

Work of barney j contribute to hrm management essay



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In 1991, Jay B. Barney authored a journal entitled “ Firm resources and sustained competitive advantage.” The literature’s main argument is that sustained competitive advantage can be obtained if the firm effectively and efficiently utilize its resources and capabilities that are valuable, rare, inimitable and non-substitutable (Barney 1991). This view of strategic analysis was regarded as the “ resource-based view” (RBV) and different from what has been the customary external environment analysis which was exemplified in Porter’s five forces of competition (Porter 1979). Thus, focus was given to the strengths and weaknesses of a firm as much as the opportunities and threats of the external environment as the source of competitive advantage and foundation for creating strategies (Grant 2008). The RBV has been considered by many authors as contributing to the wider fields of study about resources and sustained competitive advantage (CITE) including human resources management. Hence, the focus of this literature is on the above mentioned work of Jay Barney and its contribution in the field of Human Resource Management (HRM) and the relationship of Strategic Human Resources Management (SHRM) with sustained competitive advantage. The essay will be presented accordingly in three parts. First is a discussion of the theories presented in Barney’s work as regards RBV. Second are the ramifications of the RBV theory to the concept of HRM and SHRM. And last is a reflection on the limitations or critiques regarding RBV and the things to come for the study of SHRM.

THE RESOURCE BASED VIEW OF THE FIRM

At the onset, literatures regarding strategy and sustained competitive advantage were focused mostly on the external analyses of opportunities

and threats in the environment of the industry for some time (Barney 1991). Porter's ' five forces of competition' exemplifies this focus of a firm's position in relation to its external environment. Accordingly, strategies and sources of competitive advantage were made based on the analysis of the firm's competition within its industry, the threats of new entrants, the threat of substitute products, the bargaining power of suppliers and buyers (Porter 1979). However, Peteraf (1993, p. 186) acknowledges that competitive advantage is not the product of varying industry attractiveness alone and that the RVB is a factor that contributed to such an understanding.

Competitive advantage as described by Prahalad and Hamel (1990) is the product or result of several years of building core competencies that are superior to its rivals, and applying these competencies more effectively than its competitors and that the length of time to build core competencies and obtain competitive advantage is also relative to the capacity of firms to learn and apply learning more effectively. The foregoing explanation of CA thus foresees that resources intrinsic to a firm or firm resources are sources of SCA.

With Barney's work, emphasis was given to a varying perspective towards strategy in which sustained competitive advantage is achievable if the firm takes advantage of resources that are valuable, rare, inimitable, and non-substitutable (Barney 1991). According to Barney (1995, p. 50), resources of a firm include all the " financial, physical, human, and organizational assets used by a firm... [and] human resources include all the experience, knowledge, judgement, risk taking propensity, and wisdom of individuals associated with the firm". Grant (2008, p. 131) further classifies resources

into three: 1) tangible resources - these are the financial and physical assets of a firm; 2) intangible resources - which are the technology, reputation and culture possessed by the organisation; and 3) human resources - which encompass the skills, knowledge, capacity for communication and collaboration, and the motivation that exists within the firm. All of these resources with the aforementioned characteristics, when utilized effectively and efficiently through a firm's organisation, systems and knowledge can be a source of sustained competitive advantage (Barney, Wright, & Ketchen 1991). Based on the rationalisations mentioned, human resources are likewise potential sources of sustained competitive advantage.

THE RESOURCE BASED VIEW AND HUMAN RESOURCE MANAGEMENT

In his work, Barney consequently recognizes the importance of the RBV theory in the field of HRM, and that human resources can be valuable, rare, inimitable, and non-substitutable, and therefore become sources of sustained competitive advantage. Aside from specific human resources, policies and practices in HRM are valuable and inimitable since these resources cannot be easily replicated and requires a substantial period of time to get established (Barney 1991; Boxall 1996). Another characteristic of human resources is that of being rare or unique individually and as a group, for which Grant (2008) stresses that the key to competitive advantage is to exploit the firms' unique resources, since strategies purely based on industry selection and positioning results in similar strategies among firms in an industry. These characteristics which epitomize RBV theory in Barney's work has been instrumental in providing the appropriate attention deserved by

human resources in strategic planning, which leads to the notion of Strategic HRM (Wright, Dunford and Snell 2001). Further explanation provided by Pynes (2009, p. 31) is that SHRM is based on the assumption that in a dynamic environment, organizations need to be dynamic as well, this necessitates the need to acquire “ realistic information on the capabilities and talents of their current staff-in essence, their human resources.”

