# Management, Strategic Management Theories and the Linkage with Organizational Competitive Advantage from the Resource-Based View

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**Abstract**

The main objective of this paper is to review the evolution of management theory, overview of strategic management theory and its linkage with the resource-based view (RBV) of the firm's competitive advantage. A review of the relevant literature was conducted and a connection between management theory, strategic management theory and competitive advantage from the RBV of the firm was identified. It was found that the RBV of the firm's competitive advantage is one of the main strategic management theories applicable to explain organizational performance, and it is also a part of the larger management theory family which has evolved to suit the managerial needs of the organizations and also the business environments organizations are operating in. Examining organizational competitive advantage from the RBV allows the organization to gauge the magnitude of importance placed upon its internal firm resources and capabilities in particular towards attaining a competitive advantage level, thus providing further support and extension to the RBV.

**Keywords:** Competitive advantage, resource-based view (RBV) and firm performance

## 1. Introduction

Achieving a competitive advantage position and enhancing firm performance relative to their competitors are the main objectives that business organizations in particular should strive to attain. Competitive advantage is a concept that remains as a major research area as far as strategic management is concerned. Moreover, as far as global and local businesses are concerned, competitive advantage is important. In order to compete and sustain successfully, locally and globally, businesses must not only excel in their area but also persevere in the long run. Achieving such a “sustainable competitive advantage” status is not an easy task without a proper road map or strategy being outline and put into practice. Competitive advantage is a result from and being associated with a long list of contributing factors. Such factors include operational efficiencies, mergers, acquisitions, levels of diversification, types of diversification, organizational structures, top management team composition and style, human resource management, manipulation of the political and/or social influences intruding upon the market, conformity to various interpretations of socially responsible behaviours, international or cross-cultural activities of expansion and adaptation, and various other organizational and/or industry level phenomena (Ma, 1999a, 1999b; Flint and Van Fleet, 2005; King, 2007b).

Indeed, the concept of competitive advantage has been in existence since International businesses and Multinational Corporations (MNCs) such as Sony, Toyota and Intel have achieved and sustained their competitive advantage via various strategic management practices and approaches. However, the question that arises is the underlying epistemology of competitive advantage in management and business. Hence, a review of the existing literature examines the evolution of management theory, the overview of strategic management strategy and the linkage with competitive advantage, particularly from the resource-based view perspective.

## 2. The Evolution of Management Theory

Management theory provides a simple conceptual framework for organizing knowledge and for providing a blueprint for action to help guide organizations toward their objectives. Contributions from past industrialists have molded the organizational system and culture, and managers can benefit from an awareness of these contributions. As such, scientific management can be seen as the starting point from where the managerial aspect of organizations are systematically being analyzed and improved for practical application in the day to day running of organizations (Cole, 2004; DuBrin, 2006). As with any modern theory, scientific management theory is also subject to criticism and has evolved with time to suit the needs of organizations and the environments they are operating in. This is the crucial factor for survival, being able to adopt and adapt to the needs of the surroundings, without foregoing the basic or fundamental structural beliefs of the concept or notion being uphold.

Following Sheldrake (2003), Cole (2004) and DuBrin (2006), an overview of the management theory evolution is presented in Figure 1.1 as per the Management Theory Chart. The Management Theory Chart shown in Figure 1.1 tries to encapsulate the management theory evolution spanning from the period 1900 to 2000. The development and progressive nature of the management theory indeed captures the dynamism of management theory i.e. being responsive and adaptive to the internal and environmental needs of evolving organizations. The chart anchors on several approaches and perspective, namely: i) the classical approach, ii) the human resource approach, iii) the quantitative approach, iv) the systems perspectives, v) the contingency approach, and vi) the information technology approach.

### 2.1. The Classical Approach

The classical approach to management encompasses scientific management and administrative management. The scientific management is the application of scientific methods to increase individual workers’ productivity, mainly developed by Taylor, Gantt and Frank & Lillian Gilbreth. On the other hand, the administrative management was concerned with the use of management principles in the structuring and managing of an organization, primarily contributed by Fayol and Weber.

### 2.2. The Human Resource Approach

The human resource approach very much applied the psychological aspect of human nature to manage organizations, i.e. emphasizes managing people by understanding their psychological makeup and needs. Among the major contributors to this approach are the Hawthorne studies or effect (the phenomenon in which people behave differently in response to perceived attention from evaluators), McGregor’s Theory X and Theory Y (assumptions about human nature with regards to work and responsibility), and Maslow’s hierarchy of needs (ranging from basic needs to those for self-actualization). The human resource management (HRM) and organizational behaviour (OB) theories very much stems from this approach.

