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Citation: Shams, Riad (2016) Capacity building for sustained competitive advantage: a conceptual framework. *Marketing Intelligence & Planning*, 34 (5). pp. 671-691. ISSN 0263-4503

Published by: Emerald

URL: <https://doi.org/10.1108/mip-08-2015-0161> <<https://doi.org/10.1108/mip-08-2015-0161>>

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# Capacity building for sustained competitive advantage: A conceptual framework

S. M. Riad Shams

## Abstract

### *Purpose*

Capacity building is a crucial antecedent for socio-economic development. However, an enhanced capacity that is difficult to develop could quickly be eroded, because of rapid changes in competitive forces in industries and markets. Therefore, this paper intends to analyse the extant strategic management and relationship marketing (RM) literature that deal with competition. Eventually, the purpose is to develop an alternative route for capacity building process that could sustain competitive advantage in a market or industry, which encounters rapid changes in business competition.

### *Design/Methodology/Approach*

An inductive constructivist approach is followed to support arguments, in order to develop a synthesis from the relevant literature to reinforce our current understandings on capacity building and sustained competitive advantage.

### *Findings*

An influence of RM on strategic organisational dynamic capabilities (DCs) is recognised, which appears as significant to sustain DCs and subsequent competitive advantage. Based on this influence, this paper proposes a conceptual framework of capacity building that could survive through the 'valuable, rare, inimitability and non-substitutability' test, which is fundamental to sustain competitive advantage. Some empirical insights are developed, in support of this conceptual framework.

### *Practical implications*

For research and practice, these insights will be useful to focus on specific attributes in capacity building to sustain the enhanced capacity's competitive advantage over time, across industries and markets.

### *Social implications*

Similarly, the insights will be instrumental to sustain the benefit of capacity building to underpin socio-economic progress.

### *Originality/value*

The paper proposes a much needed initial conceptual framework for capacity building to sustain competitive advantage of a hard-earned capacity for socio-economic development.

**Keywords** Capacity building, competitive advantage, sustainability, dynamic capabilities, relationship marketing.

**Paper type:** conceptual paper.

## **Introduction**

The capacity building concept is widely considered as an alternative development policy [since more than last two decades](#) (Dinham and Crowther, 2011). Academics and practitioners have been working to enhance capacity [building processes](#) in diverse [industries, markets](#) and social settings to reinforce national and international socio-economic [progress](#). [Generally](#), capacity building is a continuous process to [develop](#) innovative capacities in socio-economic [settings](#) through ongoing development and adaptation of strategies and processes that enable higher advantage in collective and individual levels, compared to the prior strategies and processes to enhance socio-economic development. Capacity building requires high intellectual, physical and monetary investments. However, such [a](#) hard-earned enhanced capacity can quickly be eroded because of rapid changes (Dinham and Crowther, 2011) in competitive forces [in industries and markets](#). [Therefore](#), the investments to build capacity [would entirely be futile](#), if the enhanced capacity is unable to sustain its competitive advantage over time. From this perspective, this conceptual paper aims to analyse the relevant extant [theoretical](#) views on strategic management and relationship marketing that deal with rapid market changes, competition and competitive advantage. [Here, the purpose](#) is to recognise an alternative [route](#) for capacity building, in order to develop a reinforced capacity building process that [could](#) sustain its competitive advantage in a market or industry, which encounters rapid changes in [business competition](#).

To analyse the [theoretical](#) views from the extant literature, this paper [follows](#) an inductive constructivist [method](#) to [justify](#) the [alternative views, so that the further arguments and new insights could be](#) evolved logically from the reviewed literature (Eisenhardt, 1989; Yin, 1994). Consequently, [this paper](#) presents the relevant literature/views [along](#) the progress of the

discussions, as an inductive approach to substantiate the arguments, with respect to the aim and purpose of the study (Hallier and Forbes, 2004; Glaser and Strauss, 1967).

In order to sustain the competitive advantage of a newly developed capacity, the extant literature describes that a 'valuable, rare, inimitability and non-substitutability' (VRIN) competence of resources is fundamental for the resources that are used to develop the capacity. However, the dynamic capabilities concept as an extended approach of the traditional resource-based view (RBV) of strategic management is a well-researched area to deal with rapid changes in competitive market forces; the dynamic capabilities concept has limitations and criticisms. The critiques argue that because of the commonalities and substitutability features, dynamic capabilities itself and the subsequent competitive advantage could be unable to survive through the VRIN test over time. The recent developments of the dynamic capabilities field discuss from this angle that a prospective exceptional condition would be instrumental to develop VRIN attributed resources. Such exceptional conditions could be recognised from a firm's and its allied stakeholders' overall learning experience about the competitive market forces. Therefore, the exceptional condition that is learnt, based on the competitive forces would be able to retrieve a valuable resource's rare, inimitability and non-substitutability competencies by reducing the resources' and the consequent dynamic capabilities' commonalities and substitutability features.

From this viewpoint, the relationship marketing (RM) literature would have implications to recognise such exceptional conditions from the cause and consequence of stakeholder relationships and interactions and the learning experience, related to the competitive market forces. Such a RM centred learning experience would be imperative to customise the recognised exceptional conditions, based on the needs, wants and expectations of the stakeholders, including customers. Eventually, such customised exceptional conditions could

help dynamic capabilities and the subsequent competitive advantage to survive through the VRIN test.

Based on the recognised capacity building factors, a conceptual framework (Figure 2) is developed. In this framework, RM and dynamic capabilities views mutually influence the relevant capacity building driving and mediating forces to possibly sustain a newly enhanced capacity and its competitive advantage. Such a proposition to building capacity, based on stakeholder relationship centred dynamic capabilities (relational dynamic capabilities) that concerns with changes in business competition, would be useful to sustain the enhanced capacity for a longer-period to ultimately sustain its competitive advantage. This paper also develops some empirical insights and discusses the generalisation perspectives to support this initial conceptual framework.

In the rest of the sections and sub-sections of this paper, first, the discussion focuses on dynamic capabilities view and its strategic direction, based on its recent developments. Second, the paper analyses the implications of RM to recognise exceptional conditions, so that relational dynamic capabilities could survive through the VRIN test. Third, the existing capacity building factors are discussed. Fourth, the conceptual framework and the arguments, pertaining to building capacity and to sustain the capacity's competitive advantage are presented. Fifth, some empirical insights are developed to generalise the conceptual framework across different industries, markets and social settings. Finally, the future research areas are discussed.

