The pendulum swings again: critical notes on the resource-based view

Abstract
Research on organizational strategy can be compared to a pendulum that swings back and forth between the inside and the outside of the firm. During the brief history of strategy as an autonomous discipline, this hypothetical pendulum has oscillated completely from the inside of the organization, all the way to the external environment, and back to the firm’s core. This last swing occurred when the Resource-Based View (RBV) shifted the focus of strategic research from an environmental industry-centered perspective to a firm-centered one. Despite its evident influence on much of the strategic literature, and even though it has been the foundation for some of the most relevant studies on strategy, the RBV has probably raised more questions than it has provided answers for practicing managers. Through a review of extant literature, is identified a critical overview of the RBV that assesses its possible limitations and virtues in the context of present-day academic and management trends. To do so, the article provides a general overview of the evolution of strategic research, discusses the role played by the RBV in this story, presents some of the most salient criticisms that have been made to this perspective, and suggests possible arguments to debate such criticisms. Finally, a plausible scenario is proposed that illustrates the current state of the strategy discipline and where it seems to be heading. All things considered, extant literature and empirical evidence suggest that the strategic pendulum is swinging once again away from the organization’s core, albeit not completely. Even more relevant to theorists and practitioners alike, such apparent trend towards a balance between the inner structure and the environment surrounding the firm could be signaling a growing preference for integrative and more harmonic stances.

Keywords: resource-based view, strategy, resources, competitive advantage, theories of the firm.
El péndulo se balancea de nuevo: apuntes críticos sobre la visión basada en los recursos

The pendulum swings again: critical notes on the resource-based view

Le pendule se balance encore: Des notes critiques sur le point de vue basée aux ressources

Résumée
La recherche sur la stratégie organisationnelle peut être comparé à un pendule hypothétique qui oscille d'allée et retourne entre l'intérieur et l'extérieur de l'entreprise. Pendant la brève histoire de la stratégie comme discipline autonome, ce pendule a oscillé complètement de l'intérieur de l'organisation, jusqu'à l'environnement externe, et de nouveau au noyau de l'entreprise. Cette dernière oscillation s'est produite quand le point de Vue Basé aux Ressources (RBV par ces sigles en anglais) de l'entreprise a décalé le centre de la recherche stratégique d'une perspective environnementale et centrée à l'industrie, jusqu'à une centrée à l'entreprise. Malgré son influence évidente sur une grande partie de la littérature stratégique existante, le RBV a posé davantage de questions qu'il a fourni des réponses pour les administrateurs pratiquants. Cette perspective a été en même temps la cible de beaucoup de critiques et la base pour certaines des études les plus appropriées sur la stratégie. Cet article présente un regard critique du RBV qui évalue ses possibles limitations et vertus dans le contexte de tendances académiques et de la gestion actuels. À cet effet, cet article fournit une vision générale de l'évolution de la recherche stratégique, analyse le rôle joué par le RBV dans cette histoire, présente les critiques les plus significatives qui ont été faites à cette perspective, et suggère des possibles arguments pour débattre ces critiques. Finalement, on propose un scénario plausible qui illustre l'état actuel de la discipline de la stratégie et où elle semble se diriger. En tout considérant, la littérature existante et l'évidence empirique suggèrent que le pendule stratégique se balance de nouveau loin du noyau de l'organisation, quoique pas complètement. Bien plus significatif pour les théoriciens et les praticiens de même, une telle tendance apparente vers un équilibre entre la structure intérieure et l'environnement qui entoure l'entreprise pourrait signaler une préférence croissante pour les positions intégrantes et plus harmoniques.

Mots clé: vue basée aux ressources, stratégie, ressources, avantage compétitif, théories de l'entreprise.
The pendulum swings again: critical notes on the resource-based view

1. Introduction

Generally speaking, the Resource-Based View (RBV) literature seems to raise more questions than it provides answers about strategic choices that enable a firm to generate a competitive advantage (Connor, 2002). Appealing indeed—especially in a theoretical fashion—but often ineffective as a management tool for practitioners, the RBV has provoked ardent debates amongst strategy researchers that are still far from being settled. And yet, despite having been the target of some harsh questioning, this perspective has also influenced much of the last decade's studies on strategy. Areas of great relevance and actuality for the organizational sciences, such as the Knowledge-Based View of the firm (Grant, 1996) or the Dynamic Capabilities Theory (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997), strongly rely on resource-based strategies, highlighting the main role played by the RBV in the construction of strategic theory. A critical analysis of the RBV that assesses its possible limitations and virtues in the context of current academic and management trends can shed some light not only on the state of the art in RBV-related studies but also on the bearing that this research might follow in years to come. Understanding where and how this field is heading to is evidently useful for both theorists and practitioners: whereas theorists will certainly benefit from gaining a keener knowledge of the strategy field and how the most salient theories relate to each other, practicing managers will likely appreciate any insight into current and future trends on best management practices.

