

## **A resource-based view and dynamic capabilities approach in the context of a region's international attractiveness: The recent case of Western Australia**

### **Abstract**

This exploratory study proposes a framework based on the resource-view theory and the dynamic capabilities approach to further the understanding of a region's attractiveness, particularly from an international perspective. The case of Western Australia is examined through in-depth, face-to-face interviews with nine country consuls experienced in international trade. The findings revealed significant ways in which Western Australia could enhance its future commercial appeal. The findings revealed the value of synergies between this state and other countries, particularly exchanging expertise, transferring knowledge, or exporting know-how, education, both university and industry-focused, research and development and expertise. These forms of regional attractiveness emphasise the strategic role of industry resources and dynamic capabilities, thus, underscoring the usefulness and applicability of the proposed framework. While the state's mineral exports will continue to drive its economy, harnessing its potential in other areas is crucial to adapt to changing business environments and to build sustained competitive advantage.

**Keywords:** Resource-based view, dynamic capabilities, country/region attractiveness, economic potential, Western Australia.

### **Introduction**

For many decades, Western Australia's economy has been based on the exploitation of its natural assets (Tonts, Martinus, and Plummer, 2013). Fundamentally, mining is the state's key industry (Maxwell, 2017), with iron ore, gold, natural gas and crude petroleum representing its main exports (Department of Foreign Affairs and Trade, DFAT, 2017). Overall, in 2017, mining exports contributed to AU\$54.9 billion in earnings, or 23 percent of Western Australia's gross state product (GSP). The services industry is Western Australia's major employer, with nearly one million jobs or 73 percent of total employment in the state (Government of Western Australia, 2017). Moreover, healthcare and social assistance are the main employers, followed by business and property services and retail and wholesale trade, while the mining sector contributes to 90,956 jobs (Government of Western Australia, 2017). Between 2012 and 2013, Western Australia's share of national output was 16 percent (Department of Treasury, 2014).

After many years of economic wealth, notably, since 2003 (Ye, 2008), a slowdown of China's economy and with it Western Australia's most prominent importer, coupled with plummeting iron ore prices affected Western Australia's mining industry (Lenzen et al., 2017). One of the direct consequences was a temporary fall in revenues and employment. For instance, a 2015-2016 annual report (Department of Mines and Petroleum, 2016) indicates a 12 percent decrease in revenues from minerals and petroleum, and a three percent fall in mining employment between 2015 and 2016. Employment also decreased in other industries to include manufacturing, business and property related services, alongside retail and wholesale trade. Overall, however, Western Australia's unemployment rate (5.9%) is in line with the national average (5.6%) (Government of Western Australia, 2017).

While the Western Australia's mining boom has been affected by external forces, there are reasons suggesting the potential for Western Australia's economy to recover in the future. Indeed, the mineral and petroleum industry has regained strength, with a 13 percent increase

during 2015-2016, and employment remains high, having grown 75 percent in comparison to the previous decade (Department of Mines and Petroleum, 2017). In addition, the investment in mineral exploration in Western Australia during 2016-2017, AU\$ 1 billion, represented 66 percent of the total invested in Australia, or AU\$1.6 billion (Department of Mines and Petroleum, 2017).

Moreover, by 2017, Western Australia was committed to and had under construction projects worth AU\$100.7 billion, with further consideration to invest AU\$51.7 billion (Government of Western Australia, 2017). Between 2016 and 2017, Western Australia's merchandise exports, particularly minerals and petroleum, accounted for 42 percent of Australia's total (Government of Western Australia, 2017). Western Australia's government has strong relationships with important international markets, including China, Japan, and Hong Kong (Government of Western Australia, 2017).

According to Lawrie, Tonts, and Plummer (2011), natural-source dependence can lead to vulnerability and exposure when cyclic variations occur, including the end of economic 'booms'. In response, economic diversification can become a valid indicator of a country's wealth (Lawrie et al., 2011). In turn, diversification strategies can contribute to a country's 'attractiveness.' Lee (2016) refers to country attractiveness as the extent to which a country is favoured by significant stakeholders based on specific criteria, such as tangible/intangible attributes (Lee, 2016). Similarly, Blumentritt (2003) defines country attractiveness as the level to which a nation is endowed, for instance, with markets, that firms consider significant to their success. Availability of minerals, trade orientation, or a country's quality of industrial infrastructure may influence its attractiveness (Kumar, 1994). Compared to other strands of the academic literature, research focusing on country attractiveness has been negligible (Lee, 2016); such gap also applies to Western countries' attractiveness (Oshri and Ravishankar, 2014).

This exploratory study is concerned with the significance of diversification as a precursor of 'region attractiveness', notably, the identification of different alternatives through which Western Australia could enhance its export capabilities and competitive advantage. Moreover, the study examines the economic potential of Western Australia, including exports of various industries. To some extent, and despite the strong influence of the mining industry, there is evidence of such potential. For example, education and training contributes AU\$8.1 billion to Western Australia's economy, while agriculture, forestry and fishing contribute AU\$5.5 billion (Government of Western Australia, 2017). Moreover, while only representing 10 percent of Western Australia's economy, agriculture is gaining in significance, particularly due to its perceived high quality (Department of Primary Industries and Regional Development, DPIRD, 2017). This quality is strongly demonstrated by the fact that 80 percent of Western Australia's agricultural production is exported, of which 70 percent are destined for Asian consumer markets (DPIRD, 2017). Between 2015 and 2016, export revenues of AU\$7.64 were achieved, and the main products were wheat, barley and canola (DPIRD, 2017).

