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RESOURCE-BASED VIEW AND DYNAMIC CAPABILITIES RESOURCE-BASED VIEW AND DYNAMIC CAPABILITIES

ACHIEVING COMPETITIVE ADVANTAGE THROUGH INTERNAL RESOURCES AND COMPETENCES

Strategy has always been important for success. Whether strategy is applied for military purposes, in large firms, or even for personal objectives, there are certain key characteristics that every successful strategy carries on: clear, objective and simple goals; deep knowledge and understanding of the competitive environment; objective understanding and exploitation of resources; and an effective plan implementation. In this paper, the author's attention will be focused on the role of internal resources, routines and processes as the bases of sustained competitive advantage (hereafter SCA) into what is now known as the resource-based view of the firm (RBV) and Dynamic Capabilities (DC). First, the relevance of RBV and DC approaches and the main characteristics of those are briefly mentioned. Second, RBV and DC are examined as an important piece to achieve SCA. Later on, the author deepens into some examples and the manager's importance when using these RBV and DC approaches. Then issues related with complexity and undefined concepts in RBV and DC are briefly mentioned. Finally, conclusions and personal comments are presented.

Keywords: **strategy, resource-based view, dynamic capabilities, competitiveness**

Strategic management is a wide topic in which many scholars and enterprises have invested a huge quantity of time and economic resources. Understanding and discovering new ways of sustained competitive advantage has been a major research area in strategic management. Firms obtain sustained competitive advantage in different ways: by creating new products for undiscovered markets; by developing innovative manufacturing processes; by generating new business models, and so on.

We can identify several dominant themes in the evolution of strategic management from 1950 until our times. The dominant paradigm during the late 1970´s and 1980´s comes with Porter who claims that firms can create defensible positions in industry according to external forces, which shape the strategy to implement. According to Grant (2010), the dominant themes in these decades were strategy as positioning (in the 1970's) and quest for competitive advantage (in the 1980's). Another approach is referred as strategic conflict approach, which uses the tools of game theory to keep rivals out of market through strategic investments, pricing strategies and control of information (Teece – Pisano – Shuen, 1997).

The above strategic approaches have in common the fact that rents flow from privileged product market positions, and make reference mainly to the external environment. Another distinctive approaches are based in internal resources, trying to build sustained competitive advantage (SCA) through capturing entrepreneurial rents that comes from firm level efficiency advantage. Those approaches are the resourced-based view of the firm (RBV) and the related theme dynamic capabilities (DC). To put it in perspective, the RBV can be located between the years of 1990 and 2000, and also dynamic capabilities arises about the same time.

Both perspectives are trend topics in strategic management, and also contributed a disruptive change in the way of conceiving the firm.

But why does the RBV and dynamic capabilities have special importance in strategy? As we saw, strategic management models have traditionally defined different strategies based on product or market positioning, finding a "blue ocean strategy" (Mauborgne – Kim, 2005) and trying to differentiate in order to create unique value. Focusing on internal resources and capabilities, resource-based view and dynamic capabilities strategies can provide a more long-lasting competitive advantage than the traditional product/market approach; this does not mean that external environment and proposals of industrial organization from Porter must be taken away, but complemented. As we shall see, a resource-based view of the firm is treated as a critical field of strategic management in creation of competitive advantages and as a motor to new important fields as dynamic capabilities and knowledge-based view.

It is not a big surprise that the world is in constant change, as Wind and Main (1998) claim in Balaton (2007: p. 9.), "the most risky strategy nowadays is the passivity". For most of the firms to obtain sustainable competitive advantage in actual competitive environments is such a great challenge, and the deployment of resources and capabilities are critical for getting and maintaining a good position among competitors. In words of Balaton (2007) "capability for change becomes a synonym of efficiency and competitiveness." With that in mind, it is straightforward to see that the role of managers and leaders in different industries is clue for the mentioned deployment of resources and capabilities. The way they decide, the way they combine and the way they change faster than industry pace will keep them alive.

Understanding resource-based view and dynamic capabilities

General annotations about resourced-based view

In 1959, Edith Penrose published the Theory of the Growth of the Firm, and made an important change in how firms are seen. This book settled that firms are "flesh and blood" organizations, and not just a point on a cost curve. According to the theory of the growth of the firms, the latter consists of human and non-human resources, under administrative authoritative coordination and communication (Pitelis, 2005). Penrose focused on the internal resources of the organizations where knowledge, added value, innovation and, in general, competitive advantage could be generated. For Penrose, managers play a very special role in the growth of firms. Penrose saw the external environment as an "image" in the minds of managers (Pitelis, 2005).

Although Penrose settled down all the bases about "flesh and blood" firms in the late 50´s, it was until the 80´s that internal resources and capabilities gained more importance, triggered mainly by three factors (Grant, 2010): first, the growth of more unstable environments that required more secure bases for formulating strategy; second, the flourishing idea that competitive advantage rather than industry attractiveness was the main source of profitability; and last but not least, the existence of a world where customer preferences and new technology rates are volatile.

