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THE RESOURCES-BASED VIEW AND INNOVATION: SOME RESEARCH PROPOSITIONS

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ABSTRACT

This article reviews the literature on the resource-based perspective (RBV) and innovation. It developed eight research propositions based on the view of RBV to innovation for the topics of governance, mergers and acquisition, competitive market strategies, strategic monitoring, and value supply chain.

Keyword: Resources-based view, innovation, strategic management, core competencies, business strategy, market strategies.

1. INTRODUCTION

The article (1991)Firm Resources and Sustained Competitive Advantage is widely cited as a landmark contribution to strategic management. It has been labeledas the resource-based view (RBV).

According to RBV, the resources possessed by a firm are the primary determinants of its performance and contribute to a sustainable competitive advantage of the firm (Ranjan and Read, 2016). According to Barney (1991), resources include assets, capabilities, organizational processes, firm attributes, information, knowledge, that are under the control of the firm. These resources enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991; Battilana et al., 2015; Ranjan and Read, 2016).

Indeed, (Gimenez, van der Vaart, and van Donk, 2012) states that “strategy and competitive advantage in the coming years will be rooted in strategic resources and capabilities that facilitate sustainable economic activity. Competencies are described by (Deniz Eris, Ozmen, and Neczan, 2012) as interesting intangible assets that cannot be purchased from the market so they must be developed in-house.

The resource-based view perspective has its origins in strategic management. RBV explains that the identification and possession of vital internal resources contribute to a firm’s ability to create and maintain a competitive advantage and improve performance (Barney 1991; Sund, Bogers, Villarroel, and Foss 2016). A resource is considered vital if it meets certain criteria valuable, non-substitutable, rare or specific, and inimitable to contribute to improving the performance of the firm (Barney 1991; Crook et al. 2008; Turber and Gassmann, 2015).

Four characteristics define this perspective:

1) Value refers to the extent to which the resources are aligned with the external environment to exploit opportunities and reduce threats.

2) Rareness: Resource rareness refers to the perceived scarcity of the resource with factor markets.

3) Imperfectly imitable: not easily implemented by competitors.The inimitability of the resources means that the competitors cannot obtain or replicate the resources or can only do so at a significant cost disadvantage (Barney, 1991; Hansson, 2015).

4) Non-substitutable: extent to which competitors cannot create equivalent resources (Rhoads, 2015).

Historically, in the early phase of the RBV perspective, the main concern of this school of thought was the identification of resources and their characteristics that could not be imitated by competitors. It was said that when the replication is possible, a company will not have a sustainable competitive advantage. Then the advantage would not last long (Breton-Miller and Miller, 2015). In this case, the sustainability of a firm's asset position depends on its resources are easy to substitute or to replace by the market (Brannon and Wiklund (2016).

Nowadays, RBV also attempts to explain and to predict why some organizations can create and sustain a competitive advantage (Barney 1991; Goldsby and Zinn, 2016). Early work in the RBV highlighted individual resources that firms can identify and develop internally (Hart 1995). Later work highlighted the importance of resources that firms can gain through their network connections.

More recently, the RBV has been challenged by researchers. They argue that 'rare' resources do not necessarily lead to a competitive advantage for the firm. This is the case even if that resource can generate economic rents because of their relative scarcity. Economic rents or net cash flows are the prices of services yielded by resources(Lee, Wanta, and Lee, 2015). In this phase, economic rent is the price of the product and service for the resource of a company (rare or not). After remunerating all the factors of production, no profit has been left to the firm (McDougall, Wagner, and MacBryde, 2016).

For instance, the identification and possession of a strategic resource or strategic resources alone are not enough to create superior firm performance over that of the competition (Wilden and Gudergan, 2015). Resources must also be appropriately managed to exploit circumstances an organization faces (Lonial and Carter, 2015). According to RBV, firms attempt to identify strategic resources that will make the company more and exploit their value.

Over recent years, the RBV perspective has been identified with limitations. Though RBV has been rated highly in terms of fostering competitive advantage, it also possesses some limitations. This means there is a fear that the RBV will overstate the profitability of firms exploiting these resources because they ignore the cost of acquisition and accumulation. Thereforethe RBV cannot explain why firms invest in such a valuable resource rather than in another type of support (Hitt, Xu and Carnes, 2016; Tabares, Alvarez, and Urbano, 2015). Often, studies have been dedicated tothe study of how to sustain valuable resources over the long term without focusing on its economic value. Therefore, it is open to criticism that the RBV contains a theory of sustainability but not a method of competitive advantage (Rashidirad, Soltani, and Salimian, 2015).

In sum, since the mid-1980s, the RBV has emerged as one of the substantial theories of strategic management (Hitt, Xu, and Carnes, 2016),even though it is told that the RBV does not presently appear to meet the empirical content criterion required of a theoretical system (Hitt et al., 2016). The increased attention to firms' resources by researchers has seemed to be beneficial in helping to clarify the potential contributions of funds to competitive advantage, as well as to introduce strategy scholars to several useful descriptive theories from industrial organization economics(Backman, Verbeke and Schulz, 2015),or management with topics such as 'teamwork' production, and price (Battilana, Sengul, Pache, 2015).The researchers argue that these additional research have been alleviating the emphasis on opportunities (Battilana et al., 2015).