Overall, the study contributes empirically and theoretically to the international business and entrepreneurship literature. First, the economic and export potential of Western Australia is examined from the perspective of a group of knowledgeable and experienced individuals in international trade. This group, representing nine countries, is composed of consuls and honorary consuls based in the city of Perth. Their views on Western Australia's potential could be insightful and informative in various ways. Indeed, new emerging information could be useful to local and international government agencies, chambers of commerce, industry representatives, and, overall, the business community. The following research questions will be investigated:

1: How do international informants perceive Western Australia's attractiveness? Specifically, what industries, particularly apart from mining, are most 'attractive'?

2: To what extent could these industries contribute to Western Australia's attractiveness internationally, thus, becoming sources of competitive/sustained competitive advantage?

Second, extending from these research questions, the study will propose a framework to illuminate the understanding of the links between a region's, state's or country's industries, competitive, and sustained competitive advantage. The emphasis of the study on assets and strategies to maximise the potential of those industries suggests the usefulness of two theoretical perspectives, namely, the resource-based view paradigm (e.g., Barney, Wright, and Ketchen, 2001; Barney, Ketchen and Wright, 2011) and dynamic capabilities literature (Teece, Pisano and Wang, 1997). The following additional research question will be therefore addressed:

3: How does the proposed framework facilitate the understanding of a region's attractiveness, notably, in terms of its

- Attractiveness?
- Competitive advantage?

## **Literature Review**

### *The Resource Based View*

According to Teece et al. (1997), in order to enable intellectual dialogue and theory development, it is desirable to propose acceptable definitions. In this context, resources are meant to be 'anything' that could be perceived "as a strength or weakness of a given firm" (Wernerfeldt, 1994, p. 172). Firms' resources have also been defined "as the subset of... productive assets which are economically inalienable" (Wernerfeldt, 2016, p. 102). Illustrations of resources include capital, trade contacts, skilled staff, brand names, equipment, knowledge of technology, or efficient procedures (Wernerfeldt, 1994). Barney's (1991) study identified various characteristics of firm resources that could contribute to their competitive and sustained competitive advantage. Competitive advantage occurs when firms implement value-creating strategies that cannot be replicated by actual or potential competitors at the same time (Barney, 1991). Sustained competitive advantage follows the same principles as those of competitive advantage; in addition, it suggests that potential competitors are unable to replicate the benefits of the aforementioned strategies (Barney, 1991).

Barney (1991) underscored the importance of building a theoretical framework based on the assumption that, "to understand sources of competitive advantage" (p. 105), firm resources ought to be heterogeneous and immobile. Several decades later, the resource-based view has become a widely recognised theory for predicting, explaining, and describing organisational relationships (Barney, Ketchen, and Wright, 2011).

Heterogeneity in industries reflects the existence "of superior productive factors which are in limited supply" (Peteraf, 1993, p. 180). Thus, heterogeneity suggests that firms of differing capabilities will be capable to compete in marketplaces "and, at least, breakeven" (Peteraf, 1993, p. 180). One example of firm heterogeneity is human capital, which is perceived as "a critical underlying mechanism for capabilities" (Barney et al., 2011, p. 1308). Peteraf (1993) explains that imperfectly mobile resources are those that cannot be traded and are more valuable with the firms that currently utilise them. In essence, these resources "are...specialized to firm-specific needs" (Peteraf, 1993, p. 183). Imperfect resource mobility

guarantees that rents, or earnings above breakeven point, are destined to firms and shared by them (Peteraf, 1993).

Apart from firm heterogeneity and imperfect mobility, Barney (1991) also postulated various key attributes of firm resources as precursors of sustained competitive advantage. These attributes, which form the foundation of the resource-based view suggest that resources should contain:

*Valuable resources* are those that enable firms to execute strategies that enhance their effectiveness or efficiency; these resources are particularly competitive when not simultaneously employed by numerous other firms (Barney, 1991).

*Rareness* highlights the importance for firms of implementing bundles of resources, including organisational, physical, and human capital (Barney, 1991). This bundle of resources needs to be rare in order to prevent large numbers of businesses from implementing similar strategies; otherwise, despite the value of these resources, they may not be deemed sources of competitive advantage (Barney, 1991).

*Imperfectly imitable* resources are those valuable and rare resources that other firms do not possess or cannot acquire (Barney, 1991); they can be a combination of three reasons:

1. *Unique historic conditions* emphasise firms' ability to obtain certain resources is contingent "upon their place in time and space" (p. 107). Moreover, once such unique history and time elapses, those firms that did not possess such time and space-dependent resources will be unable to acquire them, thus, rendering those resources imperfectly imitable.
2. *Causal ambiguity*, which exists when the linkages between those resources controlled by firms and their sustained competitive advantage are not understood, or understood very imperfectly by actual or potential competitors, making duplication or imitation of resources very difficult (Barney, 1991).
3. *Social complexity* can also be a source of competitive advantage, significantly limiting other firms' ability to imitate such resources. Barney refers to earlier contributions (Barney, 1986; Klein and Leffler, 1981; Porter, 1980) to illustrate social complexity in terms of firms' organisational culture, or their reputation among customers and suppliers.

