

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.

Key terms (never translate)

resources capabilities resource-based view
threshold distinctive parity VRIO valuable
rarity inimitability organisational support
complexity causal ambiguity
characteristic ambiguity linkage ambiguity
path dependency competitive disadvantage
temporary competitive advantage
sustained competitive advantage
dynamic capabilities sensing seizing
reconfiguring routines tautological transient
SWOT TOWS matrix outside-in
generic strategies