This article provides a general overview of the evolution of strategic research, discusses the role played by the RBV in this history, presents the most relevant criticisms that have been made to this perspective, and suggests possible arguments to debate such criticisms. Finally, the article proposes a plausible scenario to illustrate the current state of the RBV and infers possible research venues that would further advance present knowledge in resource-based strategy.

2. The strategic pendulum

In a quite interesting—though unconventional—literature review, Hoskisson et al. (Hoskisson, Hitt, Wan, & Yiu, 1999) presented a graphic metaphor to illustrate the evolution of strategic theories throughout the twentieth century. The appealing image used by these authors compared research on organizational strategy to a pendulum that swung between the inside and the outside of the firm. During the last half century, this metaphoric pendulum has oscillated completely—from the inside of the organization, with the structure-based theories of the firm; all the way to the external environment, per the industrial-organizational (IO) economics' postulates; and back to the firm's core, given the centrality of the firm's strategic assets within resource-based perspectives.

2.1. Early Studies on Strategy

A chronological account of the most influential currents in strategic theory's brief history might be useful in understanding Hoskisson et al.'s simile. The first formal studies date back to the 1960s, and include such classic works as Chandler’s explanations of strategy based on the structure of the firm (Chandler, 1962), Ansoff's discussion of strategy at a corporate level of analysis (Ansoff, 1965), and Learned's description of business cases that involved definition of firm policies (Hoskisson et al., 1999; Learned, Christensen, & Andrews, 1961). Even if they did not explicitly acknowledge any influence from earlier authors, these first studies on strategy were greatly based on seminal publications about the growth of the firm (Penrose, 1959) and the functions that the leader of a firm should perform (Barnard, 1938; Selznick, 1957). Consequent with the generally static conception of the firm common to these seminal studies, early work on strategy made special emphasis on the organizations' processes, its internal characteristics, and the power structures and struggles that took place within.
2.2. IO Economics

Sharply contrasting with this firm-centered perspective, research on strategy in the late 1970s and early 1980s shifted its focus to the environment and the industrial sectors (Hoskisson et al., 1999). The influence of economics—and in particular IO economics—was quite evident not only in the topics investigated but also in the type of empirical methods utilized. Research became more methodologically rigorous, and the inductive study of individual business cases was greatly replaced by quantitative models derived from large-scale statistical analyses. Among other propositions that fell into this time span, Porter's Five Forces Model and its consequent analyses of industries and sectors (Porter, 1981), all of which were conceived through an IO economics’ logic, were especially conspicuous. Hence, after roughly two decades of a prevailingly internal focus by account of the structural strategists, Hoskisson's metaphoric pendulum had swung to the opposite end, out of the firm.

2.3. Organizational Economics

Due to the strong influence of classic economists, most IO authors treated the firm as a sort of “black box” of which they were not aware or did not care much about (Hoskisson et al., 1999). Departing from this school of thought, some economists got interested in the phenomena that occurred inside the organizations and in the manners in which strategic management related with these phenomena. This branch of the economic sciences would thus give birth to such theories as Transaction Cost Economics (Williamson, 1991, 1993) and the Agency Theory (Fama, 1980; Jensen & Meckling, 1976), built upon classic postulates about the nature of the firm and how the firm exists only as a vessel to minimize transaction costs (Coase, 1937). Further development of these theories pushed the pendulum back towards the organization, and shifted strategy studies closer to their original firm-level of analysis.

2.4. Resource-Based View

With the diffusion of Wernerfelt’s RBV in the late 1980s and early 1990s (Barney, 1991; Wernerfelt, 1984), the pendulum seemed to be completing its swing back to the inside of the organization. In open opposition to the IO Economics’ theses of positioning and repositioning in response to environmental shifts (Connor, 2002), the RBV stated that firms could not build competitive advantages only by seizing the resources available in the environment around them, or by implementing strategies to achieve favorable positions in their competitive industry (Barney, 1991). On the contrary, the RBV argued that only through the possession and exploitation of rare, unique, valuable, and inimitable resources a firm could generate competitive advantage. Among other reasons that justified this new perspective, RBV proponents argued that there was a generalized dissatisfaction with the currently prevalent IO postulates (Grant, 1991).