*Un-substitutable*, which underlines that, in order to be sources of sustained competitive advantage, "no strategically equivalent valuable resources that are themselves either not rare or imitable" (Barney, 1991, p. 111) must exist.

Conceptual research adopting the resource-based view (Lee, 2016) underscores that a country's attractiveness can be enhanced or deteriorated based on how it effectively promotes and manages its attractiveness. As countries possess various bundles of resources, different promotion strategies can be amalgamated and positioned, notably, by emphasising their most attractive aspects (Lee, 2016). Furthermore, in some competitive areas, such as tourism, exports sales, and foreign direct investment, being more attractive may result in higher visitation, sales, and interest among international investors and consumers (Lee, 2016).

In fact, empirical research by Duarte Alonso (2017) on Uruguay's tourism potential proposed a framework depicting some of the links between the resource-based view and the country's tourism industry. For instance, Uruguay's long-standing image for being a summer destination for large neighbouring tourist markets was considered a valuable resource. Exploiting opportunities and new trends were perceived as rare, while the appeal of tourism and cultural links with neighbouring tourist markets represented an imperfectly imitable resource. Finally, Duarte Alonso (2017) identified strategies, experience, perceived safety, political stability, more knowledge and appropriate government policies to support the development of Uruguay's tourism industry as non-substitutable resources.

Another study (Javalgi and Grossman, 2014) employed both the resource-based view and the knowledge-based view to examine the effect of organisations' resources and host countries' appeal on international knowledge-based services provided by United States universities (MBA programs). Javalgi and Grossman's (2014) findings revealed that internationalisation efforts were affected by management's willingness, foreign market appeal, prestige and reputation and human capital. These findings have strong associations with valuable resources.

#### *Dynamic Capabilities and the Dynamic Capabilities Approach*

Extending from the resource-based view, dynamic capabilities have been defined in various ways (Barreto, 2010). For instance, they are referred to as firms' "processes that use resources... to match and even create market change" (Eisenhardt and Martin, 2000, p. 1107). As such, dynamic capabilities are strategic and organisational routines through which firms can attain "new resource configurations as markets emerge, collide, split, evolve, and die" (Eisenhardt and Martin, 2000, p. 1107). Moreover, a dynamic capability represents firms' capacity that enables them to create, modify or extend their resource base, or how they 'make a living' in different forms (Helfat et al., 2009; Helfat and Winter, 2011). Zahra, Sapienza and Davidsson (2006) conceptualise dynamic capabilities as the abilities to reconfigure or revise firms' routines and resources, and ways that are considered appropriate by their main decision maker(s).

Dynamic capabilities represent a set of identifiable and specific processes embedded in firms, for instance, alliancing, strategic decision making, and product development (Eisenhardt and Martin, 2000). Several key elements have been identified to operate alongside dynamic capabilities, including factors of production, resources, organisational routines/competences, core competences, and products (Teece et al. (1997). To complement these, Teece (2007) identifies several 'microfoundations' (processes, distinct skills, disciplines, procedures, decision rules). Unsurprisingly, firms exhibiting strong dynamic capabilities are also intensely entrepreneurial, not only adapting to business ecosystems, but also shaping these through collaboration or innovation (Teece, 2007). Dynamic capabilities hold theoretical and practical value, particularly for those firms operating in uncertain, volatile, and complex external environments (Zahra et al., 2006).

Extending from these notions, the dynamic capabilities approach emphasises the identification of dimensions related to firm-specific capabilities that have the potential to be sources of competitive advantage (Teece et al., 1997). The approach also helps explain how the combination of firm resources and competences can be deployed, protected, or developed (Teece et al., 1997), hence, providing an articulate framework that can integrate empirical and conceptual knowledge (Teece and Pisano, 1994). In addition, and related to the present study, the dynamic capabilities approach underscores the exploitation of external and internal firm-specific competences that are needed "to address changing environments" (Teece et al., 1997, p. 510). Thus, the approach can be employed as a baseline to understand processes of sensing and seizing opportunities, or strategic renewal (Augier and Teece, 2009).

Despite the promising potential of the dynamic capabilities approach, there is an argument that, predominantly, earlier studies have examined dynamic capabilities from a conceptual perspective (Kindström, Kowalkowski, and Sandberg, 2013). In addition, following a review of the literature, there appear to be no studies adopting the dynamic capabilities approach to study country/region attractiveness. In contrast, there is an abundance of empirical research employing this approach in the context of international business and entrepreneurship. For instance, dynamic capabilities had a mediating effect on exports, supporting the reconfiguration of knowledge management, as Villar, Alegre, and Pla-Barber (2014) found in their comparative investigation between Italian and Spanish firms. A second study focusing

on a small global factory (Eriksson, Nummela, and Saarenketo, 2014) revealed the importance of entrepreneurial orientation, global mind-set, and cultural awareness (cognitive capabilities), managerial capabilities, absorptive capacity and organisational flexibility.

Entrepreneurship research focusing on manufacturing firms in developing economies (Malik and Kotabe, 2009) revealed the impact of organisational learning, manufacturing flexibility and reverse engineering on firms. Finally, an investigation conducted among Chinese enterprises (Li and Liu, 2014) revealed the role of dynamic capabilities, in positively and significantly contributing to firms' competitive advantage.

