

The Resource-Base View of Organization and Innovation: Recognition of Significant Relationship in an Organization

Francis Deinmodei W. Poazi, Jasmine O. Tamunosiki-Amadi, Maurice Fems

Abstract—In recent times the resource-based view (RBV) of strategic management has recorded a sizeable attention yet there has not been a considerable scholarly and managerial discourse, debate and attention. As a result, this paper gives special bit of critical reasoning as well as top-notch analyses and relationship between RBV and organizational innovation. The study examines those salient aspects of RBV that basically have the will power in ensuring the organization's capacity to go for innovative capability. In achieving such fit and standpoint, the paper joins other relevant academic discourse and empirical evidence. To this end, a reasonable amount of contributions in setting the ground running for future empirical researches would have been provided. More so, the study is guided and built on the following strength and significance: Firstly, RBV sees resources as heterogeneity which forms a strong point of strength and allows organisations to gain competitive advantage. In other words, competitive advantage can be achieved or delivered to the organization when resources are distinctively utilized in a valuable manner more than the envisaged competitors of the organization. Secondly, RBV is significantly influential in determining the real resources that are available in the organization with a view to locate capabilities within in order to attract more profitability into the organization when applied. Thus, there will be more sustainable growth and success in the ever competitive and emerging market. Thus, to have succinct description of the basic methodologies, the study adopts both qualitative as well as quantitative approach with a view to have a broad samples of opinion in establishing and identifying key and strategic organizational resources to enable managers of resources to gain a competitive advantage as well as generating a sustainable increase and growth in profit. Furthermore, a comparative approach and analysis was used to examine the performance of RBV within the organization. Thus, the following are some of the findings of the study: it is clear that there is a nexus between RBV and growth of competitively viable organizations. More so, in most parts, organizations have heterogeneous resources domiciled in their organizations but not all organizations as it was specifically and intelligently adopting the tenets of RBV to strengthen heterogeneity of resources which allows organisations to gain competitive advantage. Other findings of this study reveal that of managerial perception of RBV with respect to application and transformation of resources to achieve a profitable end. It is against this backdrop, the importance of RBV cannot be overemphasized; the study is strongly convinced and think that RBV

view is one focal and distinct approach that is focused on internal to outside strategy which engenders sourcing or generating resources internally as well as having the quest to apply such internally sourced resources diligently to increase or gain competitive advantage.

Keywords—Competitive advantage, innovation, organisation, recognition, resource-based view.

I. INTRODUCTION

INNOVATION and RBV to a very extent is so crucial in instilling and sustaining competitive advantages to any organisation. Indeed plethora of studies has indeed researched the importance of the innovative processes and competitiveness of organisations [1]. Yet there are still a good number of innovation and competitive models, which some few scholars have investigated the relationship between the core competence and innovation. Notably of such investigation is [1]-[3]. These studies all have a common ground that innovation and core competence are complex subject matter but critical in impacting the sustainability of any organisation.

Indeed, the stand point of every business or organisation is to bring top notch service to customers that will influence customers' decisions to come for more. Invariably this is RBV upholds through serving customers from a Resource-based strategy perspective. RBV of strategy asserts that the competitive advantage and superior performance of an organisation is explained by the distinctiveness of its capabilities.

RBV of strategic management is very important and it is manifested in its rapid diffusion throughout the strategy literatures and other managerial cadre. Understand importance of resources as part of strategic capability is also an objective of the study. Owing from previous research RBV, this study is poised to illustrate and bring to clarity the interrelationships between RBV and organizational innovation. Beyond this, the study will particularly focus on those aspects of RBV that significantly establish the capacities of the firm to innovate. Furthermore, the study puts together the relevant theoretical and empirical evidences and highlights a number of useful academic research contributions and managerial opinions.

To this end, the remaining sections of this study will adopt the following sequence: Section II will indigently re-evaluate RBV, ideas and postulations on RBV as a developmental process. Subsequently, as earlier stated the onus rest on this study is to x-ray the RBV, innovation and recognition of significant relationship in an organization. However, in more

Francis Deinmodei W. Poazi is with the Department of Business Administration, Niger Delta University, Amassoma, Bayelsa State, Nigeria (corresponding author; phone: +2348037685140; e-mail: poazi2004@yahoo.co.uk).

