

Organisation Resource and Capabilities: Impact on Resources, Capabilities, Strategy and Competitive Advantage

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Abstract

This paper looks at the possibilities that sustained competitive advantage can be achieved in organisation through regular evaluation and maintenance of organisational characteristics and values in resources and capabilities to pursue emerging market opportunities, counter threats, maintain market standing and profitability. Organisations must keep building on the existing capabilities and resources, in some circumstances, and such resources needs to be modified or even phased out and replaced in response to ongoing market changes and reviews in the organisation's strategy. While casting a watchful eye for opportunities to innovate, developing totally new capabilities for delivering better customer value and out competing rivals is key. Understanding the criticality of upgrading strategic resources and their deployments is an integral management function. Organisation's core capabilities are facilitated through acquisition and strategic deployment of resources. Collection of these resources and core capabilities largely indicate how superior an organisation is, in market where competitive power of resource and core capabilities are measured and tested over time. However, the author notes that competitive advantage may not be sustainable if competitors possess comparable resource and capability in the same industry. Organisation's resources and core capabilities are important major features. This article seeks to analyse organisation's internal resources through diagnosing value chain activity to identify sources of strengths and weaknesses, benchmarking as well as business process management with the view to offering an approach as to how these fundamental features can improve organisation's effective turnaround towards competitive advantage.

Keywords: Organisation Resource and Capabilities, Impact on Resources, Strategies, Capabilities, Sustained Competitive Advantage.

Introduction

Consistent organisational performance against competition cannot be achieved without the essential organisational resources and capabilities. Organisations are duty-bound to possess adequate resources and capabilities to thrive, attain relative advantage, and to always revitalise their strengths, as well as work on impeding weaknesses in order to stay relevant in the industry. Review of internal analysis of organisation and examining the relationship between organisation's characteristics and performance are painstakingly necessary to lessen uncertainties that are inherent in the running of organisational dealings to enable achievement of long term sustainable competitive advantage.

Researches have been based on industry and macro dynamics, which mainly focuses on seizing opportunities and countering environmental threats, which are quite externally

oriented, suggesting that top managers or strategists may take their external environment as a starting point when determining strategy. However, this study is in alignment with those authors who argue that external factors relegated or did not explain long term organisational performance well enough, hence, focusing inward to observe organisational assets and internal business processes. In this sense, therefore, Barney's resource-based view could be an opposite model to Porter's five forces.

Generally, resources are the assets that an organisation possesses and have control over for carrying out whatever work activities and processes relative to its own business definition, majorly positioned within the internal environment. This includes intangible fundamentals such as organisation's vision, mission, objectives and grand strategies. Employees, management, organisational culture and ethics are also in the internal environment's boundary. The need to carry out regular objective assessment of firm is necessarily important in order to ascertain areas of strengths and weaknesses in relation to competitors. Analysis of features of regular business actualities are always a good point. These features can become massive strengths to be deployed in situations and certain markets such that firm's strategy and capability are actually relative advantage in chosen segment of the market. Ultimately, internal analysis connects with mission, vision, sustained competitive advantage and grand strategy. Therefore, internal analysis is a reassurance of where an organisation actually stands in parity with its projections and competitors. Barney (1991) defines firm resource as all assets, organisational processes and capabilities, firm's attribute, information and knowledge controlled by the firm that enables it controls its efficiency and effectiveness. Further, resources are also classified as tangible and intangible such as equipment, machinery, inventory, buildings and cash, trademarks, copyrights, brand reputations, patents, license, culture and knowhow.

Firm's resources are ultimately categorised as human, organisational and physical capital. These are harmoniously expected to transform into resources that are valuable, rare, inimitable and organised in uniquely historical condition, casual ambiguity and social complexity (Barney, 1991). A firm must be fairly organised to utilise and exploit its resources in such a way that competitive advantage is achieved. Barney's resource-based view framework helps identify organisational resources and capabilities which could be economic, human, physical, organisational or technological to further enable exploitation of external environmental opportunities and neutralise threats: in the areas of intelligence, customer relation, etc., that produces sustained competitive advantage. Organisations basically pay attention to resources and strategic competencies to improve robustness in order to stand competition.

Organisation's Value Chain

An organisation is essentially a collection of numerous activities and processes that are performed to produce outputs from inputs with support services to customers. Every organisation's goal is to produce product and/or service with appreciable value to customers more than the original cost of creating the product or service through internal

dealings. Cross-sectional interactions within the firm are designed into a system of value chain for effective routine operations. Value chain describes categories of activities which together create product and or service within the organisation. According to the proponent of this widely acknowledged concept, Porter, generic value chain includes primary and support activities which directly involve the creation and selling of actual product from initial stage to finish. Hence, identifying Porter's value chain activity is a great step in diagnosing organisation's sources of strength and weakness as everything a company does is captured as either primary or support activity. Valuing how these activities successfully interrelate within a system connotes unique capability.