## **Methodology**

This study contributes to the international business and entrepreneurship literature in various forms. First, it proposes a theoretical framework based on the resource-based view and the dynamic capabilities approach to understand the significance of a region's resources as the basis for its attractiveness. Second, in investigating the element of country/region attractiveness from the perspective of knowledgeable informants, the study contributes to addressing a knowledge gap identified by Lee (2016). The unit of analysis, or the "bounded set of elements comprising the entity which is the focus of research" (Gronn, 2002, p. 444) is therefore the significance of a region's resources for its international attractiveness.

Different methods were chosen in the present research. First, an exploratory perspective was adopted. The purpose of exploratory research is to shed light on a theme that has been inadequately described "and is likely to be poorly understood at the level of theoretical explanation" (Sim and Wright, 2000, p. 45). Second, a decision was made to adopt an inductive approach. According to Bernard (2011), "the less we know about a research problem, the more inductive we'll be" (p. 7). Importantly, exploratory research is likely to be inductive (Bernard, 2011). Fundamentally, an inductive approach entails searching for patterns through observations, and developing explanations (Bernard, 2011). Moreover, the inductive approach allows research findings to transpire from significant, dominant, or more frequent themes found in raw data (Thomas, 2006). Thus, inductive analysis essentially entails approaches that employ specific readings of raw data to develop a model, themes or concepts through data interpretation (Thomas, 2006).

Third, a case study methodology was employed in this study. According to Yin (1981), the distinctive characteristic of case studies is that they investigate "a contemporary phenomenon in... [their] real-life context, especially when... the boundaries between phenomenon and context are not clearly evident" (p. 59). For Eisenhardt (1989), a case study represents a research strategy focusing "on understanding the dynamics present within single settings" (p. 534). Typically, case studies will combine different data collection methods, through interviews, archival records, observations and documentation (Eisenhardt, 1989; Yin, 1999). Importantly, case studies can be appropriate for theory building (Eisenhardt, 1989).

Fourth, the data collection for this study was based on a purposive sampling method. This method is widely employed in qualitative research for the selection and identification "of information-rich cases related to the phenomenon of interest" (Palinkas, Horwitz, and Green, 2015, p. 533). Patton (2015) complements Palinkas et al.'s (2015) definition, positing that strategically choosing information-rich cases by their substance and nature will shed light on the question under investigation. The choice of a purposive sampling methodology is also aligned with market attractiveness research. Indeed, Brewer (2001) theorises that firms seek out a new nation's markets based on expected commercial gains. Such expectations are dependent on assessments about the attractiveness of the specific market and on firms' competitive position in the market, and "in turn are influenced by informants" (Brewer, 2001, p. 155). Importantly, the strengths and number of those informants "will underlie the

probability of a country being identified and assessed as a new market” (Brewer, 2001, p. 155).

To gather data on region attractiveness, initial contact was established with consulates in Perth, the capital city of Western Australia. The decision to contact these foreign country representatives was based on the links between some of these consulates, and their country’s chambers of commerce, and trade offices. These links indicated the potential expertise in international trade among consuls. In June of 2015, 23 consulates, the total available number in Perth, were contacted. The message sent to these organisations explained the objectives of the study and made a formal invitation for consuls to take part in the research project. Shortly after contact, it was found that five consulates were no longer operating. From the remaining 18, nine (50%) responded affirmatively to meet with the research team. Between July 2015 and February 2016, in-depth, face-to-face interviews were carried out with the nine consuls. In four cases, the interviews took place on two different occasions; the average time of each interview was 75 minutes, and all participants agreed to be audio recorded.

Essentially, the interviews entailed two sections. In the first, participants were asked to provide a brief background of their professional career, and in the second, the following questions were asked:

- Based on your knowledge, how attractive are Western Australia’s resources/industries? For instance, apart from the mining industry, what specific Western Australian resources/industries could be attractive internationally?
- To what extent do you consider that such resources/industries can contribute to Western Australia’s attractiveness internationally?

The questions above were designed based upon the pertinent international business literature, specifically, literature discussing a country’s commercial attractiveness (e.g., Javalgi, Deligonul, Dixit and Cavusgil, 2011; Kumar, 1994; Lee, 2016; Oshri and Ravishankar, 2014).

The resulting data were assessed employing qualitative content analysis, a research method, which entails subjective interpretation of text data through a systematic process of identifying and coding patterns or themes (Hsieh and Shannon, 2005). Content analysis was supported through NVivo version 11, a computer assisted qualitative data analysis software (CAQDAS) (Welsh, 2002). Different views exist concerning data saturation, the state when sufficient information is gathered to replicate the study, and when additional coding is not feasible (Fusch and Ness, 2015). Furthermore, there is no agreed method to establish data saturation (Francis et al., 2010). Corbin and Strauss (2015) posit that it is rare that five or six interviews lasting one hour will offer sufficient content to constitute saturation. Earlier research (Guest, Bunce and Johnson, 2006) noticed saturation within the first 12 interviews, and some elements as early as by the sixth interview. In this study, some themes became recurrent by the ninth interview. However, overall, the study aligns with O’Reilly and Parker (2012), who suggest that, instead of sample numbers, the adequacy of samples be determined by the suitability of the data.

