Received: 13 January 2018 | Revised: 14 May 2019 | Accepted: 25 May 2019

DOI: 10.1002/mde.3041

RESEARCH ARTICLE

WILEY

A case for resource-based view and competitive advantage in banking

School of Business, NJCU, Jersey City, New Jersey

Correspondence
John Donnellan, School of Business, NJCU, 160 Harborside Plaza 2, Jersey City, NJ 07311.
Email: jdonnellan@njcu.edu

This paper discusses the importance of the strategic planning process and presents a case study on JPMorgan Chase and how the resource-based view (RBV) was used to align their resources with the overall strategy of the organization in achieving their goal of becoming the top nationally ranked commercial bank in the Unites States. This required JPMorgan Chase to implement strategic changes to their internal and external environment utilizing their resources and competencies. The objective of this paper is to provide a theoretical and practical insight of RBV on the "what happened" aspect of JPMorgan Chase and then discuss their ability to achieve and maintain competitive advantage.

1 | RBV AND ORGANIZATIONAL PERFORMANCE

Strategic planning from the resource-based view (RBV) would require the organization to leverage core competencies to achieve above average returns (Hitt, Ireland, & Hoskisson, 2017).

The traditional corporate resource-based perspective of the past based competitive advantage on a variety of mainstream elements related to basic core values such as quality, cost, and timeliness. Today, innovation has become an important additional factor in the challenge to create and sustain competitive advantage (Lee, 2009; Liu & Chen, 2008). A dynamic and turbulent environment has forced organizations to build innovation capabilities for change (Liu & Chen, 2008). Taking both RBV and innovation perspectives together, firms could embrace innovation to help them to adapt to the environment (Liu & Chen, 2008).

According to the resource-based model, differences in the firm's performance across time are due primarily to their unique resources and capabilities rather than the industry structural characteristics. Key resource components such as rare, difficult to imitate, or nonsubstitutable resources give organizations a strategic advantage and above average returns. Thus, by looking at the key components of the resource-based model, one may be able to identify resources that could provide an organization with sustainable competitive advantage.

According to the RBV, on strategy, it is possible to identify competencies of organizations that perform better than other organizations (Nielsen, 2002). Firms that look internally to fill perceived gaps in resources and competencies are more likely to be competitive. Recent empirical studies validate this assumption, especially in the banking industry. In a study of U.S. Banks, it was determined that innovative planning has a positive impact on growth and profitability (Han, Kim, & Srivastava, 1998). Han et al. (1998) reaffirmed that innovations, as vital components of business performance, warrant organization-wide attention for successful implementation of both technical and administrative kinds. This requires a committed, market-oriented corporate culture that will facilitate organizational innovativeness, which is increasingly becoming a key factor in delivering superior corporate performance (Han et al., 1998). An organization hoping to enhance corporate performance through innovation should consider the following steps for an efficient allocation of its resources:

1. Determine the current business environmental conditions the firm faces and
2. Allocate resources disproportionately to the market orientation component that is most effective in the identified condition (Han et al., 1998).

Thus, innovative planning with resources is likely to improve and sustain organizational performance. Accordingly,

> **Hypothesis 1.** *Innovative strategic planning through RBV will have a positive impact on organization performance.*

 © 2019 John Wiley & Sons, Ltd.

2 | COMPETITION AND ALLIANCES

Some empirical studies describe how differences in strategy affect the need for different resources (Maidique & Patch, 1982). The RBV of the firm emphasizes resource accumulation over product positioning as a possible source of enduring competitive advantage (Penrose, 1995). This view of the firm rests on two assumptions for analyzing competitive advantage. First, firms may be heterogeneous with respect to the strategic resources they control. Second, an assumption is made that many of these strategic resources are imperfectly mobile and lead to sustained heterogeneity (Barney, 1991). These resources can include tangible components such as plant, machinery, and skilled personnel, and intangibles such as brand name, reputation, specialized know-how of production processes, marketing expertise, and trade industry contracts (Wernerfelt, 1995). In addition, an organization could seek external sources for unique assets (Nelson, 1991). These resources allow firms to conceive and implement strategies that may improve efficiency, effectiveness, or grow the organization (Daft, 2001). Such external sources may come in the form of strategic alliances.

Alliances can often improve the market power of a firm, either because the alliance partner is a customer for the product or because the distribution channels and buying power of the partners can be combined through vertical integration (Hamel, Doz, & Prahalad, 1989). Furthermore, the close interfirm relationships of alliances provide specific knowledge-based resources, such as manufacturing or customer service (Hamel et al., 1989), and give firms an edge within highly competitive markets (Eisenhardt & Schoonhoven, 1996).

Alliances are a good method to circumvent certain barriers of entry and have been employed to enter new markets and gain new knowledge (Ranft & Marsh, 2008). Alliances allow firms to share, develop, and utilize resources and capabilities over time (Reuer, Zollo, & Singh, 2002). Requiring less overall integration than other forms of entry, an effective alliance may identify a particular knowledge-based resource and only tap into a particular capacity needed by the partner firm (Ranft & Marsh, 2008). Alliances are, by design, oriented to isolating specific resources or sets of resources and integrating those where gaps are identified (Swift & Hwang, 2008).

There are many reasons for companies to form an alliance, including insufficient resources, low pace of innovation, high manufacturing cost, market access, and low technology (Doz, 1996). However, one of the reasons companies join a strategic alliance is to create their competitive advantage in the global market (Lei & Slocum, 2002). Through the form of strategic alliance, companies could assure the sufficiency of their resources (Liu, 2009). Ranft and Marsh (2008) point out that the highly competitive periods of the 1990s produced record numbers of alliances leading to the positive relationship between market competitiveness and these new unions. One example of increased alliances due to competition is the highly competitive world of pharmaceutical companies where many find the need for alliances due to competition from both traditional pharmaceutical companies as well as biotech's, generic drug producers, and customers (Luvison, 2009).

Competitive advantage and disadvantage may also shift over time depending on the firm's ability to adjust to environmental changes. Therefore, in order to explain competitive advantage, the RBV model must incorporate evolution over time of the resources and capabilities that form the basis of competitive advantage (Helfat & Peteraf, 2003). Capabilities can be viewed as the capacity of the organization to create, extend, or modify a firm's resource base, augmented to include preferred access to the resources of its alliance partners (Kale & Singh, 2007). Thus, the theory postulates that firms will seek out alliances to augment their existing capabilities.

