



## Dynamic Capabilities and Strategic Management in Organization

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**Abstract:** *This paper examined dynamic capabilities and strategic management in organization. However, it is presumed that entrepreneurs in most organizations do not understanding what constitute dynamic resources, others do not know that they own them (resources) as well as the inability of discerning rivals in the market place nor do they have the capacity to deploy their unique resources at the appropriate time. The objective of this study is to examine dynamic capabilities and strategic management in organizations and to provide suggestions for improvement. A survey of literature disclosed that dynamic capabilities are unique resources that are valuable, rare, imitable, organized and useful: tangible and intangible assets essentially required for building competitive advantage over competitors. However, it was further stressed that these unique resources are not economic resources because they are organization specific since they are valuable to only the organization that uses them and have no external value. It was recommended that these resources be innovatively combined or strategically integrated, built, configured and deployed or implemented where necessary and in adequate measure in order to achieve and maintain superiority over rival organizations.*

**Keywords:** *Unique Resources, Organized Resources; Strategically Integrated and Competitive Advantage.*

### 1. INTRODUCTION

An enterprise requires vital information or data on opponent's strategies and resources. This is because; superior strategy formulations and implementation can overcome an opponent's superiority in numbers and resources. Adaptation to change is required and constant improvement is necessary for success. Failure to change strategy when the environment and competitive conditions dictate the need to change is tantamount to remaining static or even decline.

"Dynamic capabilities" refers to the processes that help ensure that the resources or configurations of an organization are congruent with the changing external environment (Witcher & Chur, 2010).

The concept "strategy" was first used by the military implying "maneuvering forces into the most advantageous position prior to the actual engagement with the enemy" (Witcher and Chau, 2010). The purpose of both military and business strategy is aimed at gaining competitive advantage (Box & Miller, 2011; Ambastha & Momaya, 2004). An entrepreneur uses its strengths to exploit competitors' weakness. If the business strategy is adequate and appropriate, success of such business is eminent. However, success is not a game of chance but the product of both continuous attention to changing external and internal conditions through formulating and implementing insightful strategies that would warrant the success.

#### 1.1. Resource

Based view of strategy is a school of strategy that believes competitive advantage is based on strategic resources. That is, those resources that uniquely gives an organization its competitive advantage (Jibril, 2016). Such as excellent leadership, brand port folio, team work, strong financial position, global presence, well managed processes and innovative ideas (Barney, 2001).

Igber, Aqver and Zever (2008) defined entrepreneur as "a person or group of persons responsible for job creation in the private sector, who utilizes the entrepreneurship process to establish micro, small and medium scale enterprise". The entrepreneur vested with these responsibilities therefore, identifies business opportunities, combines factors of production, takes final decision, creates and innovates and finally bears the risk or hedges against losses. That is to say that, an entrepreneur is a strategist with

dynamic capabilities who utilizes its ability to integrate, build and reconfigure core competencies to meet change.

However, an entrepreneur may own all the resources, be knowledgeable about the various strategies and tactics required for successful business operation, but its inability to implement and deploy them as and when necessary cannot produce any significant change in the business. To this end, most businesses particularly new businesses (entrepreneurship) are characterized by the inability to understand what these resources are; others are ignorant of who they really are (enterprise), who their opponents are and their lack of capacity to deploy their unique resources at the appropriate time. What then can be done to overcome these hitches?

This paper therefore, aims at discussing dynamic capabilities and strategic management in organizations and to provide suggestions for improvement.

### 1.2. Concept of Strategy

Witcher and Chau (2010), defined resources as “organizational assets, or attributes when combined in ways that are uniquely specific to the organization, constitute its competitive advantage”. These authors further stressed that strategic resources are not economic resources, because they are valuable only to the organization that uses them and they have no external value. This is to say that, strategic resources are organization – specific; they are different from the strategic resources of other organizations. Organizations are going to be different to some degree. What is important is an entrepreneur’s ability to manage its strategic resources strategically so that customers prefer its offer to those of the competitors. Hence, the idea that competitive advantage rests on an entrepreneur’s strategic resources which is the resource based view of strategy (Box & Miller, 2011).

## 2. CASE STUDY: COVENANT UNIVERSITY, OTA, OGUN STATE

Covenant University was founded by David Oyedepo in 2002 (October 21<sup>st</sup>) with motto ‘Raising a New Generation of Leaders’ and a student population of about 15,000 (<http://covenantuniversity.edu.ng/About-Us-About-CU#.WYRuDbpFxes> retrieved 04-08-2017).