#### *Demographic characteristics of participants*

All the interviewees had at least one decade of experience in international trade (Table 1). For instance, Participant 1 (P1), has acted as an honorary consul for his government in Perth for various decades, has held previous government posts in trade, and currently co-owns a start up in Western Australia. Participant 1 (P1) has been a trade consultant for numerous years and devotes much of his consular time to provide international trade advice. Similarly, P3,

P5, P6, and P7 have extensive trade experience with their respective governments. P4 has represented his country in Western Australia for over 20 years, P9 hers for over 10, while P8 had been in Perth for nearly two years, having held consular posts in other Asia Pacific countries previously. Four of the nine participants represented emerging economies, and five countries which belong to the Organisation for Economic Cooperation and Development (OECD).

Table 1 Here

## Results

### *Perceived commercial attractiveness of Western Australia*

The content analysis, which was complemented with CAQDAS identified 13 threads that recurred at least twice (Table 2). Building synergies between Western Australia and another countries was the most prevalent aspect illustrating Western Australia's attractiveness. Furthermore, perceived long term benefits for both Western Australia and other countries was based on common interests and strengths in various industries and fields; as P1EME indicated, "*... the synergies are far more intense than the competition or diversion... The fact that both [country, Western Australia] mainly relate on mining and agriculture is one.*"

P4EME perceived the value of expertise, technology, and know-how of Western Australian companies to establish meat and other food processing plants, supply the large internal market (over 100 million inhabitants), and use it as a platform to reach other destinations: "*with 600 million people, Southeast Asia is quite a big market, and [country name] can be used as the gate for countries in the region.*" In other cases (P2ESE, P3ESE, P5ESE, P7ESE, P8ESE), synergies in the form of long standing commercial relationships represented a strong foundation for realising future potential. These synergies were also reinforced through participants' perceptions of Western Australia's and Australia's strength in successfully coping with the impacts of the 2008 global financial crisis, increasing confidence and trust in its economic foundation.

Education was a second major area perceived to make a significant contribution to Western Australia's international attractiveness. These perceptions aligned with earlier research emphasising the value of Australia's education as an export resource. Indeed, Harmon (2006) reported that Australia has carved a special niche, and is one of the main commercial exporters of higher education services after the United States and the United Kingdom. The large majority of Australian universities have numerous partnership agreements with international institutions, for instance, to deliver courses, in particular in the Asia Pacific region (Harmon, 2006).

More recently, archival data supporting the key findings of this study suggest the potential of international education as an area of growth for Western Australia. In a report commissioned by The Western Australian Private Education and Training Industry Association (WAPETIA, 2016) provides a scenario analysis illustrating the future potential of education as an exporting industry for Western Australia. This future potential is also based on 2015 data that indicate a record of 50,500 international students enrolled at Western Australia's institutions (WAPETIA, 2016). In comparison to the rest of Australia, Western Australia's figures are significantly modest; such performance identifies a weakness in exploiting the growth of and opportunities in the higher education market (WAPETIA, 2016). Nevertheless, there is significant potential for Western Australia to maximise on its natural endowment, notably, its relative geographic proximity to Asian markets (WAPETIA, 2016).

Table 2 Here

Importantly, two of the participants represented emerging markets elsewhere in the world, with a combined 280 million people. P1EME, who had lived for decades in Perth and was in constant contact with his country's government and institutions, underscored such potential:

*...definitely education is in my view the number one, in all levels, from the technical level to academic and post-graduation... [Country name], in the last three years, sent something like a hundred thousand first-year bachelor students abroad... Today [country name] is the number four country in Australia for foreign students...*

P3EME also perceived opportunities for Western Australian educational institutions to improve the skills of the workforce in her nation, which has one of the highest growth rates in the continent: *"... a lot of people travel and found that English is becoming very important, and are more interested [to learn English]"*

Three areas related to technology were also perceived among the most important elements of Western Australia's attractiveness, notably, Western Australia's potential in research and development (R&D), in technology transfer, and the level of industry expertise within the state. For example, P8ESE explained the different activities undertaken at various Western Australia universities, particularly in medical sciences, innovation, and in cyber security. Some of these universities are actively involved in research with major international companies. Furthermore, P5ESE mentioned the potential for R&D in medical sciences: *"they [nationality] consider Australia is one of the best and biggest providers of new health and medical innovation... also Western Australia with a lot of technologies, a lot of exchange of specialists that are flying in..."*

As illustrated in various comments, the potential for agriculture/food production overlapped with that of technology transfer, R&D, and industry expertise. Such was the case of P6EME, who acknowledged the potential of industry expertise and R&D in Western Australia's agriculture, not only at local university level, but also within government organisations. Furthermore, technology transfer in the mining industry was perceived as mutually beneficial between Western Australia and other countries (P1EME): *"technology transfer... already happens in mining, and is reciprocal, because... some solutions that [nationality] are finding in different aspects of different minerals we could end up adopting [in Western Australia]"*. P1EME's point is partly in agreement with Fu, Pietrobelli and Soete (2011), who assert that the benefits obtained from international knowledge transfer depend on the existence of appropriate absorptive capacity levels by local firms or organisations.

