

Cohesion of RBV and Industry View for Competitive Positioning

Christof Gellweiler

ISM University of Management and Economics, Vilnius, Lithuania

Abstract

The discussion on competitive advantage started about half a century ago but foundational theories still lack connectivity. The resource-based view (RBV) concentrates on concepts internal to a firm and disregards the world outside, whereas the industry view neglects internal antecedents and consequences.

This review paper examines complementation of leading endogenous and exogenous theories on competitiveness and combines most influential concepts on firm resources and industrial forces to a complementary picture for strategic positioning. Seminal works from Edith Penrose and Michael Porter as well as subsequent research have been investigated on connectivity and togetherness. Inside-out constructs on resources and capabilities must match outside-in constructs on industry and markets in order to achieve competitive advantage.

The article includes conceptual discussions of resources, capabilities, and assets. Resources combine to capabilities that are qualified services and value chain activities. Resources can be acquired on markets, while capabilities must be developed within organizations.

Keywords

Competitive advantage, RBV, Resource, Capabilities, Industrial organization, IOE, SWOT.

Introduction

Strategy in business and economics is a field that comprises manifold areas, levels, and phases. It is being discussed among scientists from various groundworks and viewpoints, each dealing with specific sections and linkages to other subjects within the space of strategy science. There is no sole description for strategy that is generally accepted; it appears multi-dimensional. Mintzberg (1987, p. 20) provided five different definitions for strategy that interrelate in various manners, and that in some ways compete, and in other ways complement each other. Mintzberg and Lampel (1999) classified ten different schools of scientist groups that take different dimensions and positions on strategic management. Kenworthy and Verbeke (2015) counted 194 different theories in empirical research displayed in strategic management journals. No model, concept, or theory can cover all factors influencing strategy. However, consistency and

coherence are required within the set of external and internal strategic objectives. This article attempts to identify connections between some of the most cited strategy theories with different perspectives, the endogenous and the exogenous view on a firm, and examines their complementation.

Two considerations should be brought into an optimal equilibrium: What a firm *might* do in view of chances in the environment and what a firm *can* do in view of abilities (Andrews, 1971, p. 85). Porter's analytical tools support answers to the first question, while Penrose's ideas refer to the latter. The same applies to two out of four strategy components defined by Andrews (1971, p. 9): First, market opportunity, and second, corporate competence and resources. The first component is the key subject in Michael Porter's recognized monograph 'Competitive Strategy' (1980) and his subsequent contributions; the second component is core in the resource-based view (RBV), to which Edith Penrose (1959)

principally contributed. Both elements and both authors provided understandings from different directions that are central in strategy formulation and competitive positioning (Grant, 1991).

Porter's market-oriented approach, also referred to as industrial organization economics (Black & Boal, 1994; Conner, 1991; Hoskinsson, Hitt, Wan, & Yiu, 1999), is outside-in, meaning the strategic position of the firm depends on the analysis of the famous five forces. Penrose's approach goes the other way, inside-out. The resources possessed by the firm determine both, the rate and the direction of growth. Available productive services may drive expansion and raise competitive advantage (Penrose, 1959, p. 76). Both approaches seem to be antithetical. Indeed, they ask different, frequently complementary questions (Teece, Pisano, & Shuen, 1997, p. 516). Hooley, Broderick, and Möller (1998, p. 98) denote them two streams of research from relatively independent literatures. They mention coherence and propose contemplating both streams together for competitive positioning and strategy formulation. However, their appealing suggestion is insufficiently substantiated.

Although Porter and Penrose delivered highly influential contributions to strategic management science, their basic concepts have barely been analysed in depth for consistency. The terms 'Porter' in conjunction with 'Penrose' in search category 'Article title, Abstract, Keywords' of Scopus database results in just two hits for business and economics. One of them presents Ludwig von Mises as the one who linked the industrial and resource-based views, since he supervised the dissertations of Penrose's and Porter's supervisors (Powell, Rahman, & Starbuck, 2010). Powell et al. (2010) relate to scientific predecessors but did not provide any argument on connections in the contents of the scientific works from Penrose and Porter. The other hit, a more cited paper from Hoskinsson et al. (1999), acknowledges Porter's and Penrose's contributions to strategic management research. The authors considered significant theoretical and methodological bases but did not find cohesiveness between RBV and the industry view.

The main goal of this paper is to investigate in supplementation of Penrose's and Porter's foundational views. This article tries to answer the research question 'Are theoretical groundworks on competitiveness by Penrose and Porter complementary for strategic positioning?' The paper compares notions from Porter, Penrose, and

subsequent influential research on competitive advantage to investigate in matching traits and cohesiveness. It presents ideas that connect the industry-based view to RBV and vice versa and indicate their complementary scope for analysing the inside/outside fit of strategic moves. An enhanced conceptional model is suggested for competitive positioning integrating the market/industry view, RBV, the macro-environment, and SWOT. Furthermore, definitions of resources, capabilities, and assets are reviewed and revised for more clarity and distinction. For practitioners, a template is proposed to assess own resources and capabilities in comparison with competitors.

