Competing on resources: strategy in the 1990’s

Competing on resources: Strategy in the 1990’s, Collis & Montgomery (1995) Harvard Business Review Managers complain that strategic planning is too slow to keep up with changes in global competition and technology. Resource Based View (RBV) combines the internal analysis and external analysis of the industry and the competitive environment. Therefore, RBV builds on, but does not replace, the two approaches to strategy. RBV sees companies as very different collections of physical and intangible assets and capabilities.

No two companies are alike because no two companies have had the same set of experiences, acquired the same assets and skills, or built the same organisational cultures. Valuable resources: for example: The Walt Disney Company holds a unique consumer franchise that makes Disney a success in a slew of businesses, from soft toys to theme parks to videos. Organisational capability: the skills of Japanese automobile companies – first in low cost, lean manufacturing, next in high quality production, and then fast product development.

These capabilities built up over time. Competitive advantage directly relates to the ownership of valuable resource, that enables the company to perform certain activities better than others. For example: Marks & Spencer. Resources cannot be evaluated in isolation, because their value is determined in the interplay with market forces. A resource that is valuable in a particular industry or time might have to have the same value in a different industry. E. g. espite several attempts to brand lobsters, no one has been successful in doing so.

Companies can determine whether the resources are valuable or not by asking the following questions.. Is it hard to copy? How quickly does this resource depreciate? Who captures the value that the resource creates? Can a unique resource be trumped by a different resource? Who's resource is really better? (core competencies should not be an internal assessment of which activity, of all its activities, the company performs best.

Instead, it should be a harsh external assessment of what it does better than competitors Companies that are fortunate enough to have distinctive competence, must also remember that its value is eroded by time and competition. Managers must continuously invest in and upgrade their resources however good they are because all resources depreciate over time. Consider the following examples: The Walt Disney – invested $50m in " Who framed roger rabbit" to create the company's first animated film, followed by Aladdin and The Lion King.

Marks & Spencer – re-examined its position in its only business – retailing – and has made major investments to stay competitive. In the early 80s, they spent billions on store renovation, opened new locations, updated its procurement and distribution systems. From the examples outlined below, you can see how important is to invest into resources and competencies. However, investing in core competencies without examining the competitive dynamics that determine industry's attractiveness is dangerous.

By ignoring the marketplace, managers risk investing heavily in resources that will give low returns. The prime example to illustrate this is Masco Corporation. It build competence in metalworking and diversified into tightly related industries. Unfortunately, the returns from this strategy were lower

than the company had expected. Why? They had failed to undertake a simple five-forces analysis, which would have showed that the structure of the industries Masco entered was poor – buyers were price sensitive with limited switching costs, entry barriers were low and suppliers were powerful.