



Resource based view strategy: Might its adoption enhance devolution success in Kenya?

Collins Onyango Koremo *, Frederick Onyango Aila

Department of Business Administration, Maseno University, Kenya

Abstract

Devolution in Kenya is a new governance concept intended to avail government services closer to the citizens and distribute country's resources to various regions in order to spur economic growth through efficient management of devolved resources. Recent studies indicate challenges both at national level and county level hindering full realization of the gains purposed for devolution, however the strategy in place seem not to be delivering results expected to enhance devolution success. RBV strategy explore the role of key resources organizations controls in creating competitive advantage and superior performance. The objective of this study was to establish if adoption of RBV strategy might enhance success of devolution in Kenya. Literature review was adopted as a study method. Five studies were reviewed and interpreted using aggregative meta-synthesis. From the study, it was found that RBV is applicable at the organization unit level. The study concludes that adoption of RBV strategy is indeed capable of steering devolution success in Kenyan. The study recommends capacity building, innovation, political good will, efficiency and effectiveness of the county government leadership.

Keywords: RBV; Strategy Adoption; Performance; Public Sector

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Cite this article as: Koremo, C.O. and Aila, F.O. (2018), "Resource based view strategy: Might its adoption enhance devolution success in Kenya?", *International Journal of Development and Sustainability*, Vol. 7 No. 11, pp. 2778-2786.

* Corresponding author. *E-mail address:* ckoremo@yahoo.co.uk

1. Introduction

Organization's resources are the particular focus of resource based view strategy. RBV strategy explore the role of key resources and capabilities an organization controls in creating competitive advantage and superior performance. The resources and capabilities determine how efficiently and effectively organizations perform their activities (Pankaj, 2009). The indicators of an organization's overall performance lie on the specific nature of their resources and accumulated competencies. Achievement of sustainable competitive advantage constitutes the main focus of strategic management theory (Venesa and Xavier, 2013).

Struggle for equitable resource allocation in Kenya dates back to colonial and post-independence periods. Under-development in most parts of the country were largely attributed to centralized system of government where those in power skewed allocation of resources to their own regions or regions politically friendly to them. Agitation for change begun earnest leading to independence from the British rule in 1963. Post-independence period also witnessed intense pressure leading to the repeal of section 2A of the constitution of Kenya, ushering change from one party democracy to multiparty democracy. A new constitution was then promulgated in 2010 creating 47 devolved units. Devolution was the hallmark of transition from centralized system of government which was largely blamed for the inequalities (Mugambi, 2014). However, almost six years into devolution between 2013 to 2018, devolved units are still faced with myriad teething problems hindering achievement of the objectives and principles of devolution. The study seeks to establish if it could be lack of strategy.

Devolution as a statutory delegation of powers from the central government of sovereign state to govern at sub-national level such as the regional or local level, enhances a form of administrative decentralization where devolved units have the power to make legislations relevant to the area. The process of decentralization distributes power to the regions that want more authority over their own affairs. The most famous example of devolution is in the United Kingdom, where Scotland, Wales and Northern Ireland exercises authority over their own lands, but remain part of the U.K. The constitution of Kenya 2010 creates decentralized system of government wherein two of the three arms of government, namely the Legislature and the Executive are devolved to the 47 political and administrative counties as provided for under article 6 and specified in the first schedule. The county governments have executive and legislative authority including the mandate and powers to raise limited revenue, establish policies, plan, budget and governance.

Kenya Law Review Commission (2018) identified object of the devolution as; to promote democratic and accountable exercise of power, to foster national unity by recognizing diversity, to recognize the right of communities to manage their own affairs and to further their development, protect and promote the interest of minority and marginalized communities, promote social and economic development and provision of proximate, easily accessible services throughout Kenya, and enhance check and balances and the separation of powers amongst others. Similarly, KRLC (2018) also establishes the principles of the devolve government that the county government shall be based on democratic principles and the separation of powers, shall have reliable sources of revenue to enable them to govern and deliver services effectively and to maintain two third gender rule in representative bodies.

