SCIENTIFIC REVIEW

Strategic Management Theory: Concepts, Analysis and Critiques in Relation to Corporate Competitive Advantage from the Resource-based Philosophy

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ABSTRACT – *The concepts, theory and practice of strategic management have become prominent in modern management literature especially in this new millennium for one obvious reason: that is, because of the complex, nebulous and dynamic nature of contemporary corporate governance. This phenomenon has in turn become a matter of concern to academics and professionals alike on the field. Consequently, the main objective of this paper is to present an overview of strategic management with particular emphasis on its concepts, theory as well as its linkage with the resource-based philosophy of the firm's competitive advantage. A review of the relevant literature was conducted and a connection between strategic management theory and competitive advantage from the recourse-based philosophy of the firm was identified. It was found that the resource-based model 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 requirements of the modern complex organizations and also the business environments within which the organizations operate. Examining organizational competitive advantage from this school of thought allows the organizations to measure the significance of its internal resources and capabilities in particular towards attaining a competitive advantage, and hence to provide further support and extension to the Philosophical approach.*

KEY WORDS: *competitive advantage, corporate governance, firm performance, resource-based philosophy, management theory, strategic management*

Introduction

Complementary to the concept of policy is what is known in modern management parlance as strategy. Strategy is the broad determination of the goals of an undertaking and the specification of alternative courses of action to be taken to achieve the predetermined goal of the undertaking. According to *Alfred D Chandler,* corporate strategy is the determination of the basic long term goals of an enterprise and the adoption of courses of action and allocation of resources necessary to carry out the goals. Again, *Igor H Ansoff* is of the opinion that strategy provides a broad concept of the firms business, set forth specific guidelines by which the firm can conduct its search and subject the firm's selection to the most attractive opportunity. To *D. C. Rogers, s*trategy is the mode of plan of action for allocating scarce resources to gain competitive advantage, achieve an objective and capitalize

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on a perceived opportunity at an acceptable level of risk. *James Brian Quinn* propounded that corporate strategy is used to describe the whole future activities of a business. It is the plan that determines how an organization can best achieve its desired end in the light of opposing pressures imposed by competition and limited resources, In the words of *Peter Drucker*, strategy is the company's basic approach towards achieving its overall objectives. It is a careful, deliberate and systematic approach to clarifying corporate objectives, making strategic decisions and checking progress toward the objective.

By this chain of definitions, it could be observed that strategy is the pattern of decisions in a company that determines and reviews its objectives, purposes, goals, produce the principal policies and plans for achieving these goals and defines the range of business which the company is to pursue, the kind of economic and human organization it is or intends to be and the nature of economic and non-economic contributions it intends to make to its beneficiaries. Essentially, corporate strategy deals with product-market positioning; that is, how the firm will select marketing and products areas in which it will compete (i.e. choice of product marketing combination), the direction in which the firm will seek to grow and develop, the profit and growth objectives it seeks to achieve, the interaction within the firm and its external parameters (the world around or environmental domain), its internal adjustment policies and programs to changes in marketing places or other elements in its external environment; the competitive tool the company will employ such as price changes, offering quality discount to customers, introduction of new product lines, employment of consultancy services as well as the way in which the company will configure its resources.

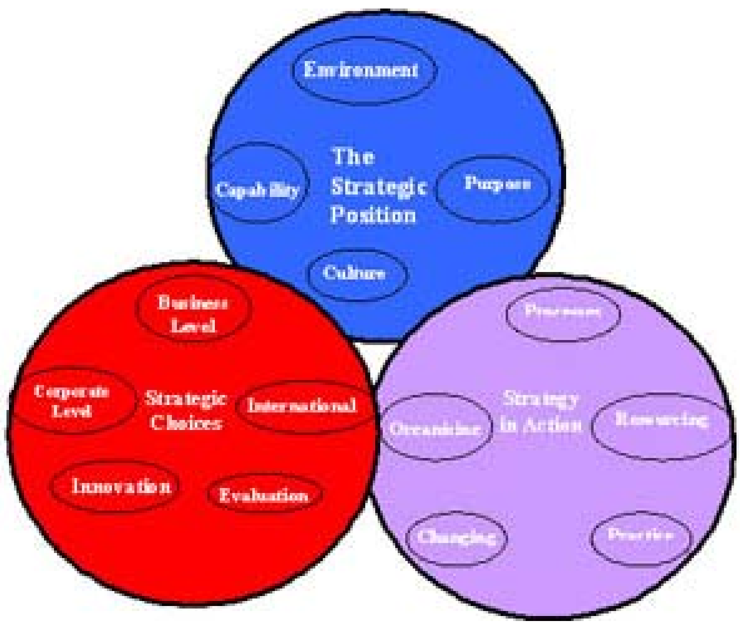
Strategy development as in the case of policy formulation can be viewed as a decision making process which is primarily concerned with the development of organizations objectives, the commitment of its resources and the environmental constraints. In formulating a strategy, the most basic steps to be taken would include the following though not strictly in the order of descending magnitude:

