The Resource-Based View And Value To The Customer

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Abstract

Much of the conceptual analysis and empirical research within the RBV has focused on the firm’s perspective of key resources and the value to the firm of these key resources. Another useful perspective on key resources is to explore the value they provide to the customer. The question of interest here is whether key resources that hold value for the firm also hold value for the customer. A research approach using an interview schedule is proposed here as an appropriate methodology by which to explore the customer perspective of key resources. This conceptual paper suggests that the outcomes of studies based on this research approach will provide insights into the identification of the factors the customer regards as the firm’s valuable resources and how this influences their choice of firm. An understanding of the customer perspective has the potential to enhance the firm’s ability to develop customer value related capabilities.

Introduction

A central tenet of the resource-based view (RBV) is the relationship between customer value, competitive advantage and superior performance. The firm can provide value to customers in many ways, such as via superior production systems, lower cost structures and emphasis on customer service. The RBV contends that key resources exhibiting particular characteristics enable the firm to implement strategies which meet the needs of customers, thereby enhancing the firm’s ability to secure a sustained competitive advantage. RBV theory, however, says very little about the needs of customers and how customers perceive value in a firm’s resources.

The RBV highlights the firm as a unique collection of resources, but the theory emphasises that not all of these resources possess the potential to provide the firm with a sustained competitive advantage. Early proponents of the RBV identified characteristics of ‘advantage-creating’ resources such as, value, rareness, inimitability and non-substitutability (Barney, 1991), inimitability, durability, appropriability, substitutability and competitive superiority (Collis and Montgomery, 1995) and the eight criteria of Amit and Schoemaker (1993), complementarity, scarcity, low tradability, inimitability, limited substitutability, appropriability, durability and overlap with strategic industry factors. More recently, these advantage-creating characteristics have parsimoniously been subsumed into three key criteria of value, barriers to duplication and appropriability (Fahy, 2000).

The RBV contends that the possession and identification of key resources embodying these essential features, along with their effective development and deployment, allows the firm to achieve and sustain competitive advantage. Within the RBV literature there has been a predisposition for conceptual analysis and empirical research to focus on the firm’s perspective of key resources and the value to the firm of these key resources.
The aim of this conceptual study is to develop a research approach to explore the customer perspective of key resources. This research will enable identification of a range of factors regarded by the customer as the firm’s valuable resources and hence guide the firm to a customer value delivery orientation.

This paper builds on a previous empirical study of the RBV (Clulow, Gerstman and Barry, 2003) which investigated the firm’s perspective on key resources. In that study of a superior performing firm in the financial services industry, a depth interview with a senior manager of the firm posed a series of questions with respect to value, barriers to duplication and the ability of the firm to appropriate the benefits of its key resources. This process identified specific intangible assets and capabilities credited with providing the firm’s competitive advantage in the industry.

**Literature Review**

The RBV literature has focused on the firm’s perspective of key resources and the value of those key resources in terms of conferring a competitive advantage reflected in superior performance for the firm (Barney, 1991; Amit and Shoemaker, 1993; Peteraf, 1993; Fahy and Smithee, 1999). Resources possessing the essential characteristics summarized by Fahy (2000) as value, barriers to duplication and appropriability have been identified in many studies as intangible assets and capabilities (e.g. Hall, 1993; Barney and Wright, 1998; Smart and Wolfe, 2000; Clulow et. al., 2003). The competitive advantage gained by these key intangible assets and capabilities is then reflected in superior performance for the owners of the firm, with superior performance usually measured in financial terms such as higher profits, increased sales or market share (Hunt and Morgan, 1995; Collis and Montgomery, 1995; Fahy, 2002; Wilcox King and Zeithaml, 2001). This approach reflects traditional marketing literature which commonly addresses the question of ‘the value of the customer to the firm’ (Payne, 2001).