### **Dynamic capabilities: A debate and strategic direction towards competitive advantage**

With a focus on competitive business environment that frequently encounters variations in market and competitive forces, the underpinning considerations of dynamic capabilities philosophy in organisational management and competitive advantage are developed, centred

on few interrelated management concepts (Teece et al., 1997). First, based on the existing market powers/drivers, the locus is the competitive business environment that helps to envision strategic goals and **to develop/redevelop** managerial processes. The market powers/drivers can be recognised by analysing the overall business environment, including the industry, the target market(s), the key stakeholders, including customers and competitors, and the overall existing socio-economic setting. Second, the resource-based view (RBV) that **intends to** strategically source and allocate resources, **in order** to pursue strategic goals to attain competitive advantage. A firm's existing resources **allow its** managerial processes to plan and implement strategies, in order to enhance the firm's capabilities and effectiveness (Daft, 1983), in relation to its competitive position. These firm resources are the physical resources (Williamson, 1975), human resources (Becker, 1964) and organisational resources (Tomer, 1987). The physical resources include the plant and equipment. The human resources are the combined expertise of the complementors, employees, managers and the board of directors of a firm. The organisational resources denote a firm's formal and informal decision making structure.

Teece et al. (1997) introduced the dynamic capabilities **theory**, centred on a proactive strategic management approach **to allocate** these resources in a simulative **measure** that **attempts to** generate and preserve the sources of competitive advantage. This simulative measure is outlined through the **concept** of 'processes, positions and paths'. The managerial and organisational routines are referred as the organisational processes. The positions of a firm's resources, e.g. the availability and accessibility of the resources are denoted as the position. The path is clarified as the strategic direction that a **firm has followed** so far and could follow in future, e.g. the path dependencies of the firm. In short, **centred on** a firm's coordination, integration, learning, reconfiguration and transformation processes, Teece et al. (1997) coined a routine **to** enrich a firm's organisational capabilities **through** strategically allocate/reallocate its resources, **based on** the path/strategic direction it pursues, with **an aim to prolifically** dealing

with the competitive business environment. This [organisational](#) routine is recognised as dynamic capabilities as an extended view of the RBV of strategic management and competitive advantage. In order to sustain [a](#) competitive advantage, Teece et al. (1997) discussed that dynamic capabilities need to confirm that the capabilities cannot be readily imitable by competitors, which depends on a firm's internal replicability of that capabilities, so that it would be more valuable, as well as rare among the competitors.

Such dynamic capabilities of a firm could add value to its competitive position. [However](#), the sustainability of that competitive [position](#)/advantage ultimately depends on [the](#) feasible competence of the resources that are allocated to develop [the](#) dynamic capabilities, to survive through the 'valuable, rare, inimitability and non-substitutability' (VRIN) conditions of resources (Barney, 1986; 1989; 1991). From this perspective, another influential thought in dynamic capabilities is introduced in 2000 by Eisenhardt and Martin. They argue that dynamic capabilities [possibly will](#) create competitive advantage in [a](#) partial form. [Eisenhardt and Martin \(2000\)](#) [argue](#) that Dynamic capabilities are homogeneous across the competitive firms, [with](#) its commonalities feature. [Therefore, such a homogeneous nature and commonalities feature](#) reduce the non-imitability scope of dynamic capabilities. Also, the competitive advantage that is generated [through](#) dynamic capabilities can be wiped out because of its substitutability feature. Consequently the, "resources ([and subsequent dynamic capabilities](#)) that have the same functionality (across the firms) can achieve the same end" (Peteraf and Bergen, 2003, as cited in Peteraf et. al., 2013, [p. 1395](#)), [which](#) ultimately devaluates the succeeded competitive advantage.

Moreover, [Eisenhardt and Martin discuss](#) a boundary condition of dynamic capabilities, in relation to the questions of when and where dynamic capabilities can create competitive advantage (Eisenhardt and Martin, 2000; Peteraf et al., 2013). Against these questions, [the view](#)

of Teece et al. (1997) was during the rapid changes (when) in business environments (where), dynamic capabilities form/reform a firm's managerial processes, in relation to its resources' positions and path dependencies/strategic direction. However, Eisenhardt and Martin (2000) heightened this debate by contrasting that dynamic capabilities could generate competitive advantage in a limited manner, which is short-lived in a rapidly changing (when) intensely competitive business environment (where). In such business environments that encounter fast changes in market powers and competitive forces (e.g. frequent technological advancements, prompt legislation changes, social and political instabilities and so forth), the dynamic capabilities and the consequent competitive advantage would be eroded because of its wide imitability (commonalities) and substitutability among the competitive firms. Therefore, the question is whether dynamic capabilities and the resulting competitive advantages that are evolved based on a valuable resource, can lucratively eradicate the commonalities and substitutability of the resource to confirm its rareness among the competitors. If this question is resolved, the dynamic capabilities and its competitive advantage would be sustained (i.e. survived indefinitely), or at least be prolonged in the contemporary market, which encounters rapid changes in competitive forces.

With respect to the changes in competitive market forces, learning and purifying the precise capabilities as organisational routines (dynamic capabilities) is a central success factor (Arndt et. al. 2014). Following this importance, the recent development of the field proposes a division among the first-order dynamic capabilities and second order dynamic capabilities (Schilke, 2014). The first-order dynamic capabilities are the simple day-to-day organisational routines, which concern with the operational resource-base. The second-order dynamic capabilities as a more complex process could influence the first-order dynamic capabilities, in an attempt to adjust with the changes. Peteraf et al. (2013) discuss about dynamic bundle of resources and



capabilities. This view correlates with an assumption that the first-order and second-order dynamic capabilities could be systematised to evaluate the second-order dynamic capabilities, as an outcome of the first-order dynamic capabilities, in order to recognise how accurately these two types (bundle) of capabilities can be twisted for optimum organisational outcomes.