Organizations will seek alliances in competitive times at a greater rate than noncompetitive times. Therefore,

> **Hypothesis 2.** *Increased competition will have a positive impact on alliance formation.*

3 | EXPLORING RBV THEORY

Organizational change can be defined as the adoption of a new idea or behavior by an organization (Daft, 2001; Pierce & Delbecq, 1977). Organizational change is a difficult process that relies on utilization of competencies within the organization. The RBV framework describes a firm as a specific collection of resources and competencies that can be deployed to gain competitive advantage through strategy implementation. Bhatt (2000) emphasizes the importance of developing organizational competencies for business transformation based on RBV (Bhatt, 2000).

Researchers have found that the success rate for strategy implementation is approximately 10% to 30%. This is very low considering the amount of resources and financial investment organizations put into creating strategies (Raps, 2005). Therefore, it seems sensible that the internal alignment of staff and strategy should be synchronized for successful implementation (Liu & Chen, 2008), lending credence to the use of RBV as a framework to determine how resources would best be aligned with objectives.

The case presented herein illustrates how one organization utilized the RBV theory and strategic coalitions to align resources with strategies. Issues dealing with revenue generation through resource allocation showed that alliances are important when internal resources are not sufficient. Finally, the case points out the importance of the RBV model in identifying resource and competency gaps that prevents organizations from competing and achieving above average returns.

Many organizations need to introduce change into their processes in order to address a weakness in their capabilities (Hitt et al., 2017). Management approaches to strategy increasingly emphasize the firm's organizational abilities and resources (Spulber, 2003). Thus, organizations may look inside the firm to see where there are opportunities for improvement based upon internal resources. Organizations can look for models to help identify gaps between desired performance and achieved performance. One such model is the RBV, that says the organizational uniqueness of its resources and capabilities is the foundation for the firm's strategy and its ability to earn above average returns (Hitt et al., 2017).

RBV is an approach to achieving competitive advantage that emerged in the 1980s and 1990s, after the major works published

by Wernerfelt (1995), Prahalad and Hamel (1990), Barney (1991), and others. The supporters of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking externally at the competitive environment for it. According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In the RBV model, resources are given the major role in helping companies to achieve higher organizational performance.

Such resources are inputs into a firm's production process, such as capital equipment, the skills of individual employees, patents, finances, and talented managers. In addition, a firm's resources can be classified into three categories: physical, human, and organizational capital. These resources could either be tangible or intangible in nature (Barney, 1991). Porter (1991) posited that the origins of competitive advantage are valuable resources that the firm possess which are often intangible assets such as resource skills and reputation (Porter, 1991). But one must ensure alignments are made because both tangible and intangible, can, and often do, have negative as well as positive connotations (Collis, 1991).[1]

The two critical assumptions of RBV are that resources must also be heterogeneous and immobile.

The first assumption is that skills, capabilities, and other resources that organizations possess differ from one company to another. If organizations would have the same amount and mix of resources, they could not employ different strategies to outcompete each other. What one company would do, the other could simply follow and no competitive advantage could be achieved. This is the scenario of perfect competition, yet real world markets are far from perfectly competitive and some companies, which are exposed to the same external and competitive forces (same external conditions), are able to implement different strategies and outperform each other. Therefore, RBV assumes that companies achieve competitive advantage by using their different bundles of resources (Barney, 1991; Liu & Chen, 2008).

The second assumption of RBV is that resources are not mobile and do not move from company to company, at least in the short-run. Due to this immobility, companies cannot replicate rivals' resources and implement the same strategies (Barney, 1991; Liu & Chen, 2008). Intangible resources, such as brand equity, processes, knowledge, or intellectual property are usually immobile.

Figure 1 also emphasizes that resources can be subcategorized into tangible and intangible resources and both the resources are important for the proper functioning of the organization (Wu, 2010).

Although having heterogeneous and immobile resources is critical in achieving competitive advantage, it is not enough alone if the firm wants to sustain it. In order to understand the sources of competitive advantage, firms are using many tools to analyze their external (Porter's 5 Forces, PESTLE analysis) and internal (Value Chain analysis, BCG Matrix) environments. One of the tools that analyze a firm's internal resources is value, rareness, imitability, and organization (VRIO) analysis (Barney, 1991), which stands for four questions that ask if resources are valuable, rare, costly to imitate, and nonsubstitutable. Barney enhanced his model in 1995, changing it to

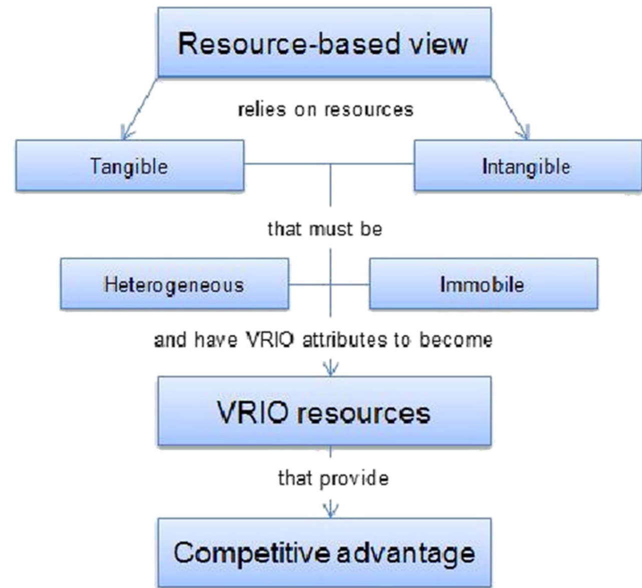

FIGURE 1 Model illustrates resource-based view and key points (Hitt et al., 2017). VRIO, value, rareness, imitability, and organization [Colour figure can be viewed at wileyonlinelibrary.com]

a VRIO analysis as shown in Figure 2, by asking if a firm is organized to capture the value of the resources. A resource or capability that meets all of these requirements can bring sustained competitive advantage for the company.

During the last two decades, the emphasis in the strategic management literature has shifted from viewing advantage as primarily determined by environmental (industry/market) factors to a RBV (Wernerfelt, 1995) that highlights how the deployment of unique and idiosyncratic organizational resources and capabilities can result in sustained superior performance (Lado, Boyd, & Wright, 1992). Underlying this shift is recognition that sustained competitive advantage grows out of those valuable, income-generating, firm-specific resources and capabilities that cannot easily be imitated or substituted. Teece, Pisano, and Shuen (1997) argue that organizational capabilities play a key role in strategic management when aligning organizations with the requirements of a changing environment. With the RBV framework of strategic management, firms are believed to be heterogeneous with respect to their resources and capabilities because they are usually constrained by their historical paths, existing resources, and accumulated capabilities (Barney, 1991; Liu & Chen, 2008).