a) *Identifying the Company's Mission:* That is, the long term objectives of the organization implied by the organization's mission. Remember that mission is broader than objective. The strategy to be formulated has to be directed towards the long-term objectives of the organization,
b) *Corporate Analysis:* That is, capability analysis. These are analyzes of the company's weaknesses and strengths in terms of marketing capability, personnel capability, etc. these are mainly internal analysis, which seeks to establish the "how" of taking advantages of the opportunities available, and secondly to address how to overcome or correct the weaknesses manifested too.
c) *Examining the value system of the company with reference to what and what the management cherished* That is,. Management preference. The value analysis helps up to know what we can really and reasonably achieve and commit ourselves to, and
d) *Analysis of the Societal Values*. Since the organization operates within the society, after examining the values-system of the organization, emphasis should be shifted to the values of the society in general. Societal values to a greater extent influence the values of the organization. In contrast, the organization can influence societal values via corporate advertising.

What is strategic management?

Having explained the term "*strategy*" in some details, how then can we explain or describe *strategic management*?. Strategic management is the process and approach of specifying an organization's objectives, developing policies, programmes, paradigms and plans to achieve these objectives, and allocating resources so as to implement the policies, programmes, paradigms and plans. In other words, strategic management can be seen as management of combined components of the three stages of the strategy process; that is, strategy development, strategy implementation and strategy evaluation (some management philosophers refer to the first stage as strategy formulation but I prefer to call it strategy development because it is policy that is formulated while strategy is usually developed).

Figure 1. Corporate Strategy Model (Adapted from Gerry J., Kevan S. and Richard W. (2008), Exploring Corporate Strategy, page 12



Strategic management involves understanding the strategic position of an organisation, strategic choices for the future and managing strategy in action. Strategic management involves exploring and management of an organizational corporate strategy. It also involves modeling and analysing the overall corporate strategy of the system to include the strategic position of the organisation, strategic choices by the organisation and strategy in action within and around the organisation may be represented as in Figure. 1.

The strategic position is concerned with the impact on strategy of the external environment, an organization's strategic capability (resources and competencies), the expectations and influence of stakeholders as well as the cultural and historical influences such as organizational, sectoral and national historical parameters. Strategic choices involve understanding the underlying bases for future strategy at the business unit, corporate and international levels and the options for developing strategy in terms of both the directions and method of development. Strategy in action is concerned with ensuring that developed strategies are working in practice. This usually include a thorough consideration of strategy development processes in the organisation, structuring and restructuring (reengineering) the organisation to support effective and efficient performance (optimal productivity) in terms of organizational structures, processes and relationships. It also includes resourcing strategy, strategic change and practice of strategy. From this analysis, strategic management can be said to underline the importance of managers with regards to Organisational strategy

What is a theory?

Theory in modern English is a concept which originally derives from classical Greek philosophy, for example that of Plato, and is derived from ancient Greek theoria, which original meant "a looking at, viewing, beholding". It is a well-substantiated explanation of some aspect of the natural world; an organized system of accepted knowledge that applies in a variety of circumstances to explain a specific set of phenomena; "theories can incorporate facts and laws and tested hypotheses"; "true in fact and theory." Theories are analytical tools for understanding, explaining, and making predictions about a given subject matter. There are theories in many and varied fields of study, including the arts and sciences. A formal theory is syntactic in nature and is only meaningful when given a semantic component by applying it to some content (i.e. facts and relationships of the actual historical world as it is unfolding). Theories in various fields of study are expressed in natural language, but are always constructed in such a way that their general form is identical to a theory as it is expressed in the formal language of mathematical logic. Theories may be expressed mathematically, symbolically, or in common language, but are generally expected to follow principles of rational thought or logic. Theory is constructed of a set of sentences, which consist entirely of true statements about the subject matter under consideration.

