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Nowadays where the competitive structure is shifting, the dynamic capabilities by which company managers integrate, make and re-configure internal and external competencies to respond to rapidly changing environments become the essence of sustained competitive advantage. The manipulation of knowledge is especially critical in such markets. Increasing technical innovations is bringing market for new products and services. To survive in this highly evolving market a company much respond quickly. In this paper we discuss about how companies develop the capabilities to succeed in changing times. The role of managers too change in great way. Many say that most of the managers fail because they compete with existing market and hence miss the entry opportunities. However, other argue that managers enter new market only when their company possess the expertise and experience needed to compete effectively. The dynamic capabilities seeks to identify and categorize the prerequisites for maintaining a sustainable competitive advantage in the market. Since dynamic capabilities are processes embedded in companies, we assume an organizational and empirical lens, rather than an economic and formal modelling. We study the nature of dynamic capabilities and how those capabilities are influenced by market dynamism and evolution over time. Dynamic capabilities are the earlier institutional and strategic routines by which managers change their resources. Then they gain and shed resources, integrate them together, and combine them back to generate new value-creating plans. Dynamic capabilities are identifiable and specific processes. Dynamic capabilities can integrate resources too. For instance, managers combine their varied skills and functional backgrounds to create revenue-producing product. The dynamic capabilities literature stands third in major capability-based perspectives. Early researches describes these skills as the measure to renew competencies to gain coherence with the changing industrial environment. Other dynamic capabilities fixate on reconﬁguration of resources within ﬁrms. Transfer processes including routines for replication and brokering are utilized by managers to replicate, transfer, and recombine resources, especially knowledge-predicated ones, within the ﬁrm. Dynamic capabilities are often characterized asunique and idiosyncratic processes that emergefrom path-dependent histories of individual ﬁrms. Yet, while dynamic capabili-ties are certainly idiosyncratic in their details, theequally striking observation is that speciﬁcdynamic capabilities also exhibit common featuresthat are associated with effective processes acrossﬁrms. These commonalities arise because thereare more and less effective ways of dealing withthe speciﬁc organizational, interpersonal, andtechnical challenges that must be addressed by agiven capability. Effective productdevelopment routines typically involve the partici-pation of cross-functional teams that bringtogether different sources of expertise. Thesesources of expertise are essential for superiorproducts because each addresses a unique aspectof product quality or related production. functional teams were essential for superior per-formance. The use of these teams enhanced therange of information that was available, and easedthe coordination and overlap of manufacturing, marketing, and design tasks during the course ofthe process. Effective product development processes alsoinvolve routines that ensure that concrete andjoint experiences among team members, such asworking together to ﬁx speciﬁc problems or par-ticipating in brainstorming sessions occur. Suchexperiences enhance innovation by breaking downthe thought worlds that arise because people withdifferent expertise not only know different things, but know those things differently. Concreteexperiences with others on the development teamcreate a common experience base and languagethat facilitates communication among functionallydistinct people. Dougherty (1992), for example, studied 18 product development projects in ﬁvewell-established U. S. ﬁrms including Kodak andCampbell Soup. She found that common customervisits and feedback were essential for an effectiveproduct development process. Simply having liai-sons between groups was not enough to ensureeffective communication. Effective product development processes alsohave extensive external communication that isoften facilitated