1. Literature review on cohesion of RBV and industry view

The following literature review is subdivided in three parts. It starts with comparing Porter's and Penrose's traditional concepts and continues with short reflections on cohesiveness of RBV and industry view. Thereafter, more recent opinions on connectivity between RBV and the industry view will be presented.

1.1. Revisiting the roots of RBV and industry view

Penrose's early monograph 'The Theory of the Growth of the Firm' from 1959 is one most esteemed scientific contributions in strategic management and represents the groundwork for RBV. Porter's books 'Competitive Strategy' (1980) and 'Competitive Advantage' (1985) are also highly distinguished publications that have been pointing the way to strategic analysis. Those works have been examined for relatedness. The following paragraphs provide arguments in support of the thesis that Porter's industry view is interrelated to Penrose's ideas and RBV.

Porter's generic strategies require resources and specific skills. A strategic choice on a particular position in the competitive space depends on both. If a firm decides to pursue one of Porter's (1980) three generic strategies, it must develop or acquire its resources and skills accordingly. A cost leadership position, for example, would require low-cost distribution networks, highly efficient processes, modern productions technologies, lean management skills, etc. In contrast, a differentiation strategy would need strong marketing and product engineering capabilities. Focus strategy must possess skilled

resources that are directed to particular target buyers (Porter, 1980, pp. 40-41).

Available managerial resources and the services they provide are sources of competitive advantage and incentives for a firm's growth (Penrose, 1959, p. 85). Porter (1980, p. 65) expressed the same idea in a different way. He included general management ability as an item in the list of business key areas to examine core capabilities and abilities to grow.

Porter (1985) introduced the generic value chain that depicts activities in all functional areas of a firm. Services imply functions and activities that productive resources perform (Penrose, 1959, p. 22). Value chain analysis is therefore an evaluation of activities and is essentially the same as the analysis of productive resources within a firm and the services they render.

Heterogeneity in RBV and differentiation rely on uniqueness. In RBV, specific sets of resources associated to various skills and capabilities are prerequisites for sustained superior returns (Rugman & Verbeke, 2002, p. 770). In a similar way, Porter (1980, pp. 39-41) suggested that unique combinations of skills are required for a differentiation strategy to earn above-average returns. Resource heterogeneity is a unique bundle of resources that is valuable and rare (Barney, 1991, p. 107). The unique character of a firm is the heterogeneity of available productive services from its resources (Penrose, 1959, p. 67). Hence, superior rents can be achieved by differentiating from competitors that rely on unique skills or capabilities composed of various resources.

Beside heterogeneity, Barney (1991, p. 101) described resource immobility as another key feature for sustainable competitive advantage. Certain unique characteristics of a firm are hard to copy, hard to imitate, or hard to substitute. Penrose (1959) and Barney (1991) mainly referred to human resources and to their knowledge, experiences, and relationships, while Porter (1980, pp. 172-174) elaborated on technological mobility barriers. These barriers include product technologies, process technologies, and proprietary know-how that should be protected by patents. Otherwise, mobility barriers will diffuse and tend to lower competitive advantage. Herewith, Porter supplements the immobility feature in RBV in three ways. First, by including technology as proprietary, i.e. as a unique capability. Second, by introducing the diffusion effect. Third, by referring to patents to protect competitive advantage.

Isolating mechanisms from the internal RBV correspond to the entry barriers that Porter (1980) described from an industrial standpoint (Mahony & Pandian, 1992, p. 371). Isolating mechanisms are barriers to imitation that are characterized by uniqueness and distinctiveness of resources, capabilities, and assets in RBV strategy literature. Mahony and Pandian (1992) regarded RBV and the Porter framework as complementary. For instance, sharing of intangible assets like brand names or know-how might promote economies of scale that constitutes a major source of barriers to entry (Porter, 1980, pp. 7-9).

RBV characterizes capabilities as a source for sustained superior returns (Rugman & Verbeke, 2002). The link between higher returns and capabilities has also been discussed from the industry view. Functional areas must be examined to determine a firm's current position in relation to the five forces and to identify core capabilities in each key area. Examples for functional key areas include research, product development, operations, marketing, and distribution. Ascertained core capabilities indicate abilities for strategic moves and for growths to gain above average returns (Porter, 1980, p. 63-67).

