Analysis of the Effect of Resource Based View Model As A Source of Competitive Advantage on Organization Performance

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Abstract: This paper takes a theoretical examination of the concepts of Resource Based View model as a source of competitive advantage on performance of an organization. Organizations perform different depending on the resources they own. These resources include; human resources, financial resources, technological resources and skills that employees have. An organization that has unique resources and hard to be copied in the industry then it is said to have competitive advantage. The major contributor of the resource based view model was Michael Porter (1980). Resource of the organization becomes a source of competitive advantage in two ways; organization can use resources to charge higher prices in order to increase financial performance. Secondly, a firm can use its resources to lobby barriers of new entrants in the industry. The purpose of the study was to examine the applicability of the Resource Based View in different organizations. The study utilized Desktop analysis methodology through Meta analysis. From the reviewed literature it was revealed that different organizations are endowed with different resources, they can use these resources to better performance. It was further revealed that Organizations that have non-substitutable resources can use them as a source of competitive advantage. It was further revealed that RBV has a positive impact on organization performance. The study is relevant to different policy makers in decision making; it also provides foundation for further studies. In conclusion organization that strives to have their resources become hard to be copied realizes better performance it also acts as a source of competitive advantage. The study recommends that organizations should maximize resources they have and make them hard to be copied in order to realize competitive advantage.

Key words: Resource Based View model, competitive Advantage and organization performance.

I. INTRODUCTION

Barney (1991) defines resource as all assets capabilities, organizational processes, firm attributes, information and knowledge. Michael porter five forces model that includes; threats of new entrants, the bargaining power of the buyers, bargaining power of the suppliers, threats from the substitutes and the internal segment rivalry and the Resource Based View complement one another. Peteraf and Barney (2003) assert that combination of five forces model with Resource Based View Model leads to improvement of organization performance. Organizations that have resources that are hard to copy are said to perform better than those that do not. Sources of competitive advantage in the organization are associated with resources that are valuable and costly to copy. Every organization has its own resources, what brings the difference between the organizations is the type of the resources they have as compared to the rivals in the industry (Adnan, Abdulhamid and Sohail 2018). Resources of an organization become valuable when they act as a source of competitive advantage. When they are not used as a source of competitive advantage they stop being valuable and they depend on the other. When resources are combined they become a source of competitive advantage. Resources will contribute to the organization performance as a competitive advantage if they are combined. For organization to have a competitive advantage it strongly depends on how the resources interact between themselves. (Ongeti & Machuki 2018)

II. LITERATURE REVIEW

Theoretical literature review

Michael porter is the proponent of the Resource Based View model. Porter (1991) observes that resources will be valuable when they allow firms to perform activities that lead to competitive advantage in a given business environment. In a situation where these resources do not lead to realization of competitive advantage they stop being valuable resources.

Assumption of Resource Based View

The first assumption of Resource Based View is that firms that are found in the same industry may be heterogeneous in relation to the resources they control. The firm and resources are unique. They do produce goods and services that are unique which will give them a competitive advantage in the industry. The second assumption is that Resource Based View assumes that, the uniqueness of the resources of a firm may continue for some time because they are not perfectly mobile across the organization. This means that some resources are not found in factor market thus are difficult to be imitated and this is the reason as to why they become a source of competitive advantage.

Criticisms of the Resource Based View

The first criticism is that competitive advantage cannot only rely on the Resource Based View but should be aligned to the business environment. Business environment includes;
government interventions, political factors and economic factor which can act as a source of competitive advantage to the organization. The advantage of aligning resources with the business environment is business world is too dynamic. If the organization does not align its resources with the environment it will be knocked out of the business. The second criticism is that the organization that over relies on the Resources may have stiff competition when Disruptive innovation is undertaken by the key competitor. This may make an organization to be in a confusion state. The third criticism is that over reliance on the Resource Based View at the expense of other factors that affects performance of an organization. For example, organization culture is one of the determinants of the performance of an organization. The forth criticism is that Resource Based View ignored dynamic changes in the business world. There are many changes that take place today because of dynamism of the business. These changes are caused by technological advancement and innovations. When these changes take place even if the organization has good resources and cannot adjust to the environmental requirements they will not realize a competitive advantage in the business.

