The Resource-Based View of the Firm: Ten Years After

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THE RESOURCE-BASED VIEW OF THE FIRM: TEN YEARS AFTER

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The article reflects on the diffusion of the 'resource-based view of the firm' into academic and practitioner thought. The contributions of many people are noted. In closing, I offer some speculations about the future use of these ideas.

In 1993, the Strategic Management Society (in cooperation with John Wiley & Sons) started awarding an annual prize for the 'best paper' published in the Strategic Management Journal five or more years prior. My paper, 'A Resource-based View of the Firm' (Wernerfelt, 1984), won the 1994 prize. I have been invited to reflect on the paper. These remarks are organized into two parts: I first discuss the history of the paper from 1984 to 1994 and then speculate on its future usefulness.

THE LAST 10 YEARS

When the paper appeared in 1984, it was ignored. Even I did not cite it, although I did work which was based on it (Wernerfelt and Montgomery, 1986). In 1984–1987 the paper had a grand total of three citations; two by my doctoral students and one by a colleague. Only sometime in 1988/1989 did the paper start to have an impact on the academic side of the field. This happened after a couple of other papers had clarified the nature of the 'markets' for resources (Barney, 1986a; Dierickx and Cool, 1989; Wernerfelt, 1989). Shortly thereafter, survey papers were written (Connor, 1991; Mahoney and Pandian, 1992), focused issues of The Journal of Management and the Strategic Management Journal were planned, and specialized conferences were arranged (Sanchez, Heene, and Thomas, 1995).

As best I can tell, practicing managers were not aware of the argument on the resource-based view until 1990. That year the Harvard Business Review published an article (Prahalad and Hamel, 1990) which presented many of the ideas on a compelling managerial style. In particular, Prahalad and Hamel picked up on what I called the 'stepping stone' strategy and elaborated in the NEC example (originally from Business Week, 1981). Despite the number of academic papers that had been published on the subject by that time, I believe these authors were single-handedly responsible for diffusion of the resource-based view into practice.

The fact that it took at least 5 years for academics and managers to be influenced by the paper may seem bad. One may wonder why it did not happen earlier. I think, however, that the more interesting question is why this paper ever gained such influence. The original paper is very terse and abstract, hiding both the practicality and the generality of the ideas. In my view, the paper was not influential because of my own later work, but because a number of others chose to build on it, because it dovetailed

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nicely with some other contemporary work, and because it was consistent with classic business policy in the Harvard Business School tradition (Andrews, 1971). The fact that the paper is consistent with classic business policy is not an accident; it was done by design. In the fall of 1981 I found myself, as a young economist, teaching business policy and competitive analysis for the first time. Because of my background in game theory, I was worried about the consistency of many recommendations from the Harvard teaching notes. For example, if all MBAs learn to identify the 'most attractive' niche, who will get it and why will competition not destroy the attractiveness? Similarly, the manifest heterogeneity of strategies seemed to imply that many (even large) firms had made 'elementary' mistakes. The resource-based view started as my attempt to satisfy myself that one could build a consistent foundation for the classic theory of business policy. Consistent with this, many central aspects of strategic reasoning have been reinterpreted in light of a resource-based perspective (Peteraf, 1993; Amit and Schoemaker, 1993; Connor, 1991; and many others have contributed significantly to these efforts).

The resource-based view was also moved forward by some simultaneous developments which complemented the perspective. Rumelt (1984) had been interested in the role of stochastic factors in determining firm performance. Firms may start out homogeneous but, ex post, they are different and cannot perfectly imitate each other. Rumelt provides one explanation for the heterogeneous resource endowments which are assumed in the resource-based view. (The explanation has the attractive property that it may be consistent with no, or few, firms making mistakes.) The relationship between Schumpeterian and resource-based models continues to be an important and active area of research (Nelson, 1991; Teece, Pisano, and Shuen, 1994; Winter, 1995).

Another missing piece was the governance structure within which a firm can leverage its resources. In the original paper, the (unstated) assumption is that resources are leveraged by diversification, instead of through rentals or sales. Teece (1982) applied Williamson's (1979) transaction-cost economics to diversification by research-intensive firms and in the process clarified the determinants of governance. These arguments have become an integral part of the resource-based view and the literature of diversified firms (Montgomery and Wernerfelt, 1988; Montgomery and Hariharan, 1991).

On receiving the prize at the 1994 Strategic Management Society meetings I used the following metaphor: 'I put a stone on the ground and left it. When I looked back, others had put stones on top of it and next to it, building part of a wall.' The stream of research known under the label 'resource-based view' is the work of many people.

THE NEXT FEW YEARS

To make the resource-based view more useful we need to map the space of resources in more detail. At the moment this work is going on in several directions. On the theory side we are developing a better understanding of specific resources (such as culture; Barney, 1986b), the fact that rigidities in acquiring resources may be different from the rigidities in shedding resources (Montgomery, 1995; Rumelt, forthcoming), and the related fact that some resources at some points may have negative value (Leonard-Barton, 1992). On the empirical side, we are starting to use much better measures of specific resources (Davis and Thomas, 1993; Farjoun, 1994; Helfat, 1994; Henderson and Cockburn, 1994). To get a picture of this task it is worth recalling the duality between markets and resources. We have a rich taxonomy of markets and substantial technical and empirical knowledge about market structures. In contrast, 'resources' remain an amorphous heap to most of us.

Is the resource-based view here to stay? Well, it is a truism that firms have different resource endowments and that it takes time and money to change these endowments. The question is whether this will continue to be a central premise in strategic management research. To answer this question, I would like to use a sports analogy. All games have a body of strategic knowledge which is independent of the specific opponent. (In soccer: do not cross the ball in front of your own goal; in chess: do not bring your queen out too early; etc.) However, once the opponent is known, one can tap into a second body of knowledge which deals with ways
to exploit differences. (In soccer: we are the taller team, so we should play high balls; in chess: I have more experience with a queen-pawn opening than my opponent, so I will play that.) Like the above analysis, many aspects of strategic management can be thought about without reference to firm heterogeneity. Most of the recent work in organizational process and design has this property. This work is not inconsistent with the resource-based view, but the arguments apply more or less independently of the resources of the firm and its competitors. The same can be said of many game-theoretic analyses (Ghemawat, 1991; Rotemberg and Saloner, 1994; Saloner, 1991) which provide insights into the best ways to achieve certain competitive goals. These arguments are so general that they often depend neither on the identity of the firm nor its competitors, nor on that of its markets. However, one can do better by also taking into account differences in firms' resource endowments. In fact, firms have to do better. A central difference between sports and business is that in business patterns of entry and exit ensure that a firm always will be up against the best in whatever market it chooses to compete. The second-best competitors are forced out, leaving a situation where there is no second division in business. Strategies which are not resource-based are unlikely to succeed in such environments. This is so obvious that I suspect that we soon will drop the compulsion to note that an argument is 'resource-based.' Basing strategies on the differences between firms should be automatic, rather than noteworthy.

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