If organizations lack internal capacity, then entering into a strategic alliance could be a strategic option. An alliance may improve the strategic position of organizations by addressing weaknesses in core competencies. Cooperating with another organization can give a firm visibility and signal enhanced status to would-be buyers, suppliers, and employees (Baum & Oliver, 1991; Weiwel & Hunter, 1985). Such alliances that improve a firm's resources help to distinguish them from other competitors are particularly important in crowded markets. For example, in the early 1980s, executives at Sun Microsystems established an alliance with AT&T to distinguish the firm from other microcomputer companies (Eisenhardt & Schoonhoven, 1996). This

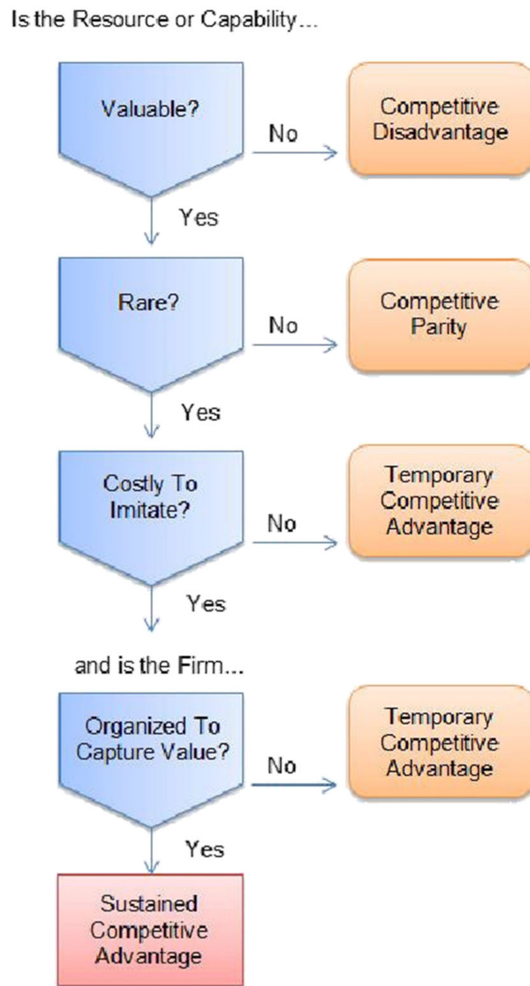

FIGURE 2 The value, rareness, imitability, and organization framework "strategic management" (Rothaermel, 2016) [Colour figure can be viewed at wileyonlinelibrary.com]

was a deliberate and risky move that subsequently provided Sun Microsystems with an inroad into the telecommunication industry, a move that has made Sun Microsystems a major player in its field. Strategic alliances continue to grow with volumes increasing from the 1990s to-date (Ranft & Marsh, 2008).

The RBV sees organizations as bundles of resources and capabilities. Resources are firm-specific assets and competencies that are controlled and used by organizations to develop and implement their strategies (Montealegre, 2002). Capabilities are a firm's abilities to integrate, build, and reconfigure internal and external assets and competencies that enable it to perform activities with distinctive advantage (Teece et al., 1997). The resource-based approach focuses on the characteristics of resources and the strategic factor markets from which they are obtained. In order for the organization to utilize these competencies and achieve results, there must be a formal method of planning and control.

One view is that a firm's competitive advantage is tightly related to its resources and capabilities (Grant, 2013), whereas others argue that when there is a higher degree of connectivity between resources and processes, and between resources and capabilities, there is a greater possibility of success when attempting organizational change (Carnali, Lugo, Sharma, & Jain, 2003). Thus, the more a firm can use internal resources in its change process, the more likely it will be successful in implementing organizational change (Liu & Chen, 2008).

This paper will apply theory and observation of practical application regarding how JPMorgan Chasse addressed their lack of market position in the commercial banking arena and utilized RBV to their achieve goals for competitive advantage.

4 | THE CASE FOR JPMORGAN CHASE

In the early 2000s, JPMorgan Chase was the number two nationally ranked commercial bank in the United States with aspirations of becoming number one. In 2004, JPMorgan Chase merged with the number six largest national commercial bank creating a powerhouse in the banking industry. Together this created a synergistic relationship and the newly created organization was then an $80 billion entity that had operations in the North, South, and Mid-Western regions of the United States.

But JPMorgan Chase was falling short of its corporate level strategy to be number one within the national commercial banking space. In 2005, a bright new CEO, Jamie Dimon, came on board and realized that the organization would never overtake its competition without improving internal competencies and establishing an operation on the west coast. The senior management team decided to look at resources through RBV for its strategic planning. It was believed that this approach would provide JPMorgan Chase the needed competencies to overtake its competitors.

4.1 | An internal examination of resources, skills, and capabilities

JPMorgan Chase had a clear objective in trying to overtake its competition and continue to provide above average returns to their stakeholders. This required additional planning and alignment with key corporate business metrics such as return on equity and shareholder value. JPMorgan Chase looked internally using the RBV framework to identify gaps in its resources, skills, and capabilities. They determined that resources would then be assigned to key projects that utilized core competencies in order to maintain competitive advantage.

Dimon instructed senior management of JPMorgan Chase to gather an inventory of all internal resources and skill sets for each employee. This database would then be used to evaluate gaps in the skills and knowledge at various levels in specific areas of the firm. The inventory began in 2006 and each employee was responsible for updating this database periodically based upon any individual changes in employee skills, competencies, or knowledge (i.e., new degree or training program).

The database, resource inventory initiative (RII), provided information for senior management to make resource decisions around internal training and external recruitments. This information was then disseminated at the senior level and cascaded downward to lower

levels of management for strategy formulation around key projects that would utilize identified skill sets within particular units. One example involved a multiyear project that was expected to return strong revenue projected over 5 years (2007–2012). It was decided that the current team did not have sufficient resources based upon the needs of the project. This gap analysis highlighted key skill sets that would require external recruitment and selection. Management determined that RII would be the primary tool to match required needs against current internal skills sets and competencies and to identify and highlight key gaps that might ensure competitive advantage.