2. OBJECTIVES

One of the topics that have been identified for additional studies on the RBV perspective is the topic of innovation. This is the objective of this paper. It wishes to review the research to develop a set of research proposition son the Resources-based perspective and innovation.

3. REVIEW OF THE LITERATURE

In this section, we briefly review the literature to facilitate the formulation of research propositions.

Our literature review shows that according to the RBVS perspective, some factors appear to play a vital role in link with the topic of innovation. In this section, we selected factors identified in our literature that could have an explanatory capacity to explain the linkage between the RBV perspective and the topic of innovation.

A. Concept of Strategy

According to Mintzberg& Lampel (2012), strategy in resource-based viewpoints all these—it is perspective, position, plan, and pattern. The approach is the bridge between policy or high-order goals on the one hand and tactics or concrete actions on the other. According to the RBV perspective, strategy, and tactics together straddle the gap between ends and means (Ronda-Pupo & Guerras-Martin, 2012).

B. Concept of Innovation

Innovation has been recognized as the first source of competitive advantage for the manufacturing industry to compete in global markets (Tritos and al, 2014). Harri (2012) defined innovation as the process of translating an idea or invention to the market that creates value for the customer. From the resources perspective, innovation as a process has become perhaps the most important source of competitive advantage in advanced companies. Building innovative

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capacity has a strong relationship with a company's overall competitiveness and level of prosperity (Keller and Yeaple, 2009; Lileera and Treer, 2010).

D. Strategic deployment

According to McDonnell (2015), strategy deployment is a management process of allocating resources that helps executives to focus and align their organizations around the most important goals, with the sole purpose of using the available resources to create a value proposition to existing and target customers.

E. Governance

From a resource-based perspective, corporate governance should deal with the efforts of the firm's resources and capabilities. The inefficient accumulation and deployment of these resources and capabilities are the essential costs of agency problems (Matzler, Veider, Hautz, and Stadler 2015). However, we note from this view; this is the inefficiency caused by the misalignment of objectives of managers with the objectives of the firm owner. This situation might hinder the utilization of firm resources and capabilities towards realizing their full value. Thus, the effects of corporate governance must be studied based on the firm's profile of resources and capabilities (Miller, Xu, and Mehrotra, 2015).

F. Mergers and Acquisitions

From a resource-based perspective, a firm's resources can be tangible or intangible assets that an organization owns or controls for use in performing a coordinated set of business tasks (Helfat and Peteraf, 2003).According to this view, mergers and acquisitions (M&A) becomesa way to diversify the product portfolios, enter new markets, acquire new technology, which would enable the company to compete on a global scale(Ellis, Lamont, Reus, and Fairman, 2015).

G. Competitive market strategies

From an RBV perspective,Barney and al. (1991) pointedout that the study of the relationship between the competitive advantagesof a company and its successful strategies can be challenging to achieve in practice. A market strategy in a context of competition could be defined as a process of creating value for the customer.

H. Strategic monitoring and competitive intelligence

From an RBV perspective, Park and Yoo (2016) argues that the ability to be proactive and not reactive is one of the best techniques for creating value within an organization. This requires a continuous process ofmonitoring and transforming information as a capabilityinto intelligence so that a company can manage the future (Chen and Miller, 2015).

I.Value supply chain

Interesting RBV by researchers, strategists, and innovators has led to its extensive use in the supply chain management literature in performance management (Chen et al. 2009). Current research has found firms that possess and employ combinations of strategic resources can use

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them in a way that improves firm performance above and beyond the impact of individual resources, to foster innovation and strategy process (Heyns and Luke, 2012).

4. RESEARCH PROPOSITIONS FROM THE RESOURCES-BASED VIEW PERSPECTIVE

This section presents research propositions related RBV perspective to facilitate additional research on the topic of innovation.

A. Proposition 1: Governance

Based on BRV, governance should focus on the internal mechanism of governance regarding innovation. According to the RBV, governance should emphasize internal mechanisms of corporate governance according to value, rarity, imitability, and substitutability. According to this perspective, it should support, for example, internal nomination for the board of administrators rather than external members. It should also give a prominent role to board members from the industry rather than members outside the industry.

According to Shleifer and Vishny (1997), and Page, & Spira (2016), we could argue that innovation represents a challenge for corporate governance to understand better how governance mechanisms are aligned with the objectives of the company managers to manage the innovation.

More specifically, according to the resource-based view, the challenge has to do with governance mechanisms and the alignment of internal over external governance mechanisms.

B. Proposition 2: Mergers and acquisitions

According to RBV, companies should prefer internal and organic development rather than the external acquisition of resources such as mergers or acquisitions.

According to RBV, firm resources defined by Barney's all assets, capabilities, organizational processes, firm attributes, information, knowledge controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness innovation might support internal development in contrast with external acquisitions according to the evaluation of the internal resource made by the corporation. For instance, Tritos and al. (2014), has found that only internal capital had a positive effect on innovation performance.