The underlying intent of every organisation as it performs business activities is ultimately to create value for clients and make gains in return.

Consequently, every organisation's value chain is targeted in reducing production cost and increase customer value creation. Primary activities are foremost in creating value for customers with supports from other relevant activities that generally facilitate and enhance performance. According to Porter (1985), organisations literally perform five generic primary activities; inbound logistics, operations, outbound logistics, marketing and sales and service. These activities include management of supply chain which are associated with purchasing inputs from suppliers, operations; associated with converting inputs into output; distribution's activities dealing with physically issuing the finished product to other distributors, sales and marketing which are related to sales efforts, advertising and promotion. Support and general service activities associated with providing assistance to clients to increase the value of the offered product or service.

A lot of support activities in the value chain may not be visible to the customer, this include product development activities relating to human resource management which is associated with the recruitment, hiring, training, development and compensation of all types of personnel, research and development. And general administration that encompasses management, accounting and finance, legal and regulating affairs and other overhead functions.

However, in analysing competitive advantage of a firm, it is necessary to define its value chain. As though competitive advantage cannot be understood by observing at a firm as a whole but from the very many separate activities a firm performs in designing, producing, marketing, delivering, and supporting its product and or service. Each of these activities contributes to firm's relative strength. Understanding that the concept of a chain of value exists inside every organisation and building on it is a way to creating a strong competitive position. Collaborative work-effort of this kind is a feature of modern approaches to quality management. Value chain has much to do with routine internal process. It is through regular performance of internal activities that know-hows, experience and taciturnity are achieved. Therefore, inextricable links exist between the organisational value chain process and attainment of core capabilities for sustained competitive advantage.

Johansson et al (1999), posits that value is created alone or in combination of improved quality, service, reduced cost to customer and reduced cycle time. The starting point for

assessment of the value chain could be to establish what the organisation believes are the core processes which deliver value to the customer. Customer is key variable, and to make any sense of the value chain there is need to establish what the customer seeks. Customer value preposition and cost competitiveness depends not only on internally performed activities, its own firm's value chain but also extends to the value chain activities of its suppliers and forward network.

Although, Porter's framework provides appreciable position in understanding the various ways in which the organisation provides value, pattern of activities uniquely varies in individual organisations. Thus, it is useful to begin with an internal analysis of processes, from essential to non-essential, that create value to serve customer. More importantly is to identify those activities that promise on providing the customer with more value than competitors. This part of internal study may involve organisational self-inspection or assessment.

Internal Benchmarking

Equating how individual organisations perform various value chain activities from supply chain management to inventory upkeep to placement of orders and shipments of purchased products as well as comparisons of costs effectiveness of these activities are acceptable concept in management practice, Michael H (1990). Such referencing or comparison could be an essential first step to benchmarking which is understood as making meaningful comparisons to similar firms which are best at performing particular activities in the same industry and using the concepts of their techniques or best practices to improve organisation's capacity. An organisation on benchmarking mission needs to decide what is significant. Unless there is existing superior business process and performance, there is no need for benchmarking. Therefore, studying better business processes that produce improved performance from others is necessary, particularly to the learning organisation, before adopting selective measures or key performance practices from the superior organisation from which business activities shall be adopted. Action steps learned are finally implemented to close performance gaps.

Benchmarking is evidently about improving processes, reduced cost and increased profit as well as strengthening customer loyalty and satisfaction. The emphasis is more on activities that produce results rather than just comparing of results that other organisations achieve. Within the various areas of benchmarking are groupings; process, product, competitiveness, performance and strategy among others. This is in alignment with modern concept of strategic alliances, in which exchange of information for benchmarking purpose between organisations are formally reached to work together to achieve some strategic fit, Watson, (1993). The gain is that the close relationship makes it easier for organisations involved to collaborate to a much deeper extent as availability of data through strategic alliance makes benchmarking relatively simple to organize.

Benchmarking is a great source of relevant information, however, other research methods e.g. marketing research, can also yield valuable information about the value chains of

competitors. A focus on these formal ways of obtaining information should not obscure the important information that is gained when the organisation is always in close contact with its customers, establishing great relations and discussing customers' needs with them almost unceasingly.

Clearly, to undertake benchmarking takes time and concerted efforts. However, firms that take benchmarking seriously may have units set up for undertaking same; this readily means that there is a source of information, which provides intelligent insights. Benchmarking is worth considering as a follow-up step to enable improvements to be made in various operational and other areas which may have been identified as having low outcome. Continuous improvement is an important aim and non-negotiable. It should be noted that, just copying what other successful organisations do without adding any creative rationality, may not take such firm to the forefront of performance. Benchmarking is a dynamic activity. However, a fairly reliable source of benchmarking information has emerged as the explosive interest of organisations in benchmarking and identifying best practices have promoted private consulting organisations and associations to gather benchmarking data. Having an independent group gather imperative information lessens the potential for unethical behavior on the part of firm's personnel in gathering data about competitors.

