Dynamic Capabilities And Competitive Advantage: An Analysis Of The Nigerian Banking Sector

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Abstract:

This research work examined the relationship between dynamic capabilities and competitive advantage. The population consists of two hundred and fifty (250) staffs of First bank of Nigeria, while the sample size comprises of one hundred and thirty seven (137) staffs. The study utilized a descriptive research design. However, the study adopted questionnaire as a reliable source of data collection, whereby primary data was used to elicit respondents' opinions on the research topic. The findings revealed that there is no significant relationship between dynamic capabilities and organizational performance.

Keywords: Dynamic capabilities, competitive advantage, resource based view, resources.

1. Introduction

The study of dynamic capabilities focuses on the ways by which organizations acquire and create wealth in an environment with speedy technological change (D'Aveni, 1994). Studies of recent have argued that there has been manic competition and speedy change in today's environment (Teece, 1997., D'Aveni, 1994), resulting to organizations having less time to withstand competitive advantage.

Dynamic capabilities by Day (1990:38) are roughly defined as "complex bundle of skills and accumulated knowledge that enable firms (or strategic business units—SBU) to coordinate activities and make use of their assets". The resource-based view (RBV) was used as a theoretical background to study the manner in which organization's resources and capabilities influences the financial performance of an organization (Wernefelt, 1984). It was suggested by the RBV that all organizations have a distinct component of resources and capabilities which helps in giving them a commanding financial performance and competitive advantage over others (Song, Benedetto, & Nason 2007). It is the ability of the organization to transform those resources and capabilities into a valuable and difficult to imitate capabilities that makes the difference between the financial superiority performance and others in the industry (Liebermann & Dhawan, 2005). Efficiency according to Liebermann & Dhawan (2005) is defined as the ratio of a firm's output to that of its input which is measured in terms of the maximum feasible output that can be obtained with a given set of inputs.

There has been a general definition of dynamic capabilities as the routine within an organization's managerial and organizational process which aim to gain, release, integrate and reconfigure resources (Teece, Pisano and Shuen, 1997) in which they are immune to change (Winter, 2003; Zollo & Winter, 2002). Dynamic capabilities do not only look to acclimatize itself to an organization's resource by looking at the demands of customers and also monitoring the market trends which include an increase in the demand of a particular product or service, rather, it also look to add meaning to its environment

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by bringing about innovation and forming an alliance with their customers and other key participants in the environment (Teece, 2007).

Looking at the angle of the exceptional arrays of resources which bring about competitive advantage, the angle of dynamic capabilities looks at competitive advantage as a means of creating, extending and modifying the resources and capabilities that are most valuable to the organization overtime (Helfat et al., 2007). Dynamic capabilities which are subdivided into three divergent activities and include identifying opportunities and threats, taking advantage of those opportunities and sustaining the level of competition by reconfiguring resources (Teece, 2007). The context of dynamic capabilities looks at the basis and ways by which wealth are created, while also monitoring organizations in a relatively speedy technological, political and social environment.

Past research have supported the existence of speedy dynamic change (Teece 1997), manic competition (D'Aveni, 1994) and high pace (Eisenhardt and Martin, 2000) today's environment in which have made organizations achieve a sustainable competitive advantage in the average period required of them to achieve (Wiggings and Ruefli, 2005). Failure to recognize and apply these capabilities has made organizations in Nigeria unappealing, and non-competitive. This thesis therefore, explores the dynamic capability illiteracy infiltrating the Nigerian business environment.

Developing on the previous overriding strategic management models, it is noted that the view of dynamic capabilities provides significant value in explaining the way in which many organizations use a frequent network resources in achieving sustainable competitive advantage. Shifting attention away from that angle, network resources can be seen as how two or more organizations interact in an industry in order to achieve competitive advantage while also increasing organizational performance. Based on the argument that new network does not exist, the current Industrial Marketing and Purchasing (IMP) group have contributed to the business interaction models by creating a concept called "co-evolution" which seeks to focus on how organizations can be of advantage to each other by working together with two or more companies in the network in order to evolve. The concept 'co-evolution' is seen as a multi-faceted process which can be found among performers that share their problems, resources and activities together. (Ford, Gadde, Hakansson, Snehota, & Waluszewski, 2008).

