Achieving Dynamic Capabilities Through the Benefits Management Approach

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ABSTRACT

The IS/IT has played a key role in the improvement of business strategies and in changing skills and organizational capabilities. However, the promised benefits of these investments have been difficult to monitor, implement and account for. Benefits Management (BM) is becoming an increasingly important approach for projects which implement IS/IT investments. The authors’ motivation was answer to the following research question: How BM can help organizations obtain the Dynamic Capabilities (DC) required to meet the growing market challenges? This paper proposes a framework for assisting organizations identify and monitor the benefits of IS/IT investments, and for leveraging through IS/IT the internal changes necessary to quickly respond to the demands presented by the dynamic business environment. The authors’ research approach explored an enriched single case study. They conducted an in-depth and multi-faceted exploration, collecting and using data from documentation, archival records, interviews, direct and participant observations.

KEYWORDS

Benefits Management, Dynamic Capabilities, IS/IT Investments, Project Management, Resource-Based View

INTRODUCTION

For organizations to survive and prosper in the current business environment, they must adapt to and exploit the constant changes that affect business. They need to embrace practices which quickly provide entry to the global market, through flexibility, reliability, innovation of products and services.

Competitive advantage is normally defined as being the ability to earn returns on investment consistently above the average for the industry (Porter, 1985). A firm is said to have a competitive advantage when it implements a value-creating strategy which is not being simultaneously implemented by any current or potential competitor (Barney, 1991). The Resource-Based View (RBV) was developed to explain how organizations achieve sustainable competitive advantage and supports its research on an analysis of strengths that are inherent within the firm. This stream of research has isolated valuable sources of inter-firm heterogeneity, such as: core competencies (Prahalad & Hamel, 1990), strategic factor markets (Barney, 1986), uncertain imitability (Lippman & Rumelt, 1982), organizational climate (Hansen & Wernerfelt, 1989), and intangible assets (Hall, 1993). Rare, hard to imitate and non-substitutable resources generate valuable sustainable competitive advantage (Barney, 1991). However, just possessing these resources do not necessarily guarantee competitive advantage in dynamic environments.

Competitive enterprises need to be able to re-invent themselves and adapt to the changing environment (Teece, Pisano & Shuen, 1997), or must develop their capability to dynamically change resources (Eisenhart & Martin, 2000). Sustained competitive advantage is recognized as being

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the level of exceptional performance which a firm attains when it devises and implements a value strategy that is not concurrently being followed by any existing, or possible, competitor, and when these competitors are unable to reproduce the benefits of such a strategy (Barney, 1991; Lado & Zhang, 1998). The literature on strategic management highlights the fact that sustainable sources of competitive advantage are derived from a set of capabilities which are developed by organizations to renovate and reconfigure their assets – whether they are tangible or intangible (Eisenhart & Martin, 2000; Teece, 2007; Teece, Pisano & Shuen, 1997). The term capabilities emphasize the role of strategic management in adapting, integrating and reconfiguring internal organizational skills, external resources and expertise, to meet the functional requirements of the changing environment.

As an essential skill, DC are assumed to obtain sustained competitive advantage. In other words, they have a strategic importance for the company. DC are the firm’s abilities to integrate, build and reconfigure organizational competences to quickly match the changing environments (Teece, Pisano & Shuen, 1997) and have been frequently proposed as an answer to uncertain environments (Eisenhardt & Martin, 2000; Pavlou & El Sawy, 2006). Helfat & Peteraf (2003) emphasize that to qualify as one of the DC, a capability not only needs to change the resource base, but it also needs to be embedded in the firm, and ultimately to be repeatable. DC need to be market-oriented, given the specific and unique needs of customers, where price does not depend on the market, and where profits are not affected by competition (Teece, Pisano & Shuen, 1997). According to Bowman and Ambrosini (2003), DC passes through the following four principal processes: (1) Reconfiguration – the ability to transform and recombine assets and resources; (2) Leveraging – the replication of a process which operates in one area of a firm into another area; (3) Learning – allows tasks to be performed more effectively and efficiently; (4) Integration – the ability of the firm to integrate and coordinate its assets and resources, resulting in the emergence of a new resource base.

The justification that investments in IS/IT increase productivity, competitive advantage or efficiency was discredited by the evidence that these factors did not, in fact, provide the expected gains (Strassmann, 1997). Over the past two decades of research into the organizational impacts of IS/IT, managers remain skeptical about the idea that investment in IS/IT positively contributes to an organization’s strategy (Tallon, 2007). Measuring this contribution is not easy, as it is influenced by many different factors, such as those that are human, organizational or environmental (Petter, Delone & Mclean, 2008), and it is not clear that investments in IS/IT promote competitive advantages (Shu & Strassmann, 2005). What is relevant however, is to identify how IS/IT resources are applied and managed and their possible effects on organizational strategic variables (Mahmood & Soon, 1991).

RBV allows comparison between organizational resources which utilize IS/IT. Clemons and Row (1991) argue that the skills related to IS/IT for gaining competitive advantage can be analyzed through the different aspects observed in interactions with other organizational resources. Mata, Fuerst and Barney (1995) point out that organizations should focus less on the implementation of IS/IT, and more on the process of organizing and managing the possible sources of competitive advantage. Marchand and Peppard (2008) claim that most benefits from IS/IT come from changes in the way an organization does business and not from the introduction of the new technology itself.

The value of IS/IT to the business and its impact on organizational performance has been debated by many researchers (Melville, Kraemer & Gurbaxani, 2004). Studies pointed out the positive contribution of IS/IT on organizational performance (Brynjolfsson & Hitt, 1996) in contrast to others which reinforced the inefficiency of these investments in terms of productivity (Brynjolfsson, 1993). The development capacity of IS/IT is one way to create capabilities which contribute to understanding the impact of IS/IT and the alignment of their investments at the strategic level of the business (Peppard & Ward, 2004).
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