Jasmine Opkonanabofa Tamunosiki-Amadi is Lecturer in the Department of Business Administration, Faculty of Management Sciences, Niger Delta University, Amassoma, Bayelsa State, Nigeria.

Kurotimi Maurice Fems is Lecturer at the Centre for Entrepreneurship & Skills Development, Federal Polytechnic of Oil & Gas, Ekowe, Bayelsa, Nigeria.

specific term, the study tends to highlights the following objectives:

- Understand importance of resources as part of strategic capability
- Distinguish elements of strategic capability in organisations: resources, competences, core competences, and dynamic capabilities.
- Diagnose strategic capability by means of value chain analysis, benchmarking, and SWOT analysis.
- Consider how managers can develop the strategic capabilities of organisations. And discussing the organisational resources and capabilities that are critical, influential and empowered to innovate.

The study concludes with the contributions that RBV brings to innovation research. Thus, give more in-depth academic and scholarly recommendations.

II. RBV: THEORETICAL BACKGROUND

RBV of the firm is indeed becoming popular, the black or brain box in turning the fortunes of contemporary organisations and even nations. In theory, the ground breaking tenets of RBV concentrate on the fundamental questions of why organisations or nations are typically different and how organisations thrive to achieve and most importantly sustains a competitive advantage by deploying and utilizing their resources or potentials. Unmistakably, all these notions or ideas are not new. In fact, for the past decades, plethora of management scholars have immensely thrown their academic prowess in contributing, fine-tuning and the development of the topic RBV. First on such contributions is [4] who opines an idea that an organization's or nation's distinguishing capability and competence is directly connected or related to RBV. Another contribution is that of [5] notion which states that structure in an organisation that operate RBV follows strategies for accomplishment and utilization of capabilities. More so, the internal appraisal of competencies, strengths and weaknesses always leads to the identification of distinctive competitive advantage of the organisation [6]. On the other hand, [7] view point is seen as the most outstanding and pioneered idea of viewing the bundle of potentials and resources of an organisation. The argument put forward by [7] states that the heterogeneity of the productive services available from its resources that give each organisations their respective character or nature of unique competence. In order words, organisation resources heterogeneity is the basis of RBV [7]. From the foregoing, it is pretty significant that the perspective of resource as a new direction in the field of strategic management was first coined into a recognized and ground breaking article by [8]. Also, [8] noted and posit that evaluating organisations in view of their individual and heterogeneity of resources could point to deeper knowledge and facts that be at variance with the traditional point of view. This informed the decision of [9] to offer a more complete and succinct framework to identify the various features of organisational resources that establish a sustainable competitive advantage and competence. Furthermore, [9] acknowledged these features and characteristics as valuable

resources (which are classified under the cadre of exploiting opportunities or able to quench or reduce the environmental threats), exceptional or unique resources amid of organisation's immediate or current and potential rivalries, inimitable, and non-substitutable. Furthermore, some scholars ranging from [10], [2], [11], [3] have gone beyond to expand Barney's view to add some features and characteristics such as: resource durability, non-tradability, and idiosyncratic nature of resources. Evidently, over the years most of the literatures on strategy have all been critical and laying emphasis on resources internal to the firm as the catalyst, cornerstone and principal compelling force of organisation profitability and gaining strategic advantage. This shift in managerial and academic attention from an industrial organization (IO) economic standpoint in the direction of a RBV of strategy has transpired on the grounds for quite number reasons namely: Such reasons ranges from the rate of change in terms of new products attached with new technology, customer's preferences has shifted and tremendously increased dramatically. And above all the sufficient means in formulating organisational strategy in an increasingly dynamic environment [12]. Although, the increasing rate of change has put increasing pressure on organisation's to react more quickly and adequately, as time and time management is often seen as source of competitive advantage [13].

According to [12] indeed traditional industry boundaries are blurring as many organisations particularly in information technology-related industries. Notwithstanding though, what IO strategic thinking upholds is based on stable industry, as are many strategic analysis tools, including competitor analysis, strategic groups, and diversification typologies. Finally, and interestingly, all these reasons is a pointer to the fact that organisations may look for strategic opportunities internally, yet can still envision the operation of its business environment as well as making a critical assessment of industries, current and potential rivals is quite imperative.