RBV and DC as we shall see, correspond to the strategic creation of sustainable competitive advantage focusing in internal resources and complement the focus on industry structure that Porter has claimed for years (Brahma – Chakraborty, 2011). Differences between those two big areas of approaches to strategy arise with many scholars arguing what are the differences and how they complemented each other. According to Brahma and Chakraborty (2011), superior skills of different forms arise from the way they play in industry, for example trying to maximize the advantages of five forces of Porter, an approach what we call today Industrial Organization. Meanwhile RBV in Brahma and Chakraborty (2011: p. 9.), Barney (1986) argued that "if the factor market resources are perfectly competitive, it is not possible for a firm to get economic rent even if it is successful in creating an imperfect product-market because the price paid to such resources will be equal to its value that the resource will create in the product-market. There is an imperfection in the factor-market which is the result of luck or insights of the firm." In that way, "Porter emphasized on the creation of imperfection of a firm´s product-market for competitive advantage" (Brahma – Chakraborty, 2011: p. 11.).

RBV strategy focuses on the optimization of the role of resources and capabilities as the principal basis for a sustainable competitive advantage (SCA). The RBV is a theory centered on the nature of firms based on its resources, as opposed to theories such as transaction cost economics, which seeks to explain the reason why firms exist (Lockett – Thompson – Morgenstern, 2009). Another way to define the RBV is as a determined collection of assets or resources that are tied "semi-permanently" to the firm (Wernerfelt, 1984) and (Lockett – Thompson – Morgenstern, 2009).

The RBV has had a major impact on strategy because the typical product/market orientation is no longer suitable due to the constant and rapid change of the external environment and costumer preferences. It is easy to catch this if we consider that it is more feasible to control internal resources and capabilities to face the real world, than changing the world to adapt to the firms' needs. The RBV of the firm allows us to respond significant questions such as: On which of the firm´s resources should diversification be based? Which resources should be developed through diversification? (Wernerfelt, 1984).

What are resources according to RBV?

Firm resources include human resources, assets, organisational processes, information and knowledge, among others. In a general sense, resources can be classified as tangible, intangible and human. On the other side, resources can be static or dynamic.

Regarding resources Lockett, Thompson, & Morgenstern (2009) point out that there are three central elements in the RBV: resource functionality, resource combination, and resource creation and decay. By combining resources, firms are able to add value. In fact, Penrose argues that the "opportunity set is also influenced by the way managers combine resources to produce productive services or capabilities" (Lockett – Thompson – Morgenstern, 2009: p. 14.). The creation of resources depends on the history of the firm; it can be seen that each firm possesses a bunch of resources whose value is in constant flux. According to Lockett, Thompson and Morgenstern (2009: p. 16.), "if resource markets are perfect, the costs of acquiring resources will be approximately equal to the value of those resources once they are used to implement product market strategies. Consequently, if a firm acquires resources, and continues to use them in the same way that they were previously employed, SCA will be difficult to achieve in the absence of resource market imperfections".

Barney (1991) defines the following attributes or characteristics of a resource: (a) it must be valuable, in such way that it is capable to exploit opportunities and beat threats, (b) it must be rare among other resources, in such way that it happens to be quite difficult to find the same resource in competition; (c) it must be imperfectly imitable and (d) it must not have equivalent substitutes, this means that rare and valuable resources can only result in sustained competitive advantage. Due to the initials of each characteristic, these are called VRIN (Valuable, Rare, Imperfectly imitable, and Non-substitutable). Resources must have VRIN attributes, but just having those attributes is not sufficient for achieving competitive advantage, nevertheless sustainable competitive advantage. Rare and valuable are two of the main characteristics of RBV, both are equally important for achieving competitive advantage, but a valuable resource depends not only in the intrinsic nature of it, but in the way it is used or the way it is deployed.

As we shall see, the way resource is used or combined will depend in most of situations on the decision making of the managers or administrators in charge. According to Brahma and Chakraborty (2011), from the point of view of VRIN resources, for a firm to have a sustained competitive advantage the resources should be not just rare and valuable, but inimitable and non-substitutable. For example, you can have a specific technology that can give you advantage and introduce new products or new features that may improve the revenues and the position of your firm, but if that technology is easy to copy or emulate, the competitive advantage will last a short period of time and hence not sustainable. Important to mention that resources should be replaced once they lost any of the VRIN characteristics, in order to maintain SCA.

Toward a dynamic capabilities approach from resource-based view

RBV strategy seems to be not enough to support significant and sustained competitive advantage, especially in rapidly changing environments. The problem with RBV is that the view of the firms as a bunch of resources is very static and limited and does not provide explanations on how successful firms endure over time with an increasing competitive environment. For example, firms like IBM, Texas Instruments; Phillips among others seems to stick to RBV approach of accumulating valuable technological assets as VRIN resources (Teece – Pisano – Shuen, 1997). Nevertheless, those firms that have sustained good positions seem to demonstrate timely responsiveness and rapid adaptation to environment through internal changes in their structure and resources. It seem that they have mastered the management capability to coordinate and redeploy internal and external resources and competences (Teece – Pisano – Shuen, 1997). This ability to achieve new forms of competitive advantage through the renovation of based resources and competences belongs to dynamic capabilities approach.