The SWOT framework supports portraying cohesiveness of RBV and industry view. SWOT analysis describes links between internal and external models of competitive advantage (Barney, 1991, p. 100). Black and Boal (1994) explained that the external 'OT'-analysis, particularly on Porter's five forces, is importantly useful but limited. They suggest starting strategy analysis on RBV considering the internal part of SWOT. In his introduction, Porter (1980) proposed consideration of opportunities and threats to determine external boundaries for strategy formulation. Besides, strengths and weaknesses on internal factors are suggested to be examined, e.g. assets and skills, financial resources, etc., to detect internal limits. As part of a consistency test, resource fit should be checked in order to ascertain resource availability and organization's ability to change for achieving the objectives.

1.2. Resources and capabilities must fit to the external environment

Internal strategic objectives must match external strategic objectives and vice versa. Anupindi, Chopra, Deshmukh, Van Mieghem, and Zemel (1999, p. 23) mentioned the need for strategic fit, i.e. consistency between the selected strategic

position for competitive advantage and capabilities that a firm uses to accomplish that advantage. The target position is set by the balance of what a firm might do grounded on exogenous factors and what a firm is capable of performing. Anupini et al. (1999) suggested a two-pronged analysis for business strategy: First, competitive analysis of the industry in that an organization will compete, and second, critical analysis of skills and resources. Rowe, Mason, Dickel, Mann, and Mockerl (1994) defined strategic management as the decision process to align internal capabilities of a firm with opportunities of the environment. The firm must then adapt internally to reach the target position in the long run. Amit and Schoemaker (1993) noted that the resource-based view is complementary to Porter's industry analysis. They provided a figure of key constructs with resources, capabilities, and assets on the firm side vis-à-vis the industry side covering Porter's five forces and environmental factors. The allocation of necessary resources to implement long-term objectives is also central in Chandler's definition of strategy (1962, p. 13): Strategic decisions cannot be made before both sides are entirely analysed. Mahony and Pandian (1992, pp. 366-367) regarded RBV as additional theoretical value for the firm's strategic direction, since it considers available resources inside the firm beside market opportunities outside. As the environment is complex and changing over time, managers must continuously gauge and rearrange organizational resources in order to meet needs from the environment. (Johnson, Scholes, & Whittington, 1988, pp. 78-79). Kor and Mahoney (2004) argued for a proper match of resources and capabilities with external opportunities. This idea is in line with the dynamic capabilities approach to adjust internal settings to external changes (Teece et al., 1997).

Priem and Butler (2001, p. 36) regarded the notion of *value* as "elemental strategy concept" that is exogenous to RBV, namely markets and customers. In contrast to them, Parnell (2006) emphasized value delivery in context with RBV and market control. He argued that value and market control are functions of resources of a firm that may be evaluated by applying RBV. Black and Boal (1994, p. 132) pointed out that value of resources are their combinations according to strategic fit to the external environment.

Hoskinsson et al. (1999) reviewed roots and developments in the theoretical field of strategic management and showed swings of a pendulum.

They see RBV as an inside swing of the pendulum in contrast to Porter's industrial organization approach, that is, the outside swing of the pendulum. Insufficiently, they did not discover links or complements between the inside and outside. However, their rephrasing (Hoskinsson et al., 1999, p. 439) of Barney's (1991, p. 106) explanations on valuable resources precisely expresses the interrelationship between the internal RBV and the external industry view from Porter: "Value refers to the extent to which the firm's combination of resources fits with the external environment so that the firm is able to exploit opportunities and/or neutralize threats in the competitive environment." Combination of resources is crucial, as Penrose (1959) pointed out earlier.

Spanos and Lioukas (2001) conducted empirical tests and concluded that RBV and Porter's framework do not only co-exist but are also complementary to explain business performance. Both provide views on sources for competitive advantage in a balanced way.

1.3. Recent research on cohesion of RBV and industry view

After having portrayed some foundations of strategy and relevant literature around the millennium, newer publications will be presented as follows.

Kraaijenbrink, Spender, and Groen (2010) comprehensively reviewed critiques on RBV. The authors simply stated that development of RBV had been complementary to the industry view. They explained why RBV is not a replacement of the industry view. Yet, they did not elucidate on complementation.

Ritala and Ellonen (2010, pp. 374-379) highlighted interdependency for competitive advantage but displayed just one argument for complementation of resource-based theories and industrial organization economics. RBV's attention is on unique resources and capabilities. In case of low hurdles to enter a market, connectivity of industry analysis and resources/capabilities becomes relevant. In response to increasing competitive pressure, a firm needs to provide more distinctive capabilities than its rivals.