The multiyear project called Cardiff Collateral Management System (CCMS) was able to reveal how current resources could be aligned to the outlined and projected objectives and strategy. By taking a detailed look at the roadmap of skills needed for success in strategic projects, it was determined that many gaps existed around resourcing and alignment. Senior management then tracked multiyear performance to determine the impact of this gap. Based on the analysis, the organization implemented training programs that were aligned to the CCMS project to improve existing employee skill sets and competencies needed for the project. It was determined that JPMorgan Chase needed strong technology and product management personnel resources with extensive commercial and retail banking experience. Management worked with human resources personnel to strategically recruit and staff certain key functions that the RII identified as major gaps in the project's resourcing needs. An external recruitment strategy was then established to bring onboard employees who met the skill set requirements and filled the gaps found in the CCMS projects. Over a period of approximately 2 years (2013–2014), JPMorgan Chase was able to bring onboard key new employees to work on the CCMS program. Thus, in fiscal year, the program was on track to provide sufficient revenue to meet the JPMorgan Chase goal of sustained growth and revenue, thus providing a positive impact on firm performance.

JPMorgan Chase CEO Dimon realized that the firm's core competency was its commercial banking operations. In 2008, he set out to achieve sustained competitive advantage with the goal of being the top commercial bank by 2012.

In order to overtake its competition by 2012, JPMorgan Chase needed to see what competency gaps existed that may prevent this strategic goal from being achieved. Resources and skills gaps had already been addressed by mining and acting upon the data from RII program. The next competency to be addressed was the need for a west coast operation. JPMorgan Chase competitors had a strong mid-west to west coast presence with over 5,000 locations west of the Mississippi River, whereas JPMorgan Chase had relatively few operations there. Banks that have widespread operations across the United States tend to have positive impacts on their banking performance.

JPMorgan Chase realized the need to expand its west coast operations in the retail banking footprint because that was a strong feeder channel for their commercial banking operations; thus, JPMorgan Chase decided that an alliance would be the most efficient method. In 2004, the firm merged with BankOne and doubled their mid-west operations. However, the organization was still in need of further west coast operations expansion to more successfully counter the advantage of its competition that had 5,000 California, Oregon, and Washington state locations.

In 2007, the banking industry was impacted by the financial market meltdown and the estimated $1 trillion dollars market loss, high unemployment, and collapse of many banks. This presented an opportunity for some of the larger banks to satisfy internal resource needs by merging, acquiring, or forming alliances with banks that were having problems.

From 2007 to 2015, competition to become the top bank was fierce and increased the need to obtain tangible resources as quickly as possible. JPMorgan Chase turned again to utilizing the RBV framework to find gaps and strategically planned to address these gaps through alliances and acquisitions. JPMorgan Chase and its competitors tried numerous times to shore up internal gaps by obtaining external resources. JPMorgan Chase determined it would be too difficult and lengthy to build locations on the west coast. In several situations, JPMorgan Chase competitors lost their bids to obtain various banks, whereas JPMorgan Chase was successful in acquiring a west coast bank to meet its objectives. During the implementation, JPMorgan utilized outsourcing effectively when implementing their overall strategy, moving coding to Bangalore, India from Delaware, USA.

This is in contrast to certain views in that outsourcing is also a key strategy in supplementing a lack of internal resources. Although many scholars have contributed to identification of the mechanism of sustainable competitive advantage of the firm by considering the RBV of strategic management, few scholars have paid attention to the outsourcing strategic decision process and its relation to RBV (Maina & Maina, 2016).

5 | JPMORGAN CHASE ADDRESSES CRITICISM OF THE RBV

The RBV has been criticized for a number of weaknesses. Researchers have stated that the RBV misses managerial implications or operational validity (Priem & Butler, 2001). The RBV explains that managers have to develop and obtain strategic resources that meet the criteria of valuable, rare, nonimitable, and nonsubstitutional (VRIO criteria) and how an appropriately competitive organization can be developed. Some practitioners say that RBV does not explain how managers can do this (Connor, 2002). Although certain authors fully believe in some of its academic relevance, “RBV has been winning the battle in the academic community, but its market share in the world of strategy practice is low, despite having been taught to three decades' worth of MBA students” (Martin, 2005), practitioners may not fully agree. Thus, this case study of JPMorgan Chase's embrace of RBV is instructive. At the core of their (JPMorgan Chase) belief in the theory, was the development of their RII to identify skills and resource gaps, to track internal employee improvements on developmental goals, and to assess external recruitment as needed to fill in the gaps. For JPMorgan Chase, management's confidence in the RII system allowed them to follow through with the plan.

Another criticism, according to Priem and Butler (2001) and Collis (1991), is that the RBV entails infinite regress. Collis (1991) also points out that “second order capacities” may set in because best practices are always changing; thus, one firm's best practice today may not be a best practice tomorrow. Although JPMorgan Chase sought to extend its operations to the west coast, it encountered obstacles from other best-in-class banks moving on that strategy, and so, was forced to abandon its preferred positioning in California, and look north, to form an alliance with an Oregon-based partner.

The RBV is criticized by Miller (2003) who argues that the resources a firm needs to generate a sustained competitive advantage are precisely those resources that are hard to acquire in the first place. He contends that only firms that already possess VRIO resources can acquire and apply additional resources (Miller, 2003). If this was not so, competitors would acquire them with equal ease. JPMorgan Chase was already a successful firm and one that had visionary leadership to recognize and address weaknesses. Furthermore, it had the financial resources to carry out its aggressive move to enhance its competitive advantage through alliance with a west coast partner. JPMorgan Chase chose this path instead of organic growth and building a proprietary operation because it had the cash position to take advantage of opportunity once it became available. However, there appears to be some truth to Miller's argument because JPMorgan Chase was not able to establish a footing in California as originally desired due to competition in the market.

Finally, sustained competitive advantage is deemed not achievable. Currently, firms are in a dynamic environment where innovation and change is needed to stay ahead of the competition. According to the RBV, a sustained competitive advantage can be reached if resources are meeting the VRIO criteria. However, in an environment of constant flux and rapid change, the competitive advantages will be temporary (and not long lasting) as Barney (1991) argues. The challenge for JPMorgan Chase will continue to be the unknown constrictions in the external environment. JPMorgan Chase will be under pressure to innovate, to adapt, and to refine its RII system if it continues to use RBV for sustained advantage.

JPMorgan Chase utilized RBV to identify and manage resource gaps within their core competencies as Hitt, Ireland, and Hoskisson (2009) described the process and took steps to address them.