by strong or ‘ heavyweight’ teamleaders. For example, Ancona and Caldwell(1992) found that successful product developmentprocesses were characterized by extensive communication links outside of rhe group, particularly leaders to buffer the group from outside influences and to garner resources. Clark and Fujimoto(1991) similarly found that heavyweight leaderswho engaged in signiﬁcant external communi-cation and vision setting led more productiveproduct development projects. Commonalities that are related to more effec-tive routines exist for other dynamic capabilitiesas well. For example, successful acquisition proc-esses are characterized by preacquisition routinesthat assess cultural similarity and consistency ofvision (e. g., Larrson and Finkelstein, 1999) andpostacquisition routines that pay particular atten-tion to the speed of integration (Graebner, 2000)and the strategic redeployment of assets acrossthe two ﬁrms (Capron et al., 1998; Graebner, 1999, 2000). Similarly, effective routines forcoevolving in order to capture synergies amongresources located in different parts of the organi-zation typically have common features. Theseinclude routines to ensure that business headsdevelop social bonds with one another, and sur-prisingly that the business heads are rewarded forindividual, not collective success (Christensen, 1997; Eisenhardt and Galunic, 2000). The existence of common features amongeffective dynamic capabilities does not, however, imply that any particular dynamic capability isexactly alike across ﬁrms. Take, for example, knowledge creation processes, a crucial dynamiccapability especially within high-technology ﬁrms. A common feature across successful knowledgecreation processes is explicit linkage between thefocal ﬁrm and knowledge sources outside theﬁrm. Commonalities across ﬁrms for effective speci-ﬁc dynamic capabilities have several implications. First, they imply equiﬁnality. That is, managersof ﬁrms that develop an effective dynamic capa-bility such as patching, knowledge creation, oralliancing processes very probably begin thedevelopment of that capability from differentstarting points, and take unique paths. Yet, sincethey end up with capabilities that are similar interms of key attributes, there are multiple paths(equiﬁnality) to the same dynamic capabilities. Second, commonalities in key features of effec-tive dynamic capabilities imply that these routinesare more substitutable and fungible across differ-ent contexts than current theory suggests. In thecase of substitutability, as our example of knowl-edge creation processes suggests, effectivedynamic capabilities can differ in form and detailsas long as the important commonalities arepresent. In the case of fungibility, commonalitiesimply the efﬁcacy of particular dynamic capabili-ties across a range of industries. Third, commonalities imply that dynamic capa-bilities per se are not likely to be sources ofsustained competitive advantage. The thinking isas follows. According to the logic of RBV, sus-tained competitive advantage occurs when capa-bilities are not only valuable and rare, but alsoinimitable, immobile, and nonsubstitutable. Dynamic capabilities are typically valuable. Theymay be rare or at least not possessed by allcompetitors equally, as is apparent in much ofthe empirical research. Sustainability, however, breaks down for the latter conditions. Equiﬁnalityrenders inimitability and immobility irrelevant tosustained advantage. That is, ﬁrms can gain thesame capabilities from many paths, and inde-pendent of other ﬁrms. So, whether they canimitate other ﬁrms or move resources is notparticularly relevant because managers of ﬁrms can discover them on their own. Dynamic capa-bilities are substitutable because they need tohave key features in common to be effective, butthey can actually be different in terms of manydetails. This suggests that dynamic capabilitiesper se can be a source of competitive, but notsustainable, advantage. Finally, commonalities suggest that the scaleof ‘ idiosyncratic ﬁrm effects’ in the empiricalliterature (Brush, Bromiley, and Hendrickx, 1999; McGahan and Porter, 1997; Roquebert, Phillips, and Westfall, 1996; Schmalensee, 1985; Werner-felt and Montgomery, 1988) is probably over-stated. Simply using dummy variables for ﬁrmsleads to underspeciﬁed models that cannot capturekey organizational attributes of dynamic capabili-ties as drivers of performance. Table 1 contrastsour view with previous ones.

