

RBV Building Blocks: Definitions

Let's now define the fundamental building blocks of the Resource Based View of the Firm
Resources:

Jay Barney, defines resources as “... *all assets, capabilities, competencies, organizational processes, firm attributes, information, knowledge, and so forth, that are controlled by a firm that enable the firm to conceive of and implement strategies designed to improve its efficiency and effectiveness.*”¹

While Barney's definition subsumes capabilities and competencies in ‘resources’, other strategy scholars treat them separately.

For instance, another group of strategy scholars, namely: Michael Hitt, Duane Ireland and Robert Hoskisson

Define Capabilities as “... *the capacity for a set of resources to perform a task or an activity in an integrative manner*”²

And Competencies as “...*Resources and Capabilities that serve as a competitive advantage for a firm over its rivals*”³

These differences in the nomenclatures associated with Resources, Capabilities and Competencies among strategy scholars have been a source of debate and discussion in academia. However, for our purposes this is unlikely to constrain the understanding of the framework for operationalizing the Resource Based View of the Firm that we will be developing in due course. Consequently, our notion of ‘Resources’ subsumes ‘capabilities’ and ‘competencies’ in its ambit.

1 Jay B. Barney, Gaining and Sustaining Competitive Advantage (Third Edition), PHI Learning Private Limited. Page 133.

2 Michael A. Hitt, R Duane Ireland and Robert Hoskisson, Strategic Management: Competitiveness and Globalization, Thomson, South-Western, Page 19

3 Michael A. Hitt, R Duane Ireland and Robert Hoskisson, Strategic Management: Competitiveness and Globalization, South-Western, Page 20

Having defined resources, it's useful to categorize these into:

- (1) **Tangible resources**
- (2) **Intangible resources**

Tangible resources:

Strategy scholars Gregory Dess, Tom Lumpkin and Alan Eisner define:

'Tangible resources' "*...as assets that are relatively easy to identify*".⁴

Drawing on their categorization,

Tangible resources include:

- (a) *Physical resources* such as Land, Location, Building, Plant Equipment etc.
- (b) *Financial resources* such as Cash, Accounts Receivable, Shareholder Equity, Borrowing Capacity etc.
- (c) *Organizational resources* such as Evaluation and Reward Systems, Company Planning processes, Training procedures etc.
- (d) *Technological resources* such as Patents, Copyrights, Trade Secrets etc.

Intangible resources:

Dess, Lumpkin and Eisner define 'Intangible resources' as those that are:

'*...embedded in unique routines and practices that have evolved and accumulated over time..*'.⁵

Drawing on their categorization,

Intangible resources include:

- (a) *Human resources* such as capability of employees, experience, judgement, work team relationships and trust among employees etc.
- (b) *Innovation resources* such as technical and scientific expertise, ideas etc.
- (c) *Reputation resources* such as brand name, the organization's reputation with customers for reliability and quality, its reputation with suppliers for fairness, the organization's reputation for its 'code of conduct' and its responsibility to society and the environment.

4 Gregory G. Dess, G.T. Lumpkin and Alan B. Eisner, Strategic Management: Text and Cases, McGraw Hill International

Edition, page 91

5 Gregory G. Dess, G.T. Lumpkin and Alan B. Eisner, Strategic Management: Text and Cases, McGraw Hill International Edition, page 91

(d) Finally, the organization's culture which embodies its shared beliefs, values and which dictates how its employees behave is an important intangible resource.

As can be discerned from what I have mentioned so far regarding the underlying nature of intangible resources, they are typically much more difficult to identify as opposed to tangible resources and for rivals to copy or imitate.

This characteristic of intangible resources has important implications for a firm's competitive advantage as we shall see later.