Sustainable competitive advantage and superior performance are key elements of the Resource Based View. An organization that strives to sustain a competitive advantage in the market and does more research to come up with non imitable resources will remain relevant in the market. These resources will act as a barrier to the new entrants in the market. It will also act as the catalyst of increasing the prices of goods and services in the long run the organization will realize improvement in performance. Adnan, Abdulhamid and Sohail (2018) posit that there are majorly two essential elements of the Resource Based View they include; sustainable competitive advantage and superior performance. Resources of the organizations seem to be dynamic meaning that they do change. An organization that adjusts to changes, adopts new ways of doing things and become more innovative will remain relevant in the industry. These organizations will have competitive advantage. Organization may have a lot of resources that can be imitated, substituted, and those that are common to every organization but does not have competitive advantage. While another organization may have very few resources that are unique, cannot be imitated and have competitive advantage.

There are many factors that an organization can use to have competitive advantage and increase the performance. They include; organization culture that involves the shared values. Wenerfelt, (1984) observe that some resources such as brand names, technology, skilled personnel, trade contracts machinery, efficient procedures and capital are the foundation for attaining competitive advantage. For the organization to realize competitive advantage from its unique resources it the resources must be valuable in order to identify available opportunities and take the advantage of those opportunities. This is done when the competitors have not exploited such resources. Threats will also be minimized so that it can continue commanding the market. Resources must also be rare among the competitors which will make the competitor hard to get them. These resources must be perfectly imitable-they cannot be easily imitated by the competitors in the industry. These resources cannot be strategically equivalent substitute.

**Organizational performance**

Performance is perceived as a multi-dimensional meaning that a single factor may not be able to determine the general performance of an organization. Performance implication is related to the subject of interest (Li & Simerly 1998).Traditionally, firm’s performance is measured by financial success and profitability. Many researches that were conducted on organization performance and the competitive strategies looked at the performance in two ways, quantitative performance which includes financial performance. The second one is the qualitative performance, they are non-financial performance. Performance is the ability of the organization or object to produce results in dimensions. Performance can also be seen in two ways; Performance as perceived firm performance and the archival data performance. Archival data performance is the performance that consists of financial performance. This performance is measured from secondary sources. The second performance is the perceived performance; this performance is seen from the perception of the manager. How the manager perceive the performance. This type of performance includes how the manager views the sales growth, sales rate, profit, and growth rate and profitability ratio.

**III. EMPIRICAL LITERATURE**

Decisions made in the organization have an impact. This means that the managers should be very keen when making any decision. Bohnenkamp, (2013) carried out the research on effect of Resource Based View and decision on supply management in Netherlands. The researcher used cross-sectional research design. It was revealed that the Resource Based View affects the decision points with highest significance on the make or buys decisions and lowest on contract awarding. The implication is that it affects the whole decision making. The research contributes to the Theory on four key decision points related to the purchasing, make or buy, strategies supplier portfolio and relationship strategies. It however implies that organizations should embrace Resource Based View and other factors that contribute to the improvement of the organization performance, for example Organizational culture, leadership styles and being ready to embrace changes more so technological and innovations.

Organization culture is very important on organization performance because it makes the employees to feel part of the organization. In some sectors it has less significant effect on performance of the organization. Yin-His Lo (2012) identified alter competitive advantage creation path in Chinese lodging industry, where Managerial capabilities and organizational culture examined effect of financial
performance and customer satisfaction. The researcher used census that was conducted among members of Chinese hotel top Management in Two North East city in China. The researcher found out that both Managerial capabilities and Organizational culture have no impact on its financial performance. Managerial Capabilities have a significant impact on customer satisfaction. This research contributes to the understanding on how to improve the performance of the organization. It however, implies that managers should attend regular training to sharpen their management skills and improve on the organizational culture which would improve the performance of organization.

The resources that organization has if well used can act as a source of competitive advantage Ismael, Rose, Uli and Abdullar (2012) carried out research on importance of organizational resources, capabilities and systems in their relationship with competitive Advantage in Malaysia, using a cross-sectional research design. The researcher found out that there is a positive significant effect of Organizational Resources, Capabilities and Systems and Competitive Advantage provides support and collaboration to the Resource Based View. The study contributes to the literature on the relationship between organization resources, capabilities and systems and competitive Advantage. It is also vital to the practitioners and policy makers on how to use the available resources so as to get A competitive Advantage. However it implies that managers should include other factors like Organizational culture with the aim of improving the performance.

