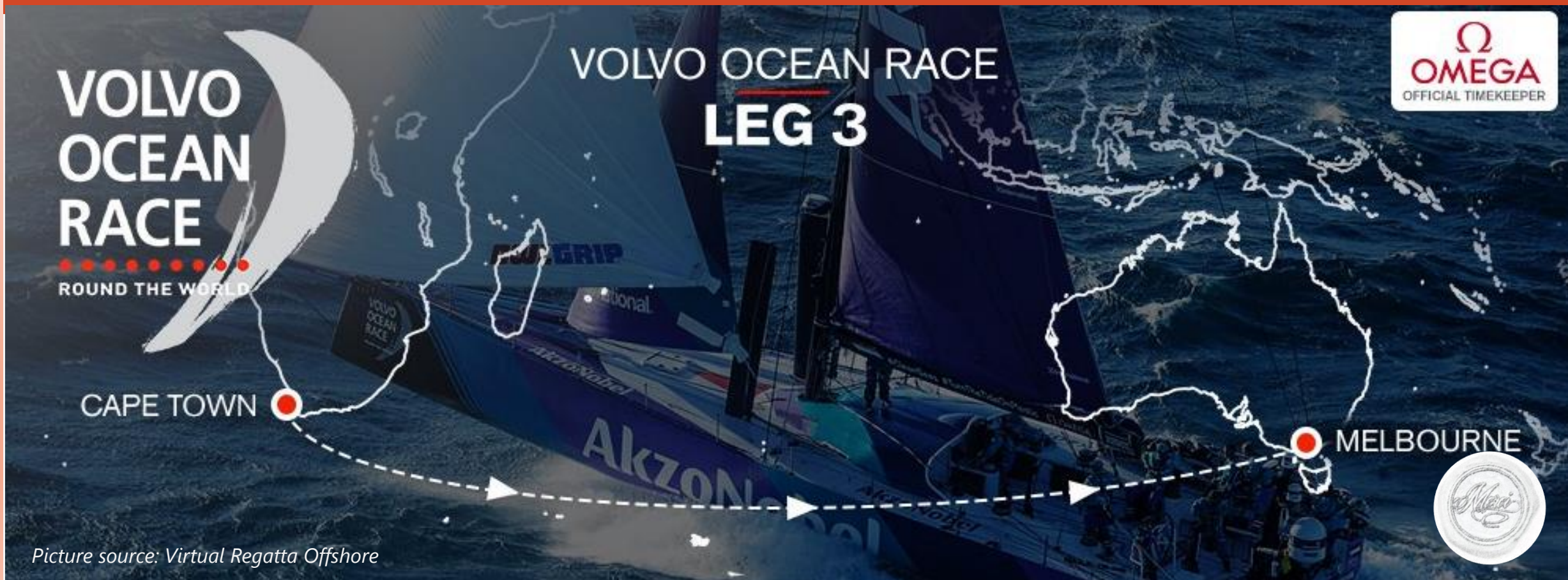


# Our Strategy Race: Leg 3 - From Cape Town to Melbourne. Competitive Advantage as a result of Organizational Capabilities and Resources II



## → Leg 3. From Cape Town to Melbourne

### OUTLINE Leg 3. Resources and Capabilities





## → Leg 3. From Cape Town to Melbourne.

### Leg 3. Resources and Organizational Capabilities as Competitive Advantage

04

**Competitive advantage as a result of Resources and Capabilities**



**We are here!**



## → Leg 3. From Cape Town to Melbourne.

### Leg 3. Resources and Organizational Capabilities as Competitive Advantage

04

**Competitive  
advantage as a  
result of Resources  
and Capabilities**



**We are here!**

The hypothesis is: the better your organizational capabilities,  
the better is the earning potential for your firm

**Establishing it**

**Scarcity**

**Relevance**

**Sustaining it**

**Durability**

**Transferability**

**Replicability**

**Appropriating  
it**

**Property rights**

**Relative  
bargaining  
power**

**Embeddedness**





## Leg 3. From Cape Town to Melbourne.

### Leg 3. Resources and Organizational Capabilities as Competitive Advantage

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**We are here!**

**Establishing it**

**Scarcity**

**Relevance**

The profit earning potential of an organizational capability and resources

#### **Establishing Capabilities as a Competitive Advantage**

For an organizational capability to establish a competitive advantage, two conditions must be present:

- **Scarcity:** It is essential to hire key people with needed skills and experience which bundled with the resources establish the foundation to establish a capability. This organizational capability has to be unique and scarce, for it become a competitive advantage.
- **Relevance.** An organizational capability must be relevant to the key success factors in the market. The degree of relevance evolves with the appearance of new technologies and new resources.



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**Sustaining it**

**Durability**

**Transferability**

**Replicability**

The profit earning potential of an organizational capability and resources

#### **Sustaining Capabilities as a Competitive Advantage**

How long that capability advantage can be *sustained*. This depends on capabilities are *durable*, or are imitable if they are *transferable* or *replicable*.