A. Resources and Capabilities/Competences

The central proposition of RBV is that organisations are heterogeneous in terms of the strategic resources they own and have firm control. According to [9], the heterogeneity is a function or connection of resource-market imperfections and resource immobility. In another development, [8] posits that every organisation can be conceptualized as a distinctive array of tangible and intangible resources and capabilities. No doubt resources are the cornerstone of analysis for RBV. In other words, resources are those assets that are tied semi-permanently to the organisation [14].

Meaning resources are the assets that organisations have or can call upon (e.g. from partners or suppliers). This consist of financial, physical, human, commercial, technological, and organizational assets used by firms to innovate, develop, in delivering products and services to its customers. Resources are into tangible (financial or physical) or intangible categories (i.e., employee's knowledge, experiences and skills, firm's reputation, brand name, organizational procedures). On

the other hand and from contextual view point, strategic capabilities competences are organisational abilities and know how to transmit and coordinate the available resources of the organisation to achieve a desired and sustainable result [15]-[17], [10], [1]. Competences are the ways those assets are used or deployed effectively in the given organization i.e. “what the organization does well or good at doing”. Furthermore, the competencies of the organization later translate to **Core competences** which are the *linked set* of skills, activities and resources that, together: deliver customer value, differentiate a business from its competitors and potentially, can be extended and developed as markets change or new opportunities arise [17]. This portends the fact that every organisation has one or two resources but different competences or capabilities to harness the resources to drive a positive and desired outcome. Although, capabilities are informed decisions and information-based, fundamentally intangible processes that are specific to the organisation and are developed over time through complex interactions amongst the available resources [10], [1], [18]-[20]. Succinctly, capabilities competences are the ways those assets are used or deployed effectively, i.e. what we do well.

From the above explanation and definitions of capabilities or competences, it is glaring that two or more facts separate resources from capabilities. Also, [21] posits that competences or capabilities are more or less an organisation’s specific processes whereas everyday resources are not but organisation’s internal assets. More so, the most important purpose of a competence is to enhance and increase the effectiveness, efficient and productivity of resources that an organisation controls in order to accomplish its desired results [10], [1]. In order words, such organisational-based particular processes of competences are of the view that organisation is totally dissolved, then its competences would also fade away. While organisational resources could survive in the hands of a new owner. For instance, if the sky sport or super sport enterprise fades away or totally redundant, then its sport coverage patents (a resource) could continue to exist in the hands of a new owner(s), but its skill at designing and acquiring more innovative digital equipments (a capability) would perhaps become extinct. One major challenge that has been bedevilling organisations is the identification of resources and capabilities from the origin that can establish and enhance the organisation’s sustainable competitive advantage.

Away from the fact that capabilities tends towards organisation-specific in character, features and characteristics, it is still imperative not to overlook the fact that the selection and deployment and redeployment of resource are in a way have greatly influenced by external factors. Part of such external factors includes the social, economic, or technological environment, structure of the firm, the power of buyers and supplier’s power and obviously behavioural disposition of rivals. Thus, owing from the standpoint of [10], [1], the study is of the view that that the development and redevelopment of an organisation’s strategic assets is an integrative and wholesome process that depends on the organisation’s strategic choices, in relation to industry and determined by

other market factors. Meaning what determines other applicability of the firm’s bundle of resources and capabilities to a particular industry setting) will determine the firm’s competitive advantage.

Meaning the applicability of the firm’s bundle of resources and capabilities to a particular industry setting) will determine the firm’s competitive advantage. In essence resource-based perspective sustainable competitive advantage is the outcome of resource selection, accumulation and deployment (through organizational capabilities), and is predicated upon the premise of the resource heterogeneity nature of the organization.

