



Forum

Point–counterpoint: Resource heterogeneity, performance, and competitive advantage



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ABSTRACT

This JOM Forum is an exchange of ideas on the antecedents and consequences of resource heterogeneity. Two sets of authors examine in a point–counterpoint style the usefulness of the resource based view (or resource based theory) in operations management research.

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Look at any aspect of any operation in a large sample of factories, hospitals, new product development projects, or supply chains, and you are guaranteed to encounter considerable diversity. The objects of our inquiry are heterogeneous in just about any aspect imaginable: objectives, inputs, transformation processes, and outputs. Two important questions arise: (1) What gives rise to this heterogeneity? (2) What are the performance and competitive implications? This point–counterpoint exchange addresses these questions from two different angles, challenging OM researchers to think carefully about the theoretical foundation of their work. These papers are a must-read to any OM researcher who wishes to present arguments about performance and competitive advantage.

The exchange that follows is focused on the *resource based view* (RBV), perhaps the most commonly applied theoretical perspective in examinations of resource heterogeneity in recent OM research. The first time the RBV—or *resource based theory* (RBT), as the authors of the first article label it—was mentioned in a Journal of Operations Management article was in 1996; the latest mention appears in an oven-fresh in-press article. In 1996–2015, the *resource based view* has been referenced in 124 published JOM articles. Indeed, RBV/RBT may well be the most-cited approach to strategy in JOM. For comparison, *agency theory* appears in 38 JOM articles and *transaction cost economics* in 89 in the same 20-year time frame. A quick glance at the titles and abstracts of the 124 articles invoking RBV/RBT predictably reveals that the vast majority are empirical examinations of the drivers of either operational or financial performance. Many of them also invoke competitive advantage.

Needless to say, OM researchers were interested in the drivers of

performance several decades prior to 1996, indeed prior to the introduction of the RBV in the strategic management literature in the early 1980s. How resources (broadly defined) link to performance has always been at the heart of OM scholarship (Skinner, 1969). Therefore, we may ask: What insights have been gained by incorporating RBV/RBT into OM research? In the 20 years of applying RBV/RBT in OM, what have we learned? How does the RBV/RBT account for resource heterogeneity? What kinds of performance implications does this heterogeneity have? What are the theoretical alternatives to the RBV/RBT?

I am thrilled to introduce this point–counterpoint exchange between two groups of prominent strategy scholars. In order to obtain a balanced and thorough treatment, it was important to obtain two different viewpoints. Agreement is over-rated; let us instead invite different, even opposing points of view, so that we can learn something new. We decided to reach out to two strategy heavyweights, Mike Hitt and Phil Bromiley, as we were convinced they would take at least somewhat different positions on the issue. Both were invited to choose co-authors to join their papers as they saw fit. The end result is rigorous academic debate at its finest.

Both sets of authors argue for a specific position, but also encourage critical self-reflection: Is RBV/RBT useful in my own research? This is crucial, because Jay Barney, the main architect of the RBV/RBT, noted in a ten-year retrospective of his seminal article *Firm Resources and Sustained Competitive Advantage* (Barney, 1991) that this article had been cited “primarily to help establish the context of some empirical research—for example, that the focus is on the performance implications of some internal attribute of a firm—and are not really direct tests of the theory developed.” (Barney, 2001, p. 46). Indeed, many empirical applications of the RBV/RBT fall short of empirical rigor and are best described as rhetorical appeals to the RBV/RBT. This is a cause for concern in the

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OM literature as well, and we have to take this concern seriously: the antecedents and the consequences of resource heterogeneity lie at the foundation of OM scholarship. We can do better.

It is specifically on the issue of heterogeneity where the two articles to the exchange take different positions. In the first article of the exchange, Hitt, Carnes, and Xu take stock of OM research building on RBT (the authors claim the resource based view is indeed a *theory*, hence RBT), evaluating the strengths and the weaknesses of OM research that builds on RBT. Their review demonstrates that RBT is widely applied in OM research that examines performance and competitive advantage. While Hitt, Xu, and Carnes identify problems and shortcomings such as lack of conceptual clarity and measurement validity, the general sentiment is that applying RBT in OM has much potential. In the second article, Bromiley and Rau take a more critical stance toward RBV (arguing the resource based view is in fact not a theory but a *view*, hence RBV), and submit that the basic premises out of which the theory works are not necessarily wrong but often either *misapplied* or simply *unnecessary* in OM research. Bromiley and Rau argue that the kind of resource heterogeneity that OM researchers witness in their empirical work is not explained by RBV. They further posit that RBV is simply not needed to link resources to performance, and offer a *practice based view* (PBV) as an alternative theoretical foundation. Finally, in their rejoinder, Hitt, Xu, and Carnes contend that the scope of OM research is broader than what Bromiley and Rau claim. The rejoinder also explores common ground by suggesting that not only is there a time and a place for both RBT and

PBV, but that the latter could indeed complement recent extensions of RBT.

As my own preface to the exchange, I want to emphasize the importance of not confusing operational or financial performance with competitive advantage. While many firms out there may be profitable, only few—by definition—can have a competitive advantage. The Bromiley and Rau paper in particular argues that while financial and operational performance are empirically salient, competitive advantage (sustainable competitive advantage in particular) is extremely difficult to operationalize.

Which authors present a more compelling argument? Do the authors ultimately disagree? Or do they simply offer different viewpoints of the same topic? Or perhaps simply write about different topics? Which paper resonates with your research ideas? These are some of the questions I invite you to explore as you read the exchange. My prediction is that much like factories, hospitals, and supply chains, your answers will exhibit considerable heterogeneity. Again, we might ask: Why is this, and what are the implications?

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