**Durability:** Some capabilities are more durable than others and more secure basis for competitive advantage.

**Transferability:** The ability to buy a resource or capability depends on its *transferability*—the extent to which it is mobile between companies. Some resources, such as finance, raw materials, components, machines produced by equipment suppliers and employees with standardized skills are transferable and can be bought and sold with little difficulty. Some resources are not easily transferred—either they are entirely firm specific or their value depreciates on transfer.

**Replicability:** If a firm cannot buy a resource or capability, it must build it. In financial services, retailing, even e-commerce and technology, most innovations can be imitated easily by competitors. Capabilities based on complex organizational routines are less easily replicable.





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**Appropriating  
it**

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**Embeddedness**

The profit earning potential of an organizational  
capability and resources

#### **Appropriating the Capability as a Competitive Advantage:**

Who gains the returns generated by superior capabilities? The company? Or the employee?

**Property Rights:** Who gains the returns generated by superior capabilities? The company? Or the employee? We should normally expect that such returns accrue to the owner of that capability. However, ownership is not always clear-cut: capabilities depend heavily on the skills and efforts of employees—who are not owned by the firm.

**Relative Bargaining Power:** the closer an organizational capability is identified with the expertise of individual employees, and the more effective those employees are at deploying their bargaining power, the better able employees are to appropriate income rents (salary negotiation).

**Embeddedness:** The more deeply embedded are individual skills and knowledge within organizational routines, and the more they depend on corporate systems and reputation, the weaker is the employee relative to the firm.



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**We are here!**

**Wining Profits by Superior Capabilities from employees**

**Who is the owner of the capability? The employee.**

**The firms do not own the employees. Employees have free will to choose to stay or leave...**

**Mobility**

**Individual skills,  
expertise &  
knowledge as  
contribution to  
productivity**

**Degree of  
capability  
embedded in  
Organizational  
Routines**

**Dependence on  
corporate systems  
and Company  
reputation**





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### Leg 3. Resources and Organizational Capabilities as Competitive Advantage

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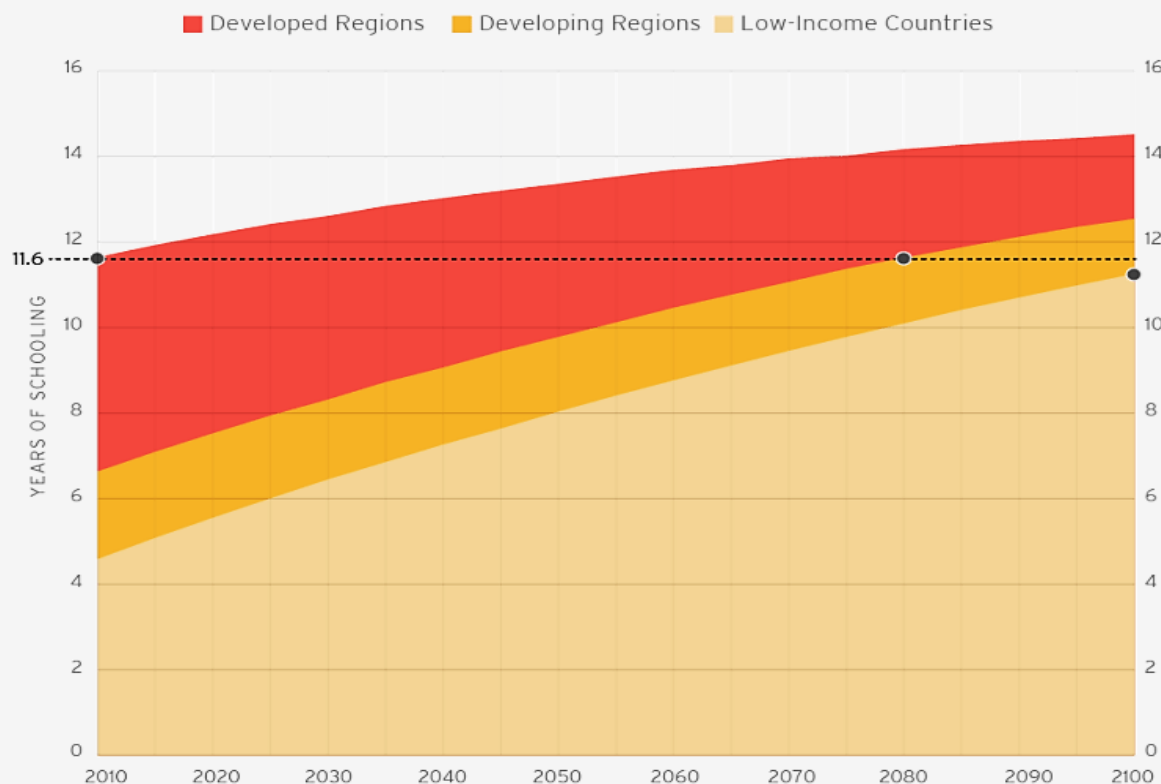
**Competitive  
advantage as a  
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**We are here!**

It will take 85 years for low-income countries to come close to closing the education attainment gap

Mean Years of Schooling, Projections 2010-2100



“If we don’t change our ways to educate and create new organizational capabilities for the digital era, it will take almost 85 years to reach the level of education of developed regions”....

**Thank  
you**