De Wit and Meyer (2014, pp. 184-191) regarded markets and resources as paradox on business level strategy but emphasized the fit. They suggested taking and adopting two perspectives: The inside-out, i.e. views on

resources, competences and capabilities, and the outside-in, especially the five forces from Porter. The alignment of the two sides is the key to a firm's success. When choosing a competitive position in the environment, feasibility must be internally ensured, that is, resources and capabilities must be available, be developed, or be obtained.

Huang, Dyerson, Wu, and Harindranath (2015) examined how temporary competitive advantage can be converted to sustainable competitive advantage. They considered both, RBV and industry view, as core elements to competitive success but realized that studies on competitive advantage are mostly anchored to one side. In their article, Huang et al. (2015) integrated both views into one framework and called two driving forces: endogenous forces from resources and exogenous forces from market position. Both are sources of competitive advantage that result in higher profitability. The connection of the two streams increases economic rents or company performance.

Dixit (2016) described a case of a hospital offering orthopaedic and spine services in which RBV was analysed along with the industry view and a network perspective. Other hospitals may apply this analytical approach to accomplish sustainable competitive advantage.

Napshin and Marchisio (2017) regarded RBV and the industry view as most significant theoretical models in strategic management courses in the USA. They introduced the institution-based view as a supplement and connected it to the other two.

Again, SWOT is considered as an established methodology for strategic positioning (Helms & Nixon, 2010). The SWOT framework was rediscovered by Bell and Rochford (2016) for learning purposes. They stressed the integrational characteristics of SWOT and suggested to combine it with internal analysis (RBV), external analysis (five forces), and PESTEL. Liu, McKinnon, Grant, and Feng (2010) carried out an empirical study with logistics service providers and identified SWOT as a way to anticipate aspects and arguments from both sides to explain competitiveness.

2. Conceptual model for competitive positioning

Together with Porter's industrial concepts and RBV has been reflected. Both views, one outside the firm, the other inside, are complementary to

gain and maintain competitive advantage. Moreover, both approaches are the key to setting the strategic target, that is, the future location in the competitive sphere. Strategic formulation should consider both views simultaneously for making well-adjusted decisions towards a firm's future position. Thus, a conceptual model for competitive positioning is proposed (figure 1) derived from Amit and Schoemaker (1993). Their key constructs demonstrate the complementing phenomenon of Porter's and Penrose's concepts but give reason for some refinements. First, as a conclusion from literature review, endogenous and exogenous strategic objectives are mutually dependent. Second, SWOT is supplemented because it provides arguments for combining both sides. Third, the linkages between resources, capabilities, and assets are revised as demonstrated in the next section. Fourth, macro-environmental forces were added. They do not only affect the industry, but also the firm's resources and capabilities.

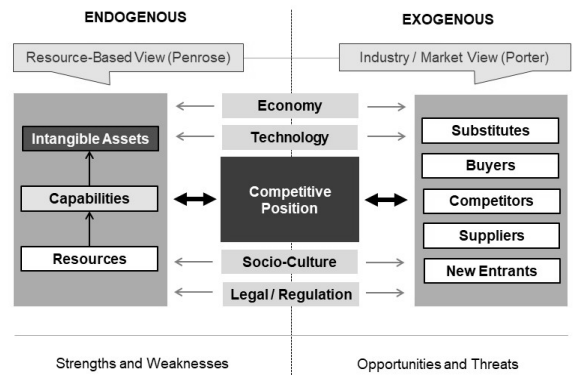


Figure 1 Conceptual model for competitive positioning
Source: Adapted from Amit and Schoemaker, 1993.

Amit and Schoemaker (1993) assigned technology and regulation as environmental factors to the industry part, whereas the author regards macro-environmental factors such as regulation, socio-culture, technological progress, and other economics, as influencers to both sides, resources and industry. Capabilities adjust on technology changes (Teece et al., 1997, p. 512). For example, new developments in technology will change production systems and processes inside a company and can also impact the transactions between buyers and suppliers. Politics, resulting in legislation and regulation, also affect resources, e.g. occupational health acts constrain resource availability out of standard working hours. Dynamics in socio-culture have

also influences on a firm's infrastructure (e.g. use of enterprise social networks). Macro-environmental factors, often referred to as PEST or PESTEL in various sequences of the letters, must be considered on impacts that are internal to the firm as well as on effects in the industry.

3. Resources and capabilities

3.1. Diverse understandings on RBV core elements

Ambiguity exists with respect to the core elements of RBV: Resources, capabilities, and assets. There are manifold interpretations and various definitions within the body of strategy knowledge.