### 2.3. The Quantitative Approach

This approach is a perspective on management that emphasizes the use of a group of methods in managerial decision making, based on the scientific method. This approach is referred to as management science and/or operations research, which adopted quantitative tools including statistics, linear programming, decision trees, and network analysis. Among the managerial applications are those of inventory control and quality control.

### 2.4. The Systems Perspective

This perspective adopted the view that an organization is a system, or an entity of interrelated parts. Among the management theories applicable from this view is the HRM & OB (including that of organization theory - domestic, international, & virtual enterprises), resource-based view (RBV) (the theory of competitive advantage), strategic management (SM) theories of competitive advantage and collaborative advantage (including that of industrial-organization [I/O] perspective), and competence and innovation (C & I) theory. The systems perspective is vital since the interaction and interlinking of internal resources, capabilities and systems very much explain the dynamism and adaptive nature of organization towards its environment.

### 2.5. The Contingency Approach

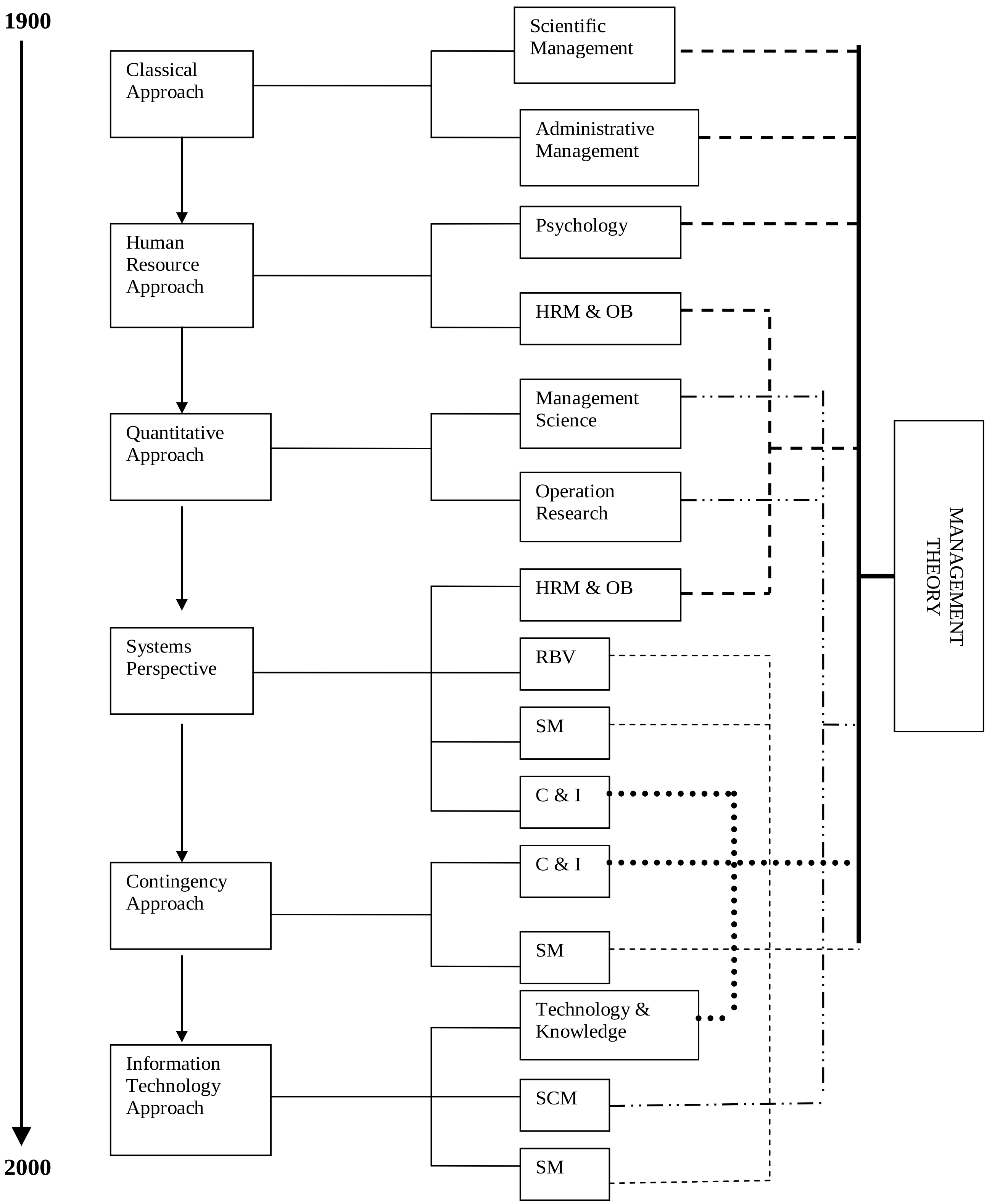
This is a perspective on management that emphasizes that no single way to manage people or work is best in every situation. It encourages managers to study individual and situational differences before deciding on a course of action. The management theories that are applicable from this view are strategic management (SM) theories of competitive advantage and collaborative advantage (including that of industrial-organization [I/O] perspective), and competence and innovation (C & I) theory. This is due to differing environmental and organizational needs and structures that affect an organization, coupled with differing resources and capabilities pertaining to individual organization.