## Market Dynamism:

dynamism. In particular, dynamic capabilities vary in their reliance onexisting knowledge. Moderately dynamic marketsare ones in which change occurs frequently, butalong roughly predictable and linear paths. Theyhave relatively stable industry structures such thatmarket boundaries are clear and the players (e. g., competitors, customers, complementers) are wellknown. In these markets, effective dynamic capa-bilities rely heavily on existing knowledge. Man-agers analyze situations in the context of theirexisting tacit knowledge and rules of thumb, andthen plan and organize their activities in a rela-tively ordered fashion (Burns and Stalker, 1966). They can develop efﬁcient processes that arepredictable and relatively stable with linear steps, beginning with analysis and ending withimplementation (Helfat, 1997). Similarly, Fredrickson (1984) examined stra-tegic decision making in the paint industry, aslowly evolving industry. He found that moreeffective decision making processes were linear. These effective processes were characterized bya sequence of problem solving steps that beganwith comprehensive collection of data, followedby development of alternatives, extensive analysisof those alternatives, and choice. In contrast, when markets are very dynamic orwhat is termed ‘ high velocity’ (e. g., Eisenhardt, 1989), change becomes nonlinear and less pre-dictable. High-velocity markets are ones in whichmarket boundaries are blurred, successful businessmodels are unclear, and market players (i. e., buy-ers, suppliers, competitors, complementers) areambiguous and shifting. The overall industrystructure is unclear. Uncertainty cannot be mod-eled as probabilities because it is not possible tospecify a priori the possible future states. In thesemarkets, dynamic capabilities necessarily relymuch less on existing knowledge and much moreon rapidly creating situation-speciﬁc new knowl-edge. Existing knowledge can even be a disadvan-tage if managers overgeneralize from past situ-ations (Argote, 1999). Effective dynamic capabilities in high-velocitymarkets are simple, not complicated as they arein moderately dynamic markets. Simple routineskeep managers focused on broadly important is-sues without locking them into speciﬁc behaviorsor the use of past experience that may be inappro-priate given the actions required in a particularsituation. Often these routines consist of a fewrules that specify boundary conditions on theactions of managers or indicate priorities, important in fast-moving markets where attentionis in short supply. While dynamic capabilities are simple in high-velocity markets, they are not completely unstruc-tured or ‘ organic’ (e. g., Burns and Stalker, 1966; Lawrence and Lorsch, 1967). Indeed, if therewere no structures, these processes would ﬂy outof control and exhibit no coherence. Therefore, simple routines provide enough structure (i. e., semistructure) so that people can focus theirattention amid a cacophony of information andpossibilities, help provide sense making about thesituation, and be conﬁdent enough to act in thesehighly uncertain situations where it is easy tobecome paralyzed by anxiety. In high-velocity markets, absence of detailed, formal routines is not indicative of extensive useof tacit knowledge or complex social routinesthat cannot be codiﬁed, although these may bepresent. Rather, dynamic capabilities strikinglyinvolve the creation of new, situation-speciﬁcknowledge. This occurs by engaging in experien-tial actions to learn quickly and thereby compen-sating for limited, relevant existing knowledge byrapidly creating new knowledge about the currentsituation. So, dynamic capabilities often use pro-totyping and early testing to gain new knowledgequickly. Such actions create rapid learningthrough small losses and immediate feedback(Argote, 1999; Sitkin, 1992). Dynamic capabili-ties in these markets proceed in at iterativefashion. As managers adjust to new informationand changing conditions, they engage in morerecycling through steps such as developing alter-natives and implementation that would be linearin less dynamic markets. Dynamic capabilitiesalso rely more on real-time information, cross-functional relationships and intensive communi-cation among those involved in the process andwith the external market. Real-time informationalerts people early on to the need to adjust theiractions since problems and opportunities are spot-ted more quickly than when individuals weremore distant from information. Real-time infor-mation also builds intuition about the marketplacesuch that managers can more quickly understandthe changing situation and adapt to it (Eisenhardt, 1989). Finally, dynamic capabilities in these mar-kets are characterized by parallel considerationandoftenpartialimplementation(e. g., prototyping) of multiple options. Such optionsprovide fallback positions, which are useful sincesituations can change rapidly. They also givemanagers a sense of conﬁdence to act quickly. The emotional inability to cope with uncertaintyis a major factor that slows down managers inhigh-velocity markets (Eisenhardt, 1989). EffectsThe effects of market dynamism on dynamiccapabilities have several implications. One is thatsustainability of the capabilities themselves varieswith the dynamism of the market. In moderatelydynamic markets, dynamic capabilities resemblethe traditional conception of routines (Cyert andMarch, 1963; Nelson and Winter, 1982; Zolloand Winter, 1999). That is, they are complicated, predictable, analytic processes that rely exten-sively on existing knowledge, linear executionand slow evolution over time. As managers con-tinue to gain experience with these routines, theygroove the processes more deeply such that theybecome easily sustained and even inertial. Codi-ﬁcation of the routines through the technologyor formal procedures enhances that sustainability(Argote, 1999). Therefore, the capabilitiesbecome robust. In contrast, in high-velocity markets, dynamiccapabilities take on a different character. Theyare simple (not complicated), experiential (notanalytic), and iterative (not linear) processes. They rely on the creation of situation-speciﬁcknowledge that is applied in the context of simpleboundary and priority-setting rules. But sincethese routines are simple, there is little structurefor managers to grasp and so they become easyto forget (Argote, 1999). This tendency to forgetis exacerbated by the high turnover and rapidgrowth that often accompanies ﬁrms in high-velocity markets. In more technical terms, theseimprovisational processes are dissipative, meaningthat they require constant energy to stay on track(Prigogine and Stengers, 1984). They are in thecontinuously unstable state of slipping into eithertoo much or too little structure that is sometimestermed the ‘ edge of chaos’ (Kauffman, 1995). What is challenging to manage then is the optimalamount of structure (Eisenhardt and Bhatia, 2000). Therefore, dynamic capabilities themselvesbecome difﬁcult to sustain in high-velocity mar-kets. In moderately dynamic markets, competitiveadvantage is destroyed from outside the ﬁrm. Inhigh-velocity markets, the threat to competitiveadvantage comes not only from outside the ﬁrm, but also more insidiously from inside the ﬁrmthrough the potential collapse of dynamic capa-bilities.