In a study of a high performing firm in the financial services industry (Clulow et. al., 2003), tangible assets whilst having value for the firm, were determined not to fit the construct of ‘key resources’ because they were found to be causally explicit and hence easily duplicated. They did not satisfy all the essential criteria for providing a sustainable competitive advantage. In contrast, intangible assets (client trust, reputation, networks and intellectual property) and capabilities (knowledge, organizational culture, skills and experience) developed over time and were not easily replicated. Their value could be appropriated by the firm because the unique combination of company philosophy, knowledge and skills of employees and other idiosyncratic capabilities were difficult to separate or transfer. Further, the strategic role of management was found to be integral to the identification, development and deployment of key resources and their impact on sustainable competitive advantage and superior performance (see Figure 1).

The perspective on how key resources add value to the customer needs further exploration. The question of interest here is whether key resources that hold value for the firm also hold value for the customer, or whether the value attributed by each is necessarily different.
Knowing which resources customers value would enable the firm to re-orient focus to those assets in order to sustain their competitive advantage, and to develop customer value related capabilities. From a customer’s perspective, a firm offers and delivers a range of services generated from its unique resources. As Penrose described over four decades ago, “It is the heterogeneity…of the productive services available or potentially available from its resources that gives each firm its unique character” (Penrose 1959: 75, 77). The heterogeneity, imperfect mobility and inimitability of intangible assets and capabilities provide firms with the ability to create ‘unique character’ that enables a market offering of value to customers. Or, in the words of Hunt and Derozier (2004: 14) “…a resource is ‘valuable’ when it contributes to a firm’s ability to efficiently and/or effectively produce a marketplace offering that has value for some market segment or segments.” The value of intangible resources and capabilities from the customer’s perspective is thus the aspect of the model to be explored further and is highlighted in Figure 1. The link in the RBV model between the value of key resources and the firm’s attainment of a sustained competitive advantage may be explicated by an understanding of how customers make value assessments.
The concept of value and its many different facets has been explored extensively within marketing and management literature. As described by Woodruff (1997), the term value can be used in the contexts of “superior customer value”, “high-value customers” and “value of an organization”, amongst many others. A significant contribution to the discussion of customer value is provided by Payne (2001) in a substantial review of the value literature and the many perspectives of the value concept. Most of these value concepts consider the firm’s perspective and this approach is mirrored in much of the value literature (see for example Prahalad and Hamel, 1990; Black and Boal, 1994; Miller and Shamsie, 1996). However, “concentrating on how much value (in the form of profits) an organization can extract from its customers, without understanding what customers value from the organization and providing it, is not sustainable in a competitive environment” (Payne, Holt and Frow, 2000: 260). Despite the broad range of perspectives in the value literature and the scope for further study of many of these views, the focus of this inquiry is the relevance to the customer of the RBV’s explanation of how the firm’s key resources create customer value. Our conceptualisation has been derived by applying the firm’s view of value, from the RBV, and seeking to evaluate whether it aligns with the customer’s perception of what they value.

**Research Question**: How do customers value the resources identified within the RBV as valuable from the firm’s perspective?

**Methodology**

The aim of this conceptual study is to develop a research approach to explore the customer perspective of the value to them of a firm’s key resources and tangible assets. Research which incorporates this approach will enable identification of a range of resources regarded by the customer as the firm’s valuable resources.