From this context, Peteraf et al., (2013) argue that dynamic bundle of resources/capabilities comprise more stable elements. Therefore, the dynamic bundle of resources and capabilities would be an alternative source to sustain or prolong competitive advantage. For example, a more complex process, such as business partnership, merger and acquisition or product innovation as second-order dynamic capabilities can be planned and implemented, in support of the first-order dynamic capabilities (e.g. day-to-day organisational routine), together as a dynamic bundle of first and second-order capabilities/resources. In this intertwining sequence of first and second-order dynamic capabilities, the day-to-day organisational routine generally could contribute to a firm's learning processes, based on the regular operational experiences (e.g. customers' transactions). Such operational experiences would be instrumental to reinforce the second-order dynamic capabilities (i.e. product innovation) to uphold the firm's competitive position. Consequently, a structured and sequential influence of the first and second-order capabilities, as bundle of capabilities/resources, would be able to proactively allocate the organisational resources to plan and implement more complex processes (e.g. product development as second-order capabilities) to adapt with the changes, with a further potential to comply with the VRIN conditions. Such a VRIN agreement would be possible, because, a mutual contribution of this dynamic bundle of capabilities is appeared as valuable to flourish a further direction to sustain competitive advantages, based on exploring unique/exceptional conditions from the overall learning experience of a firm (Peteraf et. al., 2013). Furthermore, such a learning experience of a firm would generally be supported by the firm's cause and consequence of relationships and interactions with its stakeholders, in order

to recognise mutually beneficial exceptional conditions from such relationships and interactions.

## **Capacity building for sustained competitive advantage**

### *Implications of relationship marketing to explore exceptional conditions*

The extant literature suggests that the VRIN competency is the **precondition** for dynamic capabilities to sustain competitive advantage. To achieve this competency, potential exceptional conditions, such as timing, sequence and location of a service, exclusive reputations and so forth would have implications to outplay the commonalities and substitutability features of dynamic capabilities (Peteraf et al., 2013). **Therefore, such exceptional conditions could** ensure a valuable bundle of capabilities' rareness, inimitability and non-substitutability among the competitive firms. Such exceptional conditions could be identified through the details of the overall organisational learning processes and market experience (Peteraf et al., 2013). Following this view, relationship marketing (RM) would have influence **to recognise** such exceptional conditions, which could **underpin** the VRIN competency through the internal and external stakeholders' learning processes, market relationships and interactions and the overall organisational experience. **In support of this view, Little and Marandi (2003) argue that**

RM service providers gain a better knowledge of their client's requirements and needs. This knowledge (a potential specific exceptional condition, with respect to the target markets' needs, wants and expectations) can then be combined with social rapport built over a number of service encounters to tailor and customise the service to client's specifications. (p. 31)

RM **focuses** on long-term stakeholder relationships (Little and Marandi, 2003). **Stakeholders'** needs, wants and expectations also are recognised **in RM** to design and offer customised service

(Stavros, 2005), based on that **recognised** condition/knowledge on stakeholders' **service** specifications. Stakeholder knowledge is favourably linked to **stakeholder** relationships (Rajaobelina and Bergeron, 2009). **RM ensures that not** only the marketing staff, but also the staff of all other departments of a firm are devoted to offer high-quality products/services through high stakeholder service, commitment and contact (Kurtz, 2009; Stavros, 2005), **in order** to confirm customisation (potential exceptional conditions) **at** all stages of service **provision**, based on that **unique stakeholder** knowledge. **Centred on** the joint power of the key stakeholders, RM enables share of dependencies, risks and uncertainties among them (Kurtz, 2009; Gummesson, 2002), and reduces bureaucracy (Gummesson, 2002) to adapt with the changes in competitive market powers/drivers (Kurtz, 2009; Donaldson and O'Toole 2007). **Furthermore**, RM **attempts to develop business opportunities** (possible exceptional conditions), **centred on** market relationships (Kurtz, 2009), **in order** to impact upon innovative product/service design and delivery (Donaldson and O'Toole, 2007), based on the considerations of that market relationships. **Following this view**, strategic stakeholder relationships **could** influence the innovation in capacity building through unique/customised product/service development processes, **based on** the knowledge (exceptional condition) **that is** learnt from the relationships and interactions of the associated stakeholders.

In order to meet the involved stakeholders' multifarious relational goals, which can be recognised from the cause and consequence of stakeholders' relationships and interactions, RM identifies and extends value for the target markets. **RM nurtures value** in association of the involved stakeholders for a win-win result through **the stakeholders' interdependence, collaborative** relationships, commitments and bond. **Such a view is widely supported by many studies** (please see Morgan and Hunt, 1994; Gummesson, 1999; 2002; Christopher et. al., 2002; Grönroos, 2004; Payne et. al., 2005; Stavros, 2005; Kurtz, 2009; **Agariya and Singh, 2011;**

Shams, 2013a; 2015a; 2015b). Therefore, the cause and consequence of stakeholder relationships and interactions in a network, as a stakeholder causal scope (SCS) helps to collaborate with the stakeholders, with an ongoing understanding on the contemporary and latent needs, and subsequent value-anticipation of the associated stakeholders. Following this knowledge on stakeholders' expectation and latent needs, RM delivers the promised/contracted value (e.g. the prospective exceptional condition in capacity building to sustain competitive advantage), in a way that the stakeholders expect and accept. Therefore, RM centred marketing management supports the involved stakeholders/customers to know what they can expect from a specific value-proposition, among the alternative competitive value-propositions.

Similarly in market competitions, relating to RM's deeper orientation to identify business opportunities from the understandings of stakeholders'/customers' value anticipations, the joint power of the key stakeholders and their SCS to share dependency, risk and uncertainty recognise exceptional conditions from service encounters. Such stakeholder relationship centred exceptional conditions could deteriorate the commonalities and substitutability features of valuable dynamic capabilities to reduce its external imitability and to make it rare for competitors, which ultimately could sustain the competitive advantage arising out of capacity built. For example, the part of the cause and consequence of a firm's relationships and interactions with their key stakeholders and customers is perceived by their competitors, could be imitated widely. Nevertheless, if the win-win outcomes of such relationships are centred on any exceptional, cautious and surreptitious considerations (e.g. the covert formula of CocaCola), with a share of dependency, risk and uncertainty and a projected mutual value, which is uniquely learnt from the relational experience of a firm and its long-term stakeholders, then that unique knowledge/value of the involved stakeholders could outplay the competitors' imitable capacity in some extent. Specifically, the exceptional condition that is understood only

based on the joint power of particular stakeholders/business partners cannot be imitable by their competitors. Moreover, following the foregoing relationships, if a firm **can** continually demonstrate **its** supremacy, with appropriate exceptional conditions to meet and delight **stakeholders' needs**, the stakeholders/business partners would not be **searching a substitute** of their relationships/partnerships from the competitors of the firm. Consequently, there is a potential strategic RM utility to possibly outplay the commonalties and substitutability scopes of dynamic capabilities and subsequent competitive advantage, in order to survive through the VRIN test.