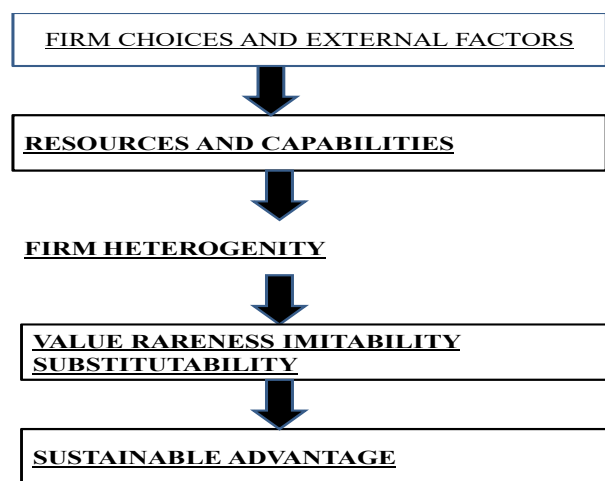


Fig. 1 Sustainable Advantage and RBV

B. How Do We Measure Whether a Capability Is Truly Strategic?

Ideally all capabilities are very much strategic to the growth of every organization. But in the reality through the following four key criteria, by which capabilities can be measured, tested and assessed in terms of providing a basis for achieving sustainable competitive advantage ([9]. These are as follows: VRIN:

1. Value,
2. Rarity,
3. Inimitability
4. Non-substitutability

Firstly, V stands for Value of strategic capabilities. The following are the most talked strategic capabilities such as:

- Taking advantage of opportunities with a view to match the potential threats,
- Thus provides customers some values
- Possibly provide or gain favourable competitive advantage.
- Attracts reasonable and acceptable level of profit or proceeds is expected to flow into the organization.

Then under the VRIN, R as it was in stands for rarity and has the following characteristics:

- Understandably, rare capabilities are those uniquely acquired capabilities such as the patented right of products, some overwhelmingly tremendously talented

human resources which in most parts becomes powerful brand in an organization.

- Often rarity is seen as a temporal capability because patent right can experience expiration or bought over, powerful brand of people can undergo brand devaluation by publicity stunt.

More so, I under VRIN refers inimitability capabilities. This capability simply means that it is near impossible for rivals' or competitors to improvise. The inimitability has the following features:

- Inimitability capabilities grant organizations a competitive edge and advantage via building exceptional resource like information technological structures. Although, the sustainability becomes often difficult as specialized people may bound to leave or other organizations can acquire the same informational systems.
- Therefore, the sustainability advantage derived from inimitability is dominantly over time found in competences i.e. the way such resources are first acquired,

managed and developed all through the deployment stage to form integration with other resources.

Lastly N represents - Non-substitutability and as such competitive advantage is not guaranteed or sustainable if there is a threat of substitution arises. This scenario may arise from the following outcomes:

- Products or services substitution from different competitors and different markets. Factually, to an extent postal services is been substituted by e-mail portal and other social media platforms.
- Then under the non-substitution, we have competence substitution ranging from skill and skilful person can be substituted by an expert systems or more intelligent IT solutions.

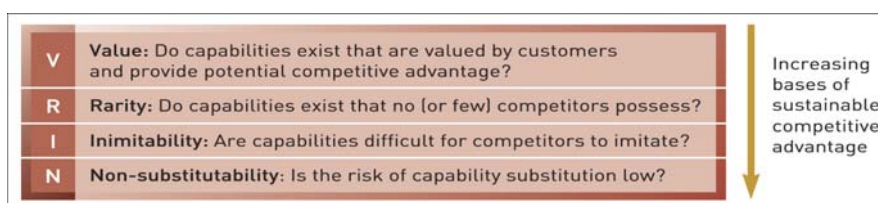


Fig. 2 Criteria for the inimitability of strategic capabilities



Fig. 3 Strategic Capabilities: The Key Issues

C. Why Developing Strategic Capabilities Are Important?

The most outstanding reason for a sustainable survival of any organization would be that of serving our customers from a Resource-based strategy.

Indeed RBV of strategy asserts that the competitive advantage and superior performance of an organisation is explained by the distinctiveness of its capabilities.

1. **Internal capability development:** The following are some ways of capacity and capability development available to any organization:
 - **Leveraging capabilities:** This involves a scenario where capabilities are identified in one part of the organisation which later undergoes transformation as well transferring such capabilities to other parts within or outside the

organization in attracting influential and financial measures.

