

THE RESOURCE-BASED VIEW (RBV) APPROACH AS THE MAIN FOUNDATION FOR ACHIEVING SUSTAINABLE COMPETITIVE ADVANTAGE THROUGH THE VRIO FRAMEWORK

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ABSTRACT

In an uncertain environment, and increasingly high levels of competition, the competitive advantage of business organizations is becoming shorter and more difficult to maintain. Facing this situation, a strategy is needed in an effort to maintain competitive advantage in a sustainable manner. One effort that can be made is through technological capabilities and dynamic capabilities in managing the resources owned. One approach that can be applied by companies to face various challenges and opportunities is an approach based on the resources-based view (RBV). This study aims to determine the extent to which the RBV concept plays a role in providing solutions to the company's efforts to maintain its competitive advantage in a sustainable manner. Through the VRIO framework. The method used in this paper is a literature study, namely by reviewing reading sources related to the concept of competitive advantage through the RBV approach. Based on the results of the study, a company will generally have the ability above the performance of its competitors if it is able to apply the RBV concept. This is because the company is more focused on identifying and managing the potential resources (tangible and intangible) it has, so that it has a competitive advantage in the long term.

Keywords: competitive advantage, resource-based view, the life cycle capability

INTRODUCTION

An organization, especially a profit-oriented one, will always strive to stay alive (*survive*) and be able to compete with other organizations / competitors. The efforts made to survive and bring benefits to the parties involved (*stakeholders*) are not easy, this is because an organization will continue to deal with environmental changes (internal and external) (Harjoto et al., 2022) . Changes or challenges in the internal environment include changes in goals, strategies, organizational policies, and the competence of its human resources. Meanwhile, external changes that have an impact on the organization include: cultural, educational, social, economic, technological, and political.

Concrete forms of change include rising costs, high interest rates, scarcity of various natural resources, and government regulations. Organizations will face

continuous and varied changes and challenges. These challenges or changes should be responded to by the organization as an opportunity to find new ways to gain a competitive advantage over its competitors (Hendayana et al., 2019)

A company, in order to win business competition in the long term, must have the right strategy, including through aligning its resources with the market it wants to target without ignoring its environmental conditions. Penrose (1959) emphasizes the importance of internal resources and unique capabilities of the company as a driver of growth and excellence. The company must also be able to provide more value to consumers and other related parties (*stakeholders*). One approach that companies can apply to face various challenges and opportunities is an approach based on a *resource-based view (RBV)*. Through RBV, companies can build sustainable *competitive advantage* through the use of heterogeneous resources (Harjoto et al., 2022) .

The RBV concept emphasizes that the company's *competitive advantage* based on resources and capabilities will exist longer in running its business, rather than those based solely on *product/market positioning* (Hendayana et al., 2019) . Company resources in this case can be financial, human, physical facilities, and intangible assets (*knowledge*). The RBV concept relies heavily on resources and capabilities that are unique, valuable, and difficult to imitate in an effort to create competitive advantage. Companies can earn profits above the industry average by identifying and utilizing superior resources. To achieve a high level of efficiency and low costs, a company must be able to manage its resources.

Dierickx and Coll, 1989; (Jay.B.Barney, 1991) , Peteraf, 1993; and (Teece DJ, Pisano G, 1997) argue that through RBV the improvement of competitive advantage allows companies to obtain superior performance in a certain period of time through the competitive advantage of the company's strategic resources. Based on the concept of a resource-based approach, that companies can achieve sustainable competitive advantage and obtain superior profits by owning and controlling strategic assets, both tangible and intangible. The resource-based view promises and provides insight into the importance of internal resources in achieving sustainable competitive advantage.

This perspective states that company performance is a function of the success of a leader (manager) in building his organization in order to maintain resources that are valuable, rare, difficult to imitate and difficult to replace (Barney, 1991). Companies that have valuable and rare competencies will gain a greater competitive advantage compared to their competitors.

