DYNAMIC COMPETETIVE CAPABILITY AND DRIVERS OF DYNAMIC LEARNING

IN STRATEGIC ALLAINCE IN THE NIGERIA INDUSTRIAL SECTOR

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1.0 INTRODUCTION

A basic problem in a firm's strategic management is the ability to sustain long-term competitive benefits. In the past, resource base view (RBV) provided an introductory explanation of competitive differences as a result of a firm possessing exclusive capabilities and resources, but how to get the exclusive capabilities and resources has always been a problem. Thus, resource base view (RBV) studies frequently suffered clear proof and failed to provide clear theoretical model, and could not reasonably explain why firms can maintain competitive advantages in varied and fast paced competitive environments.

Different studies (Teece 1976; Teece 1980; Dierickx and Cool 1989) suggest that exclusive capabilities and resources generally cannot be obtained from the transaction market, and exclusive capabilities must be produced by a distinctive organizational mechanism. A number of researchers have explained that dynamic competitive capabilities are encourage based on organizational routines (Penrose 1959; Teece 1984; Wernerfelt 1984).

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Organizational learning mechanism is the basis for firm development of dynamic competitive capabilities, and through organizational learning mechanism creates competitive capabilities which are real benefits that cannot be duplicated by competitors. Indeed, recent research on the evolution of dynamic competitive capabilities shows the promise of organization dynamic learning mechanisms (Zollo and Winter 2002; Winter 2003). Different scholars have agreed that an organization's competitive capability derives from the knowledge expression routines by which organization dynamic learning mechanism is a key point. Winter (2003) noted the existence of dynamic learning mechanisms, but his work does not explain how firms can achieve dynamic competitive competence. In fact, currently just few related studies are available on this area, and thus the area is truly worthy of study (Williamson 1999; Priem and Butler 2000).

Strategic alliance is a flexible strategic option that can improve firm competitiveness by leading external competitive resources. Helfat and Peteraf (2003) showed that strategic alliance is a selection effect that can enhance a firm's dynamic capability and provide the firm with new opportunities. Thus, alliances are active method of getting knowledge resources and learning special know-how and are capable of producing new dynamic capabilities. Dynamic capabilities can be gotten from alliances and acquisitions, and alliance can contribute new and useful resources to firm's and organizations (Powell, Koput et al. 1996; Lane and Lubatkin 1998; Ranft and Zeithaml 1998; Zollo and Singh 1998; Gulati 1999).

Eisenhardt and Martin (2000) also agree that dynamic capabilities can be derived from specific strategic management and organizational processes, such as by alliance operation. Powell, Koput et al. (1996) strongly believe that dynamic capabilities derive from the process of alliance, particularly when the external enterprise possesses knowledge resources. Alliance is a very useful strategy for cooperative partners, and assist firm to quickly launch new competitive capabilities. Previous studies on developing competitive capabilities via the dynamic learning mechanism have always lacked a clear theoretical model. Therefore, this study make use of the literature induce and case study methods to show how the factors of the dynamic learning mechanism drive the evolution of dynamic competitive capabilities. Theoretical model is use in this research to get the effects among drivers of dynamic learning mechanisms and dynamic competitive capabilities development in alliance organizations.

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2.0 THEORETICAL FRAMEWORK

2.1 Developing Dynamic Capabilities Based on Dynamic Learning Mechanism

Organizations face a changing business environment and an industry structure characterized by unpredictability and strong competition. Previous resource base view (RBV) explanation of individual capability is just a temporary. However, modern organizations need a dynamic competitive capability for handling high level dynamic competitive environments. Some studies (Barney 1992; Lado and Wilson 1994; Teece, Pisano et al. 1997) support the importance of dynamic capabilities, which recently has been acknowledged by resource base view (RBV).

Dynamic capabilities are strategic routines by which firms achieve new resource configurations (Kogut and Zander 1992; Eisenhardt and Martin 2000); it is an organizational routine that can accumulate knowledge through learning processes (Nelson and Winter 1982). Earlier research (Clark and Fujimoto 1991; Zollo and Winter 2002) has show dynamic capabilities as existing in special operating routines and arising from learning. Argote (1999) and Eisenhardt and Martin (2000) have note the path of dynamic capabilities as being more accurately described as a learning mechanism that guides dynamic capability evolution.

