"The resource-based view: a tool of key competency for competitive advantage"

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Abstract

The increasing turmoil in the external organizational setting or business environment has focused attention on capabilities and resources as the primary source of competitive advantage. Obviously, this statement points to the application of the resource-based view (RBV) of organizational management. Nevertheless, what constitutes RBV remains an illusion in many quarters of organizational management, as scholars have managed to put up their personal ideas, and managed to converge on phenomenon-driven theories, in addition to RBV. This paper reviews the concepts of RBV in light of knowledge management to highlight some critical pitfalls that might have eluded the research community on the subject matter of RBV. To this end, this paper's educational value lies in the fact that it simplifies the concept of RBV to the new researcher in a fashion that is capable of appealing to his or her level. A cross-sectional qualitative research approach was employed in an effort aimed at understanding the role of RBV in creating a sustainable competitive advantage and key competencies. A total of 20 relevant articles were searched from different databases and search engines, including Scopus, EBSCO, ABI Inform, IEEE, PubMed, Science Direct, SABINET, IEEE, Bing, Science Direct, and Google Scholar. The findings indicate that RBV plays an important role and assists organizations not only create, nurture, and maintain competitive advantage, but also understand the collective resources needed to compete favorably in a globalized and highly competitive market. With expert knowledge workers at its core to provide support for knowledge creation, sharing, and utilization, the RBV principles discussed in this paper promise to guarantee a methodological step geared towards the achievement of competitive advantage. It, therefore, makes an incremental contribution to the RBV to attain modest improvement in organizational settings.

Keywords

business, competitive advantage, knowledge management, management, RBV

JEL Classification

G30, M10

INTRODUCTION

Background

Globalization and the increasing turbulence in the external business environment, coupled with sources of economic rents, vis-a-vis the desire to attain competitive advantage, have become a research focus in the strategic management field. However, traditional viewpoints on the idea of competitive advantage (Barney, 1995; Dierickx & Cool, 1989; Wernerfelt, 1984) have seen organizations as autonomous bodies. Accordingly, these viewpoints have delivered only a restricted explanation of organizations performance despite the enormous prove of the explosion and importance of knowledge creation, sharing and utilization (knowledge management (KM) as an important foundation of the resource-based view that can help attain this competitive advantage these days.
To make matters worse, scholars have come up with their personal plans by focusing on phenomenon-driven studies in addition to adopting various theories including resource-based view (RBV), learning and knowledge management (Osborn & Hagedoorn, 1997; Lavie, 2006). This has prioritized alliance formation and alliance performance over other investigations, creating a hypothetical vacuum between creation, sharing and utilization of knowledge in the organizations as a central matter to the theory of RBV for competitive advantage. But it is common knowledge that globalization and its competitive forces, including politics and its governing legislation, and the macro-economic pressures, are some of the factors that constitute the external business environment, which weighs on the way an organization performs.

The processes that take place in organizations, including the interaction and networking with these external forces make it imperative that the organization embark on learning for innovations and competitive advantage. Learning embroils the investigation of the source of problems, challenging assumptions, beliefs, norms, and decisions rather than accepting them so that a new way of doing things can be established. A learning circle is then established that goes far deeper than the traditional learning by monitoring process and action to create, share and utilize knowledge to redefine a new way to encounter the problem, which may be imposed by the external environment. When the organization has learned something new about what has to be achieved in the light of turbulence situations and this learning is converted into action by deciding how things should be done, then it will be able to survive and start the journey towards competitiveness.

This paper seeks to discuss how the above practice of creating, sharing, and utilizing knowledge within an organization could help attain a competitive advantage. This is meant to bridge the gap, as indicated above.

Problem statement

The advent of technology has resulted in globalization, which has forced firms to constantly innovate better ways to thrive and survive in a more competitive environment. Globalization is arguably one of the leading ideas in recent years that have impacted society, business life, and the economy in multiple ways. In its entirety, globalization has brought in more competition among industry players. On a macroeconomic level, competition impacts every business aspect ranging from the target market, price, and cost of service or product, to technological adaptation.

With this new trend, which creates an increased competition due to a globalized market, organizations must learn to design better and sustainable strategies to outsmart their competitors and thrive in the market. As such, a single approach today cannot sufficiently address all the turbulence caused by globalization. For example, at present, quality alone cannot constitute a competitive tool that organizations can rely on to thrive. This, therefore, calls for a more comprehensive and all-inclusive approach that can address several management aspects. It is also essential to understand that the long-term success of a company depends on how best and effectively it can grow and maintain its customer base. This has always called for innovation, which always takes place in rapid dynamic shifts. It is also essential to understand that an organization’s competencies primarily rely on its ability to blend core skills creatively within and outside the firm.