Such organizational resources and capabilities are each defined as follows: A resource refers to an asset or input for production (tangible or intangible) that an organization has. While organizational capabilities according to (Teece DJ, Pisano G, 1997) : 'the company's ability to integrate, build, and reconfigure internal and external competencies to cope with a rapidly changing environment'. The capabilities of the organization will always be needed to perform a series of coordinated tasks, by utilizing organizational resources for the purpose of achieving certain end results. To

maintain a competitive advantage, a company must have different and superior capabilities compared to other competitors.

THEORETICAL FOUNDATION

The resource-based view of the company, emerged approximately 20 years ago. Based on several references that the author reads, the RBV concept is interpreted quite diverse, but in essence RBV is a classic approach in strategic management related to competency issues and company resources. In relation to the meaning of RBV, Wernerfelt (1995) argues that company resources are important to achieve competitive advantage which will affect company profits. Meanwhile, according to Barner (2001) in (Ozdemir et al., 2023) , if the company has diverse resources the company will gain advantages based on scarce resources.

To win business competition, companies must have a fast and precise strategy so as to maintain a sustainable competitive advantage. Companies that focus on resources and capabilities (which apply the RBV concept) will be able to compete continuously when compared to companies that only focus on product or market positioning issues (Jyoti & Efpraxia, 2023) . With RBV, companies can achieve sustainable competitive advantage by owning and controlling strategic assets, both tangible and intangible. In the RBV concept, the focus of attention is the issue of internal resources.

According to Barner (2001) in (Ozdemir et al., 2023) , the success of an organization is determined by internal resources which are grouped into 3 categories:

1. Physical resources, including all plant, equipment, location, technology, and raw materials.
2. Human resources, including all employees, along with their training, experience, intelligence, knowledge, skills and abilities.
3. Organizational resources, including company structure, planning processes, information systems, patents, trademarks, copyrights, databases, and so on.

For companies that implement RBV, they must be able to manage these internal resources through various strategies that make them able to compete for a long time.

According to Rumelt (1984), resources that can create competitive advantage for a company are those that have imperfect substitutability and imperfectly imitable characteristics, while according to Barney (1991) in (Hendayana et al., 2019) , existing resources must have valuable, rare, inimitable, and non-substitutable (VRIN) characteristics. Both opinions can be seen in the following table.

Table 1.
The difference between companies that can and cannot compete

Valuable	Rare	Inimitable	Nonsubstituable	Implication
no	no	no	no	<i>Competition is disadvantageous</i>

yes	yes	no	no	<i>Competition is balanced</i>
yes	yes	yes	no	<i>Temporary competitive advantages</i>
yes	yes	yes	yes	<i>Continuous competitive advantage</i>

Source: Rumelt (1984), Barney (1991)

Based on Table 1, it can be explained that companies that produce products or services but have no value, are widely run by other companies, have comparable products/services, and can be replaced by other products/services, have an impact on the emergence of adverse competition. Meanwhile, for companies whose products/services have value, and are rarely produced by other companies, but whose products/services are easily imitated and replaced, the company faces balanced competition with other companies. However, a company will have a temporary competitive advantage, if the company produces products/services that are valuable, rare, have no comparison, but still have other companies' goods/services as substitutes.

On the other hand, a company is said to have sustainable competition when the company produces products/services that have value, are rare, have no comparison, and have no substitute goods/services from other companies. Referring to Barney's (1991) opinion, the meaning of valuable characteristics is whether the product/service has value for its users. To make a product/service have 'valuable' criteria, the first stage of the company's product/service must have *core benefits*, for the next stage the market must turn core benefits into *basic products*. At the third level, the product/service produced must be an *expected product*. Companies must prepare expected products, a group of attributes and conditions that buyers usually expect when they buy.