With cutting edge learning and research provided by this institution and her core values of Spirituality, Possibility mentality, Capacity Building, Integrity, Responsibility, Diligence and Sacrifice she instills in her students, it is not a wonder this institution is ranked second of the over two hundred tertiary institutions in Nigeria (by Webometric – i.e. foreign ranking). This is as a result of innovative combination of its unique resources it employs. The National Universities Commission ranked Covenant university as sixth as at January 30<sup>th</sup>, 2017 (<http://www.webometrics.info/en/Africa/Nigeria> accessed 04-08-2017 at 3:08PM).

Another strategy employed by the management of this institution is the VISION 10:2022 (vision of 1 of 10 in 10), which is to get the university amongst the top ten universities in the world by 2022. Result of the 2017 ranking by Web metrics saw the university move up to 25<sup>th</sup> in the African continent from the 102<sup>nd</sup> position it occupied in January 2014. The consciousness of this vision is driven to all staff members as it researches are yielding the benefits in that, she is ranked first in some research areas globally as stated in her 12<sup>th</sup> convocation ceremony held in 2017. The vice-chancellor also emphasized that, ‘the current ranking is a validation of our right steps in the right direction, as the university is poised to become one of top ten in the world’.

Also, an article in the Nigerian Punch newspaper dated May 13<sup>th</sup>, 2017, reported that Elsevier SciVal-based in The Netherlands, an international provider of scientific, technical and medical information, products and services, with access to the research performance of 8,500 research institutions and 220 countries, ranked Covenant University Ota among the World’s top ten universities in research and developments and number one and two in some research areas. In the words of the vice chancellor, Prof. A .A .A. Atayero as reported by the same newspaper, “indeed, Covenant University looking at the data from 2011 to 2015 as calculated by Elsevier, was rated first in research endeavors such as wind power, wind and turbine, corrosion, corrosion inhibitors and carbon etc. and among world number two in trade, remittance, housing and residential satisfaction”.

Meanwhile, the inculcation of the University’s vision has led to Stutter, a Lagos-based startup and online platform which carries out employment in Nigeria and Nigerian Universities in its 2016 edition

of the ‘The Nigerian Graduate Report’ publication ranked Covenant University first among universities with the most employable graduates (Punch Newspaper, May 13<sup>th</sup>, 2017).

This institution aside class lecturing of the students, has programs that during the semester compels all departments to invite leading administrators/heads of industries/professionals or employers of labor to educate students and respective faculties of the demand and the caliber of knowledge they employ. So, it is no wonder they are attaining such significant feats despite their relatively young emergence into the educational system in Nigeria. According to the report, Covenant University graduates have 90 % employability rate (Punch Newspaper, May 13<sup>th</sup>, 2017). Hence, their unique configuration of resources has made them to stand out.

### 2.1. Strategic Resources

Barney, (1995) used an acronym from the initials of the names of the organization evaluation dimensions which include: Value, Rare, Imitable and Organized (VRIO). A tool used to analyze the organization’s internal and external capacities to determine if the resources can be a source of its sustained competitive advantage. Hence, VRIO is used in analyzing the firm’s internal resources.

An organization’s situation analysis prepares the foundation for matching the organization’s strategy both its external opportunities and threats known as Strengths, Weaknesses, opportunities and Threats (SWOT) analysis; provides an overview about the healthiness of the enterprise (Ommani, 2011). Applying this analysis will clearly indicate the relationship. The company’s strength could stem from specific skills and expertise which tends to result from a combination of knowledge of consumer needs, technological know-how, Research and Development (R&D), product design etc. and its tangible assets. A company is positioned to succeed if it has comparatively valuable at its command.