By definition, the RBV posture implied that the organization must develop such strategic resources from its own structure and within its own capabilities. Clearly, the RBV was signaling a renewed interest in the firm’s structure—and the firm resources—as the foundation upon which a firm could build its strategy. The strategic pendulum was thus completing a full oscillation, swinging back to the firm’s inner core. The pendulum analogy, and how this oscillation corresponds to different moments in time, can be observed in Figure 1.

3. Creation of competitive advantage

Largely because of the IO economists’ influence, much of the research on competitive advantage before 1990 assumed that strategically relevant resources were rather homogeneous within a given industry, and that they were easily transferrable across the firms in that industry (Barney, 1991). By this posture, strategic resources were thus available to be appropriated by any of the actors within the same competitive environment, and the purpose of the organizational strategy was to seize a favorable position relative to the firm’s rivals (Porter, 1981). To achieve this objective, a firm’s strategy had to be implemented through defensive or offensive actions that responded to five competitive forces; these forces, in turn, determined the competitive nature of an industry or sector. The most adequate strategy would therefore be the result of a careful environmental analysis, and its successful implementation would allow the firm to achieve higher profits than its direct competitors.

3.1. Strategic Resources

The RBV departed from this environmental conception of strategy. Building on classic theories of the firm (Penrose, 1959), RBV theorists
expanded and complemented the original static view of the organization to propose a more dynamic approach (Connor, 2002). Arguing that an industry-based view did not adequately explain the asymmetries in strategies and performance levels usually encountered across different firms, the RBV challenged the IO economists’ essential assumptions and suggested that the industries and sectors might actually be heterogeneous in terms of the strategic resources controlled by the organizations nested in them (Barney, 1991; Wernerfelt, 1984). Moreover, the RBV affirmed that this heterogeneity across different firms was accentuated by the difficulty to transfer certain resources from one firm to the other, which hindered industry homogenizing via exchange, imitation, or acquisition of key resources. Therefore, according to this proposition, a firm could differentiate itself from its competition by strategically developing and deploying specific resources. At the same time, an effective differentiation would eventually lead to the generation of a competitive advantage over other firms, considering that such a competitive advantage would result when the firm successfully implemented value-creating strategies that were not simultaneously implemented by any other competitor (Barney, 1991).

Differentiating resources might include any type of assets, capacities, processes, attributes, information, or knowledge, susceptible of being controlled and exploited to improve a firm’s efficiency or efficacy. That is, appealing to the strategic analysis traditional language, strategically relevant resources were equivalent to those strengths that an organization could utilize to conceive and implement its strategy (Barney, 1991). Usually, the most likely resources to be strategically deployed in order to generate competitive advantage were intangible assets, such as core competencies, dynamic capabilities, human and social capital, strategic human resource practices, firm structure, organizational culture, and management expertise (Connor, 2002; Teece et al., 1997).

3.2. Deriving a Competitive Advantage from the Resources

By Barney’s definition (1991), a competitive advantage results when an organization successfully implements a value-creating strategy that is not simultaneously implemented by any other competitor. It must be noted, though, that not all resources allow the firm to build a competitive advantage of this sort, even if these resources reflect firm strengths or if they are useful in making the firm operation more effective. According to the RBV, two essential characteristics account for the potential of a resource to be eventually turned into a competitive advantage: the resource’s value and its rareness. That is, in order to be an effective source of competitive advantage, a resource must be valuable enough so that it allows the firm to effectively exploit environmental opportunities and that it protects the firm against external threats, be it from the environment or from its rivals. However, if such valuable resources are also available to multiple firms, they cease to offer any advantage at all, as a potential competitor might use the same resources to implement similar strategies and thus cancel any potential differential in competitiveness. Therefore, for a resource to be a likely source of competitive advantage, it must not only be valua-
ble but also rare enough so that other firms do not have access to it, or that it results so expensive or difficult to obtain that it is not profitable to even attempt doing it. It follows that the more intangible and firm-specific such strategic resources are, the more likely they are to be deployed by the firm and exploited as sources of competitive advantage (Amit & Schoemaker, 1993).

