

GAINING COMPETITIVE ADVANTAGE THROUGH RESOURCE BASED VIEW

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Abstract

Resource based view concept of strategic management can be traced back to the pioneering works of Edith Penrose. In contrast to other frame works like porters five force model which is based on external environment analysis and formulating a strategy, resource based view have internal perspective of looking at internal resources and capabilities. This paradigm is based on the foundation that diverse, difficult to resources and capabilities provide the basis of competitive advantage. Resource based value paradigm has enthused a great deal of interest among scholars in strategic management. A company cannot create economic value due to mere possession of resources, but due to effective and innovative management of resources. In other words the internal resources of the firm should be configured in such a way that it will provide a competitive advantage. The Resource Based View is the focal point through which internal analysis is conducted. The resource based view has two critical assumptions. The first assumption is resource heterogeneity that is various companies' posses' different types of resources and have different capabilities, even though they may be operating in a same industry, producing similar products and selling the products to similar customer groups. The second assumption is resource mobility. As per this assumption resources may not be moved from one company to its rival and vice versa. And it will be very costly for the company to acquire the resource and it will not be worth compared to the benefit gained from that resource.

Keywords: *strategic management, organisational culture, work ethics, economic value, Resource Based View , external environment*

Comparison of Internal and External Environment

Internal analysis looks inside a firm to pinpoint the firm's strengths and weaknesses. External analysis enlighten us what the threats and opportunities are in the external environment. From external analysis can give direction about what the firm should do and internal analysis tells us what the firm is capable of doing. In general, the greater the rate of change in a company's external environment, the more it must seek to base long term strategy upon its internal resources and capabilities rather than upon an external market focus.

The logic behind internal analysis is that it is an attempt to discover prospective sources of competitive advantage. The objective is not to know if the firm has better resources than its competitors; the focus is find resources possessed by the firm that could be deployed to provide a competitive advantage could be achieved.

A sustained competitive advantage does not indicate that the firm will have the advantage for ever. It indicates that the firm will possess the advantage till the resource is emulated by other firms, at which point the advantage will be gone. A firm has to face many type of cost while imitating resources owned by its competitors. If the cost of imitation is high, then the firm can expect the competitive advantage to be sustained.

Types of Resources

There are four types of resources viz. financial, physical, human and organisational. Financial Resource is the money available to the firm through source like capital, borrowings and retained earnings. Physical resource includes tangibles like machinery, factories, offices, raw materials, etc. Human Resources include availability of efficient workforce, organisational culture and work ethics Organizational Resources include structural aspects like reporting system, reward systems, relationship between hierarchical levels, etc

Resource Based View as a Competitive Advantage

In the face of increased competition and mature markets, and to succeed in a global market place any company should have few potent strategies to survive and excel. Resource based view is one such promising strategy that will provide sustainable competitive advantage. The essence of resource based view is that companies bestowed with better resources and capabilities are in a position of competitive advantage comparative to its competitors. So, resources and capabilities are the crux strategy. Resources may be tangible and intangible inputs used by the company in production of goods or services. Tangible resources are relatively easy to recognize like land, plant and equipment, Capital, etc. On the other hand it is difficult to quantify intangible resources but is extremely important in the value creation process like organizational culture, patents and trademarks, reputation, etc. Resources are the available factors that a firm possesses. Capability is the competency of the firm in using it resources efficiently and effectively in the production of goods and services.

Conclusion

Competitive advantage implies that there is an attribute in the companies offer to its consumers that makes it possible to earn higher profits than competitors. A temporary advantage can be simulated by competition. There are four criteria evolved to decide whether a competitive advantage is sustainable or not they are value, rarity, limitability and substitutability. Creating a sustainable competitive advantage is vital for every company. It is the ability to gain from a competitive advantage over a period of time. For sustaining the competitive advantage the company must create unique and innovative value that is impossible for its competitors to emulate.

Creating sustainable competitive advantage is the ultimate test for any strategist. There are diverse views about sustaining competitive advantages like the focus on competitiveness analysis in the industry specific background suggested by Michael Porter, 1980 and viewpoint of the resource-based view that stress the use of specific resources.

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