

How do you identify competitively important resources and capabilities?

Valuable Assets

- Tangible: physical assets, financial
- Intangible: intellectual capital, organizational assets, tech, reputation, culture
- Human: skills or specialized expertise in a competitively important capability, motivation, communication
- competitively valuable alliances or cooperative ventures.

Tech improves capabilities ***

ORGANIZATIONAL CAPABILITIES should match INDUSTRY KSFs → to become STRATEGY → to become COMPETITIVE ADV.

Explain the transition from RESOURCES to CAPABILITIES.

<u>Resource</u>	<u>Capability</u>
Competitive asset owned or controlled by firm	Capacity of a firm to competently perform some internal activity. (developed & enabled through deployment of a firm's resources)

Capabilities are based on routinized behaviour.

ORGANIZATIONAL ROUTINES: regular and predictable behavioural patterns comprising repetitive patterns of activity.

- Repeated activity → Connection b/w certain situations, actions and results → Saves time and resources, higher reliability
- Difficult if rare (trade off b/w efficiency & flexibility)

ROUTINES → CAPABILITIES: Conscious & systematic actions by management – (1) Processes (2) Org. culture (3) Motivation (incentives) (4) Org. alignment

How do you identify if a resource can be a capability? Include the resource based view model in your answer.

Competitive Power Tests: VRIO – Is the resource VALUABLE, RARE, IMITABLE, ORGANIZABLE?

Note: organizational – is the resource or capability exploited well by org?

Measures: V+R = temp. competitive adv. V+R+I+O = sustainable competitive adv. V = normal performance

What are the assumptions of the VRIO Model – Resource Based View?

Resources are imperfectly tradeable and imperfectly imitable.

1. Firms acquire diff. resources → develop unique capabilities
2. Capabilities evolve → must be dynamically managed
3. Each org = collection of unique RESOURCES & CAPABILITIES that provides → STRATEGY → primary source of returns
4. Differences in firms' performances → due to UNIQUE RESOURCES & CAPABILITIES → not structural characteristics of industry

What are the two ways a resource can be imitable and why is it hard to imitate a resource?

Imitable through: (1) Direct duplication (2) Substitution (less challenging, but not easy)

Difficult (1) b/c hard to acquire in short time what competitors took long time to develop (2) events earlier in time affect future (3) b/c diff. to identify early causal determinants of performance

What makes a capability and resource a competitive advantage? (3 aspects)

Potential for advantage: scarce, relevant, durable

Sustainability: durable, transferrable, replicable

Appropriability: property rights, bargaining power, embeddedness

How do you establish a competitive advantage?

Must be (1) Scarce (not widely available in industry) (2) Relevant (to industry KSFs)

How do you sustain a competitive advantage?

Durability, transferability, replicability

What is a core competence and a distinctive competency?

CORE COMPETENCE: proficiently performed internal activity central to company's strategy and competitiveness.

DISTINCTIVE COMPETENCY: core competence performed w/ high level of proficiency