- **Stretching capabilities:** The stretching here refers to developing and building new frontiers of products and services out of already existing capabilities ones. Meaning capabilities are branched off to form a different capability
- **External capability development:** This form of capability development is all about additional capabilities via acquisitions of capabilities or forming mergers or alliances to gain capabilities
- **Ceasing activities:** These activities are usually Non-core activities that can be stopped, outsourced or have less cost implication.
- **Monitor outputs and benefits:** This arises from studying or understanding various sources and benefits of consumers in order to support or contributes more.
- **Managing the capabilities of people:** Capabilities ought to be managed properly and as such training, development and organisation learning is inevitable.

D. A RBV of the Firm's Capacity to Innovate

Conventionally, one of the most important research questions of the management literature has been the relationship between innovation, firm structural characteristics (e.g., formalization, centralization, specialization) and industrial environment.

According to [22]-[26] and from the traditional viewpoint, it is supposed that differences in the firm's innovative activities

are basically explained by industry and organizational structure characteristics. While in more behaviourally oriented position states that the organizations' innovation activities and performance are not only in terms of organizational structure or industry characteristics but also are classified in terms of resources and capabilities [27], [28].

What is more important though, within the same line of

scholastic way of thinking, a numerous body of literatures and scholars upholds the opinion that RBV is to offer new insights to innovation management in organizations. No doubt, the presence of different organizational resources and capabilities in a way and in most parts affects the outcome of the innovation process of organizations [20], [29]-[31].

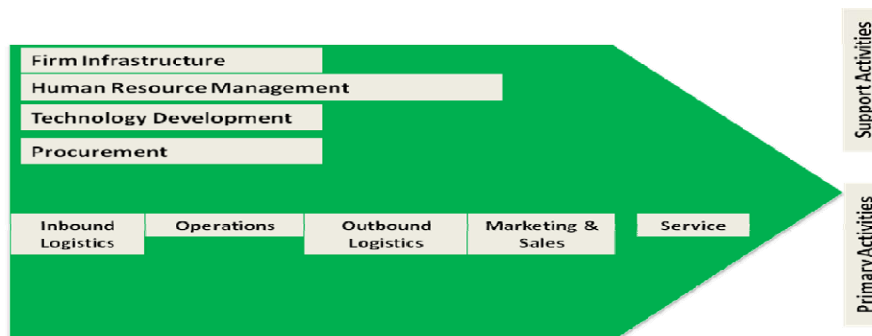


Fig. 4 Michael Porter Value-chain analysis of capabilities

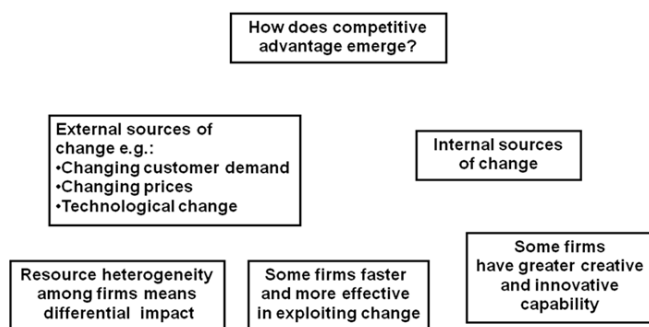


Fig. 5 The Emergence of Competitive Advantage

1. Competitive Advantage from Internally-Generated Change: Strategic Innovation

Strategic innovation in an organization poised to create customer value from new products, experiences, or modes of product delivery. In order words, organizational strategic innovation would be that of internally generated or externally purchased device, system, policy, process, product or service that is new to the adopting organization [24]. In context therefore, innovation characterizes a means of transforming an organization, whether as a response to changes in its internal or external environment or as a means of proactive step taken to influence its environment.