Also important was P2ESE's point concerning the existence of high-end technologies that emerged in Western Australia through the presence of international companies, with clear implications for absorption, usage or even further development, particularly in the mining sector. As indicated (Table 2), five participants stressed the importance of Western Australia's geographic proximity, as well as the strategic advantage of being in a time zone similar to that of major neighbouring economies. At the other end, and while only mentioned by only one respondent, Western Australia's potential for renewable resources highlights an important role the state could play in the future. In fact, P2ESE recognised that *"this [renewable resource development] also offers a lot of opportunities for Western Australian companies to learn and to acquire [country] technology and then to implement it over here."*

Finally, agriculture and food production, innovation, tourism and infrastructure development, and opportunities for other companies to do business in Western Australia were other ways in which participants felt the state could become internationally attractive.

*Extent to which Western Australia's resources/industries contribute to its attractiveness*

The content analysis employed in the research also assisted in identifying the extent to which the different existing resources/industries, either local to Western Australia /Australia, or introduced by international companies, contribute to the state's attractiveness. First, exploiting the benefits of synergies with other countries takes different forms. One such form is by learning and by absorbing knowledge brought by foreign companies operating in the state (P7ESE): *"They [companies] are definitely bringing innovation and... using the expertise they already had... if you want to enter that economic sector in Australia you have to bring something that is not here."* Allowing or encouraging knowledge transfer into the state not only facilitates foreign companies' activities and efficiencies, but it also contributes to the dissemination of new knowledge. Similarly, P2ESE emphasised the crucial importance of foreign technology, notably, in renewable resources, in developing other areas and industries where Western Australia held enormous potential:

*[Participant's country] is probably one of the world leaders in that field and that is because we've got excellent learning institutions... that for the last thirty years have focused on renewable resources... And that opens up opportunities for those companies... [that] do come here for power generation, solar and wind and water [energy], but also for power and energy storage, which is going to be the key issue as we go forward. If you can provide integrated systems that give you the entire energy solution you become independent of the grid...*

A less energy-dependent state or region could bring much-needed development, allow for the growth of a new industry, and further contribute to Western Australia's attractiveness and competitive advantage as a destination for this type of technologies and industries. According to Ellabban, Abu-Rub, and Blaabjerg (2014), in energy-based economies, electric energy security is crucial. However, because the supply of natural resources (fossil fuels) is becoming limited and carries high costs to acquire, renewable resources have become more attractive (Ellabban et al., 2014). Thus, the potential for renewable energy resources is significant; indeed renewable energy can "exponentially exceed the world's energy demand" (Ellabban et al., 2014, p. 748).

Concerning education and its international exports, and aligned with Harmon (2006), P1EME reflected on the motives that were contributing to Western Australia's attractiveness and the resulting strong competitive advantage it was gaining:

*The fact that Western Australia [has] got such a preference [for country's students] is... mainly because of students going back and reporting their experiences in Australia. And what they speak about Western Australia is fantastic. I'm quite well informed of all the good things and the bad things... So that image, back in [country name], specifically of Western Australia as part of Australia as a whole, was- and is- very positive.*

Clearly, mining was acknowledged to be Western Australia's most dominant industry, and expected to continue to be in the foreseeable future. At the same time, the findings also identified opportunities in peripheral areas related to this industry. P3EME, who had strong links to and many years of experience in this industry, revealed the significance of education in the context of this industry and Western Australia: *"Training, I mean skills, is a big part of export to [name of continent]... It is not uncommon for a company to send up-and-coming exploration guys to university here, or on a training course, or have them working in a real-life environment over this side of the world. A lot of them are coming and going... for whatever reasons Australians are very good trainers, they're very good at skills training."*

This comment also underlines the existence of key resources, for instance, Western Australia's infrastructure, including technology, know-how, reputation and enhanced image as a destination for training and specialisation in mining.

Education was also highlighted as a tool for Western Australia residents to build key skills and become competitive in the world of business and, in turn, enhance Western Australia's attractiveness in the international business arena. In further emphasising the importance of strong synergies, P2ESE referred to his country's exchange programs for international students, and to the value of studying abroad: *"If you study in [country name] you understand ways of doing business, of doing things. You have an affinity, you know you've got a relationship that goes on for a long time... there is a lot more beyond the cultural; there's also the mutual education and job opportunities."*

Finally, in terms of technology transfer, P2ESE underlined the magnitude and the implications that introduced foreign technologies could have for Western Australia industries, again, rendering the state more attractive to other businesses and countries:

*The opportunities are both ways. We have lots of opportunities for [nationality] companies here in Western Australia in the mining and mining services area, and that is not just the heavy equipment, but that's a lot in the technology that is involved, the crushing technology, and the automation technology for ship-loading, and for mine automation; there's a lot of [nationality] companies that are involved in that. It's the sort of higher end of the technology where [nationality] companies get involved, people like [global company name] and so on over here, and their Head Office is in Western Australia, not in the eastern states. So that tells you that Western Australia is actually their focal point in Australia and that's where most of the action is...*

As illustrated in the comments above, there was strong recognition of the current and future significance of the mining industry as the state's economic thriving force. Clearly, Western Australia has a long and strong tradition in the minerals industry. For example, the significance of gold fields in the 19<sup>th</sup> century has been documented in earlier research (Blainey, 1970), including the socioeconomic changes resulting from gold rushes, including their impacts on agricultural production (Anderson, 2017). Gold continues to make a strong economic contribution, though liquefied natural gas, and especially iron ore are today dominant commodities within the mining/petroleum industry (DFAT, 2017). Importantly, the significance of the mining industry was also interpreted in the context of potential opportunities to diversify, including the potential for firms to tap into product or service sub-sectors related to mining. Furthermore, while mining's dominance is undisputable, there is a tendency of growth in other industries, including services exports (travel), tourism from international visitors (Government of Western Australia, 2017), and agriculture. These linkages, together with the considerations of various existing or nascent industries that enhance Western Australia's attractiveness (Table 2), are conceptualised in Figure 1.