The organization’s resource is very important on its performance. Olsen and Safda (2014) examined the effects of industrial organizational perspective and Resource- Based View on firm performance, the moderating role of industry characteristics in Norwegian hotel industry using a survey research design. The researcher found out that both PIO and Resource Based View predicts the firm’s performance. They also found out that the uniqueness of the resources as a critical success factor has a positive moderating effect on the relationship between the Resource Based View and the firm performance and PIO and the performance. This research contributes to the revealing how firm performance is affected by both internal and external factors. It however implies that firms’ managers should treat resources of the organization as the asset of an organization. They should encourage organizational culture for the better performance.

Technology is very vital in determining the organization’s performance if well utilized it acts as a source of competitive advantage on the organization performance. Feddy, Brofman and Martinez (2014) examined the technological evolution of food traceability systems and their impact on firm sustainability performance and the Resource Based View approach, using survey design on the UK food companies that has implemented technological innovations. The researcher found that technological innovation in human resource is major source of improved sustainable performance because they make resources non-substitutable. The research contributes by providing important policy implications for regulators. However it implies that managers of the organizations should be constantly be trained to get knowledge about innovations.

Tontiset (2015) conducted a study on the impact of institutional theory and resource Based View theory perspectives on environmental management system and the firm performance. The study utilized literature review. The conceptual model research proposition postulated that both external institutional factors and internal resources and capabilities are positively related to environmental management systems implementation of environmental performance was proposed to have a position relationship with financial performance. In a related study that was conducted by Hitt, Xu, and Carnes (2015) by analyzing Resource Based Theory in operations management research. The study reviewed several literatures and identified several issues in the overall research and highlighted some exemplary research themes in the use of RBV. It was revealed that Resource Based View theory has a positive effect on organization performance.

Adan, Abdulhamid and Sohail (2018). The study dwelt on predicting firm performance through Resource Based framework. The study investigated the relationship between firm’s resources and its performance to attain competitive advantage. The study utilized survey research design of several empirical studies of firms in Pakistan. Data was collected through questionnaires. Collected data was analyzed through pearson correlation coefficient, linear regression and ANOVA. It was revealed that VRIN resources had a positive correlation with organization performance. On the other hand Non- VRIN resources had insignificant relationship to the organization performance.

Ongeti and Machuki (2018) conducted a study on organizational resources and performance of Kenyan state corporations. The study tested the influence of organizational resources on the performance of Kenyan state corporations. The study employed a cross-sectional descriptive survey research design. The target population was 63 Kenyan state corporations. Collected data was analyzed through both descriptive and inferential statistics. It was revealed that there was a positive significant relationship between aggregated organizational resources and its performance. The study recommended that government policy should be used in encouraging resource acquisition, integration, configuration and combination.

IV. DISCUSSIONS

Resource Based View is a major tool in determining the performance of an organization. It includes: financial and none financial resources. When it becomes hard to imitate these resources then they can be used by an organization as a source of competitive advantage. From the researches that were conducted it came out clearly that resources of an
organization have a positive impact on the organization performance. Research that was conducted by Theresa et al. (2014) on the effect of industrial organization perspective and resource Based View. The result indicated that uniqueness of the resources as a success factor had a positive effect on the performance of the organization. In a related research that was conducted by Ongeti and Machuki (2018) revealed that Resource Based View has a positive impact on the organization performance. When the resources are non-substitutable they act as a competitive advantage.

Gaps in the Resource Based view and the literature Review

The Resource Based View ignores the impact of other factors affecting performance of an organization for instance organizational culture. Organization culture impacts a lot on the performance of the organization. It makes workers to be self driven because they are working for the common goal. This in the long run improves the performance. It does not put into consideration the government influence on the organizations. Government strategies impact the organizations performance either positively or negatively.

V. CONCLUSION

According to the studies that were conducted it is evident that Resource Based View has a positive impact on the organization performance. The organization that has unique resources that cannot be imitated easily will have a competitive advantage. These resources include; financial, non financial resources, human resources and skills of employees. However, it is not only the resource that organization has influences the organizational performance there are other factors they include; Organizational culture, leadership styles Government policies and external factors.

REFERENCES

Works Cited