### 2.6. The Information Technology Approach

This approach stems from the impact of information technology and the internet on the conduct of organizations, managers and workers alike. Among the management theories applicable from this view are technology and knowledge management (KM) theories, supply chain management (SCM) [including the logistics, distribution and inventory theories], and strategic management (SM) theories of competitive advantage and collaborative advantage (including that of industrial-organization [I/O] perspective). This is also due to the impact of information technology on the conduct of organizations with regards to KM, SCM, and SM, and also the managerial evolution and revolution in response to dynamic environmental changes that are taking place.

The management theory chart (Figure 1.1) illustrated the evolution of management thought and practices by interlinking and showing the interaction of those relevant approaches with those relevant management theories. The chart is dynamic in nature in such a way that although the approaches and/or perspective are shown as progressive in nature (illustrated by straight-line arrows), the interaction and interlink of those management theories (illustrated by dashed and/or dotted-line connections) goes beyond chronological order and their relationship are shaped by the environmental needs and relativity of structural and operational requirements pertaining to organizational conduct and practices.

**Figure 1.1:** Management Theory Chart (adapted from DuBrin, 2006)



## 3. Overview of Strategic Management Theory

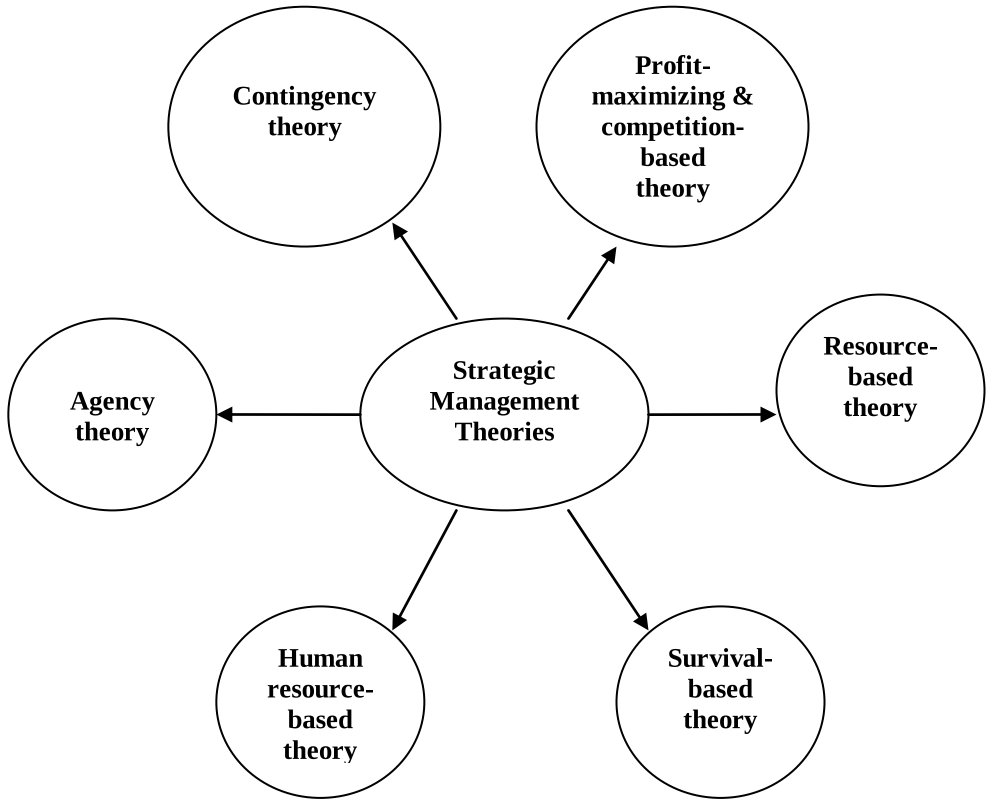
Strategic management is the process and approach of specifying an organization's objectives, developing policies and plans to achieve and attain these objectives, and allocating resources so as to implement the policies and plans. In other words, strategic management can be seen as a combination of strategy formulation, implementation and evaluation (David, 2005; Haim Hilman Abdullah, 2005; Mohd Khairuddin Hashim, 2005; Zainal Abidin Mohamed, 2005). Based on the Management Theory Chart seen in Figure 1.1 discussed earlier, it could be observed that the strategic management theories stem mainly from the systems perspective, contingency approach and information technology approach. In light of this background, following David (2005) and Mohd Khairuddin Hashim (2005), among the common strategic management theories noted and applicable are the profit-maximizing and competition-based theory, the resource-based theory, the survival-based theory, the human resource-based theory, the agency theory and the contingency theory.