Figure 1 Here

## Discussion

### *The applicability of the proposed framework*

The findings, which are based on the perceptions of nine country representatives experienced in international trade and relations, provide the foundation of the proposed conceptualisation to enable the understanding of country/region attractiveness based on the resource-based view and the dynamic capabilities approach (Figure 2). The recent economic uncertainty

underlines Western Australia's limitations in depending significantly on the natural resource industry (Tonts et al., 2013) that today is experiencing a downturn due to external pressures (Government of Western Australia, 2017; Lenzen et al., 2017). Overall, the findings identify areas in which Western Australia could further excel and gain international attractiveness; at the same time, they underscore the value of various diversification alternatives. The academic literature explicitly discusses the links between the resource-based view and diversification. For instance, Mahoney and Pandian (1992) suggested the value of the resource-based view in providing "a theoretical rationale for predicting superior performance for certain categories of related diversification" (p. 365).

#### *Resource-based view*

As shown in Table 2, the attractiveness of Western Australia first emanates in the form of synergies developed between regional institutions and companies with other countries. Specifically, these synergies manifested themselves through knowledge exchange (P1EME, P5ESE), infrastructure, business development and expertise (P4EME), innovation and existing strong commercial and political ties (P8ESE), or through project development (P2ESE). In other cases, synergies took the form of increasing commercial exchanges and presence of foreign firms and organisations (P2ESE, P3ESE, P7ESE). As with diversification, the establishment of synergies and alliances is strongly related to the resource-based view, notably, as a source of differentiation and therefore competitiveness. Indeed, Lavie (2006) uses the term 'complementary alliance' to describe firms seeking to achieve synergies by considering "distinct resources that are difficult to accumulate in combination by any given firm" (p. 644).

Second, the potential for exporting education, either delivering it overseas or attracting students to Western Australia to attend educational institutions or be trained in an industry reveals significant diversification potential and international attractiveness. The fact that Australia has excelled in this industry (Harmon, 2006) for a number of years demonstrate a high level of positioning, reputation, and achievement in market share. The identified potential among some participants (P1EME1, P9EME) of international education to markets other than the Asia Pacific region, or training individuals for mining and other trades (P6EME) further illustrate Western Australia's strength and attractiveness.

Both building synergies and a successful educational industry (exports) align with the tenets of the resource-based view, particularly in terms of valuable and rare resources that, together, represent imperfect imitability, and therefore competitive advantage (Barney, 1991). This characteristic can be broken down further into unique historic conditions, whereby would-be competitors lack space and time-dependent resources, preventing them from acquiring these (Barney, 1991) in the medium or long-term. Moreover, in the case of synergies, building commercial relationships and trust would demand significant investments of resources, particularly time to strengthen or increase such relationships. Similarly, concerning education, developing, testing, and auditing quality standards, as well as achieving performance consistency and reputation would require significant time and continuous effort. Thus, synergies and education could be considered imperfectly imitable resources contributing to Western Australia's competitive advantage.

Third, R&D, industry expertise and capabilities, and technology transfer were found to be critical ways to increase Western Australia's international reputation and attractiveness. Arguably, Western Australia's existing economic climate, with a solid existing infrastructure, supports and contributes to a continuous flow of knowledge, enhancing the potential of this state internationally. At the same time, this continuously strengthening positioning and development is very difficult for other regions or nations to successfully compete. One illustration was P2ESE's comment concerning technology transfer and the importance of

Western Australia as a focal point. Thus, these findings also align with the tenets of the resource-based view.

Figure 2 Here

#### *Dynamic capabilities approach*

The different forms of regional attractiveness revealed in this study underscore the importance of specific competences to respond and adapt to changing environments, and suggest the links between the findings and the dynamic capabilities approach (Teece et al., 1997). Indeed, aligned with various authors (Helfat et al., 2009; Helfat and Winter, 2011), these ways of enhancing the state's attractiveness suggest that, the ability of firms, coupled with an existing socioeconomic infrastructure, can encourage the extension, modification, or even creation of Western Australia's resource base.

Moreover, the perceptions of Western Australia's potential concerning R&D, industry expertise and capabilities, and technology transfer align with Katkalo, Pitelis and Teece (2010), in that dynamic capabilities "are commonly rooted in creative managerial and entrepreneurial acts" (p. 1178). These capabilities reflect the degree and speed in which resources "can be aligned and realigned" (Katkalo et al., 2010, p. 1178), and match requirements or opportunities in the business environment. Furthermore, the potential development of Western Australia's renewable resource capabilities (P2ESE), or the acquisition of knowledge and expertise through the presence of foreign firms (P7ESE) could augment the quality of expertise among local/domestic firm personnel and management. Given the significance of securing renewable energy sources in light of cost issues (Ellabban et al., 2014), this aspect could be vital for the future of many of Western Australia's industries, and, as an exporting state, even for its international attractiveness.