Cousins (2005, p. 407) uses the terms resources and capabilities interchangeably, while other scholars understand capabilities and competences as synonyms (Peppard & Ward, 2004, p. 174; Wade & Hulland, 2004, p. 109). Thereafter, one could logically deduct that resources are competences. This reasoning would be valid but false (Van de Ven, 2007). Resources are also regarded as collection of all capabilities and all assets of a firm (Hooley et al., 1998, p. 101; Wade & Hulland, 2004, p. 109), as a part of a function (Haapanen, Hurmelinna-Laukkanen, & Hermes, 2018), or as tradable/non-tradable assets stocks/flows (Saranga, George, Beine, & Arnold, 2018, p. 34). Resources that are hard to copy might be seen as firm-specific assets (Teece et al., 1997, p. 516). Resources also might be understood in context with customers, markets, or products. In Eisenhardt's and Jeffrey's opinion (2000, p. 1107), resources act in activity systems to address customers and markets in differentiated ways for competitive advantage. As part of a process, dedicated or specialized resources carry out a determined set of activities, e.g. aligned to a product (Anupindi et al., 1999, p. 10).

Diverse definitions of assets do not increase understanding of the topic. Amit and Schoemaker (1993) regarded strategic assets as resources and capabilities that are difficult to trade or tough to copy. Barney (1991) saw assets as firm resources along with capabilities, knowledge, and more. Kamasak (2017, p. 261) allocated assets, such as intellectual property rights, to the group of intangible resources items. Luo, Zhang, Bose, Li, & Chung (2018) expressed information technology as asset and as resource in the same article.

So, there are many inconsistencies about resources, assets, and the links between them. The

newer the perspectives on the concept of resources, the more increases confusion. The author tries to provide more clarity by recommending the following definitions for capabilities and by recalling some early notions in the next section.

Capabilities relate to organizations (Saranga et al., 2018). Drnevich and Croson (2013, p. 485) defined capabilities as "a firm's capacities to deploy resources, usually in combination, using organizational processes, to affect a desired end". Helfat and Peteraf (2003, p. 999) referred a capability of a firm to an organizational ability to perform coordinated activities by using resources to achieve a defined result.

3.2. Recalling foundational ideas for redefinitions

Penrose (1959, p. 21) offered the groundworks for a rich distinction of resources that are tangible by definition. *Resources* are either physical objects used for production (e.g. plant, equipment, raw materials) or humans with various skills who are contracted by the firm. *Skills* might be creativity, knowledge, experience, etc. and always relate to human resources. In contrast, other authors relate skills to capabilities (Kamasak 2017; Wade & Hulland, 2004). Penrose (1959, p. 22) enumerated administrative, financial, legal, technical, and managerial work forces as human skills. A special skill at top management level is integration, i.e. knowing what managerial resources to combine and how to integrate them in effective ways (Kor & Mesko, 2013). Resources are inputs to production (Helfat & Peteraf, 2003, p. 999). The different types of resources provide activities in various combinations.

A firm's *capabilities* are linked activities or bundles of them that special resources, i.e. skilled humans and/or physical objects, provide in efficient and organized ways for delivering a differentiated product. Capabilities always refer to organizations since they are based on sets of activities to that various resources contribute. Typical examples of capabilities are tasks and processes within the fields of primary or support activities of the generic value chain from Porter (1985, p. 37) that is implicit in the model depicted as figure 2. Porter (1980, pp. 64-67) listed capabilities in the areas products, distribution, marketing, sales, operations, research, engineering, costs, financial strength, organization, general managerial ability, portfolio.

According to Whittington (2008, p. 272), strategy should build on rare, hard-to-imitate, and hard-to-substitute resources. In contradiction to him, this paper suggests that strategy should build on rare, hard-to-imitate, and hard-to-substitute capabilities that might end up in intangible assets that can be protected by rights. Resources by themselves do not make the ultimate distinction from competitors but their qualities, skills, and the way they combine to capabilities make the difference.

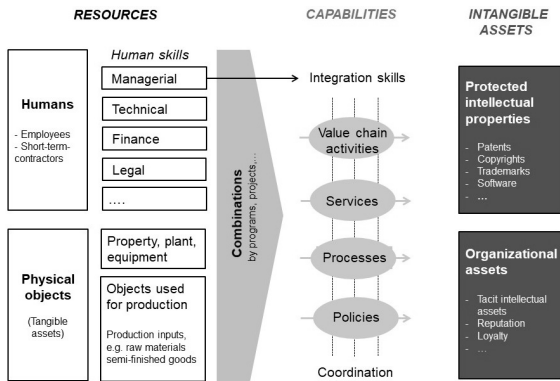


Figure 2 Resources, capabilities, and intangible assets
Source: Author

Core capabilities are the few ones that a firm carries out particularly well and in distinguished ways compared to competitors. Competences are core capabilities on business unit level and enhance competitive advantage. Core competences, in the eyes of Prahalad and Hamel (1990), are seen on corporate level by composing various competences to several core products managed from different business units within a company.