JPMorgan Chase wanted to become the top commercial bank but had resource challenges. Reflecting upon Hypothesis 1, we observe that utilization of an innovative approach to the resource-based model through the exploitation of the RII systems helped JPMorgan Chase to identify key gaps such as the need for strong technology and product management personnel who had extensive commercial banking experience. Hitt et al. (2009) point out the importance of strategic planning and leveraging this approach to maximize an organization's core competencies. Strategic planning from the RBV requires an organization to identify resources that are unique, valuable, hard to imitate, and rare, which will achieve above average returns (Hitt et al., 2017). JPMorgan Chase did this through its innovative HR system, RII, when skill gaps surfaced during the strategic planning process.

JPMorgan Chase developed a strategic plan to fill gaps in the organization's resource inventory. This important step in the plan helps to validate Hypothesis 1 in that firms that plan utilizing components of the RBV approach, and in this case, the RII system, will have a positive impact on the organization's performance. Based upon identifying the gap in competitive skills needed to achieve above average returns, JPMorgan Chase was able to implement staffing plans to meet needs identified in their resource and skill set base.

JPMorgan Chase believed in the RBV that the origins of competitive advantage are valuable resources that the firm possesses which are often intangible assets such as skills and reputation. This key concept helped JPMorgan Chase to formulate strategic plans and align resources to become number one in commercial banking.

JPMorgan Chase was innovative in capturing their organizational resources and skill sets through RII. This concept is also important to researchers because the banking industry is a dynamic and turbulent environment, where there is an increasing challenge to build innovation capabilities for change (Liu & Chen, 2008). By having the ability to look internally through the RBV perspective, organizations will then be able to become innovative and achieve superior returns. JPMorgan Chase was at year two of their 5-year (2012–2017) plan to increase revenue in the commercial banking space that allows them to surpass their current competition. The path so far is positive, but it is too early to judge if the resources constraints have been fully addressed through onboarding or internal training.

JPMorgan Chase was at a major disadvantage without a robust west coast operation in the commercial banking space. Reflecting upon Hypothesis 2, there was an increase in alliance formulation due to the strong rivalry between JPMorgan Chase and its competitors, especially around the west coast area. Several of the JPMorgan Chase competitors have major operations on the west coast and expected continued growth in the double digits. The need for a quick response led JPMorgan Chase to look at alliances in lieu of startups. Historically, barriers to entry for startups are greater than alliances (Hitt et al., 2017).

Barney (1991) argued that RBV competitive advantages can be difficult to imitate and this is an excellent example of what JPMorgan Chase faced without a strategic alliance. In the case, without alliances, JPMorgan Chase would need to increase staff to handle the west coast operations and time to train and educate them. JPMorgan Chase decided a better alternative was to follow the alliance route. According to Doz (1996), alliances are created in part due to insufficient resources and innovation. JPMorgan Chase was faced with both a resource constraint and a lack of innovation in the west coast area. This issue may have been resolved with the onboarding of existing staff from the acquired bank. Although JPMorgan Chase was originally looking more toward a California alliance, due to the competition and lack of available partners, they choose an alliance with an Oregon bank. This new market entry was also a cultural learning experience for JPMorgan Chase as they entered into new territories (Ranft & Marsh, 2008). Hamel et al. (1989) point out that an organization can increase market power through an alliance, but one must understand that this is a highly competitive arena. Eisenhardt and Schoonhoven (1996) agree and support the positive relationship between competition and an increase in alliances for several reasons. One strategic alliances improve the strategic position of firms in competitive markets

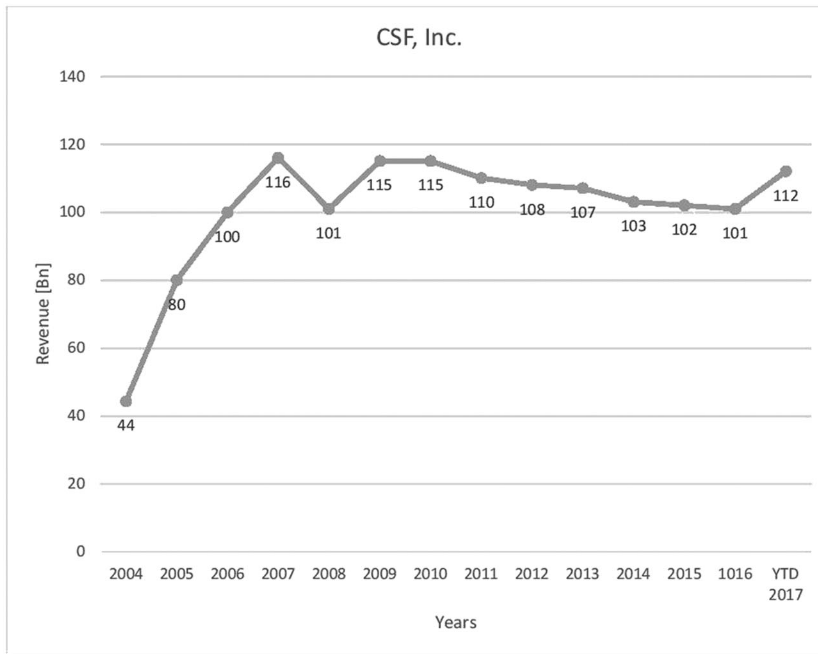

FIGURE 3 JPMorgan Chase 14-year revenue trend line ("Historical Prices," 2017)

by providing resources that enable firms to share costs and risks (Eisenhardt & Schoonhoven, 1996). Also, strategic alliances provide legitimacy to firms by cooperating and providing more visibility to that firm and by providing enhanced status to employees and suppliers of the firm (Baum & Oliver, 1991).

During the early stages of JPMorgan Chase's focus on how to improve organizational performance in 2004–2007, it may be instructive to examine the landscape of the U.S. banking industry and some of the factors that might have contributed to the revenue trend. The U.S. banking industry began a renewed focus on retail banking as a key area of strategic interest from 2004 to 2007 (Clark, Dick, Hirtle, Stiroh, & Williams, 2007). This appears to be the key motivation behind a number of large bank mergers at the time, including JPMorgan Chase's approach to its west coast acquisition.