Organizational dynamic capabilities are a type of competitiveness derived from an organization's dynamic learning mechanism of which advantages generally offer the greatest sustainable value (Prahalad and Hamel 1990; Senge 1990; Stalk, Evans et al. 1992). Earlier research (Kogut and Zander 1992; Eisenhardt and Martin 2000) recognizes that a dynamic learning mechanism is an important boundary driving the creation, evolution, and recombination of other resources. It helps in renewing organizational knowledge resources and organizing operating routines, as well as by the transitional step of dynamic capabilities development.

Indeed, this study integrates the dynamic capabilities positions of several scholars (Teece, Pisano et al. 1997; Argote 1999; Eisenhardt and Martin 2000; Zollo and Winter 2002) and organizational learning position of several scholars (Nelson and Winter 1982; Clark and Fujimoto 1991; Zollo and Winter 2002) which defines dynamic learning mechanism as a learning and systematical routine by which organizational experiences and allows the leading of

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organizational members to learn, solving problem, improved decision making, stimulating creative ideals, effective implementing organizational objectives, and then assisting in renewing organizational capabilities.

2.2. Drivers of Dynamic learning Mechanism Driving Dynamic Competitiveness

Looking at the term "dynamic competitive capabilities" from a strategic perspective, dynamic capabilities can be seen as an exclusive firm property. They are organizational routines that store organizational knowledge through large detailed process (Nelson and Winter, 2000). Whether a firm possesses such exclusive property is determined by whether it possesses a fundamental and distinctive mechanism (Penrose 1959; Teece 1984; Wernerfelt 1984). An organizational learning mechanism is a fundamental mechanism for firms, as well as being a most distinctive and dynamic mechanism (Clark and Fujimoto 1991; Zollo and Winter 2002). Earlier work (Argote 1999; Eisenhardt and Martin 2000) identified the evolutional path of dynamic capabilities as being more accurately described in the learning mechanism. Clark and Fujimoto (1991) and Zollo and Winter (2002) viewed dynamic learning mechanism as a learning intent routine. A dynamic learning mechanism is explicitly promised as a key to competitiveness and is a significant identifier for altering knowledge articulation (Williamson 1999; Priem and Butler 2000). Thus, a dynamic learning mechanism is an important system of competitive capability to a firm. An effective driver of dynamic learning mechanism can gather dynamic competitive capabilities to produce a dynamic advantage, particularly when knowledge resources are viewed as the core of the firm's competitiveness. Therefore, learning intent, through drivers of a dynamic learning mechanism, also contributes useful knowledge to the organizational evolution system. Therefore, understanding the drivers of the dynamic learning mechanism is important, because good drivers tend to make competitive capabilities evolve toward a more visible expression.

Dynamic competitive capabilities is defined by (Zollo and Winter, 2000) as existing in special operating routines as arising from learning, with a routine, learning concept is a dynamic and systematic element.

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2.2.1 Managers integration power

The power of integration (Graebner 2000) and the strategic redeployment of exclusive routines (Capron, Dussauge et al. 1998; Graebner 1999; Graebner 2000) significantly impact the development of dynamic capabilities. According to earlier research (Pisano 1994; Grant 1996), dynamic capabilities always derive by which managers alter their knowledge resources for integration and recombination, thereby creating new value competences. In particular, since managers must deal with complicated organizational problems in the processes of alliance collaboration, manager integration power is always a key issue in driving organization knowledge articulation. Managers possess very strong integration power, and they can thus easily resolve numerous internal and external problems, determining the most efficient ways for the organization to accumulate knowledge, and quickly implementing organizational activities. Conversely, if managers lack strong integration power to integrate useful learning, thereby negatively impacting organizational performance, members of allied organizations can easily lose confidence, which undermines the usefulness of the alliance. Eisenhardt and Martin (2000) posited that if managers have enough integration power to elaborate organizational learning mechanism, then managers will easily consolidate and expand the organizational learning to related or new areas. Organization will enter the stage of renewed dynamic competitive capabilities, thus invisibly promoting organizational competitiveness. Thus, managers possessing very strong integration power can develop alliance organizations' dynamic competitive capabilities. Notably, several scholars (Clark and Fujimoto 1991; Ancona and Caldwell 1992) have recognized that if managers have very strong integration power, then organizational dynamic competitive capabilities development can result.

