Agenda

1. Resource-based view
   - Discussion on the first article
   - Theory
   - Applications in the field of marketing
   - Discussion on the second article

1. Organizational capabilities
   - Discussion on the third article
   - Theory
   - Applications in the field of marketing
   - Discussion on the fourth article
Situating the topic of today: Strategy field as swings of a pendulum

Competitive advantage arises from

Outside the company
Porter
IO economics

Inside the company
Resources
Capabilities

(Hoskisson et al. 1990)
Discussion on the first article:
Journal of Management 17 (1), pp. 99-120

- Why was this paper written?
- What does the article tell us?
- What is important?
- What are the main findings?
- What are the business implications?
- What is lacking from the article?
- What does the article give for a strategist?
- Is the ownership of resources enough?
- What is the role of managers in RBV?

What are organizational resources according to Barney (1991)

Firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.
What are organizational resources according to Barney (1991)

- Valuable: enable conceiving and implementing strategies that increase efficiency and effectiveness
- Rare: rarity acts as the grounds for competitive advantage
- Inimitable: they cannot be directly copied or obtained by competitors so as to enable sustained advantage
- Non-substitutable: the resource cannot be substituted by another resource

What are organizational resources according to Barney (1991)

- Heterogeneous across firms
- Immobile
- Deployment of resources maximizes social welfare as it leads to efficient use of resources
- However, this perspective
  - Says fairly little on the role of managers except that they understand their resources
  - Fails to account for environmental dynamism
Discussion on the second article:

- Why was this paper written?
- What does the article tell us?
- What is important?
- What are the main findings?
- What are the business implications?
- What is lacking from the article?
- What does the article give for a strategist?

This paper is purely a primer for thinking about marketing resources.
So treat it as such.

Class exercise: Central marketing resources

What are the central resources that consumer product companies and retailers have?
Discuss for 5 minutes and then we’ll wrap up
Central marketing resource include:

- Brands
- Distribution channels
- Production
- Customer understanding

Brand as a resource
PepsiCo and their brand resources

What does resource-based view give for a marketing strategist?

- A way to approach marketing strategy from a company internal perspective

- Starting point for developing marketing strategies that focuses on current assets and their use

- A way to understand sources of competitive advantage
Resource and capabilities

- If resources are stock of available factors, then capabilities represent the organization capacity to deploy resources (Makadok 2001)

- A capability denotes an organization's ability to perform a task, function or an activity in a minimally acceptable manner (Helfat et al. 2007)

- Capability rent is created through capability building (Makadok 2001)

- Resource rent is created through acquiring undervalued resources (Makadok 2001)

- Heterogeneity between companies is created through task orientation and specialization (Jacobides and Winter 2013)
Discussion on the third article:

- Why was this paper written?
- What does the article tell us?
- What is important?
- What are the main findings?
- What are the business implications?
- What is lacking from the article?
- What does the article give for a strategist?
- What does it entail that dynamic capabilities would be best practices?
- What is the role of market dynamism?
- Where does competitive advantage come from, if at all?

What are capabilities?

- The constitutive elements of capabilities can be conceived as:
  1. Routines (Nelson and Winter 1982)
  2. Organizational processes (Eisenhardt and Martin 2000)
  3. Capacities (Teece 2007)
  4. Simple rules

- Capability perspective presumes repeatability of the actions

- Building capabilities is beneficial only if it is more effective than ad hoc problem solving (Winter 2003)
Types of organizational capabilities

- Operational capabilities
  - Enable making a living in the present (production, selling etc.)
  - Can be enhanced by improving the technical fitness (of day-to-day activities)

- Dynamic capabilities
  - Capabilities to change the operational capabilities of the firm (product development, M&As)
  - Can enhance the evolutionary fitness of the company
  - Can be used to match or event create market change

- In developing capabilities, we can assume steps for their development

Facets of dynamic capabilities

- Learning and learning mechanisms
  - How capabilities evolve and develop

- Resource allocation and decision-making
  - Where the organization puts its limited resources

- Effects of dynamic capabilities
  - Competitive advantage
  - Ability to reconfigure as desired
  - Improved effectiveness
Discussion on the fourth article:

- Why was this paper written?
- What does the article tell us?
- What is important?
- What are the main findings?
- What are the business implications?
- What is lacking from the article?
- What does the article give for a strategist?
- What is the gap that Day keeps in talking about?
- What companies need to do to close the gap?

Dynamic capabilities in the field of marketing

- Capability to recombine marketing resources to address market change (brands, distribution etc.)
- Capability to develop new concepts and offerings
- Capability to replicate concepts and offerings across markets
- Capability to combine market insight with new technologies
Dynamic capabilities: Case

Traditionally forest companies focused on paper

Nowadays UPM produces:
- Biochemicals
- Biocomposites
- Biofuel
- Energy
- Paper in different forms
- Timber and plywood

What do we see UPM doing here?
Discuss for 5 minutes and then we’ll wrap up

What does capability perspective give for a marketing strategist?

- A way to approach marketing strategy from a company internal perspective

- Way to develop marketing strategy based on the potential use of resources
  - A way to account for market dynamism in strategy making

- A way to build strategy around customer understanding and relationships
What you learned today

1. Resource and capability perspectives to strategy

2. Their potential relevance for marketing and for marketing strategist

3. Ways to apply these ideas to understand and design marketing strategies

Thank you! Any questions?