Retail banking is generally defined as a provision of financial services offered by a bank to private individual customers, rather than corporations, local and central governments, and other banks. Retail banking consists of three interrelated dimensions of customers, products and services, and the delivery channels linking customers to the products (Clark et al., 2007). In the 1990s, deregulation (Dick, 2006) and changes in lending technologies (Berger, Dick, Goldberg, & White, 2007) led to a significant consolidation of branch banks into large branch networks and laid the groundwork for large, multimarket banks to be better able to compete against small banks. For the large branch network banks, the expansion into more retail banking was viewed as a way to offset volatility in their nonretail businesses. Hirtle and Stiroth (2005) contend that retail activities tend to be more stable than other banking activities. It is not incongruous to discuss the retail banking landscape in relation to JPMorgan Chase's declared desire to attain number one status in the commercial banking arena. The key difference is in the volumes and services offered by retail and commercial banks and retail branch acquisition is viewed in the case as sufficiently interchangeable with regard to strategy.

Branches are seen as the key to the retail banking delivery channel largely because of the vital role they play in attracting and retaining consumer deposits (Clark et al., 2007). As such, Hirtle and Metli (2004) declared that between 2001 and 2003 institutions with mid-sized branch networks, such as JPMorgan Chase, chose to direct their branch activity toward acquisitions and conducting more of their branch transactions in new markets.

The macroeconomic landscape of the U.S. banking industry post-2007 is most notably marked by the financial crisis of 2007–2008. A decade later, there are still reverberations domestically and globally and banks are learning to live with their new environment. Although origins of the crisis lay in global macroeconomic imbalances as well as in failures of the financial system's management and supervision, some firms such as JPMorgan Chase made wise decisions, resulting in increased revenues by 155% and positioning themselves as the number one commercial bank in the United States in 2017.

As such, the authors point to JPMorgan Chase's use of RBV as a contributing factor to their success. The RBV approach enhances the combination and utilization of strategic resources to differentiate firms in the market (heterogeneous; Clulow, Barry, & Gerstman, 2007). A number of firms in the banking industry were faced with the same exposure to macroeconomic influences prior to and post financial crisis. The use of RBV by JPMorgan Chase enabled the firm to function effectively, efficiently, and less costly than their competitors at a crucial point in time.

6 | CONCLUSION

The JPMorgan Chase case study is an illustration of how organizations look internally to understand their resource gaps and ensure that they

have resources and the capability to achieve superior returns. The "case study" method of analysis allows for a holistic view of phenomena in real life situations such as organizational processes and in this case RBV (Yin, 2009). Stake (1995) takes a more flexible stance (than Yin) and while concerned with rigor in the processes, maintains a focus on what is studied (the case) rather than how it is studied (the method). Case study research is "the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances"(Stake, 1995). Through the lens of Stake (1995), the authors determined that JPMorgan Chase utilized RBV to identify and manage resource gaps within their core competencies that lead them to achieve a competitive structure and hence competitive advantage in the market place.

JPMorgan Chase wanted to become the top commercial bank but had resource challenges. Although the RBV methodology was implemented in 2005, JPMorgan Chase was ranked as the number one national commercial bank with revenue exceeding $112 Bn as per the Federal Reserve Statistical Release (2017). Figure 3 reflects that from December 2004 to October 2017, JPMorgan Chase revenue increased by 155% ("Historical Prices," 2017). This alone indicates that a firm can utilize the RBV framework at a strategic level and attain their corporate goals. Although firms cannot afford to focus solely on the expense of their internal resources and exclude opportunities to attain sustained competitive advantage, the RBV analysis remains important as firms cannot neglect their internal operations as a means to remain competitive.

7 | MANAGERIAL IMPLICATIONS

The contributors of this paper present two key planning considerations that management could utilize within an RBV framework: Innovation and Alliances. Managers can view these findings as another lever to create competitive advantage through the resource-based model.

Based on the JPMorgan Chase case study, there are key takeaways for managers. First, there must be a commitment by leadership to the precepts of RBV, the essential assumption that companies achieve competitive advantage by using their different bundles of resources. This means that in a traditional strengths, weaknesses, opportunities, and threats analysis, equal attention is given to the internal strengths and weaknesses of the firm. Leadership must be able to honestly identify the key drivers for performance.

Following on the commitment by leadership, there must also be an organizational commitment to the development and utilization of a thorough and sustained inventory management system that focuses on being able to identify and assess both tangible and intangible resources of the firm. In the case of JPMorgan Chase, their success with RBV might have been less pronounced if the organization had not already established a strong infrastructure in the RII database and a firm-wide cultural of employee updating and use of the system to record and track skills.

The RBV offers a useful framework to gain sustained competitive advantage. However, there are limitations to the RBV.

RBV holds that sustained competitive advantage can be achieved more easily by exploiting internal rather than external factors as compared to the traditional industrial organization (I/O) view. Although this is correct to some degree, there is no definite answer to which approach to strategic management is more important. From 30% to 45% of superior organizational performance can be explained by firm effects (RBV) and 20% by industry effects (I/O view). This indicates that the best approach is to look into both external and internal factors and combine both views to achieve and sustain competitive advantage. The authors acknowledge the limitations of the RBV approach, but point to examples outside of the banking industry to illustrate support for JPMorgan Chase's adaptation of the theory. Toyota, the world's largest car manufacturer, is known for their development of internal resources to improve quality, efficiency, and inventory reduction simultaneously. Toyota has their own manufacturing system, operating system, and capabilities, pioneering the "kanban" inventory system that aids them in design, quality, and customer service differentiation to sustain its competitive advantage (Sugimori, Kusunoki, Cho, & Uchikawa, 1977).

Within the automobile industry, Honda appears to be another firm following the RBV approach. Honda achieved sustainable competitive advantage through their operational just-in-time and enterprise resource planning system. They developed strategy around their strength in gasoline-based engines. Part of the RBV approach is the idea that high value creation enables firms to appropriate more rent by retailing their products and services efficiently. Honda has done this through production and manufacturing that allows them to compete in differentiated product markets but leverages a common resource with the ability to appropriate more rent (Grant & Baden-Fuller, 2004).

Barney (1991) submitted that the RBV analysis links to the contribution to firm-level value creation through the exploration of competencies and achieving required standards of international competition while strengthening our understanding of the unique resources that create value. Walgreens has been able to exploit competencies to offer desired value by its target customer group. Hitt et al. (2009) declared that Walgreens' continuous value creation through their focus on their strategic capabilities is the source of the firm's earnings and profitable returns.

The RBV approach breaks down when the firm lacks sufficient systemic means of identifying and protecting important resources. Focus, both short term and long term, on sustainable performance improvement tied to the development of resources and capabilities is absolutely necessary for RBV to succeed. This means that management should avoid constriction of funding to support continuous process improvement as well as improvement in employee competencies. The RBV is not a one-time or short-term strategy, but one that requires time to focus on the long view of honing unique core competencies.