The key bottom-line in both the objects and the principles of devolution is the promotion of social and economic development and effective service delivery to the citizens. This is embodied in the county government's executive and legislative authority to raise revenue, make policies, plan, and budget and govern resources. This then brings in the concept of strategy in terms of strategic management, strategic planning and strategic thinking (Nickols, 2011). Strategy denotes different meaning depending on users charged with the responsibility of setting it in their corporations, businesses, or organizations. According to Bryson (1996), strategy is a pattern of purposes, policies, actions, decision, and allocation of resources which defines an organization's overall purpose. It defines how resources are deployed. It thus can be simply defined as a general plan of actions for achieving goals and objectives. It requires great deal of thinking and management to actualize its fruition. Looking at the "Nested Concept" Nickols (2011), strategic thinking encompasses all other concepts in which strategic management effect the efforts of realizing the fruits of strategic thinking through formulation, planning and deployment i.e. putting all into action. It is therefore paramount for the county governments in their effort to realize objectives and principles of devolution, needs to map out a strategy. The strategy adopted must also enable them overcome devolution challenges. This paper sought to establish if adoption of RBV Strategy might enhance devolution success in Kenya.

1.1. Literature review

Refinement in the approach to public management have emerged over time including the adoption of strategy based perspectives from private sector research (Ferlie et al., 2003). The focus of strategy research shifted from situational analysis to an internally focused pursuit of resource development. It became an avenue of meeting organizational goals in the public sector (Porter, 1980). Public management has increasingly drawn on principles from the strategy literature regarding the pursuit of resource creation, development and enhancement. Focus on resources is most appropriate for public sector organizations since they do not normally compete for customers. They rely on resource extraction from external policy based funding sources or resource development through incremental enhancement of their resource base (Quin, 1980). Public sector organizations are however required to deliver valuable services to clients even though they may not receive direct compensation from those who use the services.

The resource based view (RBV) of the firm is a useful approach that helps to explain value creation in public sector organization. It provides an inside – out perspective for understanding and predicting strategy development within organizations (Grant, 1996). Since it is not directly related to competition, RBV has been used to understand value creation in public sector organization. It proposes that the source of performance success, no matter how it is measured, is drawn from within (Mathews and Shulman, 2005). In sum up, Valuable, Rare, Inimitable, and Organisable combinations of resources provide the organization with unique and individual characteristics that lead to competitive advantage and value creation. There are two schools of thought that have emerged within resource based view; strategic factors which focus on competing resource inputs where the organizations ability to appropriate valuable, rare and inimitable resources represent its source of advantage over competitors for the same resource (Barney, 2001) and dynamic capabilities (Eisenhardt and Martin, 2004).

The dynamic capabilities framework, holds promise for understanding strategy in the public sector. This strategic approach relies on specific processes or routines that allow the organization to continuously adapt to change. Dynamic capabilities are also described as firm's ability to integrate, built, and reconfigure internal and external competencies to address rapidly changing environment (Teece et al., 1997), they are evident in organizational patterns of activities that are used to achieve new resource configurations, resource creations and improved effectiveness. Dynamic capabilities represent the ability of managers and others to make on-going adjustments in resource allocations and build new thinking. Dynamic capabilities are of different types; ¹ those which integrate resources and ², those which focus on reconfiguring resources within firms (Eisenhardt and Martin, 2000). An example of dynamic capability is an organization's ability to learn new practice or routines.

2. Methodology

This study used secondary data by searching literature on recent studies from Emerald Insight Database using the criteria of keywords. The key words used were; RBV Strategy, performance and Public Sector. The study looked at the public sector in both developed and developing economies. The study settled on five cases on the basis of their relevance to the topic. The cases are described subsequently.

2.1. Case #1. Competitive strategy, structure and firm performance: A comparison of RBV and contingency approach

In Spain, E. Pertusa et al. (2010), compared RBV with contingency theory by extending relevant empirical literature of the strategy-structure-performance paradigm on how organizational structure affects firm performance. They sampled large Spanish firms using the partial least square (PLS) technique and found that both RBV and Contingency approach were supported. However RBV was strongly supported indicating that organizational structure does not exert direct influence on performance, but has indirect influence through competitive strategy. The study provided an alternative formulation for organizational design theory based on RBV thereby making it possible to reframe the relationship between strategy and structure by analyzing the organizational structure as a valuable resource and source of competitive advantage. The study however only looked at one component of the organization which is the structure.

