Challenges of the Resource-Based View Approach in Improving Business Organizational Performance

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Abstract
The resource-based view is the predominant theoretical paradigm in strategic management research (RBV). In this essay, the positioning literature is reviewed, and it is investigated to what degree the RBV may be used as a source of useful advice for businesses looking to gain a competitive edge and achieve strategic success. Human, organizational, and physical resources are all studied in relation to organizations. It will be clear how this organizational resource affects the competitive advantage of the business. The research methodology employed is based on a literature review approach from the views of specialists who examine the RBV theory in relation to capabilities and competencies in fostering superior competitiveness. This study gives a general overview of the traits of the resource approach, which supports strategic management and strengthens businesses’ capacities and competences to gain competitive advantage through the use of resources, both physical and non-physical. The uniqueness of the resources owned, both tangible and intangible assets, is examined in this study in order to support management decision-making regarding the competitive advantage of a business organization. This study also analyses the various viewpoints of economists regarding the resource framework that can generate capabilities.

Keywords: Resource-Based View (RBV), Competitive Advantage, Tangible & Intangible Assets.

1. Introduction
Resource base view (RBV) has been in existence for decades. Based on theoretical references, managers frequently employ RBV when formulating company strategy. However, the study of this tool’s application is essentially an inside-out method to building a successful plan. (Baden-Fuller, 1995). By acquiring, developing, and utilizing the limited resources and capabilities that they have in comparison to their rivals, businesses will be able to achieve strategic success. In order for the business to triumph in the competition, this RBV keeps expanding occasionally in a distinctive approach. RBV claims to draw inspiration from traditional microeconomics. (Hervas-Oliver & Albors-Garrigos, 2009). Leaders’ intelligence and expertise, as well as their capacity to build a distinctive advantage in a market that other organizations find difficult, if not impossible, to duplicate or compete with, lays the groundwork for value creation and provides a sustained competitive advantage (Maatman et al., 2010).

According to Barney (Barney, 1991a), describes how the resource-based view (RBV) is an economic instrument used to examine organizational success using business strategy and strategic management as its foundation. RBV is also known as resource-based approach and resource-based theory. This strategy describes the establishment of value advantages, such as a competitive edge for a company, through the ownership of
valuable resources. RBV makes the assumptions of resource heterogeneity and immobility (J. Barney, 1991b). The heterogeneity of a company's resources explains if it possesses resources that are also owned by competitors. Therefore, the company's resources are no longer considered a competitive advantage. Immobility refers to resources that are difficult for competitors to locate or that are too expensive to use. In RBV, resources are considered precious assets, uncommon, cannot be imitated and there is no equivalent (VRIN).

This article study uses a literature study approach related to the RBV strategy approach to produce competitive advantage. In addition, there are criticisms and approaches to the concept of dynamic capabilities which are considered more flexible and more able to respond to changes in the market environment which are dynamic and rapidly changing.

2. Method
This research employs a literature review methodology to investigate how the Resource Base View (RBV) approach contributes to the enhanced performance of business organizations. This study examines literature studies, expert opinions, and excellent cases from credible national and worldwide literature. This study examines the relationship between the study and relevant prior research pertaining to the evolution of strategic management, criticism, challenges, and problems, as well as the relationship between management decision-making and the performance of business organizations.

3. Results and Discussion
3.1. Resource-Based View
The RBV principle is related to the notion of competitive advantage, and obtaining sustainable competitive advantage requires the firm to take an economic or profit-oriented strategy (J. B. Barney et al., 2010; Grant, 1991). Advantageous resource attributes can be acquired if the resource has distinctive statistics, is tough to copy, and is challenging to replace. RBV is a smart choice for performance development and maximization. In recent decades, the RBV has exerted considerable influence in the domains of economics and strategic management. RBV is used to refine notions of strategic management. The theory of competitive advantage is the most significant contribution of the resource-oriented business philosophy. The underlying assumption is that the objective outcome of firm management is a competitive advantage that can be maintained over time. Companies must be able to generate above-average performance in order to gain a lasting competitive advantage.

The RBV concept involves preserving a competitive edge through the ownership of select essential resources, specifically those that are unique, have features of greater value, are difficult to copy, and are simple to use. When firms properly maximize their resources, they can generate profits. Optimizing RBV for strategic decision-making Human resources, management, identification, development, and usage of their primary resources are optimized in order to maximize corporate value. In the 1980s, the source-based perspective on the process was still quite restricted. The usage of this idea is confirmed by Chamberlin and Robinson's 1930s writings. (Bucher et al., 1933), Penrose later developed in 1959. This economist contends that a company's unique assets and talents are significant contributors to imperfect competition and the attainment of average profitability. Hari (1994) and Hall (1992) recognized a number of additional essential qualities of organizations, including technical skill, reputation, brand awareness, the capacity of managers to work collaboratively, and patents and trademarks, the majority of which are tightly controlled.
Penrose (Penrose, 1959) claimed that resources might be both physical and non-physical in his writings. In the sense that the same resource is utilized for various purposes, in various ways, or in conjunction with other resources to deliver various services, the services offered by resources are a function of the resources employed. According to Penrose, companies pursuing outward expansion might find the direction of expansion through internal resources. External growth caused by factors like rising demand and evolving technology, etc.

At RBV, experts focus on internal factors that a company can control and on strategies that affect performance. Most of the time, this theory is used in market research for products or services (La et al., 2005). Resource Based View (RBV), according to Barney’s (1991) notion, assumes that a unique set of corporate resources helps organizations remain competitive by owning and controlling valuable, rare, inimitable, and irreplaceable resources known as VRIN factors (J. Barney, 1991b). VRIN (precious, uncommon, inimitable, irreplaceable) (precious, rare, inimitable, irreplaceable). According to the RBV, managers should only hold onto resources that are one-of-a-kind, priceless, uncommon, inimitable, and irreplaceable if they want to achieve great growth. The core of the RBV theory is resources. This conceptual approach places a strong emphasis on the company’s unique resources and assets, which must be diverse, unique, and durable to maintain long-term competitiveness.