According to the RBV perspective, when seeking to build a lasting strategy for innovation in resource-based perspective by tapping into a strict and harsh competitive environment, companies will relyin a limited manneron the principle of mergers and acquisitions, mergers and acquisitions(M&A) have become an important medium to expand product portfolios. Merger and acquisitions are also useful to enter new markets, acquire technologies, acquire research and development facilities, and gain access to resources which would enable the company to compete on a global scale (Ellis, Lamont, Reus, and Fairman, 2015).

C. Proposition 3: Business Models

According to RBV, we could argue that innovation might focus on the existing value of the business model and could embody the organizational and financial ‘architecture’ rather than adopting the business models to innovation to activities located outside the focus of the existing business model of the company.

The RBV argues that a firm can obtain sustained competitive performance from its controllable resources while they are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Authors argue that competencies are further developed when such resources are combined to create specific organizational capabilities (Trader and Gordon, 2007; Teece, 2007).A firm's level of innovation is closely related to its absorptive capacity and its ability to exploit its resources to support knowledge acquisition from internal and external sources (Lee and Wong 2011). The pursuit of a lasting strategy for innovation in a resource-based perspective can create and deliver value to customers through business models. Based Saebi and Foss, 2015; Ansari and Riasi, 2015).

Based on Barney (1991), we could argue that management must better understand the organizational learning process to develop, nurture and maintain key resources and competencies to preserve or develop business models.

D. Proposition 4: Strategic scope

According to RBV, innovation would be primarily used to leverage the actual strategic scope of business by reinforcing the value and inimitability of its resources.

According to RBV, innovation can enable a company to develop new products and explore new markets through the analysis of strategic scope. As noted by Kim, Hoskisson, and Lee (2015), the design of the vitalrange of a firm is determined by fundamental choices in terms of resources. In this context, innovation could impact the product or market scope, the scope of competencies, and the geographical scope of a firm. Barney (1991) mentioned that a great deal of effort must beinvested in identifying, understanding, and classifying core competencies. We might add to this that these efforts should also be put to understand better our innovation might transform the range and depth of product range, alter the market scope with new pricing and distribution strategy.

E. Proposition 5: Competitive market strategies

From the RBV perspective, the primary objective of the market strategy of a company is to stretch and leverage its actual resources rather than respond to external market opportunities.

According to the RBV perspective and Rao-Nicholson and Khan (2016), innovation might directly impact market activities around three key dimensions that are (1) standardization-adaptation, (2) configuration-coordination, and (3) strategic integration of critical resources with market targets which might modify the rarity and limitability of the resources of a company.

Barney and others (1991)point out that understanding the causal relationship between the sources of advantage and successful strategies can be challenging in practice. Authors have claimed that itis also essential to study the ability of the firm in utilizing knowledge and resources from their external partners to enhance their internal capability, leading to an increase in innovation performance (Nieto and Santamaria 2007; Kramer et al. 2011).

According to RBV, innovation might impact market strategies at two-level (Jurevicius, (2013). It might increase or decrease the heterogeneity of the market strategies. This is the heterogeneity of the market strategies of companies that have different skills, capabilities, and resources to make them unique. It might also increase or decrease the immobility of the market strategies of a corporation. Jurevicius mentioned that from RBV,an organization owns are not mobile; in other words, at least in short terms, it cannot be transferred from one company to another. He claimed that companiescan hardly obtain the immobile resources of their competitors since those resources have an important value for companies.

F. Proposition 6: Strategic monitoring and competitive intelligence

Strategic monitoring and competitive intelligence of innovation should focus primarily on organic initiatives such as internal R&D initiatives based on actual resources and products and a limited market and geographical extensions rather than monitoring market opportunités and growth and external competitive intelligence.

According to RBV, companies controlling resources that are rare in the market have a competitive advantage. Hunt and Morgan (1995), argue that competitive advantages enable firms to offer products and services to the market that are either (a) perceived as having superior value or (b) can be provided at lower costs.

From an RBV perspective, we could argue that market globalization and the innovation acceleration of science and technology evolution require the usage of monitoring systems, capable of identifying opportunity niches essential for the growth of the companies (Thietart, 2016).

Through strategic monitoring and intelligence, withthe resource-based view, a company would select the strategy that exploits optimally the internal resources and capabilities relative to external opportunities. In the resource-based view, strategists choose the strategy or competitive position that best exploits the internal resources and capabilities relative to external opportunities.

G. Proposition 8: Value and supply chain

Based on RBV, the four factors that are value, rareness, imitability, and substitutability of the strategic resources of a company should facilitate a vertical integration of the value chain with a single or a concentrated geographical scope rather on the development in diversified values chain in multiple different geographical locations,

Strategy and innovation-based RBV perspective should impact the value chain process using formulated strategies and innovation platforms (Teller, Kotzab, Grant and Holweg, 2016).It should support forms of vertical integration and control.

The RBV approach supports the development of the existence of a single value chain in very similar geographical locations, rather a diversification of competencies in different and diverse geographical locations.

5. CONCLUSION

Our review of the literature led to the development of a set of research propositions on the topic of innovation and the resources-based perspectives (RBV).

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