This need to understand an organization’s environment is, therefore, the main principle underlying the resource-based view strategy. Understanding the RBV strategic hypothesis plays a critical role in establishing why some organizations do better than others in the market. By understanding both the internal and external environment, RBV can assist organizations in achieving a competitive advantage.
1. SIGNIFICANCE OF THE STUDY

This study is significant as it explains all the concepts of the resource-based view (RBV) strategy, which ideally focuses on the internal resources of an organization, with the primary intention of identifying those capabilities, assets, as well as competencies that can potentially provide more enormous competitive benefits. The concept of RBV plays a central role in assisting firms in obtaining a sustainable competitive advantage, which is the central part of the strategic marketing and strategic management plans.

Generally, the resource-based view approach provides planners and managers with an efficient means of assessing possible factors that can be used to create and sustain an upper edge. One of the main insights cropping up from the RBV standpoint is that not all resources in an organization have the propensity to offer a tremendous sustainable upper edge or are of equal essence. It is also essential to understand that sustaining a competitive benefit solely relies on how efficient are substituted or imitated. Madhani (2009) contends that distinguishing between sources that offer success and those that provide sustainability is very challenging. Therefore, it is necessary to make a significant managerial effort to identify, classify, and understand these resources that offer core competencies, sustainability, and competitive advantage. Besides, managers need to invest in the sharing of knowledge to grow, nurture, and sustain fundamental competencies and resources.

1.1. Scope of the study

To achieve this, the study will firstly define key concepts of the issue at stake with the help of relevant literature to set the tone for readers to understand the research. This will then be followed with a critical evaluation of the literature as and when there is a need to do so. Then, the article will be used to form an argument to address the discussion. In the body of conclusion, a summary evaluation of the concepts will be provided, and a stand will be taken.

1.2. Research aims/objectives

1. To establish how the resource-based view (RBV) tool can help organizations understand, nurture, and sustain critical competencies and competitive advantage.
2. To assess how RBV can assist in creating, sharing, and utilizing knowledge.

2. LITERATURE REVIEW

2.1. Resource-based view as a competitive advantage

The resource-based view (RBV) ideology mostly reinforces that strategic human resource management (SHRM) principle, which shows that the variety of resources in an organization, including the human resources (HR), creates an organization’s distinctive nature and this builds a competitive advantage. Penrose (1959) propounded the idea of RBV on the principle that “an administrative organization and a collection of productive resources as a bundle of potential services” should be indispensable. By this Penrose meant that, for organizations to face the growing commotion in the external business environment as alluded by Dasgupta and Gupta (2009, p. 204), they have to concentrate on their internal resources and capabilities as the principal source for strength to survive, and gain competitive advantage. This competitive superiority is a must for strategic purposes and should be inimitable. This view of Penrose was extended by Wernerfelt (1984) who elucidated that strategy “is a balance between the exploitation of existing resources and the development of new ones”. In other words, for organizations to attain competitive advantage, they first need to utilize their internal resources to the uttermost best and then advance to new resources. The quest for these new ones could now be considered an alliance formation and performance and not the other way round. Resources could be “anything that has an enabling capacity” (Hunt, 1991), and this could entail both existing and new ones.

When this is done, then an organization can be assured of attaining competitive advantage. This study could not agree all the more with Barney
(1991) who detailed that a firm is said to have a competitive advantage when it is implementing a value-creating strategy that is not concurrently being implemented by any current or potential competitors in the form of duplicating the profits of this strategy. Barney (1991) pointed out that leading firms can only protect their competitive advantage only if their resources are treasured, unusual, matchless, and non-substitutable. Then, the growing turbulence in the external business environment (Dasgupta & Gupta, 2009) will call for an environmental analysis of strengths, weaknesses, opportunities, and threats (SWOT analysis), which is only half the story (Barney, 1995).

In brief, a complete understanding of sources of firm's competitive advantage requires the analysis of its internal strengths (for example, segmentation), weaknesses (the lack of skilled staff, knowledge, and many others), which is inconsonant with the RBV. This maintained that competitive advantage is achieved if the organization's resources are valuable, rare, and costly to imitate. Thus, for an organization to create sustained competitive advantage, it must depend on the sole properties and competencies that it brings to the competition in its environment (Barney, 1995), and this could only be something from within.