**The profit-maximizing and competition-based theory**, which was based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place. The industrial-organization (I/O) perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional I/O perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1981). On the other hand, **the resource-based theory** which stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007).

However, **the survival-based theory** centers on the concept that organization need to continuously adapt to its competitive environment in order to survive. This differs to **the human resource-based theory**, which emphasizes the importance of the human element in the strategy development of organizations. In addition, **the agency theory** stresses the underlying important relationship between the shareholders or owners and the agents or managers in ensuring the success of the organizations. Finally, **the contingency theory** draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing. In short, during the process of strategy formulation, implementation and evaluation, these main strategic management theories will be applicable to management of organization as tools to assist them in making strategic and guided managerial decision. These strategic management theories can best be depicted as per Figure 1.2.

Therefore, in this paper, besides the systems perspective, contingency approach and the other main strategic management theories mentioned above, the resource-based theory or view (RBV) of the firm's competitive advantage in particular will be the underlying theoretical foundation applied and fundamental basis of the variables and their ensuing relationships that are being studied. This is because this paper will focus especially on the internal attributes (i.e. resources, capabilities and systems) of the organization towards attaining competitive advantage. Although there are also some minimal external dimension and elements being considered (i.e. interactions), these elements are mainly inherent within the organization. Hence, it justifies the adoption of the RBV as the main research tenet.