However, the truth of any one of these statements is always relative to the whole theory. Therefore, the same statement may be true with respect to one theory, and not true with respect to another. This is, in ordinary language, where statements such as "He is a terrible person" cannot be judged to be true or false without reference to some interpretation of who "He" is and for that matter what a "terrible person" is under the theory. Sometimes two theories have exactly the same explanatory power because they make the same predictions. A pair of such theories is called indistinguishable, and the choice between them reduces to convenience or philosophical preference.

The form of theories is studied formally in mathematical logic, especially in model theory. When theories are studied in mathematics, they are usually expressed in some formal language and their statements are closed under application of certain procedures called rules of inference. A special case of this, an axiomatic theory, consists of axioms (or axiom schemata) and rules of inference. A theorem is a statement that can be derived from those axioms by application of these rules of inference. Theories used in applications are abstractions of observed phenomena and the resulting theorems provide solutions to real-world problems. Obvious examples include arithmetic (abstracting concepts of number), geometry (concepts of space), and probability (concepts of randomness and likelihood).

Gödel's incompleteness theorem shows that no consistent, recursively enumerable theory (that is, one whose theorems form a recursively enumerable set) in which the concept of natural numbers can be expressed, can include all true statements about them. As a result, some domains of knowledge cannot be formalized, accurately and completely, as mathematical theories. (Here, formalizing accurately and completely means that all true propositions—and only true propositions—are derivable within the mathematical system.) This limitation, however, in no way precludes the construction of mathematical theories that formalize large bodies of scientific knowledge.

To sum up, a theory is a supposition or a system of ideas intended to explain something, especially one based on general principles independent of the thing to be explained such as a theory of evolution. A theory is also a set of principles on which the practice of an activity is based such as a theory of education or a theory of music. A theory is an idea used to account for a situation or justify a course of action. For instance, a professional manager (or management consultant) may assert that my theory would be that the place has been seriously mismanaged. A theory may also be taken as a collection of propositions to illustrate the principles of a subject such as management theory or the theory of strategic management.

Other examples of theories are:

***Atomic Theory*;** the theory that all matter is made up of tiny indivisible particles (atoms). According to the modern version, the atoms of each element are effectively identical, but differ from those of other elements, and unite to form compounds in fixed proportions,

Attribution Theory; a theory that supposes that one attempts to understand the behavior of others by attributing feelings, beliefs, and intentions to them,

Bohr theory; a theory of the structure of atoms stating that electrons revolve in discrete orbits around a positively charged nucleus and that radiation is given off or absorbed only when an electron moves from one orbit to another,

Correspondence Theory; the theory that states that the definition or criterion of truth is that true propositions correspond to the facts,

Domino Theory; the theory that a political event in one country will cause similar events in neighboring countries, like a falling domino causing an entire row of upended dominoes to fall

Field Theory; a theory that explains physical phenomena in terms of a field and the manner in which it interacts with matter or with other fields

Galois theory; a method of applying group theory to the solution of algebraic equations

Game Theory; the branch of mathematics concerned with the analysis of strategies for dealing with competitive situations where the outcome of a participant's choice of action depends critically on the actions of other participants. Game theory has been applied to contexts in war, business, and biology

Quantum Field Theory; a field theory that incorporates quantum mechanics and the principles of the theory of relativity, and

Theory-Laden; denoting a term, concept, or statement that has meaning only as part of some theory, so that its use implies the acceptance of that theory.

