in our stands. Through appointments, we conduct free make-up on their faces and skin tests. Think about the difference between a standard internet application and a fully customized personal service provided by a professionally trained sales executive. Would you prefer the first one? Once my customer told me that the *High-Touch* application was too mechanistic and dull. Moreover, how many people upload these applications to their iPhones? I am not sure if so many people go to the Internet and find the best personal solution for them. Even if they found they come here and check with us whether it is the right solution for them or not...Well, we have no intention of confining our customers in a software completely. May be in the future..."

So, from this perspective, technology and IT seemed to have a lesser effect on firm performance compared to its effects on manufacturing, design and aesthetics related issues. But the researcher observed that the firm had a very effectively working CRM function that was integrated with customer complaints services in the web-site through the IT systems. Customer complaint logs included feedbacks like "WOW! the response was so quick, many thanks you have sorted everything out or you have a customer for life". The role of networking capabilities was clearly seen in the Estée Lauder case where relationships always provided additional advantages for the firm. A product manager explained:

"... In order to assemble a stand or even a small desk in a department store chain, we have to offer considerable amount of money. The Turkish market for our brands that address to upper or niche level segments is very small. My product category portfolio's sales turnover for 2012 was totally USD 10 million in the whole Turkish market and we made only USD 1 million profit. In this situation, we need to be very sensitive for our costs. Apart from costs, 'high-wired' relationships have vital importance to be able to find a suitable place for your products in high street department stores or shopping malls. Namely, making a premium payment to a popular shopping mall does not guarantee you a good place, you also need to have strong contacts with the owners of shopping malls or even with the local authorities. You cannot imagine how difficult to obtain a workplace license for a nice location in a popular shopping mall in Istanbul."

The product manager also stated that despite recruiting expatriates from different nationalities in top management positions, the firm always works with local nationals at the operational level where high skills of communication and networking required. Another driver of performance concerns market and customer orientation along with the operational excellence achieved in the firm. Estée Lauder focuses on several points such as market segmentation via target markets, marketing communications (*e.g.*, branding, PR), and relationship management or networking (*e.g.*, with suppliers, distributors, retailers). All these activities that aim to boost sales were stimulated by the knowledge management elements of the company (*e.g.*, digital, mobile and social media tools, call centers, and websites) that were highly nourished by the business processes (*e.g.*, IT systems). While the activities to boost sales were continuing, innovative solutions created by employees under the LEAN approach also increased operational efficiency leading to cost effectiveness and eventually to increased profitability.

Consequently, results of the qualitative analysis revealed very complex and complicated interactions between resource categories and capabilities. Direct and indirect relations between almost all categories were found. However, human capital and business processes seemed to be the most influential strategic initiatives and the most important determinants on firm performance.

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