Finally, Western Australia's geographic proximity to other large regional markets complements the different aspects related to its attractiveness identified above, and differentiates the region from other potential competing countries or regions. Thus, this attribute is also aligned with the resource-based ideology.

Together, the combination of resources revealed in this study is suggested as a key contributor to Western Australia's competitive and sustained competitive advantage, further enhancing the state's attractiveness by exploiting existing or new opportunities, and by building capabilities to respond to changing environments (Teece et al., 1997). These strengths are then manifested in the continuous socioeconomic development of the state, with spillovers for the rest of the nation.

#### **Conclusions**

This exploratory study contributed to the theoretical and empirical resource-based view and dynamic capabilities approach literature in international business and entrepreneurship, and proposed a conceptual framework to increase the understanding of regional attractiveness. Contemporary research (Lee, 2016; Oshri and Ravishankar, 2014) identifies that limited research has been conducted on the country attractiveness dimension. Thus, the study also addresses an existing knowledge gap by examining perceptions of Western Australia's attractiveness from a group of nine consuls with extensive trade and country representation experience. The findings underscore the value of various resources in helping Western Australia's economy to diversify and become less dependent on its primary industry (mining). These resources included synergies between Western Australia and other nations, and the potential for international education exports to increase in significance. Importantly, participants also perceived significant potential in R&D, industry expertise and capabilities, and technology transfer; at the other, Western Australia's potential for development of

renewable energy sources was only mentioned by one participant. However, this and the above areas highlight the strategic importance in developing alternative capabilities to adapt and respond to an increasingly competitive business environments, and to continue contributing to the region's international attractiveness and competitive advantage.

### *Implications*

The findings demonstrate the importance for a region largely dependent on one predominant natural resource-based industry to develop other types of capabilities, diversifying and enhance its international image while seeking to achieve competitive advantage. As illustrated, the main form of attractiveness is represented through the current development of synergies. These synergies, which are illustrated by the establishment of collaborative relationships between Western Australia and foreign organisations (e.g., universities and companies) facilitate knowledge absorption, R&D and technology development, or, more recently, provide opportunities for developing renewable resources.

In turn, the above end results from synergy development become valuable and rare resources that can contribute to Western Australia's future attractiveness and competitive advantage. A second form of diversification, as is the case of education, also represents valuable and rare resources and could be exploited in a variety of forms. The results from the primary data collection alongside archival research posit similar value and importance placed on education. Indeed, organisations could exploit the reputation of Western Australia's dominant mining industry to offer training and skill-building experiences, or providing regional and international English or university education. Arguably, these forms of attractiveness are imperfectly imitable and therefore constitute sources of competitive/sustained competitive advantage.

Concerning theoretical implications, the proposed framework (Figure 2) allowed for a deeper understanding of a region's resources and dynamic capabilities as precursors and pillars of commercial potential, attractiveness, and competitive advantage. Notably, the resource-based view was relevant in identifying those resources that render or could render Western Australia into a more commercially and internationally attractive region. The framework suggests that these resources constitute the foundation over which dynamic capabilities rest.

In addition, dynamic capabilities represent those processes that employ resources to generate market changes (Eisenhardt and Martin (2000), and, in the case of Western Australia, capacities that enable it to extend, create or modify its resource base (Helfat et al., 2009). These capacities included the development of R&D, industry expertise, and technology transfer, which, together with the development of renewable energy resources, will allow the state to respond to changing environments (Teece et al., 1997) and enhance its competitive/sustained competitive advantage. Thus, based on the evidence of the framework's applicability in this study, there is value in applying the framework in guiding other research activities that focus on the links between the resource-based view, the dynamic capabilities approach, and a country's or region's attractiveness.

### *Limitations and future research*

One of the limitations of the present study is that it is primarily based on the viewpoints of one group of experts. Furthermore, while these viewpoints provided valuable information regarding Western Australia's attractiveness, future research could gather the views of other groups that could equally have relevance, including managers/owners of foreign companies operating in Western Australia, or other entities operating in Western Australia (e.g., chambers of commerce). The experiences of these informants could highlight opportunities

and challenges, and overall contribute to a more in-depth analysis of Western Australia's attractiveness.

Moreover, this form of research could also identify other resources and dynamic capabilities, and be useful in theory building (resource-based view, dynamic capabilities approach). In addition, although all participants represented different nations, future research could make comparisons between consuls or chambers of commerce operating in Western Australia against those based in their countries of origin. Focusing on comparative analyses will contribute to identifying commonalities and differences in perceptions, which in turn can identify further opportunities or challenges in enhancing Western Australia's attractiveness internationally.

The further testing of the proposed framework (Figure 2) in similar future research endeavours could help corroborate its applicability to study country/region attractiveness, and contribute to its further development or extension. Such line of research is imperative, particularly as numerous firms, and regional economies are confronted with continues change and the need to adapt to a changing and dynamic business environment (Helfat and Winter, 2011; Li and Liu, 2014). The theoretical development of studies examining country/state attractiveness could serve different purposes. Indeed, theoretical development could enhance the understanding of a country/region's resources and dynamic capabilities, while at the same time provide insightful information to firms/organisations, chambers of commerce, and country governments regarding the available opportunities in an increasingly globalised world economy.

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