However, while RBV theorizes that competitive advantage can be sourced from the firm’s human resources, it is not solely the foundation from which profitability can be obtained in as much as a firm’s position in an industry cannot also be the sole source of competitive advantage. Competitive advantage and sustained competitive advantage can be attained by combining the customary external analysis, industry positioning and attractiveness with that of the analysis of the organization’s internal resources (Collis & Montgomery 1995). Through SHRM in particular, organizations can be better equipped to plan their human resource requirements in accord with the current needs within the organizations as well as with the present situation in the external environment (Pynes 2009). In essence, Barney’s work has become a foundation from which HRM and SHRM gained prominence in the study of strategy and sustained competitive advantage. (Wright, Dunford, and Snell 2001)

THE RBV, ITS LIMITATIONS AND CRITIQUES

Priem and Butler (2001), provides a well acknowledge critique of the RBV literature offered by Barney about the RBV a theory. The critique is summarised in four areas wherein Barney offered counter arguments for

each. Barney categorises Priem and Butler’s (2001) assessments as: 1) the <https://assignbuster.com/work-of-barney-j-contribute-to-hrm-management-essay/>

RBV theory is tautological; 2) failure to recognize that the composition of resources however diverse can generate similar value for a firm, and as such, cannot be a source of competitive advantage; 3) the 1991 article failed to give emphasis to the role of “ product markets”; and 4) the theories derived has “ limited prescriptive implications”. (Barney 2001, p. 41)

These critiques, limitations, and assessments relating to various RBV literature, and in Barney’s work in particular, has led to the increasing popularity of concepts such as “ knowledge management, learning organisations, flexible workforce and teamwork” (Hartel, Fujimoto, Strybosch, & Fitzpatrick, 2007, p. 14) Thus, giving groundwork from which further and more intricate study has evolved.

CONCLUSION

To sum up, the foregoing discussions presented Barney’s 1991 work emphasising on resources that are rare, valuable, inimitable, and non-substitutable as foundations of sustained competitive advantage. More importantly, it has provided a backdrop from which due importance was given to the human resources of a firm in strategy formulation and contributed immensely to the notion of strategic HRM. Wright, Dunford, and Snell (2001) considers Barney’s propositions on the sources of sustained competitive advantage as an influential in making or shaping the RBV premise significant in the context of strategy and in SHRM as well. For the future of RBV and SHRM, the article’s critiques and limitations have instigated further study of the RBV theory and likewise opened new horizons for research in the field of HR and SHRM. Thus it is adequate and appropriate to say that the RBV theory which was emphasized in Barney’s work

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contributed in the shift from “ strategy based on external factors” and brought to view the “ internal competencies and human resources” of a firm in formulating strategies (Hartel, Fujimoto, Strybosch, & Fitzpatrick, 2007, p. 14). There is a great depth of field for study and research in HRM and SHRM for which the RBV theory is relevant and a vital resource, future researches is definitely and will be very important to further appreciate and understand the relevance and essence of human resources in an organization.

Annex A: Summary and Assessment of critiques to the Resource-Based View (RVB) (Kraaijenbrink, Spender, and Aard 2010, p. 360)

Critique

Assessment

1) The RBV has no managerial implications.

Not all theories should have managerial implications. Through its wide dissemination, the RVB has evident impact.

2) The RBV implies infinite regress.

Applies only to abstract mathematical theories. In an applied theory such as the RBV, levels are qualitatively different.

3) The RVB's applicability is too limited.

Generalizing about uniqueness is not impossible by definition. The RBV applies to small firms and start-ups as well, as long as they strive for an SCA. Path dependency is not problematic when not taken to the extreme. The RBV applies only to firms in predictable environments.

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4) SCA is not achievable

By including dynamic capabilities, the RBV is not purely static, though it only explains ex post, not ex ante, sources of SCA. Although no CA can last forever, a focus on SCA remains useful.

5) The RBV is not a theory of the firm.

The RBV does not sufficiently explain why firms exist. Rather than requiring it to do so, it should further develop as a theory of SCA and leave additional explanations of firm existence to TCE.

6) VRIN/O is neither necessary nor sufficient for SCA.

The VRIN/O criteria are not always necessary and not always sufficient to explain a firm's SCA. The RBV does not sufficiently consider the synergy within resource bundles as a source of SCA. The RBV does not sufficiently recognize the role that judgment and mental models of individuals play in value assessment and creation.

7) The value of a resource is too indeterminate to provide for useful theory.

The current conceptualization of value turns the RBV into a trivial heuristic, an incomplete theory, or a tautology. A more subjective and creative notion of value is needed.

8) The definition of resource is unworkable.

Definitions of resources are all inclusive. The RBV does not recognize differences between resources as inputs and resources that enable the

organization of such inputs. There is no recognition of how different types of resources may contribute to SCA in a different manner.

Lastly, Kraaijenbrink, Spender, and Aard (2010) have summed up the critiques as regards the RBV and offered evaluation and counterarguments to each (see Annex A). Among the eight critiques cited, three of which were acknowledged as “not easily dismissible” as the other five. The three assessments were concerned about the nature of “resource” and “value” as being “indeterminate” and the “narrow explanation of a firm’s SCA.”

Another weakness in the RBV theory was the prominence of the attention given to individual resources compared to the importance of the conglomeration of individual resources and, which according to Kraaijenbrink, Spender, and Aard, does not reflect the real meaning of competitive advantage. (2010, p. 359)