On the other hand, if a competitor is somehow able to replicate the benefits obtained from a valuable and rare resource-by duplicating the latter or by substituting it by a functionally equivalent alternative-any advantage derived from such resource will be short-lived. Consequently, in addition to value and rareness, two other characteristics are needed for a resource to effectively generate and maintain competitive advantage over time: that it is difficult to imitate and that it is unlikely to be substituted by other resources. In other words, it is the coexistence of value, rareness, inimitability, and non substitutability which ultimately accounts for a resource’s capacity to generate competitive advantage.

This having been said, it should be noted that strategic assets might be insufficient to generate a competitive advantage by themselves, even if they are valuable, rare, inimitable, and hard to substitute: firms usually require that complementary strategic assets are bundled together in unique manners to effectively create a competitive advantage. In other words, it might not be the resource what is unique per se, but, instead, a smart deployment of several strategic resources that together generate a synergic effect (Connor, 2002). Therefore, the most critical intangible asset for a firm to create—and maintain—competitive advantage is management itself, and whatever managers can do in terms of bundling complementary assets in a unique manner. In fact, an extreme case of uniqueness, and therefore of the likeliness of a strategic resource to generate a competitive advantage, would be some key bundle of intangible assets that is so diffuse that not even the firm itself is capable of explaining, much less of replicating or transferring it to another firm.

4. Sustainability of the competitive advantage

Whenever all the other competitors are incapable of duplicating the benefits of a value-creating strategy, not only is there a competitive advantage but such an advantage will also be sustained over time (Barney, 1991). That is, a competitive advantage is truly sustained only if it survives rival efforts to copy it, at least up to a point when competitors no longer persist in such imitation efforts.

As discussed before, such sustained competitive advantage can be obtained by strategically exploiting resources that are valuable, rare, difficult-to-imitate, and non-substitutable, all of which can depend not only on the nature of the resource itself but also on the firm’s capacity to control it and on the dynamics that take place within the firm’s competitive environment. In fact, if certain specific environmental conditions are not fully met, the competitive advantage is not sustained and it fades away in a relatively short term.

4.1. Heterogeneity and Imperfect Mobility

For starters, the RBV’s latticework is built on the basic assumptions that resources are heterogeneous and difficult to transfer across different firms (Barney, 1991). Should these basic assumptions be proven to be invalid, the whole theoretical rationale behind the RBV would fall apart for lack of a solid foundation.

4.2. Limits to Competition

On the other hand, besides the fulfillment of these sine qua non conditions, it has been suggested that there must be ex-post limits to competition and ex-ante limits to competition for a unique resource to generate a competitive advantage that is also sustained (Peteraf, 1993). Ex-post limits to competition refer to those environmental forces that restrict rival actions for any superior rents generated by a firm’s exploitation of unique resources, after the latter has achieved an advantageous position. If ex-post competition is allowed, the firm’s superior rents would vanish as a consequence of the augmented offer of previously rare resources. Competition can also erode the rents of a firm that has achieved a monopolistic position—starting from a competitive advantage—by preventing this firm from restricting the offer in its own favor.

Ex-ante limits to competition are those forces that constrain competition prior to a firm attaining a competitive advantage. These limits are important because they keep the implementation costs of a resource-based strategy low enough
to keep them from offsetting the strategy's anticipated rents. If two or more firms, similarly endowed in strategic proficiency, perceived a priori that a privileged strategic position would allow them to exploit a unique resource, possibly achieving a competitive advantage, a fierce competition for such strategic position would inevitably take place. Subsequent escalation of competition could very likely reach a point that made expected rents unattractive compared to the cost required to obtain them. That is, profitability of a given strategy depends not only on the returns expected from its implementation but also on the anticipated costs implicit in such implementation.

4.3. Causal Ambiguity

An interesting condition that has been proposed by some RBV authors is that causal ambiguity. That is, if the causal relationships that make it possible to create a competitive advantage based on a smart deployment of strategic resources are clear to competing firms, they might reverse-engineer the process and implement similar value-creating strategies, thus eroding whatever advantage the focal firm had attained (Connor, 2002). To prevent this from happening, it is not only necessary that competing firms do not understand the causal links between resources and performance, but also that the focal firm itself does not clearly understand such causal links. That is, it would appear that successful managers should not be very sure of what they do right in order to prevent strategic knowledge spillovers. Interestingly enough, the absence of a formal strategy could actually be beneficial for the firm as long as it keeps competitive advantage from being analyzed and understood by rival organizations.