Critically speaking, though the stands being adopted by the RBV may be challenging to attain because of difficulty in finding resources that satisfy both internal and external pressures, it provides a generalized direction on what resources are appropriate by forcing organizations to first look into their internal capabilities. This makes sense, especially if the human resources management (HRM) of the firm can play a critical role in staffing the organization with competent humans and facilities. This can save the organization from unnecessary duplication of efforts to face a growing disturbance it experiences from the external environment. After all, the RBV stresses the significance of creating firms that are “more intelligent and flexible than their competitors” (Boxall, 1996) by hiring and developing more talented staff and by extending the skills base.

To this end, Dasgupta and Gupta (2009) have suggested that the desire to endure external pressures has forced firms to shoulder the storm through the creation, sharing and utilization of knowledge as organizations focus attention on the resources and organizational capabilities as the primary source of competitive advantage.

2.2. Creation of knowledge

Knowledge is defined as what people understand about things, concepts, ideas, theories, procedures, and practices. It can be described as know-how or when it is specific, expertise (Ryle, 1949). This means that it could be explicit in which case one can easily acquire it through books, computers, or any other form made available for all. This type of knowledge is easily created by organizations and can simply fall on in times of need. But expertise and experience can also be implicit or tacit. This happens when it resides within people, and rendering its management or acquisition is challenging. When knowledge lives with people in the form of know-how and expertise, organizational culture, leadership style, work environment etc. should play a significant role in acquiring it for the organization. This involves the strategic participation of HR in ensuring that a pool of talented individuals is recruited into the firm as a tactic of creating knowledge for the organization. Leadership, for instance, should be a promoter for moving, mentoring, acting as an example, producing an environment of mutual confidence and respect, instituting innovative culture, vision, listening, learning, teaching, and sharing knowledge (Holsapple & Singh, 2001), and this should be supported by the top management. Furthermore, strategic KM practices should enable the organization to make strategic decisions of expanding, sharing and utilizing the established knowledge base (Zack, 1999; Von Krogh, Nonaka, & Aben, 2001) for competitive advantage.

Rather than regarding knowledge as something that people have, it should be seen as something that they can acquire over time (Blackler, 1995). This should, thus, guide the strategically minded HR when selecting people, bearing in mind of what they possess and what they are being hired to come and do for the firm. What such experts do in the organization can then be documented and stored for future use. In this man-
ner, the organization will be creating knowledge from a problematic source (implicit) for the future. Blackler (1995) also noted that ‘Knowledge is multifaceted and complex, being both situated and abstract, implicit and explicit, distributed and individual, physical and mental, developing and static, verbal and encoded’ (Blackler, 1995). Therefore, and when knowledge develops from both the individual expertise and the environment, the organization’s information systems should be equally capable of collecting such improvements for storage and retrieval and shared among new members or those who may need it to carry out their jobs. In this manner, another set of knowledge will emerge from the collective experiences of the existing workforce that can be shared between members of a particular group or community (Scarborough & Carter, 2000).

2.3. Sharing of knowledge

Knowledge sharing is about the distribution of information (within a firm), in this case, to achieve an objective. For an organization to attain competitive advantage and be able to weather the storm of the increasing turbulence in the external business environment, KM should be part and parcel of its strategic goals. KM recognizes applicable information for distributions to enhance performance and learning in the organization and should promote the sharing of knowledge by connecting individuals with employees through networking so that they learn from each other and documented practices. Top management should encourage experience and skills sharing in the organization. They should understand the importance of learning and cultivate a culture that inspires the acquisition, creation, and transfer of experience as the ultimate source of innovation (Quinn, 1985; Nonaka & Takeuchi, 1995) among employees. Usually, employees are evaluated based on their profitable performance, but a KM-based system should highpoint knowledge activities (including knowledge sharing, creation, and utilization) for competitive advantage, and this will cause employees to contribute to knowledge-based activities to escalate competitive performance than a straightforward profitable performance. To achieve this, a compensation scheme based on knowledge activities of knowledge creation, sharing, and utilization is likely to increase employees’ engagement. When this is augmented with HRM practices that relate to retention of knowledgeable employees within the organization, with remuneration, compensation, and other means of acknowledgment (both real and immaterial motivations), the organization is likely to realize its long-term goal of having a competitive advantage.