**Figure 1.2:** Strategic Management Theories (adapted from David, 2005; Mohd Khairuddin Hashim, 2005)

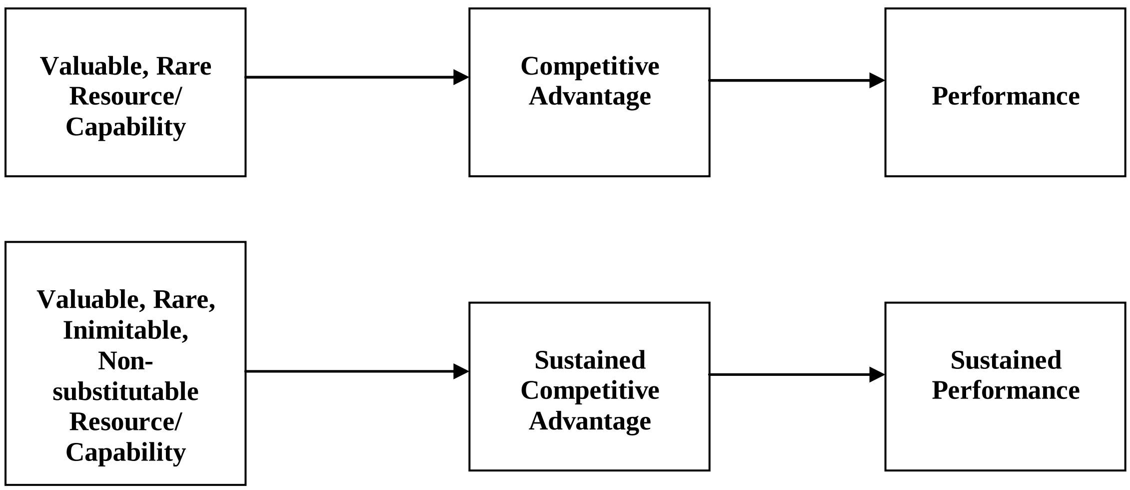



## 4. Competitive Advantage – The Resource-Based View

The pursuit of competitive advantage is indeed an idea that is at the heart of much of the strategic management literature (Burden and Proctor, 2000; Fahy, 2000; Ma, 2000, 2004; Barney, 2001a, 2001b, 2007; Lin, 2003; Fahy, Farrelly and Quester, 2004; Cousins, 2005; Porter and Kramer, 2006; Liao and Hu, 2007). Understanding sources of sustained competitive advantage has become a major area of study in strategic management (Porter, 1985, 1991; Barney, 1991; Peteraf, 1993; Ma, 1999a, 1999b, 2004; Flint and Van Fleet, 2005; King, 2007b). The resource-based view stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Barney, 1986, 1991, 2001a; Conner, 1991; Mills, Platts and Bourne, 2003; Peteraf and Bergen, 2003). Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime, Barney (1991) examines the link between firm resources and sustained competitive advantage. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. In Barney (1991), firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness. In this article, a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. Furthermore, a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (Barney, 1991).

Barney (1991) further argued that to have the potential to generate competitive advantage, a firm resource must have four attributes: (a) it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; (b) it must be rare among a firm's current and potential competition; (c) it must be imperfectly imitable; and (d) there cannot be strategically equivalent substitutes for this resource. This conceptual notion can best be displayed as per Figure 1.3.

**Figure 1.3:** Barney's (1991) Conceptual Model (Newbert, 2007)

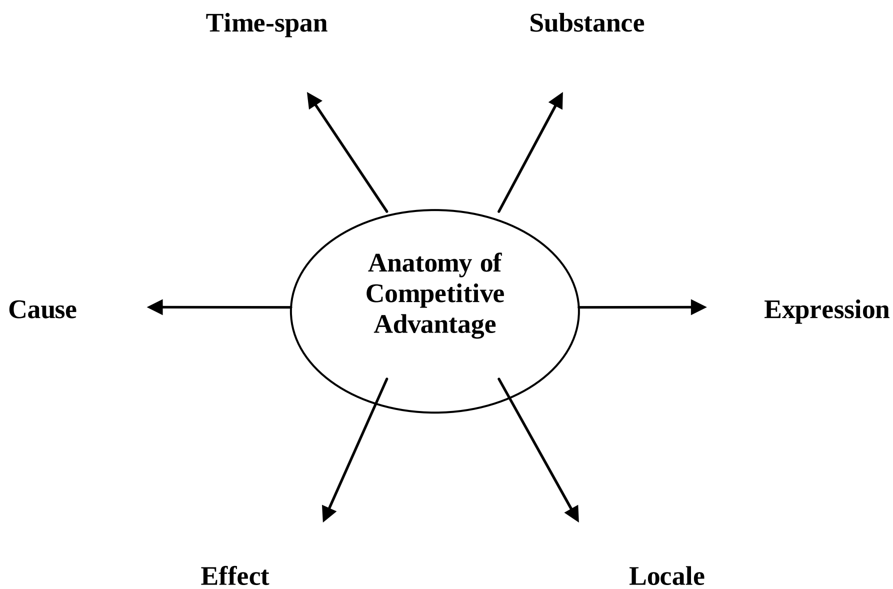



Competitive advantage is perhaps the most widely used term in strategic management, yet it remains poorly defined and operationalized (Ma, 2000). Ma (2000) makes three observations regarding competitive advantage and conceptually explores the various patterns of relationship between competitive advantage and firm performance, namely: (i) competitive advantage does not equate to superior performance; (ii) competitive advantage is a relational term; and (iii) competitive advantage is context-specific. In addition, Ma (2000) further examines three patterns of relationship between competitive advantage and firm performance, namely: (i) competitive advantage leading to superior performance; (ii) competitive advantage without superior performance; and (iii) superior performance without competitive advantage. The ultimate purpose of Ma's (2000) article is to help generate a healthy debate among strategy scholars on the usefulness of the competitive advantage construct for our theory building and testing.

Ma (1999b) has also argued that competitive advantage arises from the differential among firms along any dimension of firm attributes and characteristics that allows one firm to better create customer value than do others. Generic sources of competitive advantage include ownership of assets or position; access to distribution and supply; as well as proficiency – knowledge, competence, and capability – in business operation. It has also been further argued that in order to achieve and sustain competitive advantage, a firm needs to creatively and proactively exploit the three generic sources, preempt rivals attempt at these sources, and/or pursue any combination of proactive and preemptive effort. This article advances an integrative framework that helps management practitioners systematically analyze the nature and cause of competitive advantage (Ma, 1999b).

