The Resource-Based View of Strategy

The Resource-Based View of strategy (RBV) emphasises the importance of an organisation's individual resources and capabilities in delivering competitive advantage. This view represents a substantial shift in emphasis away from the market-based positioning view espoused by Michael Porter in the 1980s and early 1990s*. The RBV is currently the most favoured approach to strategy.

Key proponents of the RBV

Several academics have been associated with the RBV of strategy. Of these, the earliest is probably Penrose in the 1950s, who stated in her book *The Theory of the Growth of the Firm* that:

'A firm may achieve rents not because it has better resources but rather the firm's distinctive competence involves making better use of its resources.' [1]

In the 1990s, Rumelt, Prahalad and Hamel and Barney all made substantial contributions to the RBV of the firm. In 1991, Rumelt published research based on the sources of profits in major US corporations in the 1970s. His findings suggested that the greatest contributor to overall company profitability was at the individual company level rather than at the higher, corporate level. His findings for his North American sample suggested that industry solutions to resources are unlikely to be the main source of profits, thus undermining Porter's approach.

Pralahad and Hamel's work on **core competences** has made a valuable contribution to understanding how firms leverage their capabilities to achieve competitive advantage. While Barney has argued that sustainable competitive advantage results from organisational resources that are valuable, rare, inimitable and non-substitutable (see the VRIO framework later in this article).