4.4. Other Environmental Factors

There is a last caveat. Even if a resource is valuable, rare, inimitable and non-substitutable, and even if conditions of resource heterogeneity within an industry, imperfect mobility of such resources across firms, ex-post limits to competition, ex-ante limits to competition, and causal ambiguity are met, other exogenous factors could threaten a competitive advantage's sustainability. Events such as a major change in a technology paradigm or some other disruptive market shift could render such unique resource—and any competitive advantage derived from it—obsolete (Barney, 1991; Priem & Butler, 2001a).

5. Limitations of the RBV

Ironically enough, such a firm-centered perspective as the RBV, which by challenging prevalent environmental models of competitive advantage pulled the pendulum back to the organization's core, has eventually shown its vulnerability to the changing conditions of a competitive environment. This circumstance, summed up to the criticisms expressed by other currents within the strategic field, has evidenced potential flaws in the RBV's formulation. Even though the popularity and wide acceptance of the RBV are unquestionable, several authors have expressed their concerns about both the theoretical value of the RBV and its practical utility as a strategic management tool (McWilliams & Smart, 1995; Ryall, 1998).

5.1. Theoretical Value

Among other criticisms about the doubtful theoretical value of the RBV, (McWilliams & Smart, 1995; Priem & Butler, 2001a; Ryall, 1998), Priem and Butler’s observations—which focus on Barney’s (1991) discussion on the conditions necessary to create competitive advantage rather than on such advantage’s sustainability—are particularly noteworthy. These authors argue that, to be considered a theory, a system must be stated in the form of law-like generalizations that include generalized conditionals, expressed in terms of operators of an if/then type; empirical content, susceptible of being tested for falseness as proposed by Popper in 1959; and nomic necessity, so that the occurrence of a particular phenomenon is causally related to some other phenomenon and does not happen merely by chance.

Generalized Conditionals. Being stated in terms of if/then operators (e.g., if a resource is valuable and rare then it can generate competitive advantage), the RBV clearly involves generalized conditionals and therefore fulfills the first criterion to qualify as a theoretical system, something that even its most acrid critics acknowledge. With respect to the other two criteria proposed by Priem and Butler, though, the RBV might fall short of qualifying as a theory or as a theoretical system.

Empirical Content. Of these criteria, the empirical content of the RBV is especially critical: a careful rephrasing of its hypotheses could evidence a tautological and self-verifying nature (Priem & Butler, 2001a, 2001b). The accusation of tautology can be better illustrated by evaluating
the RBV’s central thesis. That is, Barney proposes that “a valuable and rare resource can be a source of competitive advantage” (Barney, 1991). Barney himself, however, states that a competitive advantage is the result of a successful implementation of a “value-creating strategy that is not simultaneously implemented by any other competitor”, which evidently defines competitive advantage in terms of value (explicit in the value-creating condition) and rareness (implicit in the fact that the strategy has to be unique and non-replicable). Barney’s statements can be rephrased in a condensed fashion as follows: “valuable and rare resources create competitive advantage, and competitive advantage implies a rare creation of value”. From this point of view, the RBV’s rationale exhibits a circular logic that makes it true by definition—and hence renders it as tautological—all of which prevents the theoretical proposition to be empirically verified.

Nomic Necessity. Regarding the RBV’s nomic necessity—the causal nature of a theory that guarantees that any related phenomenon does not occur by spurious relationships or confounding variables—Priem and Butler do not even bother to examine it given the absence of empirical content that its tautological nature allegedly evidences (Priem & Butler, 2001a).

On the other hand, the RBV has also been accused of presenting an “elemental fallacy” (Priem & Butler, 2001a): just as the IO economists’ environmental models simplify their analyses by making implicit assumptions about the demand side, something which Barney and others criticized in their time, the RBV simplifies the organizational reality by making assumptions about the resource side. Indeed, the RBV’s analyses are facilitated by assuming that strategic resources are heterogeneous in nature and imperfectly mobile. Moreover, given that it is the market which normally determines a resource’s value in terms of the resource’s potential to exploit opportunities or neutralize threats in the environment, value in the resource-based perspective is therefore greatly determined by factors exogenous to the organization—and not only by its leaders’ strategic decisions—a fact that apparently contradicts the RBV’s essentially endogenous theses.