To gain a more complete understanding of value, the customer’s perspective of the firm’s key resources needs to be explored through a search for evidence of the value placed on these assets and capabilities. By adopting a customer perspective the proposed research design allows us to examine how customers perceive that key resources provide value to them, and then consider the nature of the value attributed by the customer and the importance of this value to their choice of firm. For this purpose an interview schedule has been recommended. The technique proposed to elicit customer information is to select customers whose opinion on value attribution matters to the firm and to conduct in-depth or ‘grand-tour’ interviews to explore their views. According to Woodruff (1997: 144) this technique “…uses in-depth personal interviews to get customers to take the interviewer on a ‘tour’…to understand better what happens during product use”. This process has the advantage of providing scope for customers to explain how they assess the key resources of a firm and to inquire if factors other than key resources contribute to a customer’s value assessment. Given the unique and idiosyncratic nature of intangible assets and capabilities it is clear “…that large sample, multi-industry, single time period samples using secondary sources of data will not help disentangle the key factors that may provide sustainable advantage” (Rouse and Daellenbach, 1999).
The semi-structured interview design (Cassell and Symon, 1994; Malhotra et. al., 1996; Yin, 1994) was developed through a number of iterations by the authors and reflects the broad issues generated from the RBV literature. The schedule of questions is designed to elicit the customers’ views of how key resources and tangible assets create value for them, and the nature and importance of this value. By posing the same broad themes to customers as were put to the firm (Clulow et. al., 2003) the possibility of a comparison of what provides ‘value’ to each is created. A question to validate the importance of tangible assets from a customer view was also included, even though the firm in the previous study had reduced their importance to less than “key” resources. To allow valid comparisons with the initial study, the questions proposed are as close to the original questions as possible.

**Proposed Interview Schedule and Rationale**

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<tr>
<th>Issue</th>
<th>Question</th>
<th>Rationale</th>
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<td>Tangible assets (eg. land, buildings, equipment)</td>
<td>How do you rate the importance of tangible assets in choosing a service provider?</td>
<td>Tangible assets are not always considered ‘key resources’ in the RBV, because they are readily replicated by competitors. This question reviews the relevance of tangible assets in providing value from a customer’s perspective.</td>
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<td>Intangible assets (client trust, firm reputation, intellectual property)</td>
<td>How do you rate the importance of intangible assets in choosing a service provider?</td>
<td>The more specific the intangible assets are to the firm, the more they are regarded as ‘key resources’ in the RBV. The importance and value placed on intangible assets by the customer is sought.</td>
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<td>Capabilities (organisational culture, organizational history, knowledge, managerial skill, and team-embodied skills)</td>
<td>How do you rate the importance of capabilities when choosing a service provider?</td>
<td>The RBV claims that a firm’s culture, organizational history, its managerial skills and team-embodied knowledge provide a firm’s capabilities. The customer’s value assessment of capabilities is sought. To what extent do you value the role of management in choosing service providers?</td>
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<td>The RBV develops concepts and sources of value from the firm’s perspective.</td>
<td>What other factors do you value and consider important in making your choice of a service provider?</td>
<td>This question is to allow customers to identify any further sources of value other than those considered in the RBV.</td>
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The questions proposed relate to the contributing factors of value as explained in the RBV (figure 1) and focus on key resources (intangible assets and capabilities of a firm) and tangible assets and have been rephrased into a form relevant to customers. Two additional questions are recommended in the schedule. The first relates to capabilities and seeks to affirm if the strategic role of management in the deployment of key resources (identified in the previous study (Clulow et. al., 2003)) adds value for the customer. The second additional question is to enable sufficient opportunity for the customer to introduce further perceived sources of value in the firm that have not previously been identified in the RBV model.
Conclusion

It has been suggested (Fahy, 2000) there is a need for empirical study of the constructs that underpin the resource-based view. The proposed study will investigate the ‘value’ component of the RBV from a customer perspective. It is important to seek out the views of customers on the relevance of the key sources of value in the RBV model that are said to generate a sustained competitive advantage and value to clients. This conceptual paper supports the proposition of Rouse and Daellenbach (1999) that qualitative methodologies will be more appropriate for work undertaken within organisations, since “…the research methodologies traditionally used in strategy research will not unambiguously uncover these sources of sustainable competitive advantage”. An alternative and broader approach not explored here, would be to initially examine the customer value proposition and then to compare and contrast that value with the firm’s view. Further explication of the RBV to incorporate and integrate the customer’s view could provide a deeper understanding of the inputs to sustainable competitive advantage and superior performance.

References


