Chapter I

Resource-Based Theory of the Firm

In this book, we apply the resource-based theory of the firm that has established itself as an important perspective in strategic management. According to the resource-based theory of the firm, performance differences across firms can be attributed to the variance in the firms'' strategic resources and capabilities. Resources that are valuable, unique, and difficult to imitate can provide the basis for firms' competitive advantages (Garud & Kumaraswamy, 2005)

In order to explore the usefulness of the resource-based theory for information technology resources, it is necessary to explicitly recognize the characteristics and attributes of resources that lead them to become strategically important. Although firms possess many resources, only a few of these have the potential to lead the firm to a position of sustained competitive advantage (Wade & Hulland, 2004). In this chapter we will see what separates regular resources from those that confer a sustainable strategic benefit.

Resources are employed in the production of goods and services, which occurs in the firm's value configuration. The value configuration is the way a particular organization conducts its business. There are three alternative value configurations—the value chain, the value shop, and the value network—as we shall see later in this chapter. To comprehend the value that IT provides

to organizations, we must understand their value configurations (Stabell & Fjeldstad, 1998).

To some readers, this first chapter might seem too theoretical and possibly put them off. Hopefully, this will not happen. It is important to cover the material included here before going on to the other chapters. What is most important to remember from this chapter when moving on to the rest of the book are (1) strategic resources that influence the success of IT management, and (2) value configurations that introduce a contingent approach to IT management.

Organizational Resources

The central tenet in resource-based theory is that unique organizational resources of both tangible and intangible nature are the real source of competitive advantage. With resource-based theory, organizations are viewed as a collection of resources that are heterogeneously distributed within and across industries. Accordingly, what makes the performance of an organization distinctive is the unique blend of the resources it possesses. A firm's resources include not only its physical assets, such as plant and location, but also its competencies. The ability to leverage distinctive internal and external competencies relative to environmental situations ultimately affects the performance of the business.

Exploring competencies in the context of the management of information technology is a relatively recent development in the evolution of the information systems discipline. The importance of developing competencies that allow organizations to successfully take advantage of information in their specific context has been noted. The concept of competence in the information systems literature is predominantly focused upon individual competence in the form of IT skill sets, rather than treated as an organizational construct. The focus has been on the technology supply side and individuals' skills, emphasizing the requirement for IT professionals to have not just technical skills but also business and interpersonal skills. More recently, being a change agent has been proposed as a skill for IT professionals. The implication of this literature stream is that equipping IT specialists with additional skills can solve the problem of lacking benefits from IT. The inference is that the inability to

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