
RESOURCE-BASED VIEW

Resource-Based View (RBV) or Resource-Based Theory (RBT) argues that firms' ability to have a sustained competitive advantage stems from possession of the certain kind of resources. By highlighting the role of internal resources, it distinguishes itself from Industrial Organization theory (IO; e.g., Porter, 1980), which sees the source of competitive advantage in privileged market position. RBV is arguably the most prominent strategic management theory in the period of '90s-'00s.

Keywords: resource-based view; resources; competitive advantage; dynamic capabilities; core rigidities

THE THEORY

RBV sees the firm as a bundle of resources; the resources are tangible and intangible assets tied semi-permanently to the firm (Wernerfelt, 1984). The firm "...is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors," (Barney, 1991: 102). However, it is a *sustained* competitive advantage that is of main interest to RBV scholars – and the sustainability stems from the inability of competitors to duplicate benefits of the strategy over time (Barney, 1991).

The possession of resources enables the firm to have a sustainable competitive advantage that is a source of the long-term above-average returns. In order to bring it, resources need to have the following properties, often abbreviated as VRIN (Barney, 1991): (i) must be valuable – lead to improvements in efficiency and effectiveness; (ii) must be rare – not possessed by a large number of existing or potential competitors; (iii) must be imperfectly imitable – cannot be fully copied; (iv) must be non-substitutable – cannot be substituted by another resource. Later on, Barney (2010) changed the acronym to VRIO by merging requirements of imperfect imitability and non-substitutability of resources and adding the requirement of organization (O) being able to exploit the resources. The ability of firms to deploy resources is another core consideration of the theory (Amit and Schoemaker, 1993) important enough to be distinguished from other VRIN/VRIO resources.

EXTENSIONS AND BOUNDARIES

Arguably, the most prominent extension of RBV is dynamic capabilities. The core RBV does not explain the sustainability of competitive advantage under rapid and uncertain change of the environment. Teece, Pisano, and Shuen (1997: 516) argue that the source of the sustainability lies in dynamic capabilities by which firms "...integrate, build, and reconfigure internal and external competences to address rapidly changing environments". Therefore, dynamic capabilities counter core rigidities of the firm (Leonard-Barton, 1992), i.e., currently inappropriate resources that may have been VRIO in history, but now inhibiting the development of the firm.

Eisenhardt and Martin (2000) note that while particular manifestations of dynamic capabilities are diverse, they share commonalities and exhibit a high level of equifinality and substitutability across firms. Therefore, dynamic capabilities are necessary, but not sufficient condition for creating a sustainable competitive advantage. Dynamic capabilities correspond to specific

processes such as product development, alliancing and strategic decision-making (Eisenhardt and Martin, 2000). Therefore, much research have been done in the corresponding fields before the term itself was coined by Teece, Pisano, and Shuen (1997).

EMPIRICAL APPLICATIONS

While RBV inspired much theoretical and empirical research, its propositions are only rarely directly tested. A notable exception is Newbert (2008) who shows that value and rareness of resources are related to the firm's competitive advantage that is by itself related to firm performance. The wealth of empirical research using a number of qualitative and quantitative methods combined with sometimes too abstract conceptualization and a broad array of foundational papers lead to a high variety of research outcomes facing a number of issues (Armstrong and Shimizu, 2007).

FURTHER READING

Armstrong and Shimuzu (2007) – review on empirical research in RBV field.

Barney (1991) – seminal conceptual paper on a sustained competitive advantage.

Barney, Ketchen, and Wright (2011) – paper summarizing the key development of RBV until 2011.

Eisenhardt and Martin (2000) – the other foundational paper on dynamic capabilities.

Teece, Pisano, and Shuen (1997) – foundational paper on dynamic capabilities.

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