Competitive advantage is the basis for superior performance (Ma, 1999a). Understanding the anatomy of competitive advantage is of paramount importance to general managers who bear the ultimate responsibility for a firm's long term survival and success. Ma (1999a) advances an integrative framework called SELECT to help general managers systematically examine the various facets of the anatomy of competitive advantage: its substance, expression, locale, effect, cause, and time-span. It has been reasoned that by analyzing the causes of competitive advantage helps a firm create and gain advantage. Studying the substance, expression, locale, and effect of competitive advantage allows the firm to better utilize the advantage. Examining the time span of competitive advantage enables the firm to fully exploit the advantage according to its potential and sustainability (Ma, 1999a). This concept can be represented in a diagram as per Figure 1.4.

**Figure 1.4:** Anatomy of Competitive Advantage (Ma, 1999a)




The resource-based view of the firm (RBV) has emerged in recent years as a popular theory of competitive advantage. The term was originally coined by Wernerfelt in 1984 (Fahy, 2000) and the significance of this contribution is evident in its being awarded the Strategic Management Journal best paper prize in 1994 for reasons such as being “truly seminal” and an “early statement of an important trend in the field” (Zajac, 1995; cited in Fahy, 2000). Fahy (2000) has reasoned that the principal contribution of the resource-based view of the firm has been as a theory of competitive advantage. Its basic logic is a relatively simple one. It starts with the assumption that the desired outcome of managerial effort within the firm is a sustainable competitive advantage (SCA). Achieving an SCA allows the firm to earn economic rents or above-average returns. In turn, this focuses attention on how firms achieved and sustain advantages.

The resource-based view contends that the answer to this question lies in the possession of certain key resources, that is, resources having the characteristics of value, barriers to duplication and appropriability (Fahy, 2000). This view is not dissimilar to that proposed by Barney (1991). An SCA can be obtained if the firm effectively deploys these resources in its product-markets. Therefore, the RBV emphasizes strategic choice, charging the firm's management with the important tasks of identifying, developing and deploying key resources to maximize returns (Fahy, 2000). In summary, following Fahy (2000), the essential elements of the resource-based view are as follows: (i) sustainable competitive advantage and superior performance; (ii) the characteristics and types of advantage-generating resources; and (iii) strategic choices by management.

The resource-based view is indeed an alternative perspective to analyze competitive advantage compared to that put forward by the I/O perspective. As Porter (1991) highlighted, there are four attributes of the proximate environment of a firm that have the greatest influence on its competitive advantage, namely, factor conditions, demand conditions, related & supporting industries, and firm strategy, structure and rivalry. O'Shaughnessy (1996) re-affirms the validity of Michael Porter's contribution to the discourse on competitive advantage, but suggests that his (Porter) theory is weakened by its neglect of cultural factors and historical antecedents.

Mazzarol and Soutar (1999) study of structure, strategy (marketing & entry) and competitive advantage outline a model of the factors that are critical to the establishment and maintenance of sustainable competitive advantage for education services enterprises in international markets. The variables are conceptualized as industry & foreign market structure; quality image, market profile, coalition formation, forward integration, expertise, culture and information technology. Whereas, the study by Burden and Proctor (2000) on training and competitive advantage found out that meeting customer needs on time, every time, is a significant route to achieving and sustaining competitive advantage, and training is a tool that organizations should use to succeed at this. However, a study by Gupta and McDaniel (2002) on knowledge management (KM) and competitive advantage investigates the vital link between the management of knowledge in contemporary organizations and the development of a sustainable competitive advantage. The variables are conceptualized in terms of organizational effectiveness, efficiency, core competency, costs; knowledge harvesting, filtering, configuration, dissemination and application. Also, Goh (2004) has identified that the field of knowledge management (KM) has emerged strongly as the next source of competitive advantage. Nevertheless, Lin (2003) has further suggested that technology transfer (TT) can be a significant source of competitive advantage for firms in developing countries with limited R&D resources. TT was conceptualized in terms of technological learning performance, organizational intelligence, causal ambiguity, firm specificity, complexity, maturity, employee qualification, and innovation orientation.

Fahy, Farrelly and Quester (2004) have also found out the increasingly important role played by sponsorship in the marketing mix that has given rise to the view that it should be considered as a significant strategic activity with the potential to generate a sustainable competitive advantage in the marketplace. However, Ma (2004) has further advanced an integrative framework on the determinants of competitive advantage in global competition namely creation & innovation, competition, cooperation and co-option. Whereas De Pablos (2006) explained that the competitive advantage of a transnational organization lies to a great extent in its ability to identify and transfer strategic knowledge between its geographically dispersed and diverse locations.