2.2.2 External linkage

It is necessary to reform organizational operating routines by performing the steps of integration, reconfiguration and establishment to develop a new learning resource, a process which can be said to be a kind of trial-and-error process involving numerous external links. Zollo and Winter (2002) employing a cognitive perspective, claim that effective learning can be defined as follows: organization members can share their experience, compare their experience, discuss with other team colleagues, and exchange opinions. Thus organizational members use communication links to enhance the exchange of messages and opinions, and these can collect

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irregular knowledge and special experience very quickly. Ancona and Caldwell (1992) demonstrated that plentiful information linkages are very important driver for alliance organization cooperation and are also advantageous for creating learning intent. Henderson and Cockburn (1994) claimed an external linkage process as an effective method of learning and competitiveness promotion. Powell, Koput et al. (1996) also confirmed that external linkages are significant for alliance relationships in improving organization learning creation. If an organization increases its competitive advantage through alliances, its success depends primarily on the external organization possessing very useful learning. Thus, the external linkages, of which can be used to promote organizational dynamic learning mechanism.

2.2.3 Previous experience

Organizational experience helps to quickly transfer previously learned effects to a new orientation. Experience can not only help members rapidly familiarize organizational operation, but can also help them overcome unfamiliar and difficult environments. Experience is a major factor in increasing decision accuracy and efficiency, as well as in producing latent contributions to organizational learning. If organizational members have previous experience in the process of alliance collaboration, this experience will provide them with superior skills for reinforcing the excellent ability in organizational routines, and to incorporate improved learning and experience into organizational routines. Haleblian and Finkelstein (1999) agree that members with extensive experience are superior to those with moderate experience, for they can discern the similarities and differences between current and previous routines, as well as being able to more easily acquire and operate valuable learning intent, thereby promoting capability renewal and growth. Thus, previous experience can be said to more easily display organizational learning, identify learning obstacles that influence organizational members, and as well as provide more efficient association among members. Argote (1999) confirmed the significant effect of previous experience, based on research on learning curves in the manufacturing industry. Eisenhardt and Martin (2000) also note that within alliances, previous experience is likely to be a key influence on the product development process, and can promote knowledge accumulation. Previous experiences thus can promote alliance organization learning, primarily because the organization of alliances involves substantial challenges in coordination. So when a dynamic learning mechanism incorporates previous experience, not only can it overcome numerous obstacles, but

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it is also possible to accelerate learning competence and avoid friction among members. Thus, previous experience positively promotes dynamic dynamic competitive capabilities.

2.2.4 Repeated practices

Practice can help organizational members better understand organizational operating processes and more efficiently develop operating patterns, and thus practice can help in experience accumulation and learning intent. Repeated practice help to accelerate learning experience, particularly in firms involved in alliances, thus making organizational operations smoother. Eisenhardt and Martin (2000) posit that repeated practice is an important dynamic learning mechanism and is advantageous to the development of dynamic capabilities. Argote (1999) also believes that repeated practice can help organizational members develop better operating methods, as well as assisting in the development of the manufacturing learning curve. However, alliance members all present different fields of professional learning and they must cooperate within a single organizational structure to execute projects and missions together. Thus, mistakes and failures are a kind of unavoidable learning process, which clearly holds considerable potential for conflicts and failures. If organizations cannot accept repeated practice, this makes it difficult for organizations to learn from experience, and preventing the evolution of dynamic capabilities. Zollo and Singh (1998) confirm that repeated practice helps in the accumulation of implicit and explicit knowledge, boosting the performance of alliances or acquisitions. This study thus clearly defines repeated practice as an important driver of dynamic learning mechanism.

