

Dynamic capabilities



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Dynamic capabilities are abilities which enable the organization to renew and recreate its strategic capabilities to meet the needs of the changing environment. It is the capacity of an organization to change which enables them to adapt more readily. Sustainable competitive advantage relies on resources, competencies and capabilities evolving with the dynamics of the industry. Sustainable competitive advantage is achieved when an organization's capabilities are of value to customers, unique and difficult for competitors to imitate, and allows the organization to exploit it. Resources are assets that organizations have and competences are the ways those assets are used effectively. Resources and competences increase the organization's efficiency and effectiveness, thus creating strategic capabilities. The resource-based view of strategy asserts that competitive advantage is explained by the distinctive of its capabilities. Core competences underpin customer value and helps differentiate an organization.

It becomes a competitive advantage as it is hard to imitate. Dynamic capabilities help an organization remain competitive as it means they are receptive to change, thus staying ahead of competitors with innovation and flexibility through learning and exploiting new knowledge. 2a) Causal ambiguity is the difficulty in discerning the causes and effects underpinning an organization's advantage, making it difficult for competitors to imitate its strategic capabilities. b) Core rigidities are core competencies or strategic capabilities which have become stuck, thus limiting the necessary capacity for change. It becomes an organization's weakness as industries evolve and change, making a strategic capability less relevant. Strategic capabilities

comprise both resources and competences. Causal ambiguity makes it hard for competitors to comprehend which activities and processes are dependent in forming linkages that create core competences that delivery customer value, thus it is hard to imitate.

The causal ambiguity allows an organization to stay relevant and differentiate itself for a longer period of time as competitors have trouble comprehending its competitive advantage, thus they are unable to imitate its strategic capabilities. Core rigidities may pose a threat as organizations are stuck while competitors may be moving forward, thus reducing its competitive advantage.