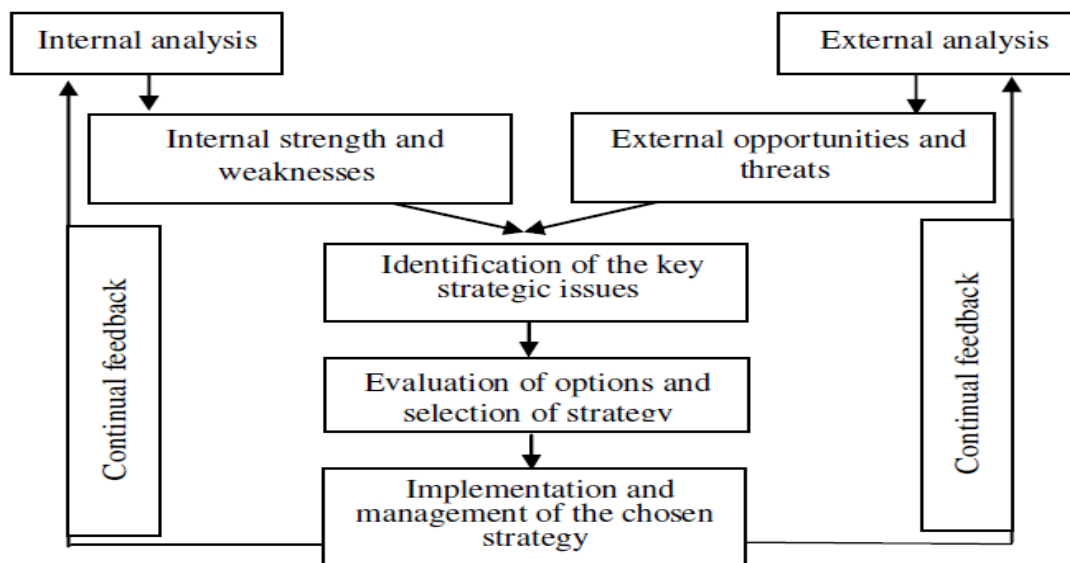


Figure1. The process of SWOT (Riston, 2008).

Source: Adopted from Ommani,(2011)

Jibrin (2016) defines resource as anything that is useful, tangible and intangible. Stricklan (2001) also sees resources as knowledge, skills and traits.

- a. Knowledge: This entails having information on, or being familiar with a business opportunity, customer, production process, business management, the market, competitors, technical matters, sources of assistance etc.
- b. Skills: Skills could be of a technical or managerial nature. This relates to abilities to perform tasks in areas like engineering, computing, carpentry, mechanics, catering etc. Managerial functions could also include tasks such as marketing, financing, management, organization planning, leading etc.
- c. Traits: These are personal characteristics of successful entrepreneur such as the ability to be persistent, concern for high quality, being oriented for efficiency, taking calculated risks, being persuasive, taking initiative, seeing and acting on opportunities; personally seeking for

information, planning systematically, demonstrating self-confidence, committed to fulfilling contracts etc.

*For successful entrepreneurship, the three major competencies are essential therefore. These include a body of knowledge, a set of skills and a cluster of traits. Knowledge can be seen as a set or body of information stored which could be recalled at appropriate time. Skill is the ability to apply knowledge which can be acquired or developed through practice. For example, driving, swimming etc. Traits take time to develop and are not easily changed or acquired. Traits therefore, mean aggregate of peculiar qualities or characteristics which constitutes personality of the individual (Kazmi, 2002).*

Strickland (2001) also sees resources as the ability which the entrepreneur can acquire or organize resources in adequate measure which will influence the performance of the enterprise. These resources according to him include capital, cash, premises, materials, equipment and labor. The availability of infrastructure such as electricity, telephone, roads, water etc. and supporting services can also be important.

Jibril (2016) categorized the resources as useful, tangible and intangible; such as property and knowledge. According to him, property-based resources provides the opportunity for an entrepreneur to control the environment while knowledge based resources are intangible like talent or skills that enables the entrepreneur to adapt to a changing environment. Hence, these resources are in form of:

- Finance
  - Human resources; and
  - Operating resources
- i. **Financial Resources:** This takes the form of cash in hand, cash at bank, overdraft facilities, loans, outstanding debts, investment capital, investment in other businesses.
  - ii. **Human Resources:** These are contributions from people through their efforts, knowledge, skills and insights they provide towards the success of the business. These include productive labor, technical expertise, provision of business services, communication skills, strategic and leadership skills etc.
  - iii. **Operating Resources:** These are resources people use in course of discharging their duties and these resources also allow the enterprise to deliver its output at the marketplace. They include premises, motor vehicles, production machinery, raw materials, storage facilities, office equipment among others.

When these resources are innovatively combined, they provide new value to the enterprise that gives it competitive advantage or edge over its opponents. However, these new values formed from the combination of the three resources must actually be accessed, mobilized and deployed before they can generate resources for the firms' growth. When the firm has valuable resources and capabilities available as a resource of sustainable competitive advantages then this will result in business performance and eventually growth will be achieved.

However, Barney (2001) does not consider tangible resources to be valuable resource since it can be imitated through either duplication or substitution or both. This is because these resources can be directly imitated, bought or substituted at a reasonable price.

Resource-based theory, David (2011) believes that, sustainable competitive advantage is created when firms possess and employ resources and capabilities that are valuable, rare, hard to copy and non-substitutable with other resources.