Rothschild (1976) classified capabilities into five main categories: Abilities to conceive and design, to produce, to market, to finance, and to manage. All categories contain human resources with specialized skills. Besides, categories contain physical resources, processes, policies, and organization in various ways. Rothschild's classification provides a suited platform to verify required capabilities but gives reason for improvements by adding contemporary management processes (e.g. project management, IT management) and by distinguishing between activities (or services) and required resources to perform them. Figure 3 exhibits a template as suggestion for assessment and development of capabilities based on Rothschild's ideas (1976). It is to analyse what should be carried out and what

resources are required to support the strategic position. The effectiveness of resources and the services they provide need to be thoroughly checked. Recognition of the organization's relative capabilities can draw on analysis of strengths and weaknesses of capabilities in all functional areas (Porter 1980, p. 111). The template also helps to identify areas in which a company significantly performs better than its rivals, i.e. core capabilities.

Essentially, RBV is about internal growth of assets (Peteraf, 1993, p. 188). Integrating Penrosean ideas and principles of financial accounting, the author recommends applying the notion of assets as

- physical resources used to produce (e.g. property, plant, equipment) or as inputs to production, and
- intangible assets that are
- protected intellectual properties (e.g. patents, copyrights, trademarks, confidential documents, software), and/or
- organizational assets (e.g. tacit intellectual assets, reputation, loyalty).

The author's definitions exclude financial capital, often expressed as financial asset or as monetary resource, by reason of interrelatedness to other external factors. Funding of a firm is a strategy of its own and requires further strategic lenses. Capital flows must be balanced between rents that shareholders demand and retained earnings that can be used for company growth.

3.3. Capabilities must be developed internally or acquired from external organizations

Resources can generally be transferred via markets for human resources or for physical objects. For example, skilled human resources, providing required experience and knowledge, can be contracted on labour markets. Physical objects, such as production materials and engines can be bought or leased. Buildings can be constructed or rented. Intellectual property rights can also be gained if traded on markets, e.g. by licensing. In contrast, capabilities cannot be bought off the shelf. They are immanent to a firm and must be developed within an organization. Capabilities make their organization's value and are not transferable to other organizations. Likewise, experience is not transferable from one human resource to another.

Capability category	Required skills (from human resources)	Required physical resources (physical assets)	Capabilities (activities, services, processes, policies)	Intangible assets (e.g. patents, software)
New product development				
Procurement, Supply				
Production, Manufacturing				
Marketing, Sales				
Information systems				
Project management				
.....				

Figure 3 Template for assessing capabilities and needed resources

Source: Adapted from Rothschild, 1976.

It takes considerable time and money to establish capabilities within the own organization. Managers must think about accessing capabilities from other firms that have already established those capabilities and integrate them, loosely or tightly, within the own organization. The need to acquire productive services to complement existing activities might motivate a merger or an acquisition (Pitelis, 2009). Salter and Weinhold (1982) gave similar resource-based reasons for acquisitions. First, to supplement resources that already exist. Second, to complement resources for more effective combinations (synergies). Furthermore, acquisition strategies can also be oriented towards products to join attractive markets (Wernerfeld, 1984). From a combined resource-based and industrial viewpoint, acquisitions of organizations or alliances are to move to the strategic target position. If a firm does not develop capabilities internally and does not integrate them by acquisitions or alliances, it may contract other firms to purchase goods or services for transaction costs (Williamson, 1975).

Conclusion

Literature analysis showed that traditional theories from Edith Penrose (1959) and Michael Porter (1980) complement each other. Inside-out constructs on resources and capabilities must match outside-in constructs on industry and markets in order to achieve competitive advantage. This article proposes taking both views at the same time for strategy formulation. Available competences may enable or motivate strategic moves of a firm in the competitive field. Also, strategic decisions in response to the five forces result in changes of capabilities and

resources. A conceptual model for competitive positioning extends existing theories on complementation of RBV and industry view. It provides a broader picture including SWOT and macro-environmental factors that impact both sides of the proposed conceptual model, the endogenous and the exogenous.

The terms resources, capabilities, and assets were defined by recalling the resource descriptions from Penrose and by considering capabilities as value chain activities that combine resources. Own resources and capabilities must be aligned to exogenous strategy and be assessed in comparison with competitors. A template for capability assessment has been proposed for application in practice. Capabilities can only be developed within organisations. Inter-firm cooperation, mergers, and acquisitions are alternative approaches for gaining needed capabilities from other organizations.