Lastly, core competencies can become "core rigidities," (Leonard-Barton, 1992). In today's accelerated business climate, technological breakthroughs and new business models are making existing resources

and competencies obsolete on an almost daily basis. Managers must be willing to move beyond investments that have already been made in internal and/or external resources and admit when changes must be made. Perhaps one of the hardest things to do is to admit that what has always worked so far in your favor may no longer have a place as a rare, inimitable, or valuable means to support the firm's competitive advantage.

According to the RBV, a sustained competitive advantage can be reached if resources are meeting the VRIO criteria. However, in this constantly changing environment, the competitive advantages will be temporary and not long lasting, as Barney (1991) argues.

RBV is based on heterogeneity of firms and composing a homogeneous sample is hard or even impossible according to Locket, Thompson, and Morgenstern (2009), resulting in the inability to do an empirical study on measuring performance. Furthermore, RBV is focused on the internal organization of a firm and does not consider external factors such as the demand side of the market. This might mean that even if a firm has the resources and the capabilities to gain a competitive advantage, there may be no demand, because the model does not consider the customer, and perhaps should not be used exclusively in planning.

We accept the view of Priem and Butler (2001) that RBV is not currently "… a theoretical structure"; therefore, this case study contributes to the knowledge of strategic management. The RBV may yet make more important contributions to knowledge in strategic management, in part because thorny and messy strategic problems might not be amenable to solution through elegant theory. We have provided some suggestions for where and how the RBV may be able to contribute. The greatest potential likely will only be realized through complementary and integrated use of the RBV together with other, demand-oriented perspectives. Yet efforts by RBV scholars to formalize the RBV, to answer the how questions, and to incorporate the temporal component will each likely pay off in increased contributions.

Its greatest usefulness appears to be in terms of generating understanding and providing a structure for strategizing. Thus, an organization's structure should be aligned with and derived from its strategy (Chandler, 1962).

DATA SHARING AVAILABILITY

Information pertaining to this study is publicly available at https://jpmorganchaseco.gcs-web.com/financial-information/sec-filings.

ENDNOTE

[1]This alignment should follow how Figure 1 is reflected (Hitt et al., 2017).

ORCID

John Donnellan https://orcid.org/0000-0003-1315-9507

REFERENCES

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120. https://doi.org/10.1177/014920639101700108

Barney, J. (1995). Looking inside for competitive advantage. *Academy of Management Executive*, *9*(4), 49–61.

Baum, J., & Oliver, C. (1991). Institutional linkages and organizational mortality. *Administrative Science Quarterly*, *36*, 187–218. https://doi.org/10.2307/2393353

Berger, A. N., Dick, A. A., Goldberg, L. G., & White, L. J. (2007). Competition from large, multimarket firms and the performance of small, single-market firms: Evidence from the banking industry. *Journal of Money, Credit and Banking*, *39*(2–3), 331–368. https://doi.org/10.1111/j.0022-2879.2007.00028.x

Bhatt, G. D. (2000). A resource-based perspective of developing organizational capabilities for business transformation. *Knowledge and Process Management*, *7*(2), 119–136. https://doi.org/10.1002/1099-1441(200004/06)7:2<119::AID-KPM87>3.0.CO;2-Z

Carnali, J. O., Lugo, G. M., Sharma, A., & Jain, H. (2003). Physics and chemistry of glasses. *Society of Glass Technology*.

Chandler, A. (1962). *Strategy and structure: Chapters in the history of the industrial enterprise*. Cambridge, MA: MIT Press.

Clark, T., Dick, A. A., Hirtle, B., Stiroh, K. J., & Williams, R. (2007). The role of retail banking in the U.S. banking industry: Risk, return, and industry structure. *Economic Policy Review*, *13*(3).

Clulow, V., Barry, C., & Gerstman, J. (2007). The resource-based view and value: The customer-based view of the firm. *Journal of European Industrial Training*, *31*(1), 19–35. https://doi.org/10.1108/03090590710721718

Collis, D. (1991). A resource-based analysis of global competition: The case of the bearings industry. *Strategic Management Journal*, *12*, 49–68. https://doi.org/10.1002/smj.4250120906

Connor, T. (2002). The resource-based view of strategy and its value to practising managers. *Strategic Change*, *11*, 307–316. https://doi.org/10.1002/jsc.593

Daft, R. (2001). *Organization theory and design* (7th ed.). Cincinnati: South-Western College Publishing.

Dick, A. A. (2006). National wide branching and its impact on market structure, quality and bank performance. *Journal of Business*, *79*(2), 567–592. https://doi.org/10.1086/499131

Doz, Y. (1996). The evolution of cooperation in strategic alliances: Initial conditions or learning processes? *Strategic Management Journal*, *17*(Summer 1996, 55–83.

Eisenhardt, K. M., & Schoonhoven, C. B. (1996). Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. *Organization Science*, *7*(2), 136–150. https://doi.org/10.1287/orsc.7.2.136

Grant, R. M. (2013). *Contemporary strategy analysis* (8th ed.). Wiley.

Grant, R. M., & Baden-Fuller, C. (2004). A knowledge accessing theory of strategic alliances. *Journal of Management Studies*, *41*(1), 61–84. https://doi.org/10.1111/j.1467-6486.2004.00421.x

Hamel, G., Doz, Y. L., & Prahalad, C. K. (1989). Collaborate with your competitors—And win. *Harvard Business Review*, *67*(1), 133–141.

Han, J., Kim, N., & Srivastava, R. (1998). Market orientation and organizational performance: Is innovation a missing link? *Journal of Marketing*, *62*(4), 30–45. https://doi.org/10.1177/002224299806200403

Helfat, C., & Peteraf, M. (2003). The dynamic resource-based view: Capability lifecycle. *Strategic Management Journal*, *24*(10), 997–1919. https://doi.org/10.1002/smj.332

Hirtle, B., & Stiroh, K. (2005). The Return to Retail and the Performance of U.S. Banks. FRB NY Staff Report No. 233. https://dx.doi.org/10.2139/ssrn.873848

Hirtle, B., & Metli, C. (2004). The evolution of U.S. bank branch networks: Growth, consolidation, and strategy. *Current Issues in Economics and Finance,*, *10*(8). https://ssrn.com/abstract=574581

Historical Prices. (2017). Retrieved from https://www.nasdaq.com

Hitt, M., Ireland, D., & Hoskisson, R. (2009). *Strategic management—Competitiveness and globalization*. Ohio: South-Western Cengage Learning.