Furthermore, in some cases, such exceptional conditions could be exploited in a way that may not be surreptitious; however difficult for competitors to imitate or offer a substitute of such exceptional conditions. For example, if a retail shop has a convenient location (e.g. next door shop, corner shop etc.), the other competitive retail shops who do not have such a convenient location to reach to their customers, would have a difficulty to imitate and offer such a 'convenient location' utility. Another example could be discussed based on the market value of Lionel Messi and Cristiano Ronaldo. It is a universal truth that arguably they are the most valued footballer currently on the planet. Generally, they have a huge fan-base around the globe, and have a significant brand value for their names.

Lionel Messi and Cristiano Ronaldo are hot property on and off the football pitch. In the battle for brand supremacy, it seems that sportswear giants Adidas and Nike will go to any lengths, to secure an extra edge over their rivals. (Chesters, 2013, np).

Messi is contracted with Adidas (Manfred, 2015) and Ronaldo is with Nike (Flanagan, 2015). In this Adidas and Nike competition with these two celebrities, if there is a clause in the contract that Messi cannot promote Nike, and Ronaldo cannot endorse Adidas during their contracted period, then Adidas will have a competitive advantage with Messi in a market, where Messi would have more popularity, compared to Ronaldo, e.g. the market of Messi's home country

or home town of his club. Similarly, Nike would have a competitive advantage with Ronaldo in the market, where Ronaldo has more popularity. Therefore, in a particular market, where Messi outplays Ronaldo's popularity, Nike could not imitate or substitute Messi's image, which is an exceptional condition of Adidas to outplay Nike's brand sovereignty in that market. The same would be true for Adidas that they would not be able to imitate or substitute Ronaldo's image in a market to downgrade Nike's brand supremacy, where Ronaldo has more fans. This proposition, centred on such exceptional conditions to survive through the VRIN test would be applicable, based on the extent of influence of celebrity endorsements on general consumers' brand attachment, brand love and buying decision.

### *The capacity building concept*

The capacity building concept has gained momentum in national and international development since early 1990s (Dinham and Crowther, 2011). "Capacity building is an iterative process that incorporates the building of frameworks, work cultures, policies, processes and systems enabling an organisation or individual to improve performance to achieve successful outcomes" (O'Rafferty et al., 2014, p. 170).

Capacity-building can be undertaken and achieved through a range of mechanisms, encompassing professional learning, (based on)...specialist analysis of instructional quality and associated learning conditions, alignment of key (issues) within and between (the competitive) factors, and cross...clustering and networking. (Dinham and Crowther, 2011, p. 621)

In the outcomes of a new capacity building initiative, an added value to surplus the contribution of the preceding capacity is essential, so that the newly developed/enhanced capacity can contribute better with greater advantage, compared to the foregoing capacity. "Capacity-building (is)...to enhance the capacity of the system (in order) to...multiply effects thus represents a 'value added' dimension" (Hawe et al., 1989, p. 1997). Capacity building should

be valuable in personal, interpersonal and organisational level, if the overall organisational capacity is to be enhanced and sustained (Dinham and Crowther, 2011). In general,

Value is an anticipated outcome of any sort of planned and organized activity. The activity could be derived from monetary, psychic, or physical resources. The more the outcome meets initial anticipation, the more the possibility of win-win outcomes or value optimization for all involved stakeholders. (Shams, 2013b, p. 244)

Therefore, capacity building should be valuable through [establishing/re-establishing](#) a learning (e.g. understanding the market forces) and development process, aligned to the associated [competitive market forces](#). Such a capacity building process should be propelled by intra and inter-organisational collaboration and learning experience, in order to reflect [through](#) the enhanced capacity, [based on](#) a realisation of value optimisation in personal, interpersonal and organisational levels of all associated stakeholders of an organisation. These stakeholders would be including, but not limited to the customers, business partners, suppliers, employees, shareholders, complementors and so forth. In [order to incorporate](#) the associated competitive factors into the capacity building process, [the factors, discussed by O'Rafferty et al. \(2014\)](#) would be relevant. These factors are associated with [organisational creativity, culture and values, intelligence and insight, analytical issues, organisational issues and the methodological issues relevant to build capacity](#).

(please insert Figure 1 about here)

Figure 1: O'Rafferty et al.'s (2014) capacity building framework ([reprinted with the copyright owner's permission](#)).

In the capacity building framework of O'Rafferty et al. (2014) [in](#) Figure 1, the factors, associated with creativity, culture and values, and intelligence and insight are [appear as business environment scanning factors](#). [Based on envisaging](#) the scope of further capacity [building related to](#) these factors, the intended capacities are designed, delivered and monitored

through an understanding of the factors, associated with [the](#) analytical, organisational and methodological issues. An example can be [discussed](#) here based on the collaboration and communication skills as a creativity factor, cross-cultural awareness as a factor of culture and values, understanding cost implications as an analytical factor, ability to blend creativity and control as an organisational factor and understanding of user behaviour as a methodological factor. In general, cross-cultural understandings are an issue in the contemporary multicultural global market. Firms would have an opportunity of further capacity building through an understanding of the relevant cross-cultural issues, and implementing learning procedures about the competitive market forces, [based on](#) communicating and collaborating [with](#) their [cross-cultural](#) stakeholders. During such [communications and](#) collaborations, [recognising](#) the multicultural customers' diverse perceptions, and blending creativity and control, in relation to that varied perceptions, and cost-effectively implementing [the](#) learning procedure would have significance to redevelop processes to proactively enhance learning/understanding capacity. However, there is a concern [that](#) "hard-fought gains in capacity building and sustainability can be quickly eroded under the influence of...extraneous changes (in the competitive market forces)" (Dinham and Crowther, 2011, p. 616). [Against such a concern, the](#) proposition to building capacity, [based on](#) the concept of relational dynamic capabilities that [attempts to deal](#) with market changes, would be [valuable](#) to sustain an enhanced capacity for a longer-period to eventually sustain [the enhanced capacity's](#) competitive advantage.