Barney, (1995) a resource or capability that meets all the four (VRIO) requirements can bring sustained competitive advantage for an organization. These include:- (i) Valuable- because it adds value by enabling a firm to exploit opportunities or defend against threats. However, valuable resources aid the organization to increase the perceived customer value by increasing differentiation or/and decreasing the price of the product. (ii) Rare- are resources that can be acquired by one or very few organizations. (iii) Costly to Imitate happens where other organizations that do not have it can

imitate, buy or substitute at a reasonable price. This takes place by either directly imitating (duplicating) the resource or by providing the comparable product/service (substituting). Barner, (2011) further stressed those resources that were developed as a result of historical events or over a long period are costly to imitate. Equally, companies cannot identify the particular resource also resources and capabilities that are based on company's culture or interpersonal relationships. (iv) Organized- a firm must be organized in such a manner to capture value. Hence, its management organizational structure and culture must be organized in a way that it can fully realize the potential of its valuable, rare and costly to imitate resources and capabilities. It is only then that it can achieve sustained competitive advantage. Strickland (2001) opined that, valuable resources are useful for smooth operation of the business; this could be in form of assets (fixed), intangible assets such as property, equipment, farming skills, in marketing etc. Rare resources according to him are resources that are scarce or not readily available to its competitors. This includes a good location, good leadership, having control of natural resources etc. Resources are considered imitable or hard to copy when such cannot be duplicated or other competitors lack such assets. While non-substitution resources are also resources that cannot be easily replaced by common resources.

Teece, Pisano and Shuen in Witcher and Chau (2010) defined "dynamic capabilities" as an organization ability to integrate build and reconfigure core competences to meet change".

"A dynamic capability theory concerns the development of strategies for senior managers of successful companies to adapt to radical discontinues change, while maintaining minimum capability standards to ensure competitive survival (David, 2011).

It was further stressed that dynamic capabilities is a systematic and holistic business process which acts to influence lower level capabilities and competencies. An organization should have the ability to manage resources in particular combinations that can be designed to achieve a series of short term competitive positions. Each position sustains and builds a long-term competitive advantage, much in the way as a series of short-term challenges to achieve a long-term strategic intent (Millins, 2007).

Witcher and Chau (2010), said that towards the final decades of the 20<sup>th</sup> century a new dynamic capability emerged then where their idea had the capacity to manage internal resources which became the main focus of dynamic capacity. By so doing, other internal areas that had to be looked into include the following:

### 2.2. Lean Production

Manzouri, Ab-Rahman, Zain and Jamsari (2014) are of the view that, management system ensures that any non-value contributing activity is eliminated in an organization's activities. The basic principle is that, customers should pull the value they want from the system, and the system should be flexible enough to adapt to their changing needs. That is, in managing the organization's core business processes, the manager should eliminate or remove those activities that do not contribute to value.

- i. **Just-in-Time Management (JIT)** is the most advanced form of lean production. This is a case where customers request what they want, and the supplier then pulls all the components together as and when they are needed in the production process (Goetsch and Davis, 2010; Goetsch & Davis, 2013). That is to say that, Japanese do not build cars until the customer orders what they want (i.e. place specific orders). Unlike the western world where buyers tend to make purchases after they see the cars at the showroom. The principle behind JIT is to remove the tendency for buffer stocks and reduce costs. It also requires a strict discipline through the supply chain to ensure that parts are delivered exactly according to specification every time.
- ii. **Total-Quality Management (TQM)** This is an organizational wide philosophy whereby the entrepreneurship is committed to total customer satisfaction through a continuous process of improvements and the contribution and involvement of people (Millin, 2007). The essence of this is to meet customer expectations. The concept "TQM" implies that the philosophy must apply at every business level and to every process. Right from the production to delivery chain. For example, the process has to be good enough to be able to provide the quality required.

Therefore, if everyone has control over his/her work to the extent that they are committed and responsible for meeting their customer's requirements, they are likely to see their work not as a static,

stand-alone process but as a dynamic activity which must change with the needs of the ultimate customer.

David (2011) believes that the process in TQM should be guided by the principle of “Plan-Do-Check and Act (PDCA) Cycle”. That is, right from planning to the carrying out of the work, the entrepreneur has to check to ensure progress is satisfactory, where the contrary happens, corrective measures (action) is taken. This principle applies not only at productive process but all levels as well as strategic management process also. The essence of this principle is to ensure that correction made is final and such problems do not reoccur. It is also meant to find out the root causes and ending them. Problems wherever they emanate from are permanently dealt with organization wide.

**iii. Performance Excellence Models** These are assessment frameworks used for auditing good practice and performance in the key areas of business. The assessment covers how things are done and business results. The principle behind this is to evaluate how the organization is managing its core business areas and to use the approach as a means for deploying good practice and organization-wide learning.