Business Process Management

There is need for organisations to review unessential efforts embedded in organisational processes and operations which add little or no value but amass resource. Business Process Management (BPM) tends to optimise and improve fundamental rethinking and radical redesign of business process for better results. According to Johansson et al (1993), a process is a set of linked activities that takes an input and transform it to create an output. Rationally, businesses should be regarded as processes to allow managers articulately focus on restructuring such processes in order to create more value with concerted less effort. The core processes are those which have impact on customers. However organisational core processes may only be defined in view of customers' needs and market expectations. Therefore, BPM is a logical effort to keep on from benchmarking in internal undertakings. Being a dynamic method that evolved from other management approaches, promises to effectively enable ultimate turnaround of how organisations operate. BPM aims to primarily strengthen core elements in organisation from what currently exists such as people, process and technology to produce results and satisfy all stakeholders demand. Effective collaboration of management and technology is required in a solid BPM project. Vom B et al (2011) noted that BPM's culture is a measure to move from the present to a desirable future state through capability which eventually gains competitive advantage.

Strategic Capability

Stalk et al (1992) defines capability as "a set of business processes that is strategically understood". Leonard-Barton (1992) explains core capability differently, as a knowledge set

to which there are four dimensions. Two are the knowledge and skills of employees within technical systems. And the other two are talked about the creation of knowledge through the enabling management systems, values and norms. These definitions are very much as described for competency. In this review, core competencies and capabilities are interchangeably used, and also regarded as factual critical success factors, unique qualities that permeate across the whole organisation, which are acquired or developed by the organisation.

In their words “the real sources of advantage are to be found in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities”. Core competency and capability therefore, can also be described as pertinent abundance of skills, knowledge and technologies at organisation's disposal which can be used for the benefit of the same organisation. These integral resource-based strengths naturally become strategic capabilities. Strategic capability also means the ability to affect and maneuver external affairs, building up into a defensible competitive position. There are probably countless of ways to classify core competencies, what matters is to add to the bundle of processes which enable the organisation to be successful at using these intangible strengths, such that the organisation is able to continuously innovate, or the particular approach to customer service which enables them keep to the core competence ahead of competitors.

Strategic capability of an organisation is significant to its long term survival. Capabilities are things organisations do that allow them not only stay on the market but consistently thrive. Accurate deployment of organisational assets is also a function of strategic competency. Thus, strategic capabilities and core competence can be categorised into, but not limited to financial, physical and human. Hamel (1994) see logistics management as strategic capability. Strategic management approaches create adequate capabilities to achieve utilisation of planned efficiency, productivity and flexibility to manage cash flow, human capital and partner effectively to build and gain fecund relationship, identify and acquire new skills and knowledge. Organisation should appropriately employ its resource to align and support the changing needs of the market while also proactively identifying the very need to change. At least an organisation must meet the minimum requirement necessary to compete and claim some worthy share in today's market. However, organisations do not only need to survive but achieve sustained competitive advantage. Linked set of skilled activities and resources together deliver customer value, through innovation and differentiating business from competitors. As a recipe to grow, organisation needs strategic capabilities to march the need imposed on it by uncontrollable changing external environment and also to achieve its objective.

Conclusion

The review on the above study gives an insight for a number of strategic considerations. As earlier noted, organisational resources and capabilities are important requirements for

effective internal operations in every firm. Moreso, organisation requires a dynamically evolving portfolio of resources and capabilities in order to sustain competitiveness and reposition itself to pursue future market opportunities. Organisation should have the ability to modify and reconfigure its existing strength in response to changing environment or market opportunities. Therefore, it is imperative to adjust operational processes to lower cost of production at the same time deliver greater value. Knowing when to negotiate with suppliers for better bargains in order to provide greater overall value, capitalising on organisational strength and working on weakness is key to always be ahead of competitors. Management should always pay attention in reviewing strategic issues to achieve a good strategy fit. Essentially, the effectiveness of operations concentrates on carrying out similar activities better than competitors (Porter, 1996).

Organisation's strategy works only when gains are recorded in financial strength, profitability and market standing. Whereas not meeting organisation's performance target and expectations relative to rivals are reliable warning signs that the organisation suffers from poor operations, strategy making and implementation or both. Other indicators of how well the firm's strategy is working include trends in sales and earnings growth, the overall financial strength, customers' retentions rate; including the rate at which prospects are converted to new customers. Organisational strategy takes shape in a variety of ways as often thought of by organisational leaders in view of the future. According to David (2020), for a strategy to be perfectly realised as intended, the external environment must have been perfectly predictable or under control of the organisation which is rarely unlikely. Therefore, the obvious challenge is getting right balance between deliberate strategy from within the organisation's control and the ever-bubbling pattern of events and everyday learning in business which is what has the most chance of success. The stronger organisation's current overall performance the less likely the need for radical changes in resource and strategy.

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