*The conceptual framework and discussions: The relational dynamic capabilities for capacity building*

(please insert Figure 2 here)

Figure 2: [A](#) conceptual framework for capacity building to sustain competitive advantage.



Various RM perspectives, such as trust (Blenkhorn and Mackenzie, 1996; Moliner et al., 2007), satisfaction (Crosby et al., 1990; Macintosh, 2007), commitment (Dwyer et al., 1987; Patrick and Vesna, 2010), communication (Gummesson, 1994; Parasuraman et al., 2005), reciprocity and co-creation (Fontenot and Wilson, 1997; Eisingerich and Bell 2006), reliability (Parasuraman et al. 1985; Benett and Barkensjo, 2005), responsiveness (Parasuraman et al., 1991; Benett and Barkensjo, 2004), bond (Wilson and Mummalaneni, 1986; Lang and Colgate, 2003), loyalty (Berry, 1995; Dimitriadis and Stevens, 2008) and so forth are usually derived and enhanced through the cause and consequence of stakeholder relationships and interactions. Such causes and consequences of stakeholder relationships and interactions or SCS are generally useful to identify, establish, maintain and enhance the dynamic capabilities of an organisation, centred on its stakeholders' multifarious goals and interdependent value anticipations.

Again, there is a reverse relationship between these two concepts, where dynamic capabilities could flourish further opportunities **through** stakeholder relationships and interactions to anticipate mutually beneficial value. This conjoint relationship of stakeholder interactions and organisational dynamic capabilities could collectively recognise the explorative factors of capacity building through scanning the competitive business environment, where the organisation operates. These explorative factors include creativity factors, culture and values factors and intelligence and insight factors of capacity building. Moreover, these explorative factors would have implications to analyse stakeholder relationships, in order **to** develop/redevelop the 'organisational processes, its asset's position, based on a strategic direction (dynamic capabilities)', aligned to that explorative factors **and relevant** stakeholder relationships and interests. This **triangular** relationship among these three components

(stakeholder relationships, dynamic capabilities and explorative factors of capacity building) could analyse the business environment of the organisation to recognise VRIN competent exceptional condition(s) from their stakeholder relationships, and their overall mutual learning experience. This triangular relationship ultimately acts as a capacity building driving force. Furthermore, this triangular relationship influences the dynamic bundle of organisational resources, and recognises further opportunities through intra and inter-organisational learning experience and collaboration. Therefore, this triangular relationship could also reinforce the processes to acknowledge VRIN competent exceptional conditions, based on the overall organisational learning/understanding from these triangular market dynamics.

The collective influence of these market dynamics could also have impact on the capacity building guiding or exploitative factors to design, implement and monitor the capacity building process. The capacity building guiding factors include the analytical, organisational and methodological factors. Here, the bundle of resources, intra and inter-organisational learning experience and collaboration, the recognised exceptional condition, and the capacity building guiding factors act as the capacity building mediating forces to evaluate the impact of the enhanced capacity against the personal, interpersonal and organisational levels of the involved stakeholders. Accordingly, following the reviewed literature of this paper, Figure 2 attempts to portray these dynamics of capacity building, where the VRIN competency of these dynamics could contribute to sustain the competitive advantage of that capacity.

The last point presented in the conceptual framework of Figure 2 is ‘the capacity building and competitive advantage continuums’. In relation to the Gundlach and Neville’s (2012) discussion on diverse extents of authenticity, here, it is suggested that a newly enhanced capacity and its competitive advantage would have various extents. For example, although a capacity building and its competitive advantage would be meaningful from personal,

interpersonal and organisational contexts; it is assumed that the enhanced capacity **would be** either capable or incapable to be meaningful, as well as its competitive advantage would be either advantageous or **disadvantageous**. **Generally**, an enhanced capacity and its competitive advantage actually exist in the minds of stakeholders on a continuous basis between the extents of completely capable or entirely incapable to be meaningful, and the competitive advantage between the extents of completely advantageous or entirely **disadvantageous**. The concept of capacity building and competitive advantage as a continuum, with a threshold, is not well researched, but this concept is illustrated in Figure 2 through the use of a double-headed arrow to represent the varying level of perceived capacity and its advantage. **The reason of such a representation is** the perceived extents of a **newly enhanced capacity and its competitive advantage to satisfy individual stakeholder's value expectation; which usually exists** in the minds of the **diverse** stakeholders, where such a **perceived extents** may differ from stakeholder to stakeholder.

## **Empirical reflection, generalisation and research direction**

### *Empirical insights from two different markets and sub-sectors*

This sub-section discusses two empirical examples, in an attempt to uphold the conceptual framework of Figure 2. In terms of spectator attendance **in sports**, cricket is Australia's sixth most popular sport (Most Popular Sports in Australia, 2015). Cricket Australia (CA) is the chief governing body of the game of cricket in Australia. "CA has a vision for cricket to be Australia's (most) favourite sport" (Cricket Australia, 2015, np). To pursue this vision, CA targets the young Australians to be motivated to cricket from their childhood. For example, for

the CA's online store, CA partnered with "My Heroes, the Australian web-based business, which connects children with their sporting heroes in a personalised way" (Media Release, 2015, np). This offer through CA's online store allows fans to include their gift recipient's name (e.g. the child's name), personalised message, desired cricketer's picture and customised symbol with their online purchase. One of the relational aspects of this online shop is a preferred cricketer sends the gift to the recipient (e.g. the child) on a special day (e.g. the birthday of the child) with his/her (the cricketer's) message and autograph. "Every child should have a hero and someone they look up to and we believe that through our...product...we will encourage and inspire children to aim high and achieve great things...said Jon Field, Managing Director of My Heroes" (Media Release, 2015, np). The Managing Director added that "since launching our concept there have been some fantastic responses from children who have viewed our website or have received our products" (np). David Steinhardt, the Licensing Manager of CA describes that

we are delighted by the prospect of offering an inspirational and affordable product to cricket fans that depict Australian cricketers as their heroes. This unique offering not only provides personalisation but can be used as a motivational tool to encourage young cricketers to one day wear the baggy green. (Media Release, 2015, np)