Despite the positive economical, technological change in business organizations, the presence of a great and healthy competition among firms, industries in Nigeria still encounter problems in adjusting to these changes and competitive advantage which emanates from the problem of innovative ideas and the ability to materialize the ideas. Most managers of organizations lack the innovative instinct and how to materialize them in order to remain competitive and have a competitive advantage. The objective of this study is to examine the relationship between dynamic capabilities and competitive advantage while also exploring the organizations dynamic capabilities so as to take the necessary risk and have a competitive advantage.

2. Literature Review

There has been widespread recognition of dynamic capabilities as a source of competitive advantage for the organization (Mata et al., 1995; Ross et al., 1996; Feeny and Willcocks, 1998; Clemons and Row, 1991). The literature of dynamic capabilities have been entrenched in the RBV which tends to study the relationship between the competitive advantage and the resources of the organization, the RBV sees this relationship as something that is specific to the organization, it is believed that it is so scarce and cannot easily be copied by competitors (Barney, 1991; Foss and Roberston, 2000). Looking at the sense of it, dynamic capabilities in the framework of strategic network resources which may generally be supported that there are numerous resources related to network resources that can be pooled together to generate a system of dynamic capabilities which cannot be substitute, cannot be copied, scarce and of high value to the organization (Mata et al., 1995). Thus dynamic capabilities can be defined as ability of an organization to understand and utilize dynamic tools and processes which are needed to manage market and customer satisfaction. Looking further form the angle of Bharadwaj (2000:29), he explained dynamic capabilities "as the ability to mobilize and deploy network-based resources in combination or co-presence with other resources and capabilities".

An organization is viewed by the RBV as a collection of resources capabilities (Wernerfelt, 1984), Resources by Amit and Schoemaker (1993) can be defined as "stocks of available factors that are owned or controlled by the firm". Resources can be classified into two components which are the tangible components (financial and physical asset e.g property, plant and equipment) and the intangible components (human capital, patent, technology knowhow) (Grant, 1991; Amit & Schoemaker, 1993). Capability on the other hand can be defined as ability of an organization in effectively utilizing its resources to achieve a desired goal (Amit & Schoemaker, 1993). Capability can be seen as a middle approach which is adopted by the organization in which they make use of organizational processes in delivering improved productivity to its resources (Amit &Schoemaker, 1993). Capabilities can be in form of invisible assets which could come as tangible or intangible organizational procedures which are developed by an organization over a period of time and in which case cannot be bought but built (Teece, Pisano, & Shuen, 1997).

It was maintained by the RBV that there will be diverse nature of resources and changing ranks for different organizations and the survival of an organization hinge on its capacity of establishing new resources, improving on its already established capabilities and building on its capabilities uniqueness in order to achieve competitive advantage (Day & Wensley, 1988; Peteraf, 1993; Prahalad & Hamel, 1990). It is therefore worthy to note that the ordinary control of greater resources is not enough for an organization in achieving competitive advantage; rather it is how an organization organizes its scarce resources and utilizes its capabilities to the utmost use that helps in achieving competitive advantage (Peteraf, 1993; Song et al., 2007). Looking at the definition of organizational capability by Dutta et al (1999) as "the ability to deploy resources (inputs) available to it to achieve the desired (outputs)", we therefore adopted the input-output context to fathom the ideal transformation of an organization's resources to its goals.

There has been wide researches using the resource based view (RBV) theoretical models, but few researchers have only attempted to analyze these models in an empirical manner (Collis, 1991; Fahy, 2002; Mahoney & Pandian, 1992; Wernerfelt, 1984). The few researchers that have empirically tested these models are of the opinion that specific dynamic capabilities are of an important impact to the performance of an organizations out of which include: the management's experiential, orientation and attitudinal resources, product innovation and service delivery, organizational capabilities in export knowledge and planning and the ability to leverage strategically important relational resources (Newbert, 2007).