According to Barney (1991), dynamic capabilities follow the theory of RBV of the firm. As a matter of fact, DC can be seen as a complement to RBV approach. According to Teece, Pisano, & Shuen (1990) when refereeing to RBV in Ambrosini and Bowman (2009: p. 30.), "is not only the bundle of resources that matter, but the mechanism by which firms learn and accumulate new skills and capabilities, and the forces that limit the rate and direction of this process". In this way, they propose an interesting definition of dynamic capabilities as follows: "the firm ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Ambrosini – Bowman, 2009: p. 30.).

There are several definitions of DC in the literature of strategic management. Spending time analysing them could be worthless, it is just important to emphasize that they refer to resources or routines configurations that are learned or created by managers according to their knowledge and history (path dependence) in order to address rapidly changing environments. It is important to remark that dynamic capabilities are intended processes that arise inside the firm but with the well-defined purpose, it is not about luck or emergent situation.

Notice that RBV and dynamic capabilities refer more to strategy through performance rather than through the market position approach that is posted by Porter in the 80´s. They also highlight internal resources and the path dependence of them, instead of focusing on external environment like Porter proposes. But DC are complex by themselves, because they refer to changing internal factors, most of the times resources that are not measurable, in this way it is important to consider more theories as concerned to DC, theories like process of creative destruction and innovation-based competition and the role of firm-specific assets and isolating mechanisms (Ambrosini – Bowman, 2009). This approach is relevant in a Schumpeterian world of innovation-based competition (Teece – Pisano – Shuen, 1997).

understanding the correct use of the term "dynamic capabilities"

Dynamic capabilities are not capabilities by themselves neither are they resources. When referring to the term dynamic capabilities, we always must use both words together; otherwise the meaning surely is not going to be the correct. Let's go deeply in the very particular meaning of each word when used in DC.

Let's start with the word "capabilities". The word "capabilities" has a very different meaning when used in dynamic capabilities compared to the classical meaning in other contents. In RBV for example, capabilities are processes or routines that arises from VRIN resources, but they refer to today capabilities as they are *static* in the way that they refer to today's abilities to be different and hence to have a competitive advantage. On the other hand, in dynamic capabilities, the term "capabilities" emphasizes "the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organisational skills, resources, and functional competences to match the requirements of a changing environment" (Teece – Pisano – Shuen, 1997: p. 515.).

On the other hand, the word *dynamic* refers to the capacity to renew competences and resources to have congruence with the changing environment (Teece – Pisano – Shuen, 1997) and it is future oriented because it refers to processes that change the based VRIN resources, instead of just using and combining them in different ways. Dynamic refers to the *change* in environment, but not to the capability of being dynamic. In RBV capabilities refers by which the resources are utilized. It refers to the abilities to adapt and change constantly internal and external resources to address the changing environment (Ambrosini – Bowman, 2009).

path dependence and heterogeneity

Two main characteristics of the RBV are path-dependency and firm heterogeneity (Lockett – Thompson – Morgenstern, 2009). As Lockett (2005: p. 85.) mention, Penrose considered the firm as "administrative organizations that are collections of heterogeneous productive resources that have been historically determined".

RBV is path dependent because firm resources are directly related to firms' past activities, this can be determinant on increasing or decreasing growth through time. When talking about heterogeneity, the RBV offers an interpretation of the existence of profits in equilibrium. In other words, any source of competitive advantage is simply a rent conferred by one or more imperfections in the resource market (exogenous variables) that prevent an equitable input allocation among competitors. Resources differ in their impact on the firms´ ability to generate profit or differentiation advantages, and hence, performance.

When referring to dynamic capabilities, heterogeneity does not apply, as we shall see later in this paper, mainly because routines and processes that compose DC share commonalities among different firms. Nevertheless, and as we also shall see, it does not mean that homogeneity yields to the lack of a sustained competitive advantage because the most important thing for dynamic capabilities is to generate new heterogeneous and VRIN resources.

Path dependence and position are very important for dynamic capabilities. "The literature characterizes dynamic capabilities as complicated routines that emerge from path-dependent processes" (Eisenhardt

– Martin, 2000: p. 1114.). This path dependence provides knowledge learned through years to the firm, but also important for developing DC is the contribution of small loses in the learning process. Repeated practice accelerates and improves the creation of DC. According to Ambrosini and Bowman (2009), not only path dependence is important but also position of the firm; both are internal factors and their importance resides because they are concerned with two aspects that play a critical role in the effective deployment of dynamic capabilities: learning and the existing set of resources, as we saw previously. Finally, experience also plays a key role in developing DC; according to Eisenhardt and Martin (2000), there should be an adequate amount of experience, because in some situations experience that comes to fast can overwhelm managers, on the other hand infrequent experience can lead to forgetting what was learned previously.

