**Appendix**

**Construction of New Scales for Resource Transformation and Capability Reinforcement**

We constructed new scales for resource transformation and capability reinforcement. To develop measures that are reliable and valid, we followed a rigorous process of scale development provided by Churchill (1979) consistent with existing literature (Zhang, Liang, & Moon, 2020). Table 1 outlines the stages which include the construct definition and content domain, item generation and expert review, quantitative study for scale purification, and scale finalization. In Stage 1, we precisely described the conceptual domain of each construct. We undertook an in-depth review of the literature, including strategic management and marketing literature, and conducted interviews with strategic management scholars (Netemeyer, Bearden, & Sharma, 2003). We integrated their insights with the extant knowledge of resources and capabilities to further clarify the constructs and their domains. Subsequently, we developed preliminary measures of our constructs in Stage 2. We prepared a draft questionnaire that was evaluated and altered through in-depth discussions with academic researchers familiar with the research area. After many revisions, researchers reached a unanimous agreement on the relevance of each measure as characteristic of the construct of interest.

Stage 3 included scale purification and refinement of measures in which the revised questionnaire was pre-tested. We conducted the initial reliability evaluation, assessed the factor loadings, and refined the measures. The pre-test was used to assess the psychometric properties of the scales, which included reliability and validity analyses (Hair, Anderson, Babin, & Black, 2010). In Stage 4 we finalized the scales for the constructs. In this stage, we evaluated the psychometric properties of the measures and purified measures using confirmatory factor analysis and reliability analysis. We assessed both convergent validity and discriminant validity and validated the scales.

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| **Table 1: Scale development procedure** | |
| **Steps in the scale development procedure** | **Details** |
| Stage 1 – Define the Construct and delineate the content domain | * A thorough review of strategic management and marketing literature * Conducted 31 Interviews * Performed qualitative analysis of interview data to define the construct and delineate the content domain of each construct * Clarified the constructs using the literature review * Operationalization of the constructs |
| Stage 2 – Measures generation and expert review | * Generated 41 measures for resource transformation and 38 measures for capability reinforcement * Evaluation of measures for content and face validity by 5 management executives and 5 strategic management academicians * 28 measures for resource transformation and 24 measures for capability reinforcement are retained for further assessment * Further evaluation by 7 management executives for construct dimensionality * Retain 20 measures for resource transformation and 17 measures for capability reinforcement for the next stage |
| Stage 3 – Scale purification and refinement of measures | * Surveyed 106 manager-level executives * 18 measures remain for resource transformation and 15 measures for capability reinforcement after the psychometric assessment * The final step of measures refinement |
| Stage 4 – Scale finalization | * Surveyed 115 executives * 3 measures remain for resource transformation and capability reinforcement after the psychometric assessment * Scale validation |

**References:**

Hair, J. F., Anderson, R. E., Babin, B. J., & Black, W. C. (2010). *Multivariate data analysis: A global perspective* (Vol. 7): Pearson Upper Saddle River, NJ.

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