

On the Shoulders of Giants

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Abstract

RFID—I mean VRIN—has become an embedded staple of academic strategic thought. A full appreciation of the development of the resource-based view of the firm reveals an undercurrent of debate, both explicit and tacit.

The Journal of Management in 2001 published a special issue on RBV, ten years after the seminal work by Barney (1991) in a previous special issue. Barney and colleagues (2001a), acting as editors, *humbly* introduce the topic (page 625, abstract):

At present, the resource-based view of the firm is perhaps the most influential framework for understanding strategic management. [...] We briefly describe the contributions to knowledge provided by the commentaries and articles.

The conclusion, likewise, mimics this tone of importance (page 637):

Sir Isaac Newton is often quoted as proclaiming “if I have seen far, it is because I have stood on the shoulders of giants.” The passage of time has demonstrated that the articles in the 1991 special issue have made giant contributions to the study of management.

Newton’s quote has traction in modern thought, even serving as a tagline for Google’s Scholar Search Service. The quote, however, has a double-entendre, including a hidden meaning that is a cutting insult: Newton, the knighted chairman of the Royal Society, making this comment to a rival academic Robert Hooke, the experiment curator for the Royal Society, a hunchback due to Scoliosis and Pott’s disease. Although a brilliant mind, Hooke’s true contributions were minimalized by the overpowering political and social brilliance of Newton. This analysis will discuss two inherent issues with standing on the shoulders of giants: namely, the torrid undercurrent of vicious academic rivalry, and the lack of focus on the authentic contributions made by true scholars.

Rivalries detract from identifying some authentic contributions to strategy. Of most import, but usually only briefly discussed, is the work of Edith Penrose (1959). She describes drivers to help a firm grow, specifically ‘inherited’ resources in unique configurations that evolve over time constraining (the so-called Penrose Curve, see Penrose 1985, page 9) the

potential market-offering the firm is capable of producing. Economies of size, economies of growth, the role of knowledge, and the importance of diversification are all important concepts in the strategy domain, which are essential elements of her work. Leveraging unique configurations of resources that have evolved over time create growth internally; externally, acquisitions serve as a way to add new resources to a firm's portfolio, also fostering growth. Her thinking, completely overlooked by Porter and others (external focus on competitors and industry structure), surfaced again with Wernerfelt in 1984.

In many ways, Wernerfelt was restating much of the conceptual contribution of Penrose. Strategy is a coin with two sides. Heads is Porter's side with entry-barriers, growth-share matrices, and an external focus. Tails is Penrose's side with position barriers, resource product matrices, and an internal focus. Wernerfelt appropriately describes this as a "first cut at a huge can of worms" (1984 page 180), a can of worms clearly detailed by Penrose twenty-five years earlier. Barney (1991) extends the coin dichotomy suggesting tails has better assumptions due to the tautological implications (heterogeneity and imperfect mobility) taken from Penrose's ideas on Economic Diversification with the firm.

In simple terms, with clear managerial implications, Barney (1991) suggests that resources which meet the VRIN (valuable, rare, inimitable, non-substitutable) criteria will generate a competitive advantage, with a caveat that sustainability could be lost, not because of VRIN, but because of some unanticipated reconfiguration due to Schumpeterian Shocks. This paper was part of a special edition of the *Journal of Management* and was duly *knighted* a seminal work. That same year, in a less prestigious journal (not part of the special edition), Grant contributes substantively to Penrose's work. He suggests: assessing the resources in

relation to the competition (blending the internal/external dichotomy of the coin), considering alternate utilizations of resources, and including a mediating factor to predict competitive advantage—capabilities. A capability is an interaction of an operand and an operand (Vargo and Lusch 2004; Slotegraaf, Moorman, and Inman 2003); that is, what a company does with the configurations of resources available to them (Grant 1991). Grant in this Resource-Based Theory, offers four defining characteristics of resources and capabilities that will determine the ability to sustain a competitive advantage: durability, transparency, transferability, and replicability.