It is not enough at that stage, to create valuable products/services, augmented products must also be prepared that exceed customer expectations. In developed countries, augmented products are done through brand positioning. The last effort is a potential product, looking at the various possible transformations that a product or offering may undergo in the future. Companies must be able to find new ways to satisfy customers and differentiate their offerings. For companies that want to maintain sustainable competition, various efforts are needed to identify potential internal resources. One of them is identifying core competencies as proposed by Prahalad and Hamel (1994).

According to him, there are 3 (three) parameters that can be used to identify core competencies, namely:

- (1) whether the core competencies provide potential access to diverse markets;
- (2) whether core competencies can make meaningful contributions to customers;

- (3) whether the company's core competencies make it difficult for competitors to imitate.

In order for core competencies to be the basis for sustainable competitive advantage, core competencies must be able to meet the following criteria:

- (1) core competencies relate to activities or processes that underlie the value of the goods or services produced;
- (2) core competence is a performance that is significantly better than competitors;
- (3) core competencies are difficult for competitors to imitate.

Furthermore, according to Barney (1991), to make the company can have core competence, the ability needs to meet the following 4 (four) criteria:

- (1) *Valuable capabilities*, namely capabilities that enable companies to take advantage of opportunities and or minimize threats to the company's external environment.
- (2) *Rare capabilities (rare capabilities)* are capabilities that competitors do not have, either now or in the future;
- (3) *Imperfect imitable capabilities*, namely the ability to produce goods or services that competitors cannot easily imitate;
- (4.) *Non-substitutable capabilities* are capabilities that are difficult to *substitute*.

Referring to Absah (2008), the four competencies proposed by Barney (1991) can be explained as follows: First, *valuable competencies* are competencies that create value for a company by assessing the various opportunities that exist, as well as minimizing threats that come from the company's external environment. Competencies can be a source of sustainable competitive advantage only when they are valuable.

Competencies are said to be valuable when they cause the company to be able to develop and implement strategies that can increase value for customers in particular. Competencies must be appropriate, have a strong foundation and be reflected in all business processes carried out by the Company (Shams et al., 2024) . In other words, the company must have a *core competency* that is aligned with its core *business*. Core competencies are the components that form the mission and culture of the organization. Core competencies should be owned by all company employees, and must be able to create innovations and creations that are different from other companies.

The second characteristic, *rare*, is a competency possessed by few current or potential competitors. A firm's valuable competencies, which are possessed by most potential competitors, cannot be a source of sustainable competitive advantage. A company is said to have a competitive advantage when its value creation strategy cannot be implemented by most other companies. Thus, competitive advantage can only be created when the company develops competencies that are different from its competitors. If a value competency is owned by the company, and each company has the ability to use it with the same method/technique, and then implement more or less the same strategy, it can be said that none of the companies have a competitive advantage.

The third is competencies that are difficult to imitate (*Inimitability*). Valuable and rare competencies can only be a source of sustainable competitive advantage if other companies that do not have them, cannot obtain these competencies. In terms built by Lippman and Rumelt (1982) and Barney (1986), this competency is said to be a competency that is very difficult to *imitate (imperfectly imitable)*. Competencies can be said to be difficult to imitate for the following reasons: (a) The ability of firms to acquire competencies depends on unique historical conditions. As firms evolve, they take on skills, capabilities, and resources that are unique to them, reflecting the path through history (Barney, 1995); (b) The relationship between competencies possessed by firms and sustainable competitive advantage is *causally* ambiguous. Competitors are unable to clearly understand how a firm uses its core competencies as the basis of its competitive advantage. As a result, competitors are uncertain about the competencies they must develop to replicate the benefits of their competitors' value creation strategies (Harjoto et al., 2022) ; (c) competencies that generate corporate advantage are *socially complex*, meaning that corporate competencies are often the product of complex social phenomena. Examples of socially complex competencies include interpersonal relationships, trust, and friendship among managers and between managers and employees as well as the company's reputation with suppliers and customers (Absah, 2008).