Many experimental researches have studied the effect of different features of knowledge-based assets and KM on innovation performance, with one of such studies revealing that standard knowledge procedures such as knowledge creation and sharing (Chen, Huang, & Hsiao, 2010), knowledge sharing, application, and storage (Lee, Leong, Hew, & Ooi, 2013), and knowledge creation, documentation and storage, sharing, and acquisition (Andreeva & Kianto, 2011) have encouraging influence on an organization’s competitive performance. Other researchers have shown that knowledge-based assets and how they are shared and utilized lead to an organization’s competitiveness. For instance, Wang and Chen (2013) found out that the traditional knowledge and collated experience, plus the interaction-based knowledge between people and their network, arbitrage the connection among HRM practices and create incremental groundbreaking capability, while social capital acts as an intermediary between HRM practices and essential state-of-the-art competence. Castro, Delgado-Verde, Amores-Salvadó, and Navas-López (2013) supported this assertion by noting that extremely resourceful, capable, and knowledgeable employees, augmented with properly organized systems of the organization’s customers, are very vital elements needed to improve the performance. This is to say that employees’ level of skills plus the organizational learning experiences plus the classified knowledge entrenched in the procedures and information systems, plus the amount of both the environment (internal and external) combination of stakeholders comprises a very significant precursor for invention (Menor, Kristal, & Rosenzweig, 2007) and reasonable improvement. This dream together with the desire to create a knowledge-related behavior at work should be
enabled by organizational culture (DeLong & Fahey, 2000; Alavi, Kayworth, & Leidner, 2005; Travica, 2013) for a competitive advantage.

ICT can also be utilized to transform competitive advantage desires, given the amount of available information for companies nowadays. Nevertheless, technology should only be seen as a way of communication rather than as a substitute for RBV to achieve competitive advantage. KM is about people than technology, and there is a perimeter in what way tacit knowledge can be collected, primarily in organizations relying more on tacit knowledge than explicit knowledge. Therefore, a person-to-person approach and network systems for sharing knowledge work best than ICT, and the latter should only support this process rather than replace it.

All the above findings reiterate the fundamental reason of how SHRM practices could undoubtedly impact the organization’s innovation performance for competitive advantage, by increasing the knowledge developments (Chen & Huang, 2009), adding to the employees’ affective obligation (Camelo-Ordaz, García-Cruz, Sousa-Giné, & Valle-Cabrera, 2011), and growing knowledge sharing (Soto-Acosta, Colomo-Palacios, & Popa, 2014).

2.4. Utilization of knowledge

In relation to the human capital philosophy, the RBV emphasizes that investment in people intensifies their worth to the organization. It suggests that sustainable competitive advantage is attained when the organization has a workforce which is impossible to be copied or matched by competing firms and known how to utilize knowledge. By this opening statement under the utilization of knowledge for competitive advantage, this study could not emphasize more, the RBV as an essential part of SHRM, which should match HRs to the strategic and operational desires of the organization and ensure the full utilization of those resources.

The utilization of talented groups entailing employees provides the organization far greater scope when positions become available for refill. However, there should be a conscious effort to developing a squad of remarkable talent who are capable of taking on sophisticated jobs, that may not presently be there. The RBV of the organization provides a conceptual foundation, for HRs as important cradles of competitive advantage (Boxall, 1996). Hence, HR advantage, the superiority of one organization’s labor force management over another’s, should be pursued with the long-term goal of making use of such advantage to achieve performance dominance.

Knowledge has become a direct competitive advantage for organizations. The challenge to organizations, however, is to make sure that they have the competence to locate, integrate, compensate and keep the gifted people they need (Ulrich, 1998). By implications, through finding and acknowledging expertise for career development, the knowledge activity-based compensation system grows employee motivation to utilize more of their knowledge in their work for the benefit of the organization. All things being equal, the more such expertise is within the confines of an organization, and are available for use, the better the organization could be assumed to have chances of performing well and attaining economic improvement.

In concluding the literature review section of this paper, it should be pointed out that knowledge in itself is not what matters for an organization, but how it is applied to achieve strategic objectives for competitive advantage. To this end, aggressive policy need to motivate knowledge management strategy (creation, sharing, and utilization) and management must find answers to the problem: “How does knowledge that resides in the company adds value for customers?” (Hansen, Nohria, & Tierney, 1999).

3. METHOD OF RESEARCH

This paper used a cross-sectional qualitative study approach to understand the existing theory about the resource-based view (RBV), especially how it plays an essential role in creating, nurturing, and sustaining a competitive advantage and critical competencies. Both secondary and primary data, including journal articles, government reports, biographies, and many
others were searched from different search engines using words like the role of RBV in creating a competitive advantage, the importance of RBV in knowledge management, and many others. The related works were collected using search engines such as Scopus, EBSCO, ABI Inform, among others. IEEE, PubMed, Science Direct, and free web service search engines of Google, Google Scholar, and Bing to access relevant online resources. SABINET, IEEE, Bing, Science Direct, and Google Scholar proved to be useful database resources. A total of 20 articles were identified for the study. In light of the above, this study reviewed and discussed concerning appropriate literature sources, the extent to which the creation, sharing, and utilization of knowledge are central to this RBV for competitive advantage. This reminds readers where we are likely to fault when we take things for granted so far as RBV is concerned. In doing so, the paper has formed the below impression.

