

# **Resource Based View of the Firm: The Nature of Resources Required for Competitive Advantage**

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## **Author(s) Biography**

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**ABSTRACT:** *In the field of management during the last three decades the concept of competitive advantage has remained the focal point of the firms. Firms always remained inquisitive to attain and sustain the competitive advantage. The resource based view (RBV) has made a great contribution towards attaining and sustaining the competitive advantage. Researchers agree that the firms having rare, valuable, inimitable, and non-substitutable resources always triumph the competitive advantage. RBV has its due implications in the fields of marketing, HRM, corporate governance, international business, and entrepreneurship.*

**Keywords:** Effective Strategic Planning, Challenges, Associated Benefits, Strategic Business Units (SBU's).

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**S**trategic Management is a field of study which helps to devise set of actions/pattern of actions or decisions which a firm initiates to achieve and sustain the competitive advantages. This competitive advantage is the key for outperforming the other firms. This is a challenge for the firms to keep the competitive advantage for the long term. Firms use two perspectives to attain and sustain the competitive advantages. These two perspectives/dimensions are resource based view (RBV) and market based view. These views are the two sides of a coin.

The resource-based view (RBV) argues that firms possess resources, which are major cause of generating the sustained competitive advantage resulting the greater performance of the firm. One set of these resources brings the firms to attain competitive advantage (valuable & rare resources), and on the other hand 2<sup>nd</sup> set of resources enables the firms to sustain with the competitive advantage for long period by protecting against resource imitation, its transfer and substitution. Simply we can say that Strategic Management provides answers that how a unique and valuable competitive advantage can be attained as well as this competitive advantage should be hard for competitors to copy or substitute. The term “Resources” is used to describe the firm’s tangible and intangible assets as the resource based view extends not only assets of the firm but its capabilities also.

As per Constance, E.Helfat and Margaret A.Peteraf (2003), “A resource refers to an asset or input to production (Tangible & Intangible) that an organization owns, controls, or has access to on a semi-permanent basis. An organization Capabilities refers to the ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result.

As per Bob De Wit the resources of any firm can be categorize as under:

Resources		
Tangible	Intangible	
	Relational	Competences
Land	Relationships (contracts)	Knowledge (Patents)
Building	Reputations (Brands)	Capabilities (Program)
Materials		Attitude.
Money	-	-

Jay Barney (1991) has given a criterion for resources by pointing out the strategic importance of resources to attain the competitive advantage, which is as under

**Valuable:** The asset has strategic importance if it:

**Rare** – The resources which are unique and not own by others help to draft competitive strategy.

**Inimitable:** Resources which give sustained competitive advantage to the firms and do not attain by the other firms.

**Non-substitutable** – There must be no strategically equivalent valuable resources that are themselves neither rare nor inimitable.

## Research Background

The resource based view (RBV) of the firm has its roots in the organizational economics literature, where theories of profit and competition associated with the writings of Ricardo (1817), Schumpeter (1934) and Penrose (1959) focus on the internal resources of the firm as the major determinant of competitive success. Central to the understanding of the resource based view of the firm are definitions of resources, competitive advantage, and sustained competitive advantage (Patrick M Write, Gray C McMahan & AbaGail McWilliams 1993).

The real development was on the resource based view was made during 1980s. The scholars working in the field of strategic management found dissatisfaction with the Porter Five Forces Model. As porter model suggested that the competitive advantage lies in the external forces Lippmann & Rumlet (1982), Wernerfeldt (1984). Barney (1986) also contributed towards the development of resource based view by giving the concept of strategic factor markets. Later on during 1991 & 2001 Barney also extended his work on the RBV.

## Literature Review

Birger Wernerfeldt (1984) mentioned that only general statement regarding growth strategy can be given as that in some senses it involves striking a balance between the exploitation of existing resources and the development of new ones.

Jay Barney (1991) found that Firms cannot expect to “Purchase” sustained competitive advantages on open markets. Rather such advantage must be found in the rare, imperfectly imitable, and non substitutable resources already controlled by a firm. These resources are the mix of tangible and intangible resources including a firms Management skills, its organizational processes and routines and the information and knowledge it controls.