References

- Amit, R., & Schoemaker, P. (1993). Strategic assets and organizational rents, *Strategic Management Journal*, 14 (1), 33-46.
- Andrews, K.R. (1971). *The concept of corporate strategy* (3rd ed.). Homewood, IL: Irwin.
- Anupindi, R., Chopra, S., Deshmukh, D., Van Mieghem, J., & Zemel, E. (1999). *Managing business process flows*. Upper Saddle River, NJ: Prentice Hall.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage, *Journal of Management*, 17 (1), 99-120.
- Bell, G.G., & Rochford, L. (2016). Rediscovering SWOT's integrative nature: A new understanding of an old framework, *International Journal of Management Education*, 14 (3), 310-326.
- Black, J.A., & Boal, K.B. (1994). Strategic Resources: Traits, Configurations and Paths to Sustainable Competitive Advantage, *Strategic Management Journal*, 15 (Special Issue: Strategy: Search for New Paradigms), 131-148.
- Chandler, A.D. (1962). *Strategy and structure: chapters in the history of the industrial enterprise*. Cambridge, MA: M.I.T. Press.
- Conner, K. R. (1991). A Historical Comparison of Resource-Based Theory and Five Schools of Thought Within Industrial Organization Economics: Do We Have a New Theory of the Firm? *Journal of Management*, 17 (1), 121-154.
- Cousins, P. D. (2005). The alignment of appropriate firm and supply strategies for competitive advantage, *International Journal of Operations & Production Management*, 25 (5), 403-428.
- De Wit, B., & Meyer, R. (2014). *Strategy: An International Perspective* (5th ed.). Hampshire, UK: Cengage Learning EMEA.
- Dixit, S. K. (2016). Strategic Management in hospitals - Theory and practice: Orthopaedic and spine services, *International Journal of Healthcare Management*, 9 (3), 181-189.