In a study of strategic focus and competitive advantage by Cousins (2005), it was found that firms defining their competitive advantage as being cost-focused will generally consider supply as playing merely a cost-reduction role, i.e. passive and supportive, whereas firms viewing their competitive advantage as being differentiated will see supply as strategic, i.e. as a distinctive capability. The variables are measured in terms of business development, market share, relationship development; cost focus, differentiation and collaboration. In addition, Liao and Hu (2007) also further investigate the inter-relationships among environmental uncertainty, knowledge transfer (KT) and competitive advantage, which was conceptualized as ambiguity, complexity, partner protectiveness; organizational KT, group & procedural movements; reduce dependency, KT effect, technology development and technology transfer (TT).

In spite of the vast conceptual and empirical study conducted on the notion of competitive advantage, Flint and Van Fleet (2005) have nonetheless argued that there is no clear definition of competitive advantage (CA) that is applicable in general term i.e. applicable in any dimension or criteria. Following Ma (2000), as far as the research on (sustainable) competitive advantage is concerned, we are of the opinion that researchers must first validate the research question and research design, and decide on the dependent and independent variables to be applied: are competitive advantage and firm (financial) performance equitable, which means other independent variables (or indeed moderating and/or mediating variables such as organizational structures, top management team composition and style, human resource management, etc) influencing its outcome; or indeed both are different concepts and constructs, which implies that firm (financial) performance indeed depends upon its competitive advantage position. Also, clear and specific definition and direction of the concept of (sustainable) competitive advantage will also further enhance the validity of the academic research in this specific strategic management area.

As for the continued relevancy and validity of the resource-based view on sustainable competitive advantage, we concur with Fahy (2000) that greater understanding of the dynamics of resource development continues to be essential in advancing resource-based theories of competition. We are of the opinion that though RBV has had its critics, it is still relevant and valid in conceptually explaining and underpinning the notion of firm's sustainable competitive advantage. Hence, by incorporating evolutionary advancement as well as rapid technological changes involving firm's resources, researchers could further explore empirical evidence on these factors impact and effect on firm's competitive forces. Then only the strength of the RBV could be enhanced via acknowledging that resources are dynamic in nature, and a firm's deployment of its resources in creating and sustaining its advantages might also contextually differ from one firm to another, though the basis of RBV on SCA being resources having the criteria of value, rareness, inimitability and non-substitutability (VRIN) continue to be the relevant and valid conceptual foundation.

Furthermore, other studies have indeed provided support on the importance of having a good strategy to attain competitive advantage from the resource-based view (Hult and Ketchen Jr., 2001; Ramsay, 2001; Foss and Knudsen, 2003; Gottschalg and Zollo, 2007). A well formulated and implemented strategy can have significant effect on the attainment of competitive advantage level (Richard, 2000; Arend, 2003; Powell, 2003; Porter and Kramer, 2006). The resource-based view have indeed provided an avenue for organization to plan and execute its organizational strategy via examining the position of its internal resources and capabilities towards achieving competitive advantage (Kristandl and Bontis, 2007; Sheehan and Foss, 2007).

## 5. Critiques on the Resource-Based View

Fahy (2000) has reasoned that through its insights into the nature of competitive advantage, the resource-based view of the firm has already made an important contribution to the field of strategic management. The RBV, which has benefited from the rigour of its economic origins, greatly enhances our understanding of the nature and determinants of sustainable competitive advantage (SCA). It helps to explain why some resources are more advantage-generating than others and also why resource asymmetries and consequent competitive advantages persist even in conditions of open competition. However, as Fahy (2000) noted, the vast majority of contributions within the RBV have been of a conceptual rather than an empirical nature, with the result that many of its fundamental tenets still remain to be validated in the field. In addition, there were some debates regarding both the nature and the determinants of competitive advantage and the relevancy of the resource-based view. The most notable were the debates in Academy of Management Review (2001) between Barney (2001a) and Priem and Butler (2001a, 2001b) on the relevancy and validity of the resource-based view of sustainable competitive advantage, following and based on Barney's 1991 article, and also further dialogues from various scholars on the same issue as published by Academy of Management Review (2001 and 2002). The resource-based view has been criticized for exhibiting circular reasoning in that one of its fundamental elements, namely, value, can only be assessed in terms of a particular context (Barney, 1991; Kay, 1993; cited in Fahy, 2000). Resources may lead to competitive advantage but this in turn defines relevant competitive structures, which in turn defines what is a valuable resource, and so on (Schendel, 1994; cited in Fahy, 2000). A way out of this circularity is to see the relationship between resources and advantage as a longitudinal process (Porter, 1991; cited in Fahy, 2000).