Resource-based view and dynamic capabilities as sources of profit and sustained competitive advantage

A resource is anything in a firm that can be thought or considered as a strength or weakness (Wernerfelt, 1984). In general terms, we can identify two major sources of superior profitability: industry attractiveness and competitive advantage; of these, competitive advantage is by far the most important (Grant, 2010). In the last years many researchers have spent time and research in trying to identify which resources provide SCA, to mention some of them that were identified: human resources (according to Amit – Schoemaker, 1993) mentioned in Brahma – Chakraborty (2011: p. 9.), organisational culture (according to Barney, 1986) mentioned in Brahma & Chakraborty (2011: p. 9.), organisational routines (according to Nelson – Winter, 1982) mentioned in Brahma & Chakraborty (2011: p. 9.), response lags (according to Lippman – Rumelt, 1982) mentioned in Brahma & Chakraborty (2011: p. 9.), invisible assets which are difficult to imitate (according to Itami, 1987) mentioned in Brahma & Chakraborty (2011: p. 9.), research and development assets.

The relationship between firm resources and competitive advantage is highly correlated. Resources must be heterogeneous and not perfectly mobile in order to get competitive advantage (Barney, 1991). In addition, resources should have specific features that allow us to measure or probe their heterogeneity and immobility levels. VRIN framework of resources sets out the broad necessary conditions for a resource's comparative scarcity to elevate it to strategic significance (Lockett, 2005). It is clear that any resource that is considered a source of competitive advantage must have the VRIN framework in order to exploit differences and create heterogeneous and immobile scenarios for the firm. When used in the correct way by the firm, the VRIN resources can offer competitive advantage to any firm, due to the ability to provide unique and inimitable internal assets.

RBV approach claims that competitive advantage is found when a firm achieves VRIN resources, but VRIN resources are static in a specific frame of time and in some moment in the future, competition could copy or destroy them, eliminating the competitive advantage. Then, if the objective of a competitive advantage is to generate a differentiation through the time we could wonder if the static approach of RBV could generate real and sustained competitive advantage in a firm? Up to know it seems that VRIN resources are basic for the creation of competitive advantage, but maybe they are not enough to get a sustained one. "A valuable resourced base (and hence capabilities) allows a firm to earn a living in the present" (Ambrosini – Bowman, 2009: p. 34.). Going deeply in literature, it seems that DC is a complement to the static approach of the RBV to get real and sustained competitive advantage. According to Winter (2003) quoted in Ambrosini & Bowman (2009: p. 32.) "dynamic capabilities govern the rate of change of a firm´s resources and notably its VRIN resources". But the critical point here is that, a firm with unused VRIN resources is not able to generate competitive advantage; DC allow firms to continually have competitive advantage and help firms to avoid developing core rigidities (Ambrosini – Bowman, 2009). Then, the goal of dynamic capabilities is to generate a new bundle of VRIN resources.

Let´s move further in the last idea. Despite what we have seen, some authors like Ambrosini and Bowman (2009) consider that due to the abstract and intangible characteristics of DC, the effect in firm performance is indirect and not direct like with VRIN resources. Moreover, in agreement with Eisenhardt and Martin (2000), as processes and routines, dynamic capabilities possesses several commonalities among firms and those commonalities imply that DC per se are not likely to be sources of competitive advantage, because "firms can gain the same capabilities from many paths, and independent of other firms" (Eisenhardt – Martin, 2000: p. 1110.) and thus they are not unique nor inimitable. Then we can infer that dynamic capabilities are necessary but not sufficient for creating sustained competitive advantage because they could be duplicated across firms. Moreover, depending on how valuable, rare, inimitable are the new-based resources created by specific dynamic capabilities, the performance of the firm could be positively or negatively influenced. Positive changes occur when the based resource that arises from dynamic capabilities provides a better performance in the firm. On the other hand, if the new base resource provided by the DC yields to a poorer performance the result is negative. The final possibility is that DC provides just temporary competitive advantage instead a sustained one, if the new emerged VRIN resources are easy to imitate for the competitors.

As noted from above paragraphs, achieving sustained competitive advantage from resource-based view and dynamic capabilities is not a straightforward process neither an easy one for any firm. Dynamic capabilities do not necessarily lead to sustained competitive advantage; even more they could provide negative results. Then we wonder how could we sum-up in a nutshell the way to get sustained competitive advantage? The focus is on asset structures for which no market exists and in creating continually new VRIN resources in such way than these resources improve the firm´s performance; a key step in building competitive advantage "lies with its managerial and organisational processes, shaped by its specific asset position, and the paths available to it" (Teece – Pisano – Shuen, 1997: p. 518.). As we shall see further, managers play an important role for getting sustained competitive advantage.

Exemplifying applied strategy based in resource-based view and dynamic capabilities

As referring to internal resources, most of the time some commonly unobservable like human resources and other implicit resources such position of the brand and organisational learning (Lockett – Thompson – Morgenstern, 2009: p. 16.), RBV and DC are still questioned when trying to be measured by common quantitative methods. Nevertheless, there are several examples of papers that treat topics related with achieving SCA through the application of RBV theory of the firm.

Unique capabilities in different industries could be a source of competitive advantage. For example in semiconductors industry, the way they do research and the way they develop technology can create the difference for surviving in such competitive and changing environment; even more, internal decisions, and the way managers in different levels provide the conditions that involved different employers in the strategy could benefit in having a successful strategy (Burgelman, 1991).