Hitt, M., Ireland, D., & Hoskisson, R. (2017). *Strategic management—Competitiveness and globalization*. Ohio: South-Western Cengage Learning.

Kale, P., & Singh, H. (2007). Building firm capabilities through learning; The role of the alliance learning process in alliance cpability and firm-level alliance success. *Strategic Management Journal*, *28*, 981–1000. https://doi.org/10.1002/smj.616

Lado, A., Boyd, N., & Wright, P. (1992). A competency-based model of sustainable competitive advantage: Toward a conceptual integration. *Journal of Management*, *18*(1), 77–99. https://doi.org/10.1177/014920639201800106

Lee, S. (2009). Developing hierarchical structure for assessing the impact of innovation factors on a firm's competitiveness—A dynamic-capabilities approach. *Journal of American Academy of Business, Cambridge*, *15*(1), 216–223.

Lei, D., & Slocum, J. W. (2002). Organization designs to renew competitive advantage. *Organizational Dynamics*, *31*(1), 1–6. https://doi.org/10.1016/S0090-2616(02)00068-2

Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, *13*, 111–125. https://doi.org/10.1002/smj.4250131009

Liu, D. (2009). Advantage competition of inter-partner learning in international strategic alliance. *The Journal of Global Business Issues*, *32*(2), 123–128.

Liu, D., & Chen, S. (2008). The role of innovation capability in organizational change: The case of J&S Bank. *The Business Review*, *11*(2), 90–96.

Lockett, A., Thompson, S., & Morgenstern, S. (2009). The development of the resource-based view of the firm: a critical appraisal. *International Journal of Management Reviews*, *11*(1), 9–28. https://doi.org/10.1111/j.1468-2370.2008.00252.x

Luvison, D. (2009). Alliance management at Eli Lilly: Lessons on how alliance capability contributes to sustainable advantage. *Journal of Applied Management and Entrepreneurship*, *14*(3), 120–141.

Maidique, M., & Patch, P. (1982). *Corporate strategy and technological policy*. Marshfields, MA: Pitman Publishing.

Maina, C. M., & Maina, T. M. (2016). Features of resource based view theory: An effective strategy in outsourcing. *International Journal of Management and Commerce Innovations*, *2*(3), 215–218.

Martin, R. (2005). Strategy is about both resources and positioning. *Competitive Strategy, Harvard Business Review*. April 27, 2015 Page 1.

Miller, D. (2003). An asymmetry-based view of advantage: Towards an attainable sustainability. *Strategic Management Journal*, *24*(10), 961–976. https://doi.org/10.1002/smj.316

Montealegre, R. (2002). A process model of capability development: Lessons from the electronic commerce strategy at Bolsa de Valores de Guayaquil. *Organization Science*, *13*(5), 514–531. https://doi.org/10.1287/orsc.13.5.514.7808

Nelson, R. R. (1991). Why do firms differ—And why does it matter? *Strategic Management Journal*, *12*, 61–74. https://doi.org/10.1002/smj.4250121006

Nielsen, J. (2002). Internet technology and customer linking in Nordic banking. *International Journal of Service Industry Management*, *13*(5), 475–495. https://doi.org/10.1108/09564230210447940

Penrose, E. (1995). *The theory of the growth of the firm* (Vol (Vol. 2). New York: Oxford University Press.

Pierce, J. L., & Delbecq, A. L. (1977). Organization structure, individual attitudes and innovation. *The Academy of Management Review*, *2*(1), 27–36. https://doi.org/10.5465/amr.1977.4409154

Porter, M. (1991). Towards a dynamic theory of strategy. *Strategic Management Journal*, *12*(1), 95–99. https://doi.org/10.1002/smj.4250121008

Prahalad, C. K., & Hamel, G. (1990). The core competences of the corporation *Harvard Business Review*, 79–91.

Priem, R., & Butler, J. (2001). Is the resource-based view a useful perspective for strategic management research? *Academy of Management*, *26*(1), 22–40.

Ranft, A., & Marsh, S. (2008). Accessing knowledge through acquisitions and alliances: An empirical examination of new market entry. *Journal of Managerial Issues*, *20*(1), 51–67.

Raps, A. (2005). Strategy implementation—An insurmountable obstacle? *Handbook of Business Strategy*, *6*(1), 141–146. https://doi.org/10.1108/08944310510557152

Reuer, J., Zollo, M., & Singh, H. (2002). Post-formation dynamics in strategic alliances. *Strategic Management Journal*, *23*(2), 135–151. https://doi.org/10.1002/smj.214

Rothaermel, J. (2016). *Strategic Management* (3rd ed.). Mcgraw- Hill.

Spulber, D. F. (2003). The intermediation theory of the firm: Integrating economic and management approaches to strategy. *Managerial and Decision Economics*, *24*(4), 253–266. https://doi.org/10.1002/mde.1120

Stake, R. (1995). *The art of case study research*. Sage.

Sugimori, Y., Kusunoki, K., Cho, F., & Uchikawa, S. (1977). Toyota production system and Kanban system materialization of just-in-time and respect-for-human system. *International Journal of Production Research*, *15*(6), 53–564. https://doi.org/10.1080/00207547708943149

Swift, P., & Hwang, A. (2008). Learning, dynamic capabilities and operating routines; A consumer package goods company. *The Learning Organization*, *15*(1), 75–95. https://doi.org/10.1108/09696470810842493

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, *18*(7), 509–533. https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z

Weiwel, W., & Hunter, A. (1985). The interorganizational network as a resource: A comparative case study on organizational genesis. *Administrative Science Quarterly*, *30*, 517–547.

Wernerfelt, B. (1995). The resource-based view of the firm: Ten years after. *Strategic Management Journal*, *16*(3), 171–175. https://doi.org/10.1002/smj.4250160303

Wu, L. Y. (2010). Applicability of the resource-based and dynamic-capability views under environmental volatility. *Journal of Business Research*, *63*, 27–31. https://doi.org/10.1016/j.jbusres.2009.01.007

Yin, R. (2009). *Case study research* (Vol (Vol. 4). Sage Publications.

How to cite this article: Donnellan J, Rutledge WL. A case for resource-based view and competitive advantage in banking. *Manage Decis Econ*. 2019;40:728–737. https://doi.org/10.1002/mde.3041