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Identification of Unique Resources

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Understanding a farm's strategic position is increasingly important in today's competitive environment. For a farm to be successful over a long period of time, it must respond rapidly to competitive and market changes, benchmark continuously to achieve best practice, and establish a few core competencies. A farm can outperform other operations only if can establish a difference than can be preserved. To do this, a farm must either deliver greater value to customers, create comparable value at a lower cost (i.e., improve efficiency), or do both. Delivering greater value allows a farm to charge relatively higher prices for its products while improving efficiency results in lower average unit costs.

Most farms concentrate on efficiency or per unit costs. A farm that pursues this strategy successfully will have a competitive advantage. When discussing the concept of a competitive advantage, two important questions need to be addressed. First, how does a farm know if its strategy has been successful? Second, what are the characteristics of farms that are successful? The answer to the first question involves the use of benchmarking, a topic that has been addressed extensively in previous *farmdoc* articles (e.g., September 20, 2013, September 4, 2015, and September 16, 2015). The answer to the second question is more difficult to ascertain. If the answer to the second question was simplistic, it would be pointless to discuss competitive advantage because all farms would use similar inputs to produce similar products. Even though it is difficult to definitively answer the second question, there are some concepts or techniques that can be used to help answer this question. One of these techniques is to try to identify whether a farm operation has a unique resource or capability that enables it to achieve a competitive advantage.

Before discussing the identification of unique resources, it is pertinent to discuss resource based theory of the firm. This theory can help explain why farms are different. In general, differences among farms are the result of differences in prices paid for inputs, the availability and ability to take advantage of niche markets, differential learning or organizational structures, or differential strengths and resource endowments. Resource based theory of the firm focuses on differences in strengths and resources. According to this theory, identifying and utilizing unique resources that are difficult for other farms to obtain is critical to sustaining a farm's competitive advantage. Four questions need to be addressed when identifying unique resources. Table 1 summarizes these questions. The four questions are sequential. For example, if you answer no to the first question, the remaining questions become irrelevant. The first question is related to the value of the resource. Does your farm possess a resource or capability that enables you to respond to environmental threats and opportunities? I have yet to meet a farmer that could not answer this question affirmatively. The second question is related to rareness. How many competing farms already possess your resource or capability? A resource or capability that is not rare is not unique. The third question is related to imitation. Do farms without your resource or capability face a cost disadvantage in obtaining the resource or capability? A common example related to this question is specialized knowledge. You may charge other farms dearly to part with your specialized knowledge. The fourth question is related to organization. Is your farm organized to exploit the full potential of your resource or capability? Organizational problems do not necessarily increase with increases in farm size or the number of employees. A sole proprietor without hired employees and that does not have a family member returning to the farm may not have as much incentive to fully utilize a resource or capability compared to a corporation with several employees and family members planning on continuing the operation.

Table 1. The Resource Based Framework

Is a resource or capability …					
Valuable?	Rare?	Costly to Imitate?	Exploited by Organization?	Competitive Implications	Economic Performance
No	**No**	**No**	**No**	**Disadvantage**	**Below Normal**
Yes	No	No	No	Parity	Normal
Yes	Yes	No	No	Temporary Advantage	Above Normal
Yes	**Yes**	**Yes**	**Yes**	**Sustained Advantage**	**Above Normal**

Adapted using information in Chapter 3 of *Resource-Based Theory: Creating and Sustaining Competitive Advantage* written by Jay Barney and Delwyn Clark.

I encourage you to use the framework outlined above and in Table 1 to identify unique resources for your farm or non-farm business. More information on resource based theory can be found in the book written by Jay Barney and Delwyn Clark entitled *Resource-Based Theory: Creating and Sustaining Competitive Advantage*.

References

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