In several different industries, research could be the important and unique difference. In pharmaceutical industry, for example, the ability to conduct research and the way this research provide new products can accomplish important dynamic capabilities that separate those firms that survive from those who will not (Henderson – Cockburn, 1994). Henderson and Cockburn (1994) provide a detailed study of pharmaceutical industry claiming that the ability to integrate knowledge both across the boundary of the firm and across disciplines and product areas within the firm is an important source of strategic advantage. In fact, in those technology-driven industries, according to Dierickx and Cool (1989) refereed in Henderson and Cockburn (1994: p. 3.) "a substantial body of theoretical work suggests that idiosyncratic research capabilities are likely to be a particularly important source of strategically significant competence in science and technology driven industries".

Sometimes, intangible resources play a very special role as VRIN resources. It is well known that those resources are quite difficult to measure or observe. A specific case is the role of managers, important role that is shaped by the set of decisions that are taken day by day, and that are not measured neither observed one by one. Next section will go deeply in the way managers' behavior constitutes a kind of resource and sometimes a capability that can provide sustained competitive advantage in a firm.

Role of managers in resourced-based view and dynamic capabilities strategies

When talking about RBV strategy, resource advantage can be both exogenous and endogenous. According to Lockett, Thompson and Morgenstern (2009), the role of a manager is similar to that of a card player: the player has cards determined exogenously depending on the environment (external factors). Success in the game depends on how the player takes advantage of those cards, and the subsequently acquired cards (endogenous factor).

CEOs and managers in middle and at top levels could be considered as unique resources, that per se have unique path dependences that constitutes VRIN resources and provides SCA. Brahma and Chakraborty (2011: p. 13.) referring to Smith, Carson and Alexander (1984); Pfeffer and Davis-Black (1986); and Haleblian and Finkelstein (1993) claims that "past researchers have found that organisational performance is associated with executives performance, top-managers team size, composition and tenure". According to Oliver (1997) cited in Brahma & Chakraborty (2011: p. 13.) "a firm´s sustainable advantage depends on its ability to manage the institutional context of its resource decisions which includes internal culture and broader influences from state, society and inter-firm relations". Managers do all these things. It is easy to show that firms like INTEL, APPLE, and FORD installed the culture that CEO brings to the firm, CEO culture and experience depends on path dependence, among other factors.

Most of the time, managers are in charge of executing the master plan of the firm's corporate or business strategy. As Mintzberg (1988) said, it is about crafting a strategy that requires managers to know about the business and apply their knowledge and experience to create strategic differentiation. The SWOT and marginal analyses are very useful and allow most managers to be capable to react to the internal and external environment, trying to create and develop new actions and strategies that enable firms to survive among competitors. Nevertheless, RBV approach permits managers to gain a better understanding of market imperfections, not just on resources but also on products, to accomplish SCA. Under the resourced-based view and dynamic capabilities, managers have the possibility to continuously reposition the firm according to internal and externals resources. On the other hand, industrial organization economics consider that the role of managers is responsive to different situations. Thus, in RBV (and we can extend to dynamic capabilities as well), managers have the chance to be more proactive and adaptive to different situations (Lockett – Thompson – Morgenstern, 2009).

Since the point of view of RBV, managers take different decisions based on their perceptions, knowledge and experience about their resources, changing the nature of competition in markets. As Penrose (1959) points out in (Lockett – Thompson – Morgenstern, 2009), managers´ decisions are linked to their perceptions about the firms´ resources and the external environment; and finally this experience is fundamental for the enterprise.

A manager is responsible for the profitable usage of the available resources. Thus, a manager's perception is an important dimension in the RBV. From another point of view, the fact that a manager´s perception affects resource allocation assures that resources have plenty of different usages among different firms, supporting the heterogeneity theory that Barney held (Barney, 1991).

Great managers' challenge in the use of RBV and dynamic capabilities strategy is not only detecting and anticipating future competitors (Burgelman, 1991) but also being thoroughly acquainted with the functionality of resources that are under their control, recombining them in a range of different ways and determining the most profitable usage for these resources depending on the market.

Managers are also crucial for the correct deployment of dynamic capabilities; more over it should be one of the main concerns in their positions. According to Ambrosini and Bowman (2009), managers are one of the internal factors that most influence dynamic capabilities, because they always play a key role in the firm´s ability to adapt to the environment. To resume the importance of managers and the relationship with path dependence, according to Teece (2007: p. 1346.) quoted in Ambrosini and Bowman (2009: p. 41.), "dynamic capabilities reside in large measure with the enterprise´s top management team" but, because of path dependency these dynamic capabilities "are impacted by the organisational processes, systems, and structures that the enterprise has created to manage its business in the past".