The following are some of the innovatory strategies that may involve in organizational innovatory settings:

- *Creating whole new markets/industries* (e.g. Steve Jobs and Steve Wozniaki apple/software services; the EBay, OLX, Jumia, facebook and twitter world).
- *Creating new customer segments* (e.g. Toyota's lean production system combines low cost, high quality, and flexibility. Retailers Primark, General, Joepal, Sunky super marts and Target combine low cost with stylishness and Air Asia and Airbus low cost services).
- *New sources of competitive advantage:* This ranges from rethinking and reconfiguring the value chain (e.g. Zara in

fashion clothing; Canon in plain-paper copiers; Ryan air in airlines. Under this, customers are offered with new combinations of performance: e.g. Low prices with quality (Richardson), low prices and style (Primark and H&M). More so this new source competitive advantage can be seen in most thriving business called the bend down boutique (BDB or OK's) in the local parlance.

2. Theoretical Linkages and Empirical Evidence

RBV on innovation is focused on the fundamental premise that resources and capabilities of organizations are those that predominantly underlie and determine the organizational capacity for innovation. It is on this premise and standpoint, organizational resources are viewed as both (tangible and intangible) which together provides the input and transformed by capabilities to produce innovative forms of competitive advantage. More importantly, the availability of financial resources can expand organizational capacity to support its innovative activities [32]-[34]. Notwithstanding though, the lack of financial muscles can always hinder organizational level innovation development and growth [35], [36]. Apparently, internally (firm) generated funds are more conducive to R&D activities and investments than that of external funds. Because there exist information asymmetries between the internal organization funds and the external capital market (e.g. competitors get information on research and development (R&D) projects, lose total control over their innovations).

Technical resources of ICT systems, engineering and production equipment and manufacturing facilities have also been found to positively affect innovation [37]. Recently, though, studies have different perspective and have shifted attentions from tangible to intangible resources. From the strategic point of view, intangible assets may be more important, since they bring together more frequently the requirements necessary for producing sustainable advantage that will build a more valuable, rare and difficult to imitate

and replace by competitors [38], [9]. It therefore means that, a high stock of qualified human capital with advanced technical prowess and skills, know-how in research and development (R&D) projects, and as such risk taking propensity increases the probability of a firm to carry out innovative activities [39],

[40]. More so, [41] and [42] argue that the increasing role of intangible assets has led to the emerging concept called “knowledge-based view (KBV)” of the firm as an extension of RBV.

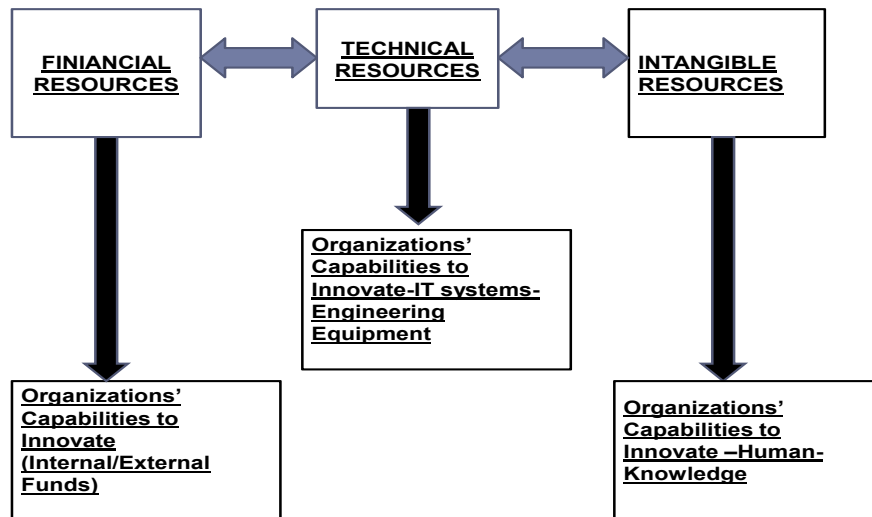


Fig. 6 Resources Determining a Firm’s Capacity to Innovate

Apparently, organizational capabilities represent the wheel power and capacities to coordinate resources provide as inputs into productive use, and shape inputs into innovative outputs [43]. Of course, resources are into tangible and intangible which leads to entrepreneurship, Learning, Sense and response, marketing skills. More so, dynamic capabilities lead to organization’s capacity to innovate. No doubt, there is a strong interrelationship between innovation and entrepreneurship. Innovation itself is the primary activity of entrepreneurship [44]. Whereas, [45] argued that a key dimension of an entrepreneurial orientation is an emphasis on innovation.