5.2. Practical Utility

Management theories should be of practical value to practitioners, and the ultimate test for a theory should be that it really contributes to an improvement in the art of managing (Connor, 2002). Consequently, the assessment of the RBV should focus on determining whether it actually helps managers do their jobs. In this sense, the RBV has been criticized for its lack of operational validity, evident in its descriptive nature and in the absence of formulas or practical prescriptions that help managers understand and apply this perspective. Moreover, the RBV tends to favor post facto descriptive analyses of large successful corporations that comprise only a small portion of the business environment, and consequently (and lightly) tend to dismiss small firms and their management practices. Ironically, small, unsuccessful organizations—that certainly could use some help to improve their strategies—are by definition ill-equipped in terms of strategic assets and therefore have more trouble identifying value-creating strategies based on firm resources than their larger counterparts.

The RBV deliberate focus on intangible strategic assets might also explain its alleged lack of practical utility, given the sheer difficulty managers will encounter when trying to recognize, transform, and utilize intangibles. Formulations of the RBV are often rhetoric in nature, plagued with qualitative and diffuse terms that offer little advice for practicing managers about how to create competitive advantage from strategic assets. And hereby rests an intriguing paradox: the same condition of ambiguity that shields a firm’s resource-based strategy against replication by its rivals—thus assuring sustainability of a competitive advantage—is a double-edged sword that makes the RBV merely descriptive and therefore impractical for managers. That is, if strategic assets should be bundled together in such a diffuse manner that not even the managers knows exactly what the firm is doing right, it is hard to argue in favor of the RBV as a systematic, deliberate form of strategic management.

Such a non-prescriptive quality of the RBV could also be the result of its authors’ particular conception of value as some kind of “black box”, beyond the scope of their research. Interestingly enough, both the RBV and IO Economics, opposite poles in the strategic pendulum’s oscillation, suffer of analogous weaknesses caused by making assumptions that simplify the reality—may be in excess—and by hurriedly dismissing critical factors and conveniently ignoring their causal relationships or intrinsic mechanisms. The appropriate operational contexts of the RBV
5.3. Equifinality

It has also been noted that firms might achieve superior performance and above-average value—and thus generate competitive advantage—without necessarily applying or even understanding the RBV (Priem & Butler, 2001a), which suggests the possibility of a reverse or uncertain causality in many of the cases studied. That is, it is unclear whether superior performance in large successful companies is actually driven by resource-based strategies or if large companies are just better equipped with strategic assets that eventually result in competitive advantages. All of this not only suggests diffuseness of the constructs that define the RBV but also unveils an **equifinality** in the processes leading to a competitive advantage. If the latter is true, the RBV would in fact be unnecessary in much of the related research, given that competitive advantage and superior performance would be totally explainable by means of other theories.

5.4. Other Criticisms

There have been other, more recent criticisms (Silverman, 2002). Among other limitations, it has been pointed out that the RBV is very similar to the resource-dependence perspective (Pfeffer & Salancik, 1978), one of which fundamental premises is that the environment offers valuable and rare resources that are essential for the organization’s survival. According to this theory, a firm must strive to acquire control over such resources in order to minimize its dependence on other organizations that own them or to make those firms that do not have the resources dependent on the focal firm for their own survival. It is quite evident that there are things in common between this theory and the RBV, especially in relation to the main role played by the resources as key elements of a firm’s strategy.

The RBV has also been criticized because its atomistic approach apparently ignores the social context in which the organization’s transactions take place (Silverman, 2002). As expressed by some schools of thought, firms are embedded in complex networks of inter-organizational relationships (Granovetter, 1985; Oliver, 1997). Therefore, any delimitation of a firm’s frontiers is necessarily an arbitrary convention that does not accurately reflect the organizational reality and the manner in which stakeholders behave within and without the firm. A theoretical system that focuses on the development of intrinsic strategic resources and capabilities could risk ignoring or underestimating the complexity of such relationships.

On the other hand, institutionalists affirm that any strategic decisions made at the firm level—including rational analyses of strategic assets—should be the outcome of a careful assessment of relevant institutional norms and pressures (Oliver, 1997). The RBV’s typically endogenous analyses apparently disregard most of such norms and pressures, and the resulting bounded rationality implicit in any strategic decision.