2.2. Case #2: The RBV and Value Creation; A managerial perspective

In Australia, Zubac et al. (2010) in their conceptual paper, looked at the importance of customer-value construct to RBV. They developed a framework on how managers can use firm's resources to create customer-value. It is incumbent upon managers to develop a shared understanding of customer value and the organization's ability to deliver on them. Managers have a duty to invest on dynamic capabilities that could rationalize RBV and value creation by coming up with a strategy reflecting customer's multidimensional values which deliver optimal product and service can mix. RBV gives managers an insight of creating customer value.

2.3. Case #3: The double-edge resource-based view of logistics performance and governance in Asian countries.

Transformation of Asia into a well-regulated and dynamic trade platform and fastest developing economy through increased cross-border activities also created a new challenge of corruption opportunities. Hui et al. (2017) in their study, "The double edge resource based view of logistics performance and governance in Asian Countries" used a time series data between 2007 to 2014 from 26 Asian countries and did analysis through Static linear Panel Models of Pooled Ordinary Least Squares (POLS), Fixed Effect Model (FEM), and Random Effect Model (REM) in assessing the impact of corruption towards trade facilitation which is measured by logistic performance index (LPI). They also examined the moderating effect of governance effectiveness on the relationship between corruption and LPI within the selected Asian Countries. Their findings indicated that corruption significantly affects LPI and government effectiveness also has moderating effect on the relationship between corruption and LPI. These findings enhance better understanding on influences of corruption on trade facilitation and triggering suggestions of government role in the relationship. A guideline can therefore be drawn in improving national LPI and supporting policy decisions to modify corruption regulations at national and regional level. The study reveals how corruption negates governance thereby compromising performance. This is a common phenomenon in most African countries. The study coined adage; "the optimistic view of sands in the wheel overcomes the dark side of the grease in the wheel practices. To be corrupt free or less corrupt is a rare and inimitable resource capability making nations logistically competitive." Countries can indeed be logistically competitive if they can manage to control or manage corruption in their practices.

2.4. Case # 4: Emerging determinants of firm performance; A case study examining the strategy pillars from resource-based view.

A study in Brazil by Fernando and Manuel. (2010) on four factors strategy pillars i.e Leader and top management team, Strategic focus, Trust in the future, and Resources support to explain firm's success using a case study of well-known multinational corporations proposed the four pillars from a resource based view (RBV) as an alternative identification of strategic resources. It clarifies how to look at the resources and how the strategy pillars may embody the four characteristic VRIN. The study brought out the role of the chief executive officer as a core strategic pillar and deepen understanding of strategic leadership succession.

2.5. Case # 5: The 5S Organizational agility framework: A dynamic capabilities perspective

Baskarada and Koronois (2017) in Australia, developed a conceptual paper to presents a new organizational agility framework. The paper contributed towards operationalization of organizational agility construct through the concept rooted in dynamic capabilities. The paper defines organizational agility as rapid, continuous and systematic evolutionary adaptation and entrepreneurial innovation intended to gain and maintain competitive advantage. The five dynamic capabilities i.e, Sensing, Searching, Seizing, Shifting and

Shaping, otherwise referred to as 5s organizational agility framework are seen as the underpinning organizational agility.

3. Discussion

The resource based view (RBV) of the firm is noted to be a useful approach that helps to explain value creation in public sector. RBV strategy explore the role of key resources, organizations controls in creating competitive advantage and superior performance. From the literature review above, it can be argued that adoption of RBV strategy is indeed capable of steering devolution success in Kenyan as it provides an inside – out perspective for understanding and predicting strategy development. Developing the strategy, adopting it and implementing it calls for a strong good will and effectiveness of the county leadership.