Evidently, organizational learning has also indicated positive effects on innovation. It is strongly believed many quarters that learning can help organizations to change [46]. More so, learning helps firms to generate new knowledge, recombine existing knowledge and skills, and adapt to changing market conditions. Obviously, [36] the concept of “dynamic capabilities framework” sees dynamic capabilities as the organization’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. In order words, coordination as well as integration of capabilities, learning and transformation are the fundamental dynamic capabilities that serve as the mechanisms through which available stocks of resources. For instance, marketing, financial and technological assets can all combined to be transformed to produce new and innovative forms of competitive advantage.

III. METHODOLOGY OF THE STUDY

This research focused on both Q methods ranging from quantitative and qualitative research methods that are poised

to bring qualitative yet a wider research as well as to be measured quantity. More so, it will establish natural settings, attempting in order to make sense of, or interpret, phenomena in terms of the meanings people bring to bear. Most importantly, the Q methods direct and guide the researcher to observe wide ranges of sources or data, research methods and above all launch theoretical perspectives in analysing behavioural specimens [47]. In order words, these Q methods further bring understanding of wider and complex observable facts.

Above all, recently there have been high increases in the application of Q methods with a view to assist researchers in various publications particularly management journals. Thus, via Q methods researchers gain rich insights into complex situations in order to understands a range of complexity of phenomenon. In order words, via Q methodological methods researcher can obviously explore the similarities and differences of issues.

IV. CONCLUSIONS/FINDINGS

Definitely, from the exhaustive explanations, studies and scholarly findings it is pretty clear that RBV of the organizations’ offers new directions for strategic management as has shifted the attention towards the organization and its unique characteristics. Furthermore, RBV redirects organizational innovation research, particularly in terms of the factors that determine firm-level innovation. The contributions of RBV point out the differences that this study stream has brought comparing to other (traditional) viewpoints that study innovation.

V. RECOMMENDATION

In view of the above, the following are some of the basic contributions and recommendations of this study as regards to RBV to organizational innovation and recognition of significant relationship in an organization. And they are as:

- It is obviously understood from the above research findings that innovation does not come simply from just conducting or scanning the external environment for market opportunities, but rather exhaustively looking deep on the internal innovation availability and building on the resource endowment and core competencies of the organization.
- Furthermore, resources and capabilities of any organization are primarily taken, harnessed to offer the needed input for fostering development and exploitation of the firm's innovation activities. Thus, the focus of RBV is not only on how to squeeze innovative output out of the organizations, rather focus on how to provide the wheel power to facilitate innovative activities in the organization.
- Due to the belief of heterogeneity of organizational resources, the study focus on the opportunity of the organization to produce innovative output with increased future value. The benefits of an innovation output will no doubt last longer, and apparently will motivate and facilitate new innovative efforts in contributing to the sustainable competitive advantage of any organization. This is very imperative to any organization intending to shape its developmental strides in the ever polarised and competitive business environment; because the whole essence of innovation processes are hinged on combinations of strategic assets that are organization-specific and thus, not easy for competitors to imitate and not to talk of getting the exact product.
- Clearly almost all studies of RBV and scholars is of the opinion that organization thrive better and stay ahead in the ever competitive business environment when it is the pedestrian of creative innovation. Thus, organizations are strongly advised to really develop its dynamic capabilities. For instance, an organization can be able to conform to changing conditions of their industries, learn and explore the new knowledge and articulate a sound innovative response to initial nonexistent demands of customers and the market.
- In view of the above it is pretty obvious that there exist bilateral a relationship between innovation and RBV. In order words while RBV upholds the view of expanding knowledge on the dynamic features decides organizations' capabilities to be involved in innovation; yet innovation is one medium through which organizations' creates and renew the values of their assets. Indeed such mutual beneficial relationship therefore helps to create a sustainable advantage through production of innovative out to have increased value of product and through implementing innovations organizations' are best equipped to establish new 'stocks' of specific assets that other competitors will find impossible to quickly imitate

or replicate.

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