### 2.3. Benchmarking

David (2011) defines benchmarking “as an analytical tool used to determine whether a firm’s value chain activities are competitive compared to rivals and thus conducive to winning in the marketplace. Benchmarking entails measuring costs of value chain activities across an industry to determine “best practices” among competing firms for the purpose of duplicating or improving upon those best practices”. This implies that benchmarking can help a company to improve its competitiveness by identifying its value chain activities comparable with rival firms having comparative advantage in cost, service, reputation, or operation. In summary, strategic resources are resources that include knowledge, skills, traits, finance, operating resources, human resources and judicious use of these resources to be able to meet the requirement of the entrepreneur’s customers.

## 3. METHODOLOGY

This research surveys related literature on dynamic capabilities as a source for competitive advantage. Tools used for determining an organization’s internal and external analysis such as VRIO, SWOT analyses; Lean Production; Just-In-Time management; Total Quality Management; Performance Excellence Models and Benchmarking that form strategic resource that gives an organization competitive edge over its competitors were equally discussed. A case study of Covenant University, Ota, Ogun State was reviewed to indicate how it innovatively combines its unique resources which has given it the competitive advantage it is benefiting from today nationally and globally.

## 4. CONCLUSION

This study has reviewed related literature on dynamic capabilities as a valuable resource and a requirement for building competitive advantage over competitors. To this end, Entrepreneurs need to understand what strategic resources are, who they are, who are the opponents and their ability also to implement and deploy these unique resources to give it comparative advantage over their rivals.

## RECOMMENDATION

The process that helps an organization to ensure that its resources configuration is not only adequate but congruent with the changing external environment is regarded as dynamic capabilities. Hence, various tools are put into use to analyze or determine the efficiency of these resources. For an entrepreneur to understand the resources that gives it competitive advantage, firms have to use many tools to analyze their external and internal environments. One of such tools that analyze firms’ internal resources is VRIO while SWOT analysis prepares the foundation for matching the organization’s strategy, among other tools. Therefore, in order to achieve all these, the entrepreneur should understand: what these resources are; who they are; who their opponents are, and implement and deploy these unique resources where necessary in the following ways:

(1a) Understand the skills and expertise, intellectual capital, competitive capabilities, the unique strong competencies and the achievements of all the combination of resources with which the entrepreneur can compete. Where the organization is lacking competitive superior competencies and capabilities, it should tailor a strategy that fits its particular resource strengths and weaknesses. It can

even train its staff where possible to acquire the needed expertise in such identified weak points. Sometimes the desired competencies need to be developed internally and sometimes it is best to acquire them through partnerships or strategic alliances with firms possessing the needed expertise. It is also important to continually review the value of the resources it owns because constantly changing internal or external conditions can make them less valuable or useless. Note that it will be unwise to craft a strategy that cannot be executed with the resources and capabilities it does not own. Note also that it is unwise to craft a strategy whose success depends on activities that the entrepreneur performs poorly or has no experience in performing at all. Therefore, take thorough and indebt analysis of your internal resources to determine the competence and weakness of your enterprise.

1b. Build a competitive advantage where the entrepreneur has distinctive competence in performance. A distinctive core competence is the mainspring any successful business hitches on.

1c. Eliminate activities that do not continuously contribute to value, avoid waste by reducing cost, provide customers with products that meet their requirement, evaluate core business areas to deploy good practice and organization – wide learning and benchmark to determine best practices among competing firms so as to duplicate or improve upon those practices.

2. Articulate the purpose of the business by taking stock of intent and resources. This is because; firms that own valuable resources have advantages over their rivals lacking such assets.

3a. the organization should scan, skim and exploit the environment to identify its competitors and their company resources. This is because, difference in resources account for why some companies are more profitable and more competitively successful than others. Vital information about rivals can help your enterprise strategies gain competitive advantage where necessary.

3b. also note that, companies that have distinctive competence or other superior resource must be wise to realize that its value will erode with time and competition. Hence, a strong resource base for the future and to maintain the competitive superiority of the existing distinctive competence is recommended.

4. The resources built and configured should be deployed and implemented appropriately. This is because; strategy defines where the business is going, the direction to be taken and the patterns of daily activities to be implemented. . Equally, the entrepreneurship should have the capabilities to react quickly and diligently to new knowledge. In addition, these resources that contribute to sustained competitive advantage should be protected using all possible means.

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**Citation:** Abdulsalam Jibril, Margaret Doe Ametefe, Ahmad A. Abubakar. “ *Dynamic Capabilities and Strategic Management in Organization*” *International Journal of Managerial Studies and Research (IJMSR)*, vol 6, no. 8, 2018, pp. 26-33. doi: <http://dx.doi.org/10.20431/2349-0349.0608003>.

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