Dynamic capabilities when scarce and treasured brings about an improved balance score card and a source of competitive advantage over rivals especially when they are also unique and cannot be substituted. It is understood that organization make use of important assets to take advantage of opportunities in the environment while also nullifying the threats that exist therein, they further use it as a source of competitive edge over industries that do not have close network resources or those that failed to utilize theirs.

The RBV study on resource capabilities and performance has been of great impact to researchers in different disciplines (Barney, Wright & Ketchen, 2001; Newbert, 2007; Peng, 2004). It has been noticed that some researchers do use the term resources and dynamic capabilities interchangeably, however, in the theoretical aspect they are two different terms. While resources are comparatively sovereign, guileless and stationary, dynamic capabilities however is combined, multifaceted and vibrant. Researches that are of similar element are of the opinion that dynamic capabilities establish organizational values in a way of changing the resources of the organization into a fresh resources in a dynamic process through a definite strategy and an organizational process (Eisenhardt & Martin, 2000). Looking closely at the formal aspect of Helfat (2007:1) which declared that "dynamic capabilities signify the capacity of an organization to purposefully create, extend, or modify its resources base". Capabilities are taken to be dynamic because of the ability of an organization to build, adjust and reconfigure their internal skills on a regular basis so as to compete better and favorably in a turbulent environment.

With an extensive discussion on the RBV theory, attention is thus shifted to the familiar concept of the social capital theory which serves as a force behind balance score card and competitive advantage and has been looked by researchers from different angles (Adler & Kwon, 2002; Burt, 2000; Coleman, 1990; Hitt & Ireland, 2002; Knoke, 1999; Luthans & Youssef, 2004; Moran, 2005; Nahapiet & Ghoshal, 1998). In the extensive study of Adler and Kwon (2002), it was discovered that the social capital theory has no fewer than 19 definitions in their literature. The differences in these definitions were because of the analyses of social capital within an organization, more so, the differences were borne from the relationships among organizations and the external factors affecting them, another important difference is to look whether attention is based on sources of social capital, or the effects of social capital. Nevertheless, there is some accord which asserts that relationship is an important element of social capital (Adler &Kwon, 2002; Moran, 2005). It was contended by researchers like Coleman (2005) that social capital is different from other forms of capital in the sense that it focus on the relationships with other organizations instead of the participants' therein. Thus, the hypotheses available in this study are:

H_0: Dynamic capabilities have no significant relationship with competitive advantage.

H_1: Dynamic capabilities have a significant relationship with competitive advantage.

3. Methodology

In order to attain the objective of this study, a survey research design was adopted for the research study. This method of research design was adopted to describe the relationship between dynamic capabilities and competitive advantage. This study follows a positivist philosophy to survey research design. Thus a set of two hundred and twenty (220) pre-test questionnaires was administered among the various employees of the First Bank of Nigeria PLC drawn from twenty two branches of the bank in Ogun state for easy accessibility by the researchers. However only one hundred and thirty seven (137) representing 62.3% completely filled and returned questionnaire used for analyses of the study.

The questionnaire was divided into two sections; Section A contained the demographic and personal information about the respondent which include sex, age, marital status, educational qualification, department and work experience while Section B contained questions related to the research questions under consideration. It employed a 5 point likert scale instrument from strongly agree to strongly disagree; where strongly agree is 5 points, and strongly disagree is 1 point

In determining the validity of the research instrument employed in this study, the content and expert validity were used. In doing this, it was given to three experts of management in dynamic capabilities for thorough proofreading, which was accordingly done by them and corrections made where necessary.

After the validity was done, the instrument was tested for reliability. The reliability was achieved through a split halve method. A set of sixty (60) questions were administered as a pilot study to determine the reliability of the instrument. All the sixty (60) returned the questionnaire completely. Thus, the questionnaires were split into equal half of thirty (30) each and was then correlated using SPSS (v15) which then showed a cronbach coefficient alpha (α) of 0.862. This showed a strong reliable instrument.

This study adopted a correlation coefficient analysis method of data analyses. In addition, percentages, and descriptive statistics were equally employed. The data gathered from the questionnaires were subjected to these analyses to enable the researchers study the degree of relationship between the variables.