2.2.5 Codification of experience

Codification of experience can facilitate routine accumulation and establishment in formal organizational operations (Zander and Kogut 1995; Zollo and Kogut 1995; Argote 1999). Winter (1987) and Nonaka (1994) have stressed that experience codification can enhance the spread of organization knowledge; since the codification of experience can let organization members with codified experience help new members to quickly learn and reduce mistakes. Given full experience codification can be rapidly integrated into established dynamic learning routines and can quickly influence organization performance, therefore avoiding big mistakes and failures. Therefore, Experience codification which occurs the learning mechanism in rapid competition and environmental change.

2.2.6 Ambiguity

Dynamic capabilities exhibit embedded characteristics during the development process (Nelson and Winter 1982; Barney 1986), thus dynamic capabilities should be embedded in routines that can be produced via system operation. This study uses a formal mechanism to extradite the learning results; actual experience accumulation and learning intent always exhibit a clear embedded influence that is particularly obvious in learning of tacit knowledge and tacit experience. Several studies (Kogut and Zander 1992; Hedlund and Zander 1993) have also observed that learning always faces barriers, and thus it is necessary to consider its ambiguity during implementation. Lippman and Rummelt (1982) also agree that ambiguity impacts organizational learning and influences achievement of organizational targets. Crossan and Inkpen (1995) proposed that successful strategic alliance learning must overcome the impact of ambiguity on partner collaboration. Ambiguity thus creates an obstacle and negatively impacts alliance dynamic learning mechanism.

2.3 Learning mechanism enhancing dynamic competitiveness of alliance organizations

Learning is the core of the firm's competitive advantage, especially if one takes knowledge as the core of competition in industrial structure. Argote (1999) and Eisenhardt and Martin (2000) view the evolutional path of dynamic competitive capabilities as being more accurately described in the learning process. Learning intent play a definite role in transforming dynamic learning mechanism into dynamic competitiveness, and it enhancing competitive capabilities development. Simonin (1997) and Luo (1999) held that learning management made a definite impact upon an alliance's success and plays an important role. Zollo and Winter (2002) maintained that dynamic capabilities development must be a learning process. Thus, learning intent is a real guide for dynamic capabilities evolution.

Dynamic competitive capability is a set of organizational process and a collection of principles; also, it assist a firm to achieve its strategic goals by deploying learning resources in the organization. Although dynamic competitive capabilities are similar to a lifecycle which is articulated by patterns and paths based on three stages (a) foundation (b) development, and (c) maturity. But not all capabilities will reach maturity, as long as there are outsuide events that can

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influence abilities to evolve a new and effective dynamic competitive capabilities lifecycle, therefore enable`ing the continued maintenance of sustained advantage (Helfat and Peteraf 2003). Strategic alliances appear to constitute an external selection event. They guide new resources into the organizational internal learning system and produce new routines; these then evolve into new dynamic competitive capabilities, preventing the organization from entering a mature lifecycle. Researches has suggested that organizational dynamic capabilities involved in the alliance process include adaptation and changing components, through the adaptation and change processes integrate valid knowledge to drive dynamic capabilities development, creating firm strategic value (Eisenhardt and Martin 2000). So alliances are a good strategic option for obtaining and can produce new dynamic competitive capabilities. Eisenhardt and Martin (2000) also point out that dynamic capabilities development comprise learning processes.

- H1: Manager integration power of a dynamic learning mechanism is positively related to learning intent
- H2: External linkage system of a dynamic learning mechanism is positively related to learning intent
- H3: Previous experience of a dynamic learning mechanism is positively related to learning intent
- H4: Repeated practices of a dynamic learning mechanism is positively related to learning intent
- H5: Codification of experience of a dynamic learning mechanism is positively related to learning intent
- H6: Ambiguity of a dynamic learning mechanism is negatively related to learning intent
- 3.0 RESEARCH METHODS

This study aims to investigate the drivers of dynamic learning mechanisms in dynamic competitive capabilities of alliance organizations; case study methodology was employed to gather data. Six interviews were conducted with high level managers to collect data, a purposeful sample of six participants from Lagos state firms. All of the participants had been with their firms for ten years or more, and most managers had rich and successful management experience in alliance organizations. Thus, the participants not only had an in-depth understanding of their alliance organization's operation and management routines but also probably were the most qualified to provide information on this study. The high-level managers were directly interview

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directly. The six high level managers were invited to discuss and answer questions involving organizational operations and strategic management activities relating to their routines, and were invited to focus on the drivers of the dynamic learning mechanism of the alliance operation.