6. The case for the RBV

In general, the criticisms about the RBV’s lack of practical utility are quite hard to debate. In addition to its non-prescriptive and essentially rhetoric nature, the RBV poses a paradox when it calls for causal ambiguity in the implementation of resource-based, value-creating strategies, a condition that seriously restricts any prescriptive formulations that are useful for practicing managers. With this possible exception, however, it is only fair to note that most of the other criticisms previously discussed are unfounded, inaccurate, or at least premature.

6.1. Endogenous Nature and Sustainability of the RBV

For instance, the RBV does not pretend to imply that a competitive advantage generated from unique resources is either totally endogenous or indefinitely sustainable, as could be inferred from some of the critiques. On the contrary, this perspective explicitly acknowledges that certain exogenous conditions—such as a disruptive change in a technological paradigm—might result in the loss of any competitive advantage derived from key intangible assets (Barney, 1991; Peteraf, 1993). Also, when it acknowledges the importance of envi-
ronmental factors in assuring the sustainability of a firm’s competitive advantage, the RBV is actually endorsing the importance of considering norms and institutional pressures when making strategic decisions, thus counter-arguing some of the institutionalists’ criticisms.

6.2. ¿Tautology or Semantics?

On the other hand, although it is true that the RBV’s definitions can be rephrased in a tautological form, such semantic acrobatics do not necessarily indicate that the theory itself is tautological. After all, almost any theoretical proposition could be restated so that it takes a tautological form, which does not imply that the theories it explains are tautological—and hence analytical—per se. In fact, even if the RBV can be expressed in a tautological manner, the numerous empirical studies that build on its theses speak of its synthetic nature. On its alleged lack of practical utility, it is true that the RBV is essentially non-prescriptive, but many other theories were also of a descriptive type in their early stages (Barney, 2001).

Critics of the RBV have suggested that the RBV might acquire a synthetic form, one consistent with Popper’s requirement that a system has empirical content, by incorporating a non-tautological definition and operationalization (Priem & Butler, 2001a, 2001b). To do so, citing Schoemaker’s (1990) definition of competitive advantage as a “systematic creation of above-average returns”, Priem and Butler suggested that value, rather than rareness, should be the criterion to determine development of a competitive advantage. Such a recommendation is supported on the fact that if firm must control at least one rare resource to consistently create above-average value, whereas the mere possession of rare resources does not guarantee above-average performance: rare and unique resources are thus a necessary, but not sufficient, condition of competitive advantage. Overall, implementing these suggestions would certainly improve the theoretical value of the RBV.

6.3. Equifinality

Accusations of tautology have been counter-argued in a relatively convincing manner by Barney and other authors (Barney, 2001). The critics themselves have opened a door to escape from the tautological dilemma when they suggest possible redefinitions of the RBV’s central constructs (Priem & Butler, 2001a, 2001b), something which has attenuated this particular debate. The accusations of equifinality, however, are a different story: without doubt, some analyses of competitive advantage do manage to work out without involving a resource-based perspective. Having said this, though, it should be noted that the possibility of achieving a competitive advantage by means of different but equally effective combinations of organizational structure and value-creating strategies is a strong argument in favor of the RBV. That is, such equifinality is the best support for the asymmetry in resources and performance observed across different firms, a key point within the RBV’s rationale. Also, the thesis that a fortunate combination of strategic assets embedded in the firm’s structure and culture may result in a unique synergistic resource suggests some kind of path-dependence that somehow neutralizes the accusations of equifinality.

6.4. Other Limitations

Regarding the accusations of the RBV being similar to the resource-dependence perspective (Pfeffer & Salancik, 1978), of it having an atomistic approach that ignores the social context in which transactions are embedded (Granovetter, 1985), and of the RBV authors dismissing norms and institutional pressures in their analyses (Oliver, 1997), the resource-based empirical research yields substantive evidence that these objections are neither fair nor accurate (Silverman, 2002). Moreover, in asserting the importance of key intangibles like organizational culture—that by definition incorporates social, normative, and institutional elements—these criticisms actually make a case for the RBV and its focus on strategic intangible assets.