4. Empirical Results

Table 1 revealed that many of the respondents were male which constituted 75.9% of the total respondents. Respondents who were less than 35 years were calculated at 24.8%, while those who were above 34 years, but below 45 years were calculated as 49.6%, those who were 45 years and above were summed up at 25.5%.

The marital status of the respondents revealed that many respondents were married at 70.1%, which was followed by those who were single at 15.3%, the ones with marital problems had a low percentage at 14.6%.

The table further revealed that 20.4% of the respondents are nce/ond holders, 39.4% of them are holders of hnd/bsc, and 14.6% are mba/msc holders' while a percentage of 25.5% hold a higher degree of certificate.

The table likewise reveals that those with less than 5 years experience are 35.o% of the respondents, those with between 5-10 years experience stood at 44.5% of the respondents'. Those above 10 years of experience were estimated at 20.4%.

The table also revealed that 25.5% of the respondents are in the human resource department, while a percentage of 34.3% of the respondents can be found in the finance department. The marketing department consists of 19.7% of the respondents, while 20.4% of the respondents are in other departments not listed in the questionnaire.

Finally, it was revealed that a percentage of 35% of the respondent are from ogun west, 29.2% from ogun east, and 35.8% from ogun central.

Table 1:

Demographic factors of the respondents

		Frequency	**Percent%**
Sex	Male	104	75.9
	Female	33	24.1
	Total	137	100.0
Age	25-34	34	24.8
	35-44	68	49.6
	45 and above	35	25.5
	Total	137	100.0
Marital status	Single	21	15.3
	Married	96	70.1
	Others	20	14.6
	Total	137	100.0
Educational qualification	Nce/ond	28	20.4
	Hnd/bsc	54	39.4
	Msc/mba	20	14.6
	Others	35	25.5
	Total	137	100.0

Work experience	Less than 5 years	48	35.0
	Between 5 to 10 years	61	44.5
	Above 10 years	28	20.4
	Total	137	100.0
Departments	Human resource	35	25.5
	Finance	47	34.3
	Marketing	27	19.7
	Others	28	20.4
	Total	137	100.0
Regional distribution	Ogun west	48	35.0
	Ogun east	40	29.2
	Ogun central	49	35.8
	Total	137	100.0

Source: Researcher's Field Survey, 2014.

Table 2: RELIABILITY TESTING

Case Processing Summary

	N	%
Valid	137	100.0
Excluded(a)	0	.0
Total	137	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.862	16

Source: Researcher's Field Survey, 2014.

Hypotheses testing:

H_0: Dynamic capabilities have no significant relationship with competitive advantage.

H_1: Dynamic capabilities have a significant relationship with competitive advantage.

Correlations

		uniqueness and creativity	competitive advantage
uniqueness and creativity	Pearson Correlation	1	-.462(**)
	Sig. (2-tailed)		.000
	N	137	137
competitive advantage	Pearson Correlation	-.462(**)	1
	Sig. (2-tailed)	.000	
	N	137	137

** Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher's Field Survey, 2014.

Decision Rule

The relationship between dynamic capabilities (as measured by uniqueness and creativity) and competitive advantage (as measured by competitive advantage) was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. There was a weak, negative correlation between the two variables, $r = -.46$, $n = 137$, $p < .0005$. This implies that there is no significant relationship between dynamic capabilities and competitive advantage thereby failing to reject H_0 which is the null hypothesis.

5. Conclusion And Implication For Management

It was revealed by the findings that dynamic capabilities have little importance on the organization's competitive advantage. The finding also found out that for an organization to bring about new ideas (dynamic capabilities), it has to bring together many resources in form of collaborating with other organizations so as to achieve its goals and objectives.

In addition, findings revealed that organizations should try to create new ideas that are distinct from its competitors (dynamic capabilities) so as to satisfy and retain their customers while also building a strong goodwill for the organization.

Furthermore, it was assumed that dynamic capabilities no significant relationship with competitive advantage which implies that the ability of a firm to be able to produce unique and creative goods/services does not guarantee the organization to edging its competitors in the industry.

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