According to Burgelman (1991), intra-organisational ecological perspective of strategy making and organizational adaptation is also well related with managers and people taking decisions. "Strategy results, in part, from selection and retention operating on internal variation associated with strategic initiatives. Variation in strategic initiatives comes about, in part, as the result as individual strategists seeking expression of their special skills and career advancement through the pursuit of different types of strategic initiatives" (Burgelman, 1991: p. 240.). In the mentioned paper, Burgelman explore the way Intel Company supports its strategy through time, achieving sustainable competitive advantage through several decisions most of them based in contingency approach and through the leadership of their managers and employees. At the end Burgelman (1991) supports even more the importance of managers and their performance mentioning three propositions that firms that achieve SCA for more than 10 years have: the combination of autonomous strategy and the content of it and the ability of maintaining simultaneously bottoms-up driven internal experimentation and selection processes.

Another point of view when creating competitive advantage through a VRIN strategy (valuable, rare, imperfectly inimitable and non-substitutable) value as our key element will depend on the firm's purposes for competitive advantage. It is important to mention the critical contribution and support that a functional area like Human Resources can do for the companies' own benefit.

In order to have a successful approach of the RBV it must be tested in real projects. There's an applied study in a United Kingdom manufacturer of production line equipment. This company decided to create a competitive advantage in the way they provided service. Improvements had been coordinated by a "service steering committee" which met in a specific period of time to review progress and decide which ideas to support (Mills – Platts – Bourne, 2003). For the researchers this was an opportunity to increase and develop knowledge on resource analysis methods and outcomes, while top management felt this was a useful opportunity to check progress on their service provision competence.

During the research it was noticeable the support from different directors, which led to advantages in the research area. When having this type of support from top management it's a high value resource for the inside of the company but still is something that competitors can imitate without a problem. Another type of concern when applying RVB methods for improvements, is the question of what happens if the leader is changed or leaves the project? Can the committee, employees or anyone involved could continue in order to not losing the previous improvements?

An important approach of the case study reviewed is that the firm noticed that service departments should also make profits; it is not exclusive for sales or production departments. Applying this concept to the purpose of this research paper, how can different school service departments (finance, scholar services, library, etc.) create profits even though they are not properly selling, they are providing a unique service to a specific market (college students). That's why the importance of top Management communication through different levels of the organization so everyone can commit to the firm's goals and purposes. And it's inevitable to mention again the importance of the human resources department. Not only involving top management as the strategic planners, another fundamental area when developing competitive advantage is the human resources department. This functional area is in charge of having the first contact with prospect employees with their basic tasks such as recruitment, selection & feedback.

The resource-based view theory suggests that proficient Human Resources Management will help in the development of unique and distinct firm competitive advantages. Organizations that take time to invest in their people (resources) are most likely to generate positive outcomes. The hardest thing to replicate and emulate for are the different intangible skills an employee may have such as knowledge, experience and other skills. For example there are studies that indicate that when the company offers flexible environments for the employees to work, these become more productive and also loyal to their company and willing to play the extra mile since they are truly engaged like if they were family. Thus one of the characteristics of the "best places to work" where the employee feels comfortable and also supported by management in order to develop new ideas, products, processes, etc. for the firm's own benefit and employee recognition. This engagement starts on day one the prospect makes contact with the firm. Firm's branding and corporate image plays and important role, since candidates will trust more a renowned company from one that barely people talks about.

Normally companies invest a week or a couple of days in training their new personnel specially when the position is urgent to be filled but there's the opposite situation where companies like C&A spend more than a couple of months in training their employees in all the areas involving their business. A new employee that is going to work in corporate office for example gets to know how a retail store functions, how do they handle merchandise, basics of accounting, etc. This way the employee has the general background of the company.

There's a study applied to 30 companies out of Fortune's 100 best companies and identified key tasks in their practices for example:

1) knowledge investment,
2) caring workspace,
3) work-life balance programs,
4) diverse management practices and
5) work engagement. (Joyce, 2003).

They signal employees to engage in productive behaviors as a consequence of their excellent reputation (Joyce, 2003). Every company can work with these 5 elements but the question is how well they can do it in order to become successful.

There's an opposite example and that happened to Best Buy and their ROWE strategy (results- only-work-environment) a policy that emphasized flexible work schedules. Best Buy allowed its corporate employees the flexibility of not being physically present at their desks from 9 to 5 every day. Unfortunately this strategy went down on 2013 because of different leadership issues the firm was confronting. This strategy was proposed and executed by two of their former employees (now they own their HR consulting practice firm). You may say how this isn't replicable or hardly to imitate for other competitors in fact it is easy to copy but hard to maintain when there's a lack of communication and management skills from top management.

Rebuilding corporate culture is the hardest work in business and starts by having dynamic leaders that create an environment of trust throughout the organization (Peterson, 2013).

Depolying dynamic capabilities

Understanding the creation of dynamic capabilities

Studying and defining the creation of DC is not such and easy task; dynamic capabilities are not well defined and, until now, there is not a well-defined follow-the-rules process to create them. About creation of DC, first it is important to mention that there are internal and external situations or factors that inhibits or enable dynamic capabilities (Ambrosini – Bowman, 2009): the level of dynamism of external environment (where rapidly changing environments provide better conditions than slow ones), the pace of change in an industry and path dependence (like in RBV history matters), managers. According to other authors there could be more specific factors like social capital, leadership, trust, among others (Ambrosini – Bowman, 2009).