The last characteristic is competencies that are difficult to replace (*Insubstitutability*). These are competencies that do not have strategic similarities. Two company resources are said to have strategic similarities when each resource can be extracted separately to implement the same strategies. In general, the strategic value of a competency increases the difficulty of replacing it. A company competency that is difficult to see or detected will be more difficult for the company to find a replacement (Urbancova, 2013) . The resulting impact is that the challenge for competitors is getting bigger to be able to imitate the company's value creation strategy.

RESEARCH METHODS

The method used in this paper is a literature study. Literature study is a survey and discussion of literature in a particular field of research. There are several methods that can be used to conduct a literature study, such as analyzing, comparing, summarizing, and collecting literature. With the literature study approach, an evaluation of previous research will be carried out by paying attention to its relevance and benefits to current conditions. In relation to this paper, through the literature study approach, it will describe what has been studied, specific arguments, in relation to the concept of resource-based view (RBV) that has been studied by several previous researchers. By highlighting these arguments, it can be shown what has been learned in the field, and also where there are weaknesses, or gaps that require further study, to then make a conclusion.

DISCUSSION

Even if a company is able to become a 'leader' in an industry, if the company does not have a competitive advantage, it is certain that the company will not be able to maintain its existence in the long term. A company is said to have a competitive advantage when the company has something unique that competitors do not have (Jyoti & Efraxia, 2023) . The company's competitive advantage can also be owned if the company is able to do something better than other companies, or is able to do something that other companies are unable to do. To continue to exist, a company must make clear goals, strategies and operations to maintain a competitive advantage (Manzi-Puertas et al., 2024) . The corporate culture and values of the employees must be in line with these goals. To do everything well, it is not easy, so some companies try to create a sustainable competitive advantage (Jyoti & Efraxia, 2023) .

According to Porter (1985) in (Fauziah et al., 2022) , there are three main ways companies achieve sustainable profits. The three ways are: *cost* leadership, *differentiation*, and *focus*. The first strategy, cost leadership, means providing fair value at a lower price. The company does this by continuously improving operational efficiency. Under these conditions, the company must reduce the cost of workers. Some companies compensate by offering intangible benefits such as stock options, benefits or promotional opportunities. Meanwhile, other companies utilize excess unskilled labor (Hendayana et al., 2019) . Walmart is an example of a company that is good at cost leadership. The second strategy, differentiation, means providing better benefits than others. A company can achieve differentiation by providing unique or high-quality products (Martin-Rios et al., 2022) . A firm with a differentiation strategy can set a premium price. Thus the firm usually has a higher profit margin. Companies usually achieve differentiation by innovation, quality, or customer service. Through innovation, the same need is met in a new way. The last strategy is focus (Shams et al., 2024) . Through this strategy, a company is able to understand and serve its (specific) target market better than others.

Meanwhile, in the opinion of Tushman & Nadler in (Urbancova, 2013) organizations can gain competitive advantage only by managing effectively for today while creating innovations for tomorrow. Furthermore, according to him, no managerial problem is more urgent than the management of sustainable innovation. Based on these opinions, it appears that innovation is fundamental and very important to maintain a sustainable competitive advantage.

According to Tidd et al. in (Urbancova, 2013) innovation contributes to achieving competitive advantage in several aspects. The most important characteristics of innovation include: (a). A strong relationship between market performance and new products; (b) New products help maintain market share and increase profitability; (c) Growth also by means of non-price factors (design, quality, individualization, etc.); (d) Ability to replace obsolete products (shortening the product life cycle); (e) The innovation process leads to shorter production times and can accelerate the development of new products compared to competitors.

CONCLUSIONS AND RECOMMENDATIONS

A dynamic resource-based view (RBV) is one in which resources and capabilities persist over time. Dynamic RBV includes an understanding of the evolution of resources and capabilities as one of its key components. With RBV, a company is able to identify its resources (tangible and intangible), and determine its capabilities in order to have a sustainable *competitive advantage* over competitors. In other words, a company that is able to maintain a *competitive advantage* means that the company has capabilities that are above the average performance of competitors.

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