The interview questions of this study are as follows:

- What are the important drivers in a dynamic learning system in alliance organization?
- Do you think the exhibit embedded characteristics in dynamic learning mechanism or not? Why?
- ✤ Do you think that ambiguity impacts organizational learning implementation and dynamic competitive capabilities?
- \diamond Do you think the dynamic learning mechanism benefits dynamic competitive capabilities development or not? Why?

All interviews were recorded for further analysis and interpretation. During the qualitative research process, the data collection and analyses were processed simultaneously, and results of data analysis led to further theoretical deduction. In our study, six high level managers participated in the interview and provided useful information to achieve the current theoretical proposition, that is, to identify critical dimensions for drivers of dynamic learning mechanisms and to distill implications.

Table 1: Summary of participants' information

No.	Name	Gender	Age	Appointment	Alliance
					organization
					management
					experience/ years
1	Olabode George	М	47	Management manager	15 years
2	Alarede Isa	М	52	Marketing manager	15 years
3	Felicia Okonkwo	F	57	Management manager	20 years
4	Gabriel Agunta	М	58	General manager	16 years
5	Danguma Dauda	М	53	General manager	15 years
6	Yeri Damilola	F	55	Marketing manager	17 years

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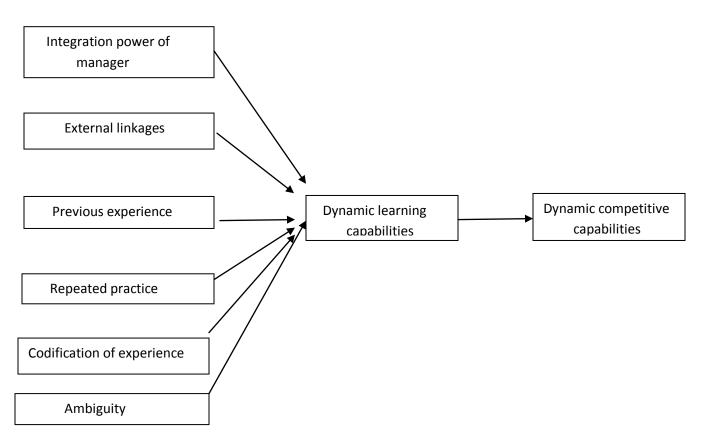
3.1 THEORETICAL MODEL

The conclusion of the six case studies supported our current theoretical proposition, and the theoretical model is as bellow:

Drivers of dynamic learning Dynamic learning

Dynamic competitive

Capabilities of alliance capabilities



4.1 **CONCLUSION**

Dynamic learning mechanism has been seen as a key mechanism for developing dynamic competitive capability capabilities in organizational routines (Zollo and Winter 2002). Teece, Pisano et al. (1997) believe that dynamic capabilities must be developed based on the process of organizational learning. Eisenhardt and Martin (2000) claim that organizational learning mechanism can promote competitive capabilities, and that the organizational learning mechanism can evolve into unique advantages.

The creation and development of dynamic competitive capabilities includes well-known organizational and strategic process like alliances, the strategic value of which primarily lies in allowing organizations to manipulate resources and enter a process of creative value, notably, dynamic learning mechanism plays a decisive role in this evolutional process. This research studied the drivers of dynamic capabilities using the concept of dynamic learning mechanism. From the review of the past literature and case study this study proposes that the integration power of managers, external linkages, previous experience, repeated practice, and codification of experience play important roles on development of dynamic competitive organization, and ambiguity is a negative impact on developing dynamic learning mechanism. Dynamic learning mechanism is a positive impact on developing dynamic competitive capabilities in alliance organizations. Thus, this research proposes learning intent and dynamic competitive capabilities evolve from a dynamic learning mechanism just is a real dynamic competitiveness. This purpose of this research was performed to gain an understanding of most dependable dynamic competitive capabilities related to firm dynamic learning mechanism. Thus this research primarily defines a clear theoretical model for developing dynamic capabilities through the dynamic learning mechanism, and the uncertainty of past research on resource base view can be primarily complemented.

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