Focusing on market dynamism in general, we can distinguish two well differentiated sceneries: first with moderately dynamic markets, where dynamic capabilities appear in stable industries, being complicated, detailed, and arising from analytical processes that relay on previous knowledge and are linear to produce well known outcomes. In contrast, in very high-velocity markets are different, because the unstable market pushes them to be simple, experiential and quickly giving competitive advantage that could be copied with the time and unpredictable outcomes (Eisenhardt – Martin, 2000).

Examples of dynamic capabilities

We already saw that there are several factors that could stimulate or discourage the creation of DC. As we will see further, the investigation about creation of DC is not completely clear and there is plenty of room to do. As we pointed out there is little empirical evidence about DC nevertheless, there are well defined DC that have provided competitive advantage to the firms.

As specific processes, dynamic capabilities can integrate, reconfigurate, create or release resources. In the case of product development routines, managers integrate resources combining knowledge, experience and skills across different functional teams to provide new and different products that provide a competitive advantage to the firm. In the case of reconfiguration, for example, IDEO manager's routines create new products from knowledge of existing products from many industries and clients (Eisenhardt – Martin, 2000). Creating resources involve those routines that build new knowledge in the firm, those includes alliance and acquisition to bring new resources from external sources. Acquisitions and alliances are commonly used in biotech industry to achieve superior performance (Eisenhardt & Martin, 2000). Finally, releasing resources could be also a dynamic capability, primary in rapidly changing environments; it consists in releasing resource combinations that not longer provide competitive advantage.

Research and development constitutes another typical dynamic capabilities, which used in the correct way could provide an effective response to changes in market prices. Related with research and development, product innovation is also a great dynamic capability that provides to the firm the base to renew constantly products and processes. Organizational structure reconfiguration could be also a dynamic capability, letting firms to reconfigure their business units and recombine resources to adapt environmental changes. Besides the above examples, we could find several more dynamic capabilities. For further information we encourage you to check (Ambrosini – Bowman, 2009), (Eisenhardt – Martin, 2000) and (Teece – Pisano – Shuen, 1997) where several examples and references are made deeply. Finally, we must not forget that dynamic capabilities could be similar among different firms but the importance stands in the way that they change the based VRIN resources, to provide a better performance.

Resources sometimes are complex to define or measure. Dynamic capabilities as well, could be difficult to detect. For example, cultural organization in different industries could provide SCA, like the case of Hewlett Packard which culture promotes and strongly pushes for cooperation and teamwork through different division and among different employees.

Issues related to resource-based view

It is a fact that the RBV has been relevant to strategy in the last decades. Despite that, there are several difficulties for the practical approach and the generation of clear unambiguous hypothesis in the manner of more narrowly conceived theories of firm behavior (Lockett – Thompson – Morgenstern, 2009). In the next lines, we will discuss briefly some of them.

First, the issue of tautology is reviewed. Quoting Priem and Butler (2001a: p. 58.), "if a resource is valuable and rare, then it can be a source of competitive advantage" but value and rarity depends on the use of resource in the firm. More generally, they argue that the problem of tautology lies in the relationship between the general and the specific in the RBV. Equally complex is the size of the firm when researching in the RBV: it is very complex to identify and explain causal relationship in large firms; also, it is very difficult to isolate a resource or a bunch of them and probe their influence in the results of the firm.

Due to the difficulty in measuring, observing and defining the VRIN resources of a firm or a set of firms, quantitative analysis is not the only and most of the times are not the recommended type of analysis for getting results when researching for RBV. Alternatively, researchers suggest using qualitative methods, for example ethnography in order to observe resources that could be unobservable for researchers that do not belong to the organization (Brahma – Chakraborty, 2011). Longitudinal research could be also a big challenge due to the complexity of maintaining a stable organizational chart during the years, because most of the time VRIN resources and creation of dynamic capabilities depend on the different level managers (Burgelman, 1991) the last condition combined with the difficulty of observe and measure VRIN resources and DC just strength the difficulty of longitudinal research.

Paradox is an important concept that could be related with RBV theory due to the nature of this theory. Lado, Boyd, Wright and Kroll (2006) treat in a very specific way the paradoxes that are involved with RBV theory. It is not complex to elucidate some of those paradoxes. To mention some, when talking about measuring resources for obtaining data for a quantitative analysis, it follows that important resources are not ease to imitate because they are unobservable for most of the people, including managers or operators in the business. Such organizational capacities or be some times are unobservable or immeasurable making them complex to study, but at the same time these factors that made them complex to study are those that make then unique and the drivers to provide sustained competitive advantage.

Finally, when wondering if RBV approach represents a competitive advantage or not, it will result very helpful to refer to Priem and Butler (2001b), who through mathematical representations of elemental RBV assertions shows that this theory, as constituted in these years, contains a theory of sustainability but not a theory of competitive advantage. So, the question still arises. Priem and Butler (2001b) point out that resources of the firm and the competitive environment are both essential for the strategy making-process and hence for RBV.