The adoption of alternatives, by nature, may create controversy. Adopting the Barney (1991) model as a theory has resulted in some considerable debates. Priem and Butler (2001a) attacked the collinearity issues related to the VRIN elements and kindly suggest Barney's model may not be useful. Barney (2001b) replies that such claims are unfounded (see also Barney 2001c). In turn, Priem and Butler (2001b) in a rebuttal are more direct, clearly expressing their opinion that the model is nothing more than a tautological circle.¹ Peteraf, who, in 1993, extended Barney's model by including economic factors *ex post* and *ex ante*, collaborated with Barney in 2003 to defend their shared views in light of another newly proposed Resource-Based Theory (Foss and Knudsen 2002). Foss and Knudsen offer that the foundation of RBV theory is flawed—arbitrarily built by a “few key contractors” (Peteraf and Barney) on a tight deadline. They suggest that uncertainty and immobility are the necessary conditions of sustainable competitive advantage, and heterogeneity is *generally* a result of these two conditions. Interestingly, Penrose discusses these concepts back in 1959, albeit in an unrefined form. She identifies the inherent unavoidable certainties (Penrose 1995, page 60), but does not link them

¹ Interesting to realize: Barney in 1991 was at Texas A&M; Priem was at UT-Arlington.

specifically to the firm's advantages to grow. She does, however, clearly describe the unique configurations of a firm in the indivisible processes (Penrose 1959, page 68, as conceptual example of immobility).

Such drama questions the integrity of the research. Due to the economic implications for academics related to their publications and citations, there is a clear ethical concern about true contributions to marketing thought in lieu of the political and social dynamics. Ironically, the next example that questions the integrity of RBV research is the self-acclaimed ethicist Shelby Hunt.² This debate is much more tacit and subtle. The editorial and review process allows academics with strong social and political ties to dictate evolution of topics, such as RBV. Hunt, with a student Morgan, in 1995 propose their own RBV theory naming it the resource-advantage (R-A) theory. Apparently, an academic rival Dixon rejected this article. Through diligence efforts, Hunt convinced the Journal of Marketing to publish this work.³ Once R-A theory was established, Hunt could use his influence as a topic reviewer and former editor, to sustain his theory's *competitive advantage* (using a classic Porter barrier strategy). Srivistava, who has his own *market-based assets* stream of research to protect (see Srivistava, Shervani, and Fahey 1998) directly challenges Hunt with his colleagues (Srivastava, Fahey, and Christensen 2001). Not only do they challenge Hunt, but also Day, Grant, Wernerfelt, and Barney for not describing value in a particular context (Srivistava et al. 2001, page 778):

[They] have generally downplayed the fundamental *processes* by which resources are transformed through managerial guidance into something that is of little value to customers—and thus have contributed little to the marketing literature.

² Trust Theory: Hunt and Morgan (1994) or Ganesan (1994)

³ Varadarajan was the editor from 1993-1996; Lusch from 1996-1999.

A bold statement to the academic field proclaimed in the Journal of Management, in a “fast-tracked” article with clear imperfections.⁴

In conclusion, it is evident that rivalry amongst academics can be both beneficial and deleterious to the progress of marketing thought. Amidst the torrid positioning for political and social power, academics can and do lose sight of the contributory rationale for their existence. As such, it is wise to conclude with the authentic contributions in terms of resources and the resulting advantages for a firm. Resources are any assets that bring value to a firm, which may directly or indirectly bring value to the firm’s customers. These resources can be unique, dynamic, socially complex, and causally ambiguous. Certain resources, which are difficult to explicitly describe, are intangible assets that result from “learning by doing”. This experience, the deployment of resources in a given context, constrained by a limiting ability to diversify (Peteraf 1993; Penrose 1959), defines a capability of a firm. The capability as a sustainable competitive advantage, which allows the firm to grow, is anchored to the idea that the resource configuration as a portfolio of operants and operands is unique to that firm. The authentic giant in RBV is Penrose (Penrose 1995: introduction), as summarized by Ikujiro Nonaka:

Edith Penrose’s pioneering work on the resource-based approach to the firm’s growth has greatly inspired me and hundreds of other scholars. She was [also] one of the first to recognize the role of knowledge in business management.

⁴ e.g., substitution on page 790 and Substitutability on page 794.

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