Baggy green is the Australian national cricket teams' headwear (Cricket Australia, 2015). Based on the discussion of this sub-section thus far, it could be argued that targeting the young Australians, CA has aimed to make cricket as the most popular Australian sport in future. The cause of CA is 'making cricket as the Australia's most favourite sport' and the cause of My Heroes to associate with CA would be their profit motive. The consequence of this partnership so far is the popularity of this offering among the Australian children, the common target market of CA and My Heroes. Following this SCS, and the inter-organisational learning experience about the business environment and the prospective market demand and their cooperation, CA and My Heroes reorganise their mutual dynamic capabilities (i.e. reorganising business process,

assets' position and strategic direction) to achieve their **partnership** goal. Here, CA has reformed their business process (i.e. CA's online shop) by incorporating cricket celebrities and My Heroes, as the outsourcing partner, with online market expertise. CA and My Heroes, here both utilise their mutual physical resources, e.g. computer equipment and other machineries for online businesses, combined expertise of the employees of the two partners as human resources, and organisational resources through their day-to-day and long-term strategic decision making process. The aligned strategic direction here is the CA's vision to make cricket as the most favourite sport in Australia.

Following these mutual dynamic capabilities, CA and My Heroes manage their partnership as their second-order dynamic capabilities through their first-order dynamic capabilities, e.g. the day-to-day operational activities to maintain their joint venture. 'Collaborative skills' between CA and My Heroes, 'creative idea generation' e.g. the concept of the 'My Heroes' gift card, 'goal oriented problem solving' e.g. achieving the goal to make cricket as the Australia's most favourite sport, and 'understanding future needs' (e.g. predicting that this offer would be popular among the Australian children), as explorative capacity building factors are exploited here by CA and My Heroes. Again, this joint venture also has utilised the 'reuse' factor as a **guiding/exploitative** capacity building factor. For example, CA and My Heroes reuse their cricketers' utilities through this venture, alongside selling their cricketing skills through cricket matches.

Similar to CA's promotional efforts, the Arsenal football club of the English Premier League also **focuses** on young peoples' various market segments. In association **with** their sponsors and other stakeholders, such as players and coaches, Arsenal proffers various products, services and membership offerings, targeting to the age groups of 0 – 3 year, 4 – 11 year **and** 12 – 16 year old young people (Junior Gunners, 2015). The branding maxims of each of these age groups

are “welcome to our world”, “team junior gunners” and “young guns” respectively (Junior Gunners, 2015). In support of the business partners, alongside such products and services for young people, Arsenal also helps them to learn various life skills that would be valuable for young people in their future life. For example, following such an Arsenal support service, a young gun describes that “I’m really looking forward to learning ICT (information and communication technology) skills, such as working with iPads and financial management spreadsheets as I think this will help me in the future” (Bringstock-Barron, 2014, np).

Based on these two case examples of two different sectors (football and cricket) of the sports industry, and two different markets (Australia and UK), this sub-section attempts to clarify how these activities of CA and Arsenal correlate to the propositions of Figure 2. It is common that many childhood emotions survive forever. For example, “what we remember from childhood we remember forever” (Ozick, 2015, np). CA and Arsenal have prolifically exploited such childhood emotions here, as part of their customers’ first experience in life about the particular sports’ brands, as an exceptional condition to sustain their competitive advantage. “when you go back to your old home, you find it wasn’t the old home you missed but your childhood - Sam Ewing” (Brannan, 2014, p. 216). Similarly, other childhood memories, emotions and attributes of people would have an impact on the decisions that would be taken later during the older age. Such decisions would be including a buying decision, which considers the alternative offerings. An example is discussed here, centred on the Arsenal’s credit card scheme.

In association with a commercial bank, Arsenal offers a credit card. “By applying for and using the Arsenal Rewards Credit Card, you’ll be helping to support the future success of the club you love because they receive a royalty from the card issuer, MBNA Europe Bank Limited” (Arsenal Credit Card, 2015, np). Michael Donald, the Marketing and Commercial Executive of MBNA (2015) describes “over the last 10 years, we have forged a strong relationship with

Arsenal...and we are continuing to work together to develop a product that offers supporters a great deal, while contributing to the future of the club” (np). If a person is attached with Arsenal since her/his early childhood, will the Arsenal credit card be able to achieve a competitive advantage, when this person will think about buying a credit card? Jack Staniforth, a footballer, who represented his country in 1960s, has articulated his emotion about Arsenal when he was invited by Fulham, another football club of the English Premier League for a trial instead of Arsenal as, “when I was invited to trial with Fulham in 1957 pre-season, I would not realise me, which is just as well because my heart was in N5...yes Arsenal is much more than a football club to me” (Staniforth, 2009, np). Staniforth did not have any option, as he had no invitation from Arsenal. But, if the offerings and utilities of the various competitive credit cards (including the Arsenal’s credit card) are appeared as satisfactory to the same extent to a prospective credit card customer, who is attached with Arsenal since her/his early childhood, in this case, the Arsenal credit card would have a competitive advantage over the other competitive credit cards to this prospective customer.

Similar to CA and My Heroes, Arsenal and MBNA have prolifically utilised their SCS, based on their mutual learning experience about their common business environment and target market conditions and their cooperation through their first and second-order dynamic capabilities. As a result, they have been continuing their partnership for more than ten years. ‘Understanding future needs’ (e.g. the Arsenal credit card will survive in the market for more than ten years) as an explorative capacity building factor, and ‘participatory and co-design method’ of a product or service as a guiding or an exploitative capacity building factor have been used here to develop the Arsenal credit card. Because, the Arsenal credit card customers are also participating and contributing to the Arsenal’s development funds, through their use of the card, as each time the card is used, Arsenal receives a royalty fee.