Issues related to dynamic capabilities

According to Ambrosini and Bowman (2009) empirical studies of dynamic capabilities remains relatively rare. There are several issues related with the formal study of DC. First, theory concerned to this topic is relatively young, as it started in the middle 90s, so it is difficult to achieve a strong and irrefutable theoretical framework. Another issue, that also applies with RBV theory is concerned with the lack of evidence of dynamic capabilities; this is due mainly to two factors: because these capabilities have been poorly specified and because the difficulty to observe and measure of the dynamic capabilities.

Considering the above reasons and the idiosyncratic and intangible characteristics of dynamic capabilities, we might wonder whether quantitative methods are the most or the only appropriated for researching dynamic capabilities. As suggested by Lockett and Thompson (2001: p. 743.) and quoted in Ambrosini and Bowman (2009: p. 37.) "it may be necessary to sacrifice some of generality of quantitative investigation for a more qualitative attention to detail". According to Ambrosini and Bowman (2009) smaller samples are well appropriated to qualitative analysis could be more appropriated for understanding the resource creation and regeneration process in dynamic capabilities. Finally, it is important to mention that dynamic capabilities will remain popular but abstract and not usable the number of qualitative field investigations is not augmented (Ambrosini – Bowman, 2009).

Conclusions

Resource-based View of the firm and dynamic capabilities have emerged as dominant paradigms in strategy in the last 20 years and are focused on those resources that can provide a sustained competitive advantage to the firm. In this sense, it may seem quite logical to take for granted that the RBV can produce competitive advantage to the firm; nevertheless, there are some assumptions and implications that allow an *open door* to criticize the RBV approach, the main objection is related to the difficulty found in defining and measuring resources that can provide SCA; in the end, necessary attributes like rarity and value are often difficult to define in an objective way.

According to Professor Barney, "resource-based models of strategic advantage may need to be augmented by theories of the creative and entrepreneurial process" (Priem – Butler, 2001a: p. 64.). In this sense, incremental knowledge and creative destructive processes are very important in generating new VRIN resources that could give sustainable competitive advantage to the firms.

Despite all authors in favor or against the RBV on the firm, a very important question must be raised: Is the RBV strategy here to stay? Wernerfelt (1995) answers this question through a fabulous analogy that involves sports and firms: all games have a body of strategy knowledge which is independent from the specific opponent; however when a specific opponent is to be faced, one can tap into a different body of knowledge in such ways that differences can be exploited. In other words, one can do better by taking advantage of the firm´s differences and diversity. Unlike sports, firm environments do not have enough opportunities for second divisions, therefore "strategies which are not resource-based are unlikely to succeed in such environments" (Wernerfelt, 1995: p. 173.).

To the extent of dynamic capabilities, those are going to grow in importance in the next years. The reason is simple: the environment is changing faster and faster, thus static based resources are not an option today, the way to compete and achieve real and sustained competitive advantage is finding the correct process and routines that allows firms to constantly renew the based resources, seeking always for VRIN resources. Finally, and continuing with the way of finding sustained competitive advantage it is worth to think about the answer that Eisenhardt and Martin give to the question where does the potential for long-term competitive advantage lies? According with them: "It lies in using DC sooner, more astutely, or more fortuitously than the competition to create resource configurations that have that advantage. Therefore, long-term competitive advantage lies in the resource configurations that managers build using dynamic capabilities, not in the capabilities themselves" (Eisenhardt – Martin, 2000: p. 1117.).

There are more areas that are found directly related with RBV and DC, for example knowledge management (Grant, 1996), strategic leadership, strategic marketing (Fahy – Smithee, 1999), just to mention some. The more turbulent the environment of the industry, the more complex to maintain a long lasting competitive advantage. In those conditions, there is an important type of advantage that is derived directly from RBV and DC, the named Transient Advantage. According to the anatomy of transient advantage, any competitive advantage goes through a life cycle compose of different stages (Gunther McGrath, 2013). But the most interesting thing about Transient Advantage is the new rush dynamic perspective that this approach is revealing derived from the today's forces in industry, such the digital revolution, a "flat world", low entry barriers that boosted globalization, the near zero cost opportunity for getting information, etc. Quoting from Gunther McGrath (2013: p. 64.) "in a world where a competitive advantage often evaporates in less than a year, companies can not afford to spend months at a time crafting a single long-term strategy. To stay ahead, they need to constantly start new strategic initiatives, building and exploiting many transient competitive advantages at once".

We hope to have a better understanding about resourced-base view and dynamic capabilities in the near future. I hope more scholars and researchers spend time doing research not just in DC and RBV, but in related topics such knowledge management or transient advantages; and I hope they remain open not just to conventional quantitative methods, but to qualitative and ethnographic methods that sometimes are more appropriated for doing RBV and DC research. I am pretty sure that those approaches are going to be key for the competitiveness of firms in the increasingly changing environment. But, it is also important to notice that those approaches, neither competitive forces nor game theory are the *holy grail* of strategy. Each approach has advantages and disadvantages and the success in achieving competitive advantage will depend on the managers, their experience and the way they combine and apply the correct strategies.

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