- Drnevich, P. L., & Croson, D. C. (2013). Information Technology and Business-Level Strategy: Toward an Integrated Theoretical Perspective, *MIS Quarterly*, 37 (2), 483-509.
- Eisenhardt, K. M., & Jeffrey, A. M. (2000). Dynamic Capabilities: What Are They? *Strategic Management Journal*, 21 (10/11), 1105-1121.
- Grant, R. M. (1991). The resource-based theory of competitive advantage: implications for strategy formulation, *California Management Review*, 33 (3), 114-135.
- Haapanen, L., Hurmelinna-Laukkanen, P., & Hermes, J. (2018). Firm Functions and the Nature of Competitive Advantage in Internationalizing SMEs, *International Journal of Innovation Management*, 22 (3), 1850022-1-30.
- Helfat, C. E., & Peteraf, M. A. (2003). The Dynamic Resource Based View: Capability Lifecycles, *Strategic Management Journal*, 24 (10), 997-1010.
- Helms, M. M., & Nixon, J. (2010). Exploring SWOT analysis - where are we now? A review of academic research from the last decade, *Journal of Strategy and Management*, 3 (3), 215-251.
- Hooley G., Broderick, A., & Möller, K. (1998). Competitive positioning and the resource-based view of the firm, *Journal of Strategic Marketing*, 6 (2), 97-116.
- Hoskinsson, R., Hitt, M., Wan, W., & Yiu, D. (1999). Theory and research in strategic management: Swings of a pendulum, *Journal of Management*, 25 (3), 417-456.
- Huang, K.-F., Dyerson, R., Wu, L.-Y., & Harindranath, G. (2015). From Temporary Competitive Advantage to Sustainable Competitive Advantage, *British Journal of Management*, 26 (4), 617-636.
- Johnson, G., Scholes, K., & Whittington, R. (2008). *Exploring Corporate Strategy* (8th ed.). Harlow, UK: Pearson Education Ltd.
- Kamasak, R. (2017). The contribution of tangible and intangible resources, and capabilities to a firm's profitability and market performance, *European Journal of Management and Business Economics*, 26 (2), 252-275.
- Kenworthy T. P., & Verbeke A. (2015). The future of strategic management research: Assessing the quality of theory borrowing, *European Management Journal*, 33 (3), 179-190.
- Kor, Y. Y., & Mahoney, J.T. (2004). Edith Penrose's (1959) Contributions to the Resource based View of Strategic Management, *Journal of Management Studies*, 41 (1), 183-191.
- Kor, Y. Y., & Mesko, A. (2013). Dynamic Managerial Capabilities: Configuration and Orchestration of Top Executives' Capabilities and the Firm's Dominant Logic, *Strategic Management Journal*, 34 (2), 233-244.
- Kraaijenbrink, J., Spender, J.-C., & Groen, A.J. (2010). The Resource-Based View: A Review and Assessment of Its Critiques, *Journal of Management*, 36 (1), 349-372.
- Liu, X., McKinnon, A. C., Grant, D. B., & Feng, Y. (2010). Sources of competitiveness for logistics service providers: a UK industry perspective, *Logistics Research*, 2 (1), 23-32.
- Luo, X., Zhang, W., Bose, R., Li, H., & Chung, Q. B. (2018). Producing competitive advantage from an infrastructure technology: The case of cloud computing, *Information Systems Management*, 35 (2), 147-160.
- Mahony, J. T., & Pandian, J. (1992). The Resource-Based View Within the Conversation of Strategic Management, *Strategic Management Journal*, 13 (5), 363-380.
- Mintzberg, H. (1987). The Strategy Concept I: Five Ps for Strategy, *California Management Review*, 30 (1), 11-20.
- Mintzberg, H., & Lampel, J. (1999). Reflecting on the strategy process, *Sloan Management Review*, 40 (3), 21-30.
- Napshin, S. A., & Marchisio, G. (2017). The challenges of teaching strategic management: Including the institution-based view, *The International Journal of Management Education*, 15, 470-480.
- Parnell, J. A. (2006). Generic strategies after two decades: a reconceptualization of competitive strategy, *Management Decision*, 44 (8), 1139-1154.
- Penrose, E. (1959). *The theory of the growth of the firm*. Oxford, UK: Oxford University Press.
- Peppard, J., & Ward, J. (2004). Beyond strategic information systems: towards an IS capability, *Journal of Strategic Information Systems*, 13 (2), 167-194.
- Peteraf, M. A. (1993). The Cornerstones of Competitive Advantage: A Resource-Based View, *Strategic Management Journal*, 14 (3), 179-191.
- Pitelis, C. (2009). Edith Penrose's 'The Theory of the Growth of the Firm' Fifty Years Later, *Munich Personal RePEc Archive*. Retrieved September 28, 2017, from <http://mpira.ub.uni-muenchen.de/23180/>
- Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.
- Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Powell, T. C., Rahman, N., & Starbuck, W. H. (2010). European and North American Origins of Competitive Advantage. In J. Baum & J. Lampel (Eds.), *Advances in Strategic Management*, 27, Bingley, UK: Emerald Group Publishing Limited.
- Prahalad, C. K., & Hamel, G. (1990). The Core Competence of the Corporation, *Harvard Business Review*, May/June 1990, 79-90.
- Priem, R.L., & Butler, J. E. (2001). Is the Resource-Based "View" a Useful Perspective for Strategic Management Research? *Academy of Management Review*, 26 (1), 22-40.
- Ritala, P., & Ellonen, H.-K., (2010). Competitive advantage in interfirm cooperation: old and new explanations, *Competitiveness Review*, 20 (5), 367-383.
- Rothschild, W. E. (1976). *Putting it All Together: Guide to Strategic Thinking*. New York: American Management Association.
- Rowe, A. J., Mason, R. O., Dickel, K. E., Mann, R. B., & Mockerl, R. J. (1994). *Strategic Management: A Methodological Approach* (4th ed.). Reading, MA: Addison-Wesley.
- Rugman, A. M., & Verbeke, A. (2002). Edith Penrose's Contribution to the Resource-Based View of Strategic Management, *Strategic Management Journal*, 23 (8), 769-780.
- Salter, M., & Weinhold, W. (1982). What Lies Ahead for Merger Activities in the 1980s, *Journal of Business Strategy*, 2 (4), 66-99.
- Saranga, H., George, R., Beine, J., & Arnold, U. (2018). Resource configurations, product development capability, and competitive advantage: An empirical

analysis of their evolution, *Journal of Business Research*, 85, 32-50.

- Spanos, Y. E., & Lioukas, S. (2001), An Examination into the Causal Logic of Rent Generation: Contrasting Porter's Competitive Strategy Framework and the Resource-Based Perspective, *Strategic Management Journal*, 22 (10), 907-934.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic Capabilities and Strategic Management, *Strategic Management Journal*, 18 (7), 509-533.
- Van de Ven, A. H. (2007). *Engaged Scholarship: A Guide for Organizational and Social Research*. New York: Oxford University Press.
- Wade, M., & Hulland, J. (2004). The Resource-Based View and Information Systems Research: Review, Extension, and Suggestions for Future Research, *MIS Quarterly*, 28 (1), 107-142.
- Wernerfeld, B. (1984). A Resource-Based View of the Firm, *Strategic Management Journal*, 5 (2), 171-180.
- Whittington, R. (2008). Alfred Chandler, Founder of Strategy: Lost Tradition and Renewed Inspiration, *Business History Review*, Summer 2008, 267-278.
- Williamson, O. E. (1975). *Markets and hierarchies: analysis and antitrust implications: a study in the economics of internal organization*. New York: Free Press.

✉ Correspondence

Christof Gellweiler

ISM University of Management and Economics
Arklių g. 18, 01304, Vilnius, Lithuania
E-mail: christof.gellweiler@whu.edu