

## CHAPTER FOUR

# FIRM RESOURCES: COMPETITIVENESS AND GROWTH

### LEARNING OBJECTIVES

After studying this chapter, you should be able to

- 1 Explain what firms' resources are
- 2 Assess the resources of a firm using the VRIO framework
- 3 Use benchmarking to consider outsourcing and offshoring decisions
- 4 Participate in two leading debates on resources in an international context
- 5 Draw implications for action



### OPENING CASE

#### SAP drives industry 4.0

In manufacturing, the buzzword of the decade is 'industry 4.0', which stands for new forms of organizing and coordinating economic processes. 'Smart factories' are envisaged, with components identified individually by microchips or RFID tags communicating directly with robots assembling mass-customized products, thus changing not only factories but entire companies and supply chains.

A leader in this technological transformation is *SAP*, a business software company. Founded in 1972, *SAP*

is world leader for enterprise resource planning (ERP) software – programmes that help other businesses to make best use of their resources. What are the foundations for *SAP*'s success and how is it developing its capabilities for the next industrial revolution?

*SAP* was founded by five entrepreneurs in 1972. They had new ideas about how to use computers more efficiently to analyze accounting data, yet their employer – *IBM* – didn't think much of their proposals. So they established their own company. Within just one year they generated a turnover of €300 000,