In both of these ventures of CA and My Heroes, and Arsenal and MBNA, they have effectively exploited the childhood emotion as a ‘first experience of a customer’, and as an exceptional condition, in association with their commercial partners. The root of such a competitive advantage is entrenched during the very beginning of life of their target customers, which would be instrumental to influence the adult customers throughout their life. Therefore, such a ‘customer share’ focused life-long scheme establishes a platform to achieve and enrich competitive advantage on an individual customer’s buying decision over long-term, by making a relationship with the customer since her/his childhood. From this context, it could be argued that ‘long-time scale, life time value and client retention’ as a RM construct (Shams, 2011) have influences on both of these joint ventures. Similarly, scholars argue that based on “extending the duration of the relationship” (Gummesson, 2002, p. 15) between a firm and its customer, RM “focuses on long-term business rather than short-term” (Kurtz 2009, p. 314), and “assesses success in terms of how long a customer is kept in the relationship and the share of customer wallet” (Little & Marandi 2003, p. 28) over time.

#### *Generalisation across different industries and future research*

The focus of this study is to recognise an alternative route for capacity building, in order to develop a reinforced capacity building process that could sustain competitive advantage arising out of capacity built in a market or industry, which encounters rapid changes in competitive market powers/drivers. The possible influence of RM and dynamic capabilities concepts, as analysed in this paper demonstrates that relational dynamic capabilities could recognise exceptional conditions from a SCS, in order to customise the capacity building process, in relation to the needs, wants and expectations of the associated stakeholders. As a consequence, the relational dynamic capabilities that are developed based on a valuable resource, and an associated exceptional condition can lucratively eradicate the commonalities and



substitutability features of the resource to confirm its rareness by reducing its imitability among the competitors. In relation to the allied market dynamics, such an exceptional condition centred customised capacity building process could feasibly be **capable** to survive through the VRIN test.

The analysis of this paper conceptually contribute to the concurrent understandings of the concepts of RM, dynamic capabilities and capacity building to sustain competitive advantage, through an interrelationships among these concepts. This conceptual development **shows** that RM is able to contribute to **the** organisational ‘processes, positions and path dependencies/strategic direction (dynamic capabilities)’, **in order** to identify exceptional conditions through a SCS, with **an** aim of **building capacity** to uniquely satisfy stakeholders’ needs. **Such conceptual arguments and the subsequent empirical insights demonstrate that this conceptual framework will be valuable to** sustain the competitive advantage of organisational value propositions through an enhanced capacity **building process**. Figure 2 attempts to clarify this conceptual framework. **Such a** RM centred proposition **of Figure 2** is applicable in any industry, market or **socio-economic** setting; however the relationship portfolio **should be concerned with** the given situation of the targeted **industry**, market or **socio-economic setting** only (Gummesson, 2002). From the perspective of this study, such given situations from market to market would be centred on specific business environment and particular needs, wants and expectations of the associated stakeholders. Therefore, the relational dynamic capabilities centred capacity building **framework** to sustain competitive advantage would be valuable across markets and industries, if the capacity building process is **developed**, centred on the different market/industry-specific business environment.

**Dynamic capabilities should be developed based on the stakeholder relationship centred exceptional conditions, which could enable the resources that are used to develop the dynamic**

capabilities, to survive through the VRIN test. The VRIN resources need to be derived from the market or industry specific given situation, and relevant exceptional conditions from stakeholder relationships that is suitable for that particular target market or industry, in order to enormously generalise the implications of this conceptual framework of Figure 2 across markets and industries. In the empirical insights sub-section of this paper, **in order** to support this conceptual framework, the ‘childhood emotion’ and ‘initial experience of the user of a brand’ is recognised as **two** exceptional conditions from stakeholder relationships as VRIN resources. These exceptional conditions are recognised from the sports industry, and analysed **based on** two different markets, **and** two different spectator sports.

Such VRIN resources recognised from one industry or market may or may not be applicable to other industries or markets, because of the similar and dissimilar characteristics across industries, markets and business environments. For example, in general, the sports industry and the firms of this industry enjoy a privilege to have a group of large ardent supporters of the sports brands in their target markets. If other industries **have** such a privilege, then the exceptional condition that is recognised from the sports industry could be considered in those industries. For **example**, in the IT industry, currently, the various versions of Windows together enjoy 90.19% share among all desktop operating system users (Netmarketshare, 2015). Therefore, Microsoft would have the opportunity to utilise the ‘initial experience of the user of a brand’ as a VRIN resource, which should adapt the given situation of a particular IT market and the specific characteristics of the IT industry. However, all these Windows users may or may not be passionate Windows users; at least, Microsoft would generally have more influence on these users, compared to the users of other computer operating systems.

Again, if an exceptional condition **of** one industry is not applicable to another industry, the exceptional condition to develop VRIN resources need to be recognised from the specific

characteristics and issues of that industry. For example, in order to justify the decision to come to Australia, two international students describe that “Australia is a good place to study...considering its wonderful climate” (Chen, 2015, np). “I had heard so many good things about Brisbane! It has a warmer climate” (Mackinnon, 2015, np). Similarly, when international students from Asia as the major market of the global international education industry (UNESCO, 2014; International Students Australia, 2015) consider the proximity of their international education’s host country (Phang, 2013; Singh et al., 2013), naturally, Australia comes first, compared to their main global competitors, such as the UK and the North American countries. “One of the reasons influencing my decision to study in Australia is its proximity to Singapore” (Tan, 2014, np). Therefore, the Australian universities have a VRIN attributed exceptional condition that could sustain their competitive advantage against other competitive destinations’ universities, amongst these students, who consider the ‘proximity’ and ‘climate’ (Phang, 2013) as one of their decision making factors to choose one destination between the alternative international education destinations. Portraying a conclusion from the discussion thus far, it can be argued that the conceptual framework of Figure 2 and its contents need to be aligned/realigned, based on a specific SCS of the target market and industry-specific business environment, in order to recognise the VRIN attributed exceptional condition from that market and/or industry-specific given situation to sustain or at least prolong the competitive advantage.