## Evolution

The evolution of dynamic capabilities is alsoaffected by the pacing of experience. Experiencethat comes too fast can overwhelm managers, leading to an inability to transform experienceinto meaningful learning. Similarly, infrequentexperience can lead to forgetting what waslearned previously and so result in little knowl-edge accumulation as well (Argote, 1999). Forexample, in the study mentioned earlier, Hayward(1998) found that timing had an inverted ‘ U’-shaped relationship with acquisition performance. Too many acquisitions done too frequentlyimpaired managers’ ability to absorb the lessonsof any particular acquisition. They needed timeto consolidate their learning. Yet, when there were too few acquisitions spaced too far apart, managers did not have enough opportunities tohone their skill.

## Discussion:

Our work suggests reframing the concept ofdynamic capabilities. Dynamic capabilities are nottautological, vague, and endlessly recursive assome have suggested (e. g., Priem and Butler, 2000; Williamson, 1999). Rather, they consist ofmany well-known processes such as alliancing, product development, and strategic decision mak-ing that have been studied extensively in theirown right, apart from RBV. Their value for com-petitive advantage lies in their ability to alter theresource base: create, integrate, recombine, andrelease resources. Dynamic capabilities also exhibit commonali-ties across ﬁrms that are associated with superioreffectiveness. So while the speciﬁcs of any givendynamic capability may be idiosyncratic to aﬁrm (e. g., exact composition of a cross-functionalproduct development team) and path dependent inits emergence, ‘ best practice’ exists for particulardynamic capabilities across ﬁrms. These com-monalities imply that dynamic capabilities areequiﬁnal such that ﬁrms can develop these capa-bilities from many starting points and along dif-ferent paths. They are also more homogeneous, fungible, and substitutable than is usuallyassumed. Overall, these observations suggest amodiﬁed conception of dynamic capabilities.

## Theory and Literature Review:

Resources: resources which are sometime synonym for assets are defined as all tangible or intangible things that can be used in the business processes of a firm to produce and develop products and/or offer services, whereas capabilities are action patterns repeating in the taking advantage of assets. Subsequently we describe the characteristics of resources which lead organizations to attain competitive advantage with these resources. Resource Characteristics: the three attributes of resources that help an organization create or attain CA are value, rarity and appropriability. The three attributes of resources that limit an organization’s ability to sustain CA are imitability, substitutability, and mobility. Value: A resource has value when it enables an organization to implement strategies to improve efficiency and effectiveness. Rarity: Rarity refers to the condition where the resource is not simultaneously available to a large number of firms. Appropriability: Appropriability refers to a firm’s capability to appropriate the returns accrued by its competitive position in possessing valuable and rare resources. Resources, no matter how valuable and rare, are good if their benefits can be tapped and appropriated. Otherwise, a firm cannot be considered to have attained competitive advantage. Inimitability: Inimitability is an attribute of a resource that makes it almost impossible for other firms to duplicate it. Resources would become very difficult to duplicate when they are deeply integrated into a firm through its unique development path, such as brand loyalty and company culture. Such resources are also characterized by social complexity. Non-substitutability: Non-substitutability is an attribute of a resource which makes it difficult to replace with another resource that yields equivalent benefits. When an organization is in possession of a rare an inimitable resource, competitors may seek to match up by acquiring a substitute resource. In ensuring that the resource is also non-substitutable, the organization is in a competitively superior position that is not easily matched by competitors. Immobility: Immobility of a resource is the condition in which the resource cannot be obtained by acquisition through factor markets. Immobility or imperfectly mobile resources make it difficult for competitors to attain instant competitive advantage by attracting resources away from rivals, purchasing them like commodities or even mergers and acquisitions with companies possessing strategically important resources. Capabilities: Capability is the ability to transform inputs to outputs of greater value i. e. the ability of the firms to perform an activity more effectively than competitors with similar resource endowments. A capability can be intrinsically valuable or it can be valuable by increasing the value of a resource.