7. The pendulum swings once more...

Some authors’ have suggested that a synthesis of the RBV with an environment-based view would yield a more complete strategy theory (Priem & Butler, 2001a). Such an integrative stance would also adequately address recent claims for an integration of complementary—and often apparently opposite—views and disciplines in the organizational sciences (Cockburn, Henderson, & Stern, 2000; Helfat & Peteraf, 2003). Current trends in strategy and RBV research seem to be heading that way: in a generalized attempt to enrich the development of knowledge, micro and macro issues are being balanced together, intrinsic and extrinsic factors are being pondered at the same time, opposite stances and seemingly contradictory views have been brought
closer to each other, and research questions are addressed using increasingly interdisciplinary approaches. Consistent with these tendencies, Hoskisson’s pendulum seems to be swinging again towards a less firm-centered perspective. Even if such a shift is not intentional, the RBV and other theories based on it could be actually responding to some of the criticisms they have been subject to during the past years. Indeed, a modified RBV—one that is more aware of environmental conditions relevant to the firm—could be the norm in the next future and thus follow the widespread integrationist trend. Figure 2 illustrates this plausible tendency.

If this pattern keeps up, it is not unlikely that researchers start considering RBV and IO Economics as complementary to each other, rather than opposite and mutually excluding alternatives. Such an integral scenario would certainly offer a more complete picture of the organizational reality, which should prove to be useful in designing and implementing strategies that are more coherent both with the industrial environment and with the situational specificities of each firm. At the same time, an integrative stance could result in more prescriptive formulations of the RBV that can really be used by practitioners as a general management guide. If it is ever to become an effective rubric for practicing managers, the RBV must start addressing a number of key questions about how to identify, develop, and exploit strategic assets in order to achieve concrete outcomes for the firm (Connor, 2002), in the particular competitive context where the firm performs.

To be able to provide more potentially practical prescriptions, RBV scholars should engage in a closer dialogue with practicing managers, try to understand these managers’ needs, and thus identify manners in which to apply the RBV in a real setting (Tywoniak, 2007). In particular, a more careful attention should be paid to small and medium enterprises (SMEs) and their specific needs. SME managers typically deal with short-term pressures and cost-focused operations in a reactive manner (Connor, 2002). Under these circumstances, strategic decision-making is often driven by external forces, rather than by the development of key internal resources, which evidently restricts a practical application of the RBV theses. A resource-based perspective specifically targeted at SMEs poses a potentially rich research vein, especially given the fact that this type of businesses accounts for a substantial proportion of many nations’ gross domestic products.

Another potential area for continued research is that of stakeholder management (Hsieh, 2008), which involves a more integrative approach than has usually been the RBV case. A perspective that considers the processes and transactions that take place between...
the focal organization and its stakeholders as intangible strategic resources would offer a more dynamic type of RBV, not only expanding its theoretical know-how but also improving its utility as a practical tool for management.

In their moment, critics may have been right when they affirmed that the RBV was not quite a complete theory in its original form and that much had to be done before this perspective could be validated as a theoretical system (Connor, 2002; Priem & Butler, 2001a, 2001b). With the advantage of retrospection, though, it is now evident that Wernerfelt’s and Barney’s theses were diamonds in the rough. Aided by the progressive influx of two decades of additional studies, the RBV has evolved into a solid body of theory that—directly and indirectly—drives much of today’s research on strategy. The sheer volume of resource-based literature, together with the evident influence of the RBV on other disciplines such as the knowledge-based theory of the firm (Grant, 1996) and theories of dynamic capabilities (Eisenhardt & Martin, 2000; Teece et al., 1997), provides solid and abundant evidence of the RBV’s theoretical transcendence and of its quality as a theoretical system in its own right.

8. Corollary

All things considered, extant literature and empirical evidence suggests that the strategic pendulum is swinging once again away from the organization’s core, albeit not completely. Indeed, the integrationist stance that is becoming increasingly common throughout other disciplines seems to have also permeated the strategy field. Even more relevant to practitioners, such apparent trend towards a balance between the inner structure and the environment surrounding the firm could signal a growing preference for more integrative and harmonic stances. That is, today’s managers might be prone to a more balanced pendulum, one that seeks a compromise between previously radical and opposing views such as the RBV and the IO Economics. The RBV theorists once argued that the firms’ dissatisfaction with the IO postulates called for a more firm-centered approach. Ironically, after two decades, the same arguments could be applied to the RBV: the value of the RBV notwithstanding, practitioners are probably dissatisfied with this perspective as a management tool. It might be time for a more balanced perspective.

9. References


