Chapter 9

A Dynamic Ability-Based View of the Organization

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ABSTRACT

This paper investigates theoretical micro-foundations of core competencies in the organization that pursues sustainable competitive advantage. It advocates that there is a lack of literature perspectives which can explain the sources of core competencies of the firm. This research raises questions on: What are the main sources of creation and sustenance of core competencies? What are the abilities which nourish the development of operational and dynamic capabilities? What is the main source of collective knowledge in the organization? This work answers these questions by proposing a dynamic ability-based view of the organization which contributes to explaining the dynamic behavior of the firm in the pursuit of sustainable competitive advantage. Cognition is the core ability which supports individuals, groups, and organizations with intelligence, autonomy, learning, and knowledge management. These concepts form the set of organizational abilities in this research.

INTRODUCTION

It has been well-known in the literature that core competencies are sources of competitive advantage of the firm (Hamel & Prahalad, 1990); and that an innovation competence cycle has the role of mapping and translation of knowledge into new goods, services and processes (Tidd, 2006). Advancements in the field of strategic management have distinguished the concepts of dynamic and operational capabilities (Helfat & Peteraf, 2003; Teece, 2007). The first concept represents the firm...
ability of development, integration, coordination and deployment of operational capabilities, and it is associated to the ability of the organization to learn, change and adapt to turbulent and complex environments. The second concept has the meaning of ordinary competencies, processes and routines of standardized and repetitive patterns. Examples of operational capabilities involve activities such as manufacturing a product, procedures of inspection and quality assurance norms. Core competencies are special classes of dynamic and ordinary capabilities, and these concepts will be further discussed in this work.

This paper supports all these developments but it advocates there is a lack of literature perspectives and theories which can explain the sources of core competencies of the firm. Therefore, it investigates theoretical micro-foundations of core competencies in the organization that pursues sustainable competitive advantage. For such a purpose, it proposes a dynamic ability-based view of the organization through literature review and analogies which are most associated to the concepts of the resource-based view and dynamic capabilities of the firm. Whereas such a dynamic ability-based view of the organization supports the proposition that cognition is the core ability that contributes to develop core competencies, and, consequently, that provides the basis for the creation of the organization’s sustainable competitive advantage. To illustrate this context, this paper proposes a dynamic strategic model which explains the dynamic behavior of the organization in the continuous pursuit of sustainable competitive advantage.

The development of this paper is based on four steps which introduce: (1) the organizational abilities, (2) the strategic context of an ability-based view, (3) the strategic dynamic model, (4) and presentation of conclusions.

ORGANIZATIONAL ABILITIES

Ability is a general term concerning the capacity to act mentally, physically, financially, legally, or in some other ways. Cognitive ability refers specifically to mental capacity (Ree, Carretta, & Steindl, 2002). In the context of this paper, cognitive ability is the main source of intelligence, autonomy, learning and knowledge management in the organization. Therefore, organizational abilities involve concepts of cognition, intelligence, autonomy, learning and knowledge management.

Organizational Cognition

Overview

The subject of cognition in organizations has flourished over the last fifty years in an environment of extensive and multidisciplinary research influenced by developments in general systems theory, cognitive and social psychology, artificial intelligence and cognitive science, social psychol-