Strategic management theory

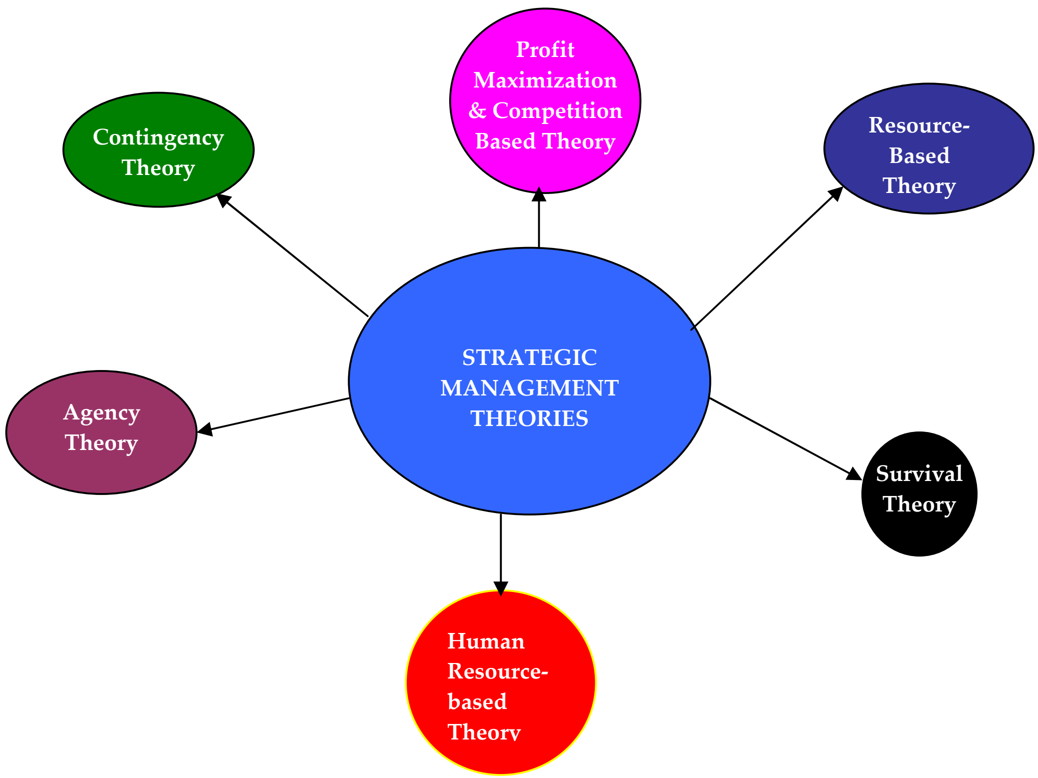
Having explained both the terms *strategic management* and *theory*, what then is *strategic management theory?* A strategic management theory may be said to be a supposition, proposition or a system of ideas intended to explain the origin, evolution, principles and applications of strategic management. *Strategic management theories* actually stem mainly from the systems perspective, contingency approach and information technology approach to corporate management. In the light of this background, following David (2005) and Mohd Khairuddin Hashim (2005), among the common strategic management theories noted and applicable to modern industrial and governmental organizations are the ***profit-maximizing and competition-based theory, resource-based theory, survival-based theory, human resource based theory, agency theory and contingency theory***.

The *profit-maximizing and competition-based theory* is based on the notion that a business organization's 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's 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). This is tantamount to economist philosophy of business objectives. On the other hand, *the resource-based theory* stems from the management philosophy that the resource 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 philosophy* 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).

The survival-based theory centres on the concept that organizations need to continuously adapt to its competitive environment in order to survive. This differs from *the human resource-based theory*, which emphasizes the importance of the human element in the process of strategy development of organizations. In addition, *the agency theory* stresses the underlying important relationship between the shareholders (or company owners) and the agents (or company 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 appropriate managerial strategy based on the situation and condition they are experiencing. In short, during the process of strategy development, implementation and evaluation, these main strategic management theories will be applicable to management of organizations as tools to assist them in making strategic and guided managerial decision. These strategic management theories can best be depicted as per Figure 2.

For the purpose of this assignment, besides the systems perspective, contingency approach and the other main strategic management theories mentioned above, the resource-based theory (RBT) of the firm's competitive advantage will be the underlying theoretical foundation applied and fundamental basis of the variables and their ensuing relationships that will be analysed. Hence, 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 some minimal external dimensions and elements (i.e. interactions) to be considered, these elements are mainly inherent within the organization. Hence, it justifies the adoption of the RBT as the main research tenet.

Figure 2. Strategic Management Theories (Adapted from David, 2005; Mohd Khairuddin Hashim, 2005)

