

Cheat sheet module 3 - Resources and capabilities

Basics

- **Resources** = what we have (nouns): physical, financial, human. **Capabilities** = what we do well (verbs). Memory aid: ingredients vs cooking.
- **Threshold** = qualifiers, gives **parity**. **Distinctive** = winners, source of competitive advantage.
- **Outside-in**: unique for which customers, market, competitors?

VRIO (all four needed)

V	R	I	O	Outcome
no	-	-	-	competitive disadvantage (below normal)
yes	no	-	-	competitive parity (normal)
yes	yes	no	-	temporary competitive advantage
yes	yes	yes	yes	sustained competitive advantage

- **Valuable**: value for the customer, opportunities/threats, costs not too high.
- **Rarity**: patent, unique location, unique team.
- **Inimitability**: imitating, obtaining or substituting is impossible or too expensive.
- **Organisational support**: structure, systems, sales/marketing turn it into advantage.

Sources of inimitability (CCC)

1. **Complexity**: internal and external linkages.
2. **Causal ambiguity**: characteristic ambiguity (what?) and linkage ambiguity (how connected?).
3. **Culture and history**: taken-for-granted, **path dependency**.

Capabilities are usually harder to imitate than resources, but tangible resources (location, building) can be inimitable too.

Dynamic capabilities (lecturer: often an exam question!)

- **Definition**: ability to renew and recreate resources and capabilities for a changing environment (Teece).

- **Sensing** (scanning) - **Seizing** (grasping the opportunity) - **Reconfiguring** (adapting the organisation at scale).
- **Eisenhardt and Martin**: "the firm's processes that use resources to match and even create market change". Dynamic capabilities are specific, recognisable **routines**.
- Examples: product development Toyota, acquisition routine Cisco (about 10 per year), alliances, M&A at Amazon and Walmart.
- Criticism: older literature is vague and **tautological**.
- **Wrong answers**: "skills that change"; only the list without explanation.
- **Test**: one-off trick or repeatable skill?
- In fast markets advantage is **transient**: portfolio and pipeline.
- Risk: ordinary capabilities become rigidities (Nokia).

SWOT and TOWS

- **SWOT** = confrontation of internal (S, W) and external (O, T). Goal: generate **strategic options**; the step from analysis to choice.
- **TOWS matrix**: S x O, S x T, W x O, W x T gives options.
- Pitfalls: long lists, no replacement for PESTEL, Five Forces and VRIO.
- SWOT is no input for PESTEL (the other way round).

Amazon vs Walmart

- Amazon: AWS, Marketplace network effect, distribution, acquisitions. Walmart: scale, buying power, 4000+ stores, logistics.
- Advice: build on your own distinctive; choose your rivalry.

Exam rules

- Use English terms literally.
- Define first, then apply to the case.
- Extra material is not exam material. The value chain (4.4.2) is book material the lecturer skipped in Lecture 3: know the basics.