3.2. Criticism of the Resource Base View

The RBV approach has been heavily criticized for its static approach (Priem & Butler, 2001). The dynamic capabilities approach was introduced (Dynamic Capabilities-DC) by (Teece, D.J., 1997). Teece presents a livelier viewpoint on the RBV. The DC approach illustrates how learning plays a vital influence in an organization’s ability to adjust routines and reconfigure resources both knowledge routines and knowledge resources (Vera et al., 2011). This rhetorical aspect can make the RBV impractical in practice (Connor, 2002).

The ability of a company to integrate, build, and reconfigure its competences and adapt them to market changes is known as dynamic capability (Teece, D.J., 1997). The ability of a company to integrate, develop, and reconfigure internal and external competences to handle a fast-changing environment was the initial definition of the DC strategy (Teece, D.J., 1997).

The RBV has concentrated more on refining the fundamental classical microeconomic theory of firms in recent years. The idea of an enterprise is regarded as a static, established model. The variety of industries, heterogeneous organisations, and performance disparities that are visible in the real world cannot be explained by this model. Numerous classical authors grasped its potential as a potent instrument for studying the dynamics of competitive behaviour as a notion within the traditional analytical framework of economists, notwithstanding its limitations as a model of reality.

3.3. Strategic Analytical Framework

As a framework for analysis, RBV is used to compile the numerous features of strategic assets. The RBV is an intangible strategic asset, which is where the dilemma resides. How management identifies, defines, and shapes intangibles is its greatest challenge. These terms are more generic and qualitative in character, and their meanings are extremely diverse. This term's lack of precision renders its exact meaning ambiguous.
<table>
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<tr>
<th>Table 1. Basic characteristics of the RBV asset strategy</th>
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<tr>
<td><strong>RBV Strategic Assets - Characteristics</strong></td>
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<tr>
<td><strong>Tangible</strong></td>
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<tr>
<td>More easily competed</td>
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<tr>
<td><strong>Intangible</strong></td>
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<tr>
<td>Less easily competed</td>
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<tr>
<td>Features:</td>
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<tr>
<td>• Inimitable</td>
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<td>• Non-Tradeable</td>
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<td>• Tacit</td>
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<td>• Durable</td>
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<td>• Competence</td>
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<td>• Capability</td>
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<td>• Institutional</td>
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<td>• Metaphysical insights</td>
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<td>• Competitive advantage an internal rather</td>
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<td>than external paradigm</td>
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Source: (Connor, 2002)

3.4. RBV and Management Decision Making

This notion enables after-fact study and company evaluation. Literature offers little direction for managers seeking to increase strategic assets. This idea defines where strategic assets emerge in a company. According to RBV, it's hard to predict a firm's assets and whether they'll be strategic in the future (Amit & Schoemaker, 1993; Benartzi, 2001).

RBV gives an explanation for strategic success, as seen by its tautology, claiming that successful organisations deploy superior assets as strategic assets relative to less successful companies (Connor, 2007; Tang & Liou, 2010). Therefore, success is a phenomenon that is largely dependent on the choice of a course of action, a product of human imagination, ingenuity, good fortune, and a challenging environment. Therefore, the application of the RBV is descriptive rather than explanatory and does not provide the strategist with a more practical notion for establishing competitive advantage.

The RBV concept approach describes more successful organizations with market power and tends to be small companies. Managers in small businesses who are not industry leaders usually operate in this way (Connor, 2002):

• Operations and focus on costs
• Customer driven
• Reactive
• Care about short term results
• Planned in a steady-state industry model

This circumstance stimulates managerial decision-making, usually external pressure and a price-elastic demand function. Due to a lack of market forces and a dominant buyer demand curve, these managers have little room to create the RBV's strategic assets. Our understanding of business informs us that many organisations have minor success but no long-term strategic assets.

The RBV emphasises diversity's strategic success potential. This notion describes company success. Successful organisations have strategic assets, and their managers know how to employ RBV descriptive findings creatively.
4. Conclusions

Human resources are key to sustaining corporate excellence. People determine physical and organisational resources. A manager’s expertise helps choose which assets to grow and which items to maximise and sell. A manager's experience can also identify which assets must be optimised, such as which organization's distribution network will be enhanced to make consumers' lives easier.

Companies must exploit the VRIN qualities of capabilities that are difficult to replicate (low imitability), scarce, and deliver competitive and lasting benefits. Therefore, organizational resources, including both products and services, have distinctive and difficult-to-imitate characteristics, making imitation extremely challenging.

When using RBV to improve firm performance and analyse success sources, it may not be wise to break it into environment-based and resource-based theories. Consider both while deciding. Each of these approaches combines to create an integrated view of strategic success. The concept of dynamic capacity to optimise the strategic assets of the firm. This method is deemed superior and simpler to explain. The dynamic capacity method is viewed as being more capable of boosting a company’s ability to change routines and reconfigure resources (e.g., knowledge routines and knowledge resources) and is a primary source of competitive advantage, with learning playing a significant part.

In addition, it can be stated that businesses must be able to coordinate their strategic resources effectively, as this is the key to increasing competence and ultimately obtaining greater performance. Therefore, it is vital to supplement this RBV theory with contemporary notions, such as incorporating methodologies other than dynamic capabilities, knowledge management, and strategic management, which have evolved fast over the past decade.

References