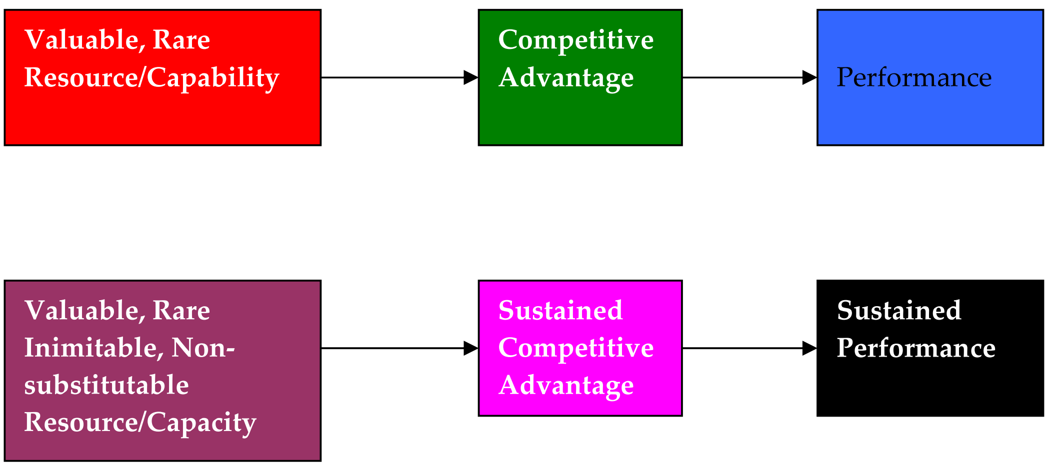


Analysis of the resource-based theory

The pursuit of competitive advantage is indeed an idea that is at the heart of much of the strategic management literature. Understanding sources of sustained competitive advantage has become a major area of study in strategic management. The resource-based theory 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. *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 Fig. 3

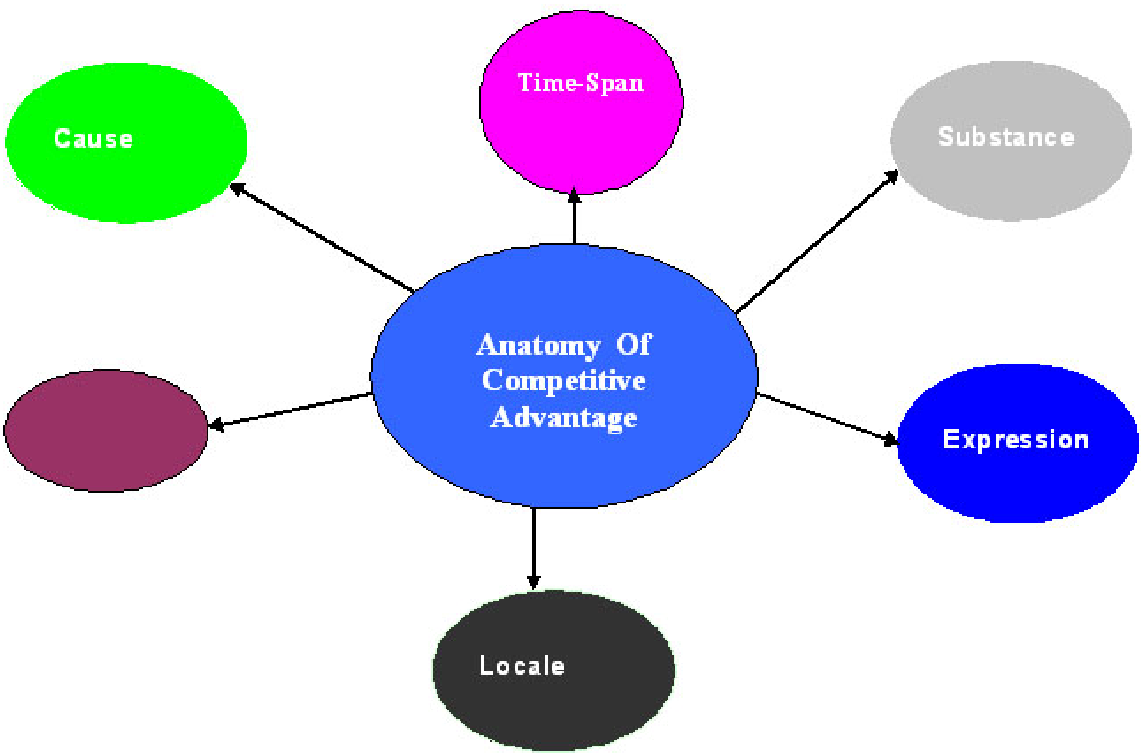
Figure 3. Barney's (1991) Conceptual Model (Newbert, 2007)



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 operations. 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 submission advances an integrative framework that helps management practitioners systematically analyze the nature and cause of competitive advantage.

Figure 4. Anatomy of Competitive Advantage



Competitive advantage is the basis for superior performance. 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 (1999) 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 Fig. 4.