4. DISCUSSION

4.1. Generalization and analysis of the main statements

In combating the increasing turbulence in the external business environment, firms have shifted their attention to the resources and organizational capabilities as the basis of gaining competitive advantage (Dasgupta & Gupta, 2009). This has also necessitated the understanding of the dynamics of the RBV based on knowledge and research-based evidence. Knowledge is a significant resource for organizations and is primarily generated by people (able ones). An organization’s operational, technical, and practical knowledge can be stored in databases and found in reports, libraries, policy documents, manuals, and presentations. Nevertheless, proper use of this knowledge also requires competent people who know how to access such knowledge and use it appropriately. Although, knowledge can also be stimulated in the organization through meetings, workshops, courses, “master classes”, written publications, and “communities of practice”, through the medium of information systems, as shown by Wenger and Snyder (2000), the desire to learn and share by the employees when such stimulation takes place must be present for the organization to succeed. In this manner, the intranet could serve as an additional and very operative intermediate and not supernumerary.

The legitimization of numerous kinds of populations of practice and interest is more likely to produce potent forums of knowledge enlargement (Brown & Duguid, 2001; Mohrman, Finegold, & Klein, 2002) that are consequently likely to improve performance more than a homogeneous myopic one. This also enriches the organization’s culture, outlook, and respect, and perfectly aligns it with the RBV.

In evaluating Blake’s (1988) position on RBV, one could say that an organization that fails to embark on KM only plans to fail when the growing confusion in the external business environment gets worse, and this explains why some are facing downward trends in their economic performance. Such economies have resorted to policies and theories opposite to the RBV. But a fruitful corporation is a knowledge-creating organization that strategically employs people with talent and knowledge and is easily motivated to fall in line with the strategic plans of the organization, and not the other way round. When most of the companies in a country share this view of the resource base, the whole economy is bound to do well, since this view has passed the test of time. Suffice this argument with the economies in the west, which employs people based on their skills and talent, and compare their standard of living.

Creation, sharing, and utilization of knowledge must be implemented in an organization for learning to take place. It encourages the allotment of ideas through networking, whereby low-skilled individuals interact with the talented ones. This allows workers to study from documented proficiencies and each other. When such triangular activity is well managed with the vision of creating an RBV, an organization is likely to have a competitive advantage. After all, the main reasons for KM are to gather an organization’s shared capability and dispense it to wherever it can, to accomplish the payoff.
(Blake, 1988). This is in line with the RBV of the organization, which recommends that the basis of competitive advantage is found inside the organization’s people and their knowledge, not how it places itself in the growing turmoil of the external business environment.

4.2. Discussion for future research

People possess knowledge that has been acquired through their own experiences. Such knowledge will not automatically be shared formally or even informally if the atmosphere for doing so does not exist. Less skillful individuals will be the losers if they are denied the opportunity to come into contact with talented ones, and vital knowledge could be lost if it remains locked up in the minds of employees or taken elsewhere. Hence, therefore, a crucial issue in knowledge management is how knowledge can be identified or created, but above all, how it is distributed and utilized. In the information age of these days, knowledge rather than physical assets or financial resources is a vital element to competitiveness.

The next distinctive strategy of the RBV is the acknowledgement that the organizational competence of a firm (the capacity to function effectively) depends on its resource know-how (the quality of its resources and their potential to deliver results). This unique strategy should know no boundaries nor any political interference if the full benefits of the RBV are desired.
CONCLUSION

This paper has highlighted the core steps involved in KM, based on the RBV to accomplish competitive advantage. These steps, including knowledge creation, sharing, and utilization, were analyzed, and different modalities of its application, with the expert knowledge workers being the central pillars, displayed in Figure 1. Referencing leading scholars on the subject, the paper chipped in little deliberations to contribute to identified gaps.

In concluding, therefore, wealthy of endorsement need be mention here that, investigators have shown a lot of relationship between knowledge procedures and performance improvement for competitive advantage. What appears to be missing is experimental prove of the link between the conscious and organized decision-making, undertakings, the KM practices, various discriminatory practices, and a firm’s innovation performance. Nevertheless, the RBV is a potency to count on.

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