In the global ‘international education industry’, the student visa processing requirements and its legislation system change frequently in various international education destinations. For example,

UKBA (the United Kingdom Border Agency) rules (regarding student visa) change often, with (almost) no consultation. They come into force straightaway and without publicity. Bulky new versions of guidance are frequently issued without any signposting as to what has been changed. UKBA have changed their rules 11 times since 2010. Scrambling to keep up with this, universities dedicate ever more resources to ensure compliance with the rules, but still feel perpetually on the back foot. (Mahmood, 2012, np)

The international education destinations change their immigration laws and regulations so frequently, in order to adapt with their changing needs in their skill shortages and socio-economic issues (Shams and Gide, 2012). Such rapid changes in legislation also gloomily impact on the competitive issues of the industry to recruit international students. For example, “the continuous policy changes (in Australia) associated with international students, the IEI (international education industry) and relevant immigration issues focusing to the skill shortage goals...have been impacting the IEI and its stakeholders despondently” (Shams and Gide, 2012, p. 92). In response to such rapid changes in student visa policy as one of the competitive forces to recruit international students, if Australia is promoted, based on the ‘climate’ and ‘proximity’ exceptional conditions, then Australia would have a competitive advantage, in comparison to their major competitors (i.e. the UK and the North American countries) to recruit international students from the Asian market. Since, many international students from the Asian market consider the warmer climate of Australia and its proximity to their home as one of their decision making factors. From this context, it could be argued that such exceptional conditions that could be recognised from industry specific stakeholder relationship issues and given situation would be able to sustain competitive advantages in a market or industry that encounters rapid changes in competitive market forces.

However, two case examples are analysed in support of this conceptual framework and more generalisation opportunities are also discussed; the framework needs to be further supported by empirical testing of the proposed theoretical framework, in order to further reinforce the diverse generalisation scopes of this conceptual development. Future empirical studies to further correlate these interconnected concepts of capacity building, relationship marketing, dynamic capabilities, stakeholder relationships, competitive forces and competitive advantage, and other emergent issues, in relation to sustain the benefit of capacity building to underpin

socio-economic **progress**; will be useful to enrich this initial proposition. A longitudinal data collection process would be **valuable** to ascertain how the mutual application of RM, dynamic capabilities **and capacity building** has progressed. Also, future research can be conducted in different markets across a diverse range of industries to further generalise the impact of this initial framework, and to recognise industry-specific implications. Similarly, comparative studies among different markets and industries should be conducted to compare the influence of this framework from different socio-economic settings and competitive forces. Additional empirical research is also encouraged to widely analyse the impact of relational dynamic capabilities on all of the capacity building factors of Figure 1, as well as to recognise **emergent** capacity building factors. Furthermore, future research could be directed to analyse the stakeholders' perceived extents of an enhanced capacity and its competitive advantage, as a capacity and its **perceived** advantage actually **exist** in the minds of **diverse** stakeholders, **and** such **perceived advantages** may differ from stakeholder to stakeholder. Studies on **such varied** perceived extents would be able to flourish further theoretical and empirical insights to intensify the impact of relational dynamic capabilities on capacity building to sustain competitive advantage. Beside the academic interests, further research will also satisfy the need for explicit guidance for practice.

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## Figure captions

Figure 1: O'Rafferty et al.'s (2014) capacity building framework ([reprinted with the copyright owner's permission](#)).

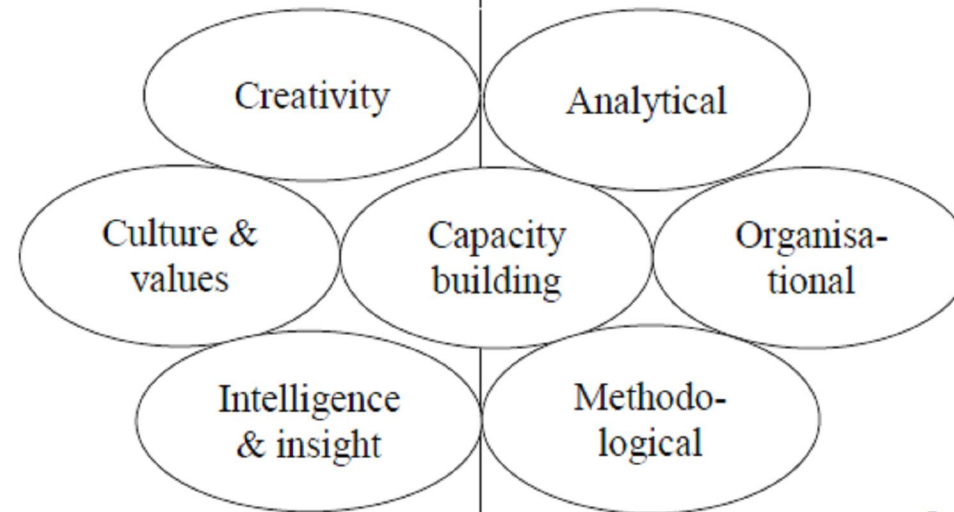
Figure 2: [A](#) conceptual framework for capacity building to sustain competitive advantage.

## Exploration

## Exploitation

- Systems thinking
- Collaborative and communication skills
- Openness to ideas from all sources
- Creative idea generation
- Idea management
- Integration of holistic thinking
- Integrated problem solving

- Environmental and social impact measurement
- Life cycle analysis
- Understanding cost implications
- Energy, packaging, auditing



- Legislation and regulatory compliance
- Understanding of risk
- Understanding resource efficiency issues
- 3R implementation (Reduce, Reuse and Recycle)
- Ability to blend creativity and control

- Broader awareness and attention to context
- Goal-oriented problem identification and problem solving
- Questioning and challenging
- Respect for individuals
- Cross cultural awareness
- Sustainability knowledge
- A desire & ability to facilitate change

- Design methods, methodologies and processes
- Knowledge of manufacturing techniques, materials & impacts
- Understanding of user behaviour, user testing
- Participatory and co-design methods
- Prototyping, modelling and visualisation
- Design for X's (Recycling, Disassembly, Reuse)
- Recognition, screening and selection of new ideas

- Sustainability issues
- Understanding and using networks for learning
- Understand new contexts for design & innovation
- Awareness of own performance and limitations
- Commitment to understanding both current and future (unarticulated) needs
- Structured thinking about the future/scanning the horizon
- Ability to deal with ambiguity, contradiction and trade-offs
- Awareness of future trends

Capacity building driving forces

Capacity building mediating forces