However, much of the resource-based literature takes resource stocks as given and pays insufficient attention to the process of resource development. This is an important oversight, as the ways in which resources are accumulated within the firm are characterised by factors such as time compression diseconomies, interconnectedness, asset mass efficiencies and causal ambiguity (Dierickx and Cool, 1989; cited in Fahy, 2000). As such, greater understanding of the dynamics of resource development (Fahy, 2000) is indeed vital in furthering the resource-based perspective on competitive advantage. Without such comprehension, the problem of circular reasoning can never be solved. Critics further argued that RBV logic as paradoxical, infused with contradictions and ambiguities. RBV logic, they argue, has produced seemingly incompatible implications for managerial scholarship and practice (Priem and Butler, 2001a). For example, RBV logic suggests that the ability to measure a resource means that this resource will be less likely to be a source of sustained competitive advantage. Also, this logic suggests that there cannot be “rules for riches”, yet it can be used to generate managerial prescriptions concerning how firms can achieve strategic advantage through their resource deployments (Priem and Butler, 2001a; Lado et al., 2006).

Studies concerning resource-based view have indeed concentrated on the attributes of resources to attain competitive advantage, covering areas such as inter alia the resource substitution effects (Yoo and Choi, 2005), complementary innovation-producing resources (King, Covin and Hegarty, 2003) and consumer value perspective (Priem, 2007). More efforts are needed to extend the RBV from merely examining the resource attributes (Peteraf and Barney, 2003; Rodriguez and Rodriguez, 2005) to analyzing the extent of the relationship between these resources and other related variables towards achieving competitive advantage level (Armstrong and Shimizu, 2007). By moving towards this direction, such a study will not only improve the rigour of the RBV but also sustain the continued relevance of the RBV of competitive advantage in strategic management (Meyer, 2006; Hambrick and Chen, 2008). Further, as mentioned, based on the studies by Oliver (1997), Barney et al. (2001), Hitt et al. (2001), Makadok (2001), Afuah (2002), Adner and Helfat (2003), Miller (2003) and Sapienza et al. (2006), while a lot of attention has been paid to those attributes of capabilities that lead to competitive advantage of firms, a lot less attention has been given to the deployment of capabilities and supporting empirical evidence of these capabilities.

As such, as far as resources, capabilities, competitive advantage and performance of organization are concerned, by introducing systems into the relationship equation, it is expected that the study will be able to fill in the gap that currently exists in the literature as mentioned by critics of the resource-based view. Indeed, we need to examine further the approaches and techniques of exploitation and manipulation of resources and capabilities pertaining to organization by including systems as the influencing factor that will affect the relationship between those variables under probe. Thus, it is indeed critical to examine the relative extent of the relationship between organizational resources, capabilities, systems, competitive advantage and performance in aggregate. This will extend support to the RBV of competitive advantage.

Organizational performance has been examined from various approaches, namely, inter alia, the transaction cost perspective (Hennart, 1991; Carter and Hodgson, 2006; King, 2007a), the theory of constraints perspective (Watson, Blackstone and Gardiner, 2007), and also the resource-based view perspective (Leiblein, 2003). This paper has focused on the RBV perspective.

## 6. Conclusion

Management theory has evolved over time in order to suit the internal needs of organizations and external environments. Strategic management theory also needed to be extended especially to cater for the notion of competitive advantage of the firm. Competitive advantage is a relative notion. It can be viewed from various perspectives, notably the industrial-organization (I/O) and resource-based view (RBV) perspectives. The I/O perspective views the organization external market positioning as the critical factor for attaining competitive advantage, which means the traditional I/O perspective offered strategic management a systematic model for assessing external competition within an industry. Alternatively, examining organizational competitive advantage from the RBV is indeed crucial as it can be used as a conceptual guideline for business organization in particular to enhance their competitive advantage position and performance via application and manipulation of identified internal organizational resources, capabilities and systems. Such a research can contribute to the body of knowledge by lending empirical support and further extending the RBV of competitive advantage by examining the relative magnitude of importance placed upon organizational internal attributes towards attaining competitive advantage and enhancing firm performance. In short, the RBV of the firm is not only an alternative to the I/O perspective on competitive advantage of organizations but also they complement each other towards illustrating the overall greater picture of firm performance.

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