From case #1, Pertusa et al. (2010), it can be ascertained that strategy-structure-performance paradigm has indirect influence on performance through competitive strategy. Organizational structure is therefore a valuable resource and source of competitive advantage. In case #2, Zubac et al. (2010), noted pivotal role of managers in the investment of dynamic capabilities to create customer value. This is seen to be achieved through development of a shared understanding of the customer value and the firm's capacity to deliver on those values.

From case #3, Hui et al. (2017) identified corruption as significantly affecting logistic performance index (LPI) and similarly governance effectiveness is also identified to be having a moderating effect in the relationship between corruption and logistic performance index. A Shreddim "Sands in the wheel overcoming the dark side of the grease in the wheel practices depicting that to be corrupt free or less corrupt is indeed a rare and inimitable resource capability that can make nations logistically competitive.

From case #4, Fernando and Manuel (2010), identified Leadership, Strategic focus, Trust in future, and Resource support as four strategic pillars and are determinants of firm performance. It emphasized the role of chief executive officer as a core strategic pillar who helps in deepening understanding of strategic leadership performance. In case #5, five dynamic capabilities dubbed as 5s i.e. Sensing, Searching, Seizing, Shifting and Shaping are seen as underpinning organizational agility whose constructs are seen as rapid, continuous, systematic evolutionary adaptation and entrepreneurial innovation intended to gain and maintain competitive advantage.

County governments in their core mandate to deliver efficient and effective services delivery and utilization of resources for the common good of the citizens can borrow heavily in the success stories and strategically align their policies considering the VRIN frame work of the RBV. Counties are endowed with massive resources for instance counties like Busia, Kisumu, Homa Bay and Migori share the massive water of Lake Victoria but there is very little to show of it in terms of economic progress. 90% of the rivers feeding the lake travers these counties and yet agriculture still rely on the traditional rainfall patterns, fish farming potential has not been realized. Cotton which was a major cash crop died leading to the closure of cotton industries. Sugarcane production is dwindling with most sugar companies not able to meet their production costs and stay afloat.

These counties have the potential of harnessing water resource and enhance success in agricultural production through the adoption RBV strategy.

Counties like Turkana, Mandera, Wajir and Marsabit have indicated good prospect of oil and the weather condition is favorable for energy production. Similarly, counties like Mombasa, Kilifi, Malindi and Kwale bordering Indian Ocean have not yet fully unlocked the potential of the Sea resource. Almost all the 47 counties have unique resource of which each county can capitalize and create a resource base that can economically benefit the county. One major challenge and deterrent to success of the counties is corruption. Decisive dealing with corruption in county government's calls for a strong political good will of the county leaders and putting in place systems that would help curb the vice. It is noted in case #3 that being corrupt free is in itself a resource.

4. Conclusion

Integration of the economic principles into strategic management has of late become synonymous with a number of scholars (Rumelt et al., 1991). Williamson (1991) underscored the importance of efficiency to the strategic management noting that business strategies tend to fall into two categories; Strategizing and Economizing. Efficiency based approach to competitive advantage suggest that firms build sustainable competitive advantage through efficiency and effectiveness. The same can be applicable in the public sector in this case County governments. The best strategy would therefore be; to strategize and operate efficiently. The efficiency based approach is consistent with the resource based view (RBV). From the review, in case #1 and #2, Structure and the role of managers influence performance through competitive strategy. Case #4 also identify leadership as one of the strategic pillars that determine firm performance. Case #3 identified corruption as a hindrance to performance and governance as having moderating effect on the relationship between corruption and performance as case #5 focused on dynamic capabilities with construct of rapid, continuous and systematic evolutionary adaptation. It can be concluded that adoption of resource based view (RBV) strategy could be key in ensuring devolution success. Developing the strategy, adopting it and implementing it calls for a strong good will, efficiency and effectiveness of the county government leadership.

5. Recommendations

Given the relevance of resource based view (RBV) strategy in creating competitive advantage and superior performance, it is important that county governments start looking at their available resources strategically with a view of aligning them to achieve their set goals and objectives. There is need to work on capacity building, innovation, efficiency and effectiveness particularly on the part of the leadership. Corruption proof system should be put in place to safeguard public resources and deter officials from the vice.

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