The resource-based strategic management philosophy of the firm 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 theory 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 theory 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 the one proposed by Barney (1991). An SCA can be obtained if the firm effectively deploys these resources in its product-markets. Therefore, the RBT 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 theory 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's) 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 market place. 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, it is hereby suggested 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 theory on sustainable competitive advantage, It is agreeable 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 RBT 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 RBT 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 RBT 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 theory. A well developed 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.

Critiques on the resource-based theory

Fahy (2000) has reasoned that through its insights into the nature of competitive advantage, the resource-based theory of the firm has already made an important contribution to the field of strategic management. The RBT, 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 RBT 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 *practice*. In addition, there were some debates regarding both the nature and the determinants of competitive advantage and the relevancy of the resource-based philosophy. The most notable were the debates in Academy of Management Review (2001) between Barney (2001) and Priem and Butler (2001) on the relevancy and validity of the resource-based approach to 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 theory 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 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 RBT logic as paradoxically infused with contradictions and ambiguities. Its logic, they argue, has produced seemingly incompatible implications for managerial scholarship and practice (Priem and Butler, 2001). For example, its 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 RBT 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 RBT but also sustain the continued relevance of the RBT 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 philosophy. 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 RBT 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, 2007), the theory of constraints perspective (Watson, Blackstone and Gardiner, 2007), and also the resource-based view perspective (Leiblein, 2003).

Chandler's thesis

Chandler's thesis or theory postulates that the administrative structure a company adopts should be suitable for the business strategy which it has chosen. *Alfred D. Chandler (1962)* studied some American companies in 1962 and observed that since 1918, many of the companies had changed from functional to multi-divisional structures. In the functional structure, the organizations activities were divided into series of specialized functions such as marketing, finance, production and personnel. The coordination of such functional arrangement was undertaken by the general manager as the chief executive. In contrast, a multidivisional structure is the one in which the activities of the organization are divided into a series of autonomous multi-functional divisions. These divisions are usually product divisions although divisions organized along geographical lines are also common. Despite the fact that the divisions in the *Chandler's* study were responsible for operations, broad strategic decisions were undertaken by a general office which monitored and coordinated the performance of the divisions. Hence in the multi-divisional structure, it is the product division rather than the functional divisions which are responsible for operating decisions.

Based on his study, *Chandler* observed that these administrative (structural) changes were mainly the result of changed strategies in the companies concerned. He therefore concluded that structure follows strategy and that the most complex type of administrative structure is the result of several basic strategies. In other words, a new strategy creates new structural or administrative demands since information through geographical dispersion; vertical integration and product diversification add new resources and new activities to the company. Although the old administrative set up could still be used to administer the new activities, it is likely to become increasingly inefficient as the company becomes more diversified and expanded. However, it is important to note that there is no one administrative structure that is suitable for all organizations at all time. The organizational structure that is most suitable depends upon the corporate strategy that is chosen by an organization.

According to *D. F. Charnon (1973)* in his contribution to the Journal of Business Policy, Vol. 3, No 1, 1973 titled "*Corporate Strategy and Organization Structure in British Industries*", the British companies have tended to follow much the same course as their counterparts in the USA although in the United Kingdom, product diversification and structural changes were much more gradual and came very later than the situation in the USA. Structural changes after large scale product diversification was much closer in the UK and the changes from a functional to a multi-divisional structure was often achieved by a more gradual transition, first to a type of holding company structure, and eventually to the ultimate adoption of the multi-divisional system. In order to overcome much of these multi-dimensional problems of division, regrouping and integration, it is important that the administrative structure of the organization be well suited to tackle them. In the *Concepts of Corporate Strategy* by *D. W. Jones (1971)*, edited by *Keneth Andrew,* Andrew illustrated that the nature of the corporate strategy must be made to dominate the design of the organizational structure and process, that is, the principal criterion for all decisions in organizational structure and Behavior should be that they are relevant to the achievement of organizational goals and objectives. This is why in both the *Chandler's and Charnon's* analyzes, it was the extreme changes in corporate strategy which promoted the ferocious changes in the administrative structure which eventually brought the replacement of the functional structure by the multi-divisional structure in highly diversified firms.

Conclusion

Strategic management theories have evolved over time in order to suit the internal and external needs of organizations and also to fulfill the requirements of the external environments. However, strategic management theories need 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 philosophy. 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 RBT is indeed crucial as it can be used as a conceptual guideline for business organizations 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 RBT 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 RBT 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 firms' corporate performance.

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