Margaret A. Peteraf (1993) established a criteria for Competitive advantage and gave its four dimensions, out of four two dimensions relates to the resources. i.e. Superior Resources & Imperfect Resource mobility.

Danny Miller & Jamal Shamsie (1996) found that Property based resources may lose their value quickly when an industry changes. Static resources that are usually used to control, require legal protection which is beyond the control of the firm. Once this protection loses or the environment changes the firm forgoes its competitive advantage. But this case is not same as with the adaptable knowledge-based resources (Barney 1986 Geroski & Vlassopou-Louse 1990)

Augustine A. Lado & Michael J Zhang (1998) found that Expert Systems (ESs) are the firm's capabilities to integrate multiple knowledge multiple knowledge bases and this system can be used to attain the competitive advantages by developing the Firm Capability.

Jay Barney, Mike Wright and David J. Ketchen, (2001) again stated that resource based view holds the same importance after elapse of 10 years. They quoted Sir Isaac Newton quote "If I have seen far, it is because I have stood on the shoulders of giants". Clear fact that resource based view is the base to achieve and sustain the competitive advantage.

Benjamin B. Dunford, Scott A. Snell & Patrick M. Wright (2001) found that the concept of Resource Based View (RBV) has influenced the field of Strategic Management for attaining the Sustainable Competitive Advantage.

### **Contribution of Resource Based View into the other Fields of Study**

**Field of Corporate Governance:** The resource based view has a linked with the implementation of Corporate Governance. If any firms failed to apply the Corporate Governance in its essence then it will be difficult for it to maintain and sustain the competitive advantage which is the core concept of RBV even in the presence of necessary resources. All the conditions of attributes related to the RBV are present like, rare, valuable, inimitable and non substitutable, but without the proper implementation of Corporate Governance the competitive advantage will not be attained neither it will be sustained.

**Human Resource Management:** The Human Resource Practice and HRM Systems is the base of Strategic Competitive Advantage (SCA). HR systems are developed by a time and unique to that particular firm which is difficult to imitate. HRM Practices concerned with individuals are imitable up to some extent, but the HR System is not easy to imitate. So the

Unique HRM System will lead towards Strategic Competitive advantage.

**Entrepreneurship:** Entrepreneurship is an art to gain competitive advantage by utilizing the knowledge and capabilities. This utilization of knowledge and expertise based resources depends upon the assessment of opportunities and generating the rent. This entrepreneurship helps to attain the first mover advantage. The nature of resources and capabilities provided a base to acquire the First Mover Advantage through entrepreneurship. Thus rare, valuable, inimitable, and Non-Substitutable resources can affect nature of entrepreneurship to enter into the markets.

**Marketing:** Creation of Customer value leads to generate revenues on the basis of assessment of Markets and Capabilities. Field of Market Research can provide the answers of the questions like which market should be captured by keeping in view the attributes of resources on the basis of customer needs. Further as the study of customer needs have a direct link with the change in the type of resources required for attaining and sustaining the competitive advantage.

**International Business:** The resource based view (RBV) can help the organization to do the business across the borders. Under the globalization the large organizations can focus on the markets where they can reach by analyzing the strength of their resources in order to attain the competitive advantage. RBV further can help to operate across the borders by utilizing the different strategies like Strategic Alliances.

### **Conclusion**

From the above discussion it has been revealed that the Resource Based View explores the internal strengths of the firms. This internal strength is on the basis of Resources which have the characteristics of Rare, Valuable, Inimitable, and Non substitutable. These attributes of resources help to attain and sustain the competitive advantage. Only the resources having these characteristics cannot provide Competitive Advantage but capabilities to handle these resources are necessary to create competitive advantage.

RBV has made great contribution to the field of Marketing, HRM, Corporate Governance, International Business, and Entrepreneurship.

There is still need to explore the Resource Based View in depth. Researcher should try to find out the dimensions of RBV leading towards the area of study of Ethics, Management Information Systems, Human Resource Management, and Modern Scenario of E-Business.

Qualitative and quantitative study should be conducted to find out the nature of tangible and intangible resources. How over the time period intangible resources get shaped, whether HRM individual practice lead to Competitive advantage, how the capabilities lead to the Competitive advantage.

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