

Resources

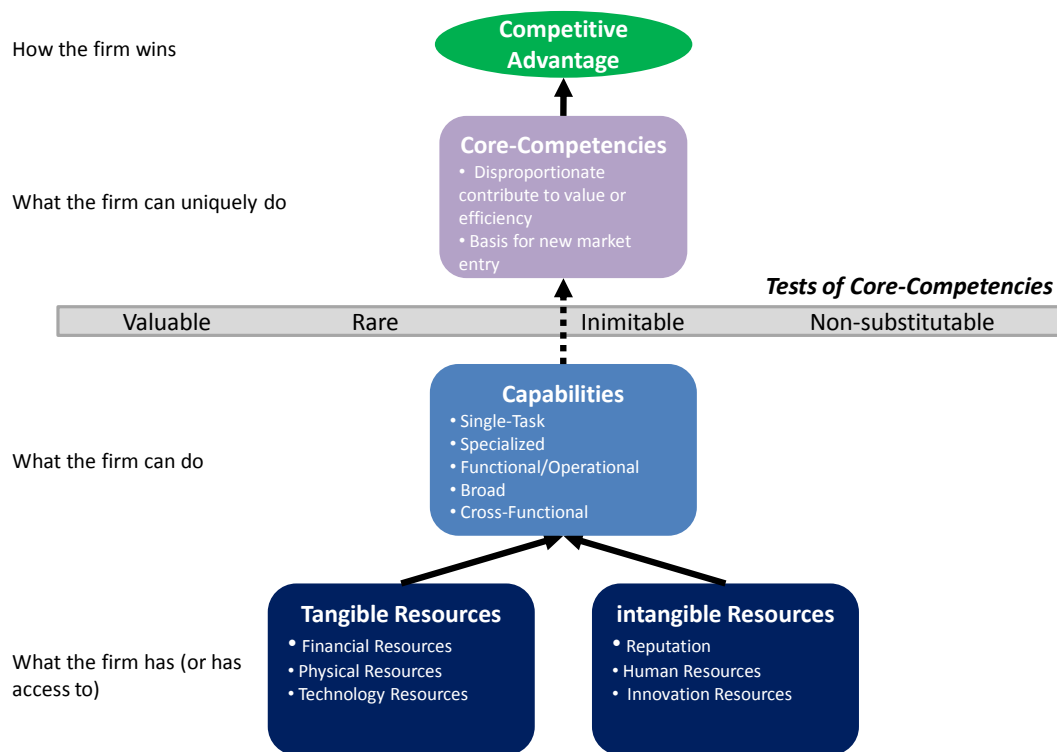
Key Points:

- Resources represent the productive assets of an organization.
- There are two types of resources: tangible and intangible. Human resources can be separated from intangible resources and considered a separate category.
- In and of themselves, resources do not lead to competitive advantage. When combined together and configured in way that produces something of value then they start for form the base of competitive advantage.

Main Thoughts:

The building blocks of strategy are resources. At the most fundamental level, resources represent the productive assets of an organization. Firms work to acquire resources and expand their pool of resources over time. There are two basic types of resources: tangible and intangible resources. Together these resources—of which human assets are a vital component—comprise what might be referred to as the resource base of an organization.

Figure 1: Pathway to Competitive Advantage



Tangible Resources. Tangible resources are the easiest to understand and identify within a firm. They consist of financial resources such as cash, investments or borrowing power. They are also made of up physical plant and equipment like production facilities or vehicle fleets. Raw materials are physical resources too. Technology resources are technology systems themselves or applications the firm has. Tangible resources are often found on the firm's statement of position or balance sheet.

Intangible Resources. Intangible resources are more difficult to identify and value within an organization. They are made up of things such as brand name and brand value, institutional knowledge and know how, ideas, intellectual property as well as loyalty of the workforce. For most organizations today, intangible resources are more valuable than tangible resources and provide a better basis for capabilities and competitive advantage. This shouldn't be surprising given the global knowledge economy in which most organizations operate in today.

Identifying Resources. It is difficult to fully employ something that cannot be identified. To help ensure they fully understand what their resources are whether they are being used for their best and highest purpose, organizations should 'dimension' their resources. A simple table can be developed that puts into dimension the following resource attributes: name, type, description, current use, current value, potential uses, potential future value and risks to resource use. Simply working to inventory and describe available key resources can be very valuable for an organization.

As an Example:

Marvel Entertainment, LLC provides an interesting study of an organization's management of its resource base. Founded in 1939, the company rose to prominence at a time when a new form of entertainment—comic books—was growing in popularity. Initially offering mainly superhero titles, the magazine expanded over the years into horror, humor, drama, romance and even religious topics but eventually returned to its superhero roots. Well known characters include Captain America, Hulk, Iron Man and renowned crime fighter Spiderman. Today the company houses a library of over 5,000 characters. Over the decades that followed the founding, the company weathered a variety of acquisitions, sales and creative/editorial challenges eventually going public in 1991. As demand for paper based comic books declined into the 1990s, sales and profits shrank and Marvel was forced into Chapter 11. ToyBiz eventually acquired the company in taking it out of bankruptcy in 1998. ToyBiz later changed its own name to Marvel Enterprises. Recognizing the world of entertainment had changed while also understanding the value resident in its characters, the company started to take advantage of licensing and merchandising agreements with partners like Sony Pictures Entertainment and Sony Picture Consumer Products. The company again changed its name in 2005 to Marvel Entertainment and continued successfully licensing characters and character development skills to firms like Nintendo and movie makers such as Lions Gate's Family Home Entertainment. On August 31st of 2009, after a successful creative and financial rebound, Marvel Entertainment sold to The Walt Disney Company for \$4 billion. Despite its difficulties over the years, the company eventually unlocked the value of its vast intellectual assets through a variety of licensing arrangements which ultimately resulted in significant value for shareholders.

Editorial

As Figure 1 depicts, the resource base is the productive foundation for any firm. Resources have actually been studied for decades starting most notably with Edith Penrose's 1959 book *The Theory of the Growth of the Firm*. But the concepts of resources took a back seat during the 1970s and 1980s to the industrial organization (I/O) view of the firm and strategy. The I/O view provided many useful frameworks (e.g. the Five Forces Model) but did not expressly consider resources. During the 1990s, research emerged that stated the principal basis for any firm's strategy and ultimate profit potential was resource-based. Thus, the resource-based view (RBV) of the firm was solidified and survives today as a key perspective on strategy.

Given that resources can be a bit more challenging to identify and analyze than an industry, organizations tend to only give them limited attention during strategy-making activities. If the RBV is employed, it then becomes essential to look in greater depth at resources when formulating strategy. As the Marvel Entertainment example shows, resources can be difficult to develop, deploy and control. However, they do have the potential for tremendous value when exploited properly.

For More Information See:

Web

http://en.wikipedia.org/wiki/Marvel_Comics

<http://www.answers.com/topic/marvel-enterprises-inc>

Magazines & Journals

n/a

Books

Grant, R. *Contemporary Strategy Analysis*, Blackwell Publishing, Malden, 2005.

Penrose, E., *The Theory of the Growth of the Firm*, Wiley, New York, 1959.