

Effects of An Organizational Capabilities to The Business Competitive Advantage.

Sornsawan Bungnasaeng¹, Saranya Netrthanon², Kwanklao Srisopha³, Kannika Inchana⁴ and Khorntawatt Sakhonkaruhatdej⁵

Thailand National Sports University Chon Buri Campus, Thailand
E-Mail: tofkpru@gmail.com

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Abstract:

The traditional grocery business in Thailand is one of the continuing growing business sector, that are driven the national economy with the largest local consuming spread around the nation. With a continue of growing business, grocery business in Thailand are facing of highly competition situation. Under the growing situation some of them are able to survive but some of them are leaving the market. The purpose of this article is used the management theories and concepts to analyze the traditional grocery business situation in Thailand with the focusing on the strategic management, and deeply explain the impact of dynamic situation by using dynamic managerial capabilities concept. For traditional grocery business situation are facing dynamically changing competitive environment, and continuing increasing of new entrepreneurs the effect of dynamic competitiveness, one of the concept that use to describe the survival of the business in the non – static situation within the emerging market is dynamic managerial capabilities. An understanding of dynamic managerial capability is focusing on three elements, manager build, integrate, and reconfigure organizational resources and competences. However, there are the linkage between the dynamic managerial capabilities and the dynamic competitive advantage all of these are having the characteristic of non – static situation.

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I. INTRODUCTION

Thailand had seen its first grocery businesses around 50 years ago, along with the Chinese immigrants into Thailand at that time. Most of them became grocery business owners. With booming economic growth and increased number of local small stores, buying and consuming locally dramatically grew. Thus, not only Chinese immigrants, the Thais themselves chose to engage in grocery businesses, following the Chinese grocery business model. A grocery business model that was very successful, due to a less-competitive environment, which was not so difficult to control and predict (Sathongvieng, 2010).

A big change of Thai grocery business occurred in 1997, the time of Asian Financial Crisis. During this period, with less demand, these traditional grocery stores took a huge impact. The collapse of these businesses had risen the unemployment rate, reaching its highest. Due to the previous event, the number of grocery businesses had increased continuously. With the increasing number of businesses, the competition within the industry became fiercer. In addition to competitive environment, the traditional grocery businesses also face with financial crisis, along with less purchasing power consumers. They had to face pressure from all sides (Thai Retailer Association, 2017).

Analyzing from a theoretical principle, Porter (1985) explained this situation from Positioning Theory perspective by introducing the analysis of impetus from 5 external environmental factors, which is the basis used to analyze businesses within the industry, to give an explanation within the context of traditional grocery business in Thailand. The information from Thailand Development Research Institute (2017) shows that this group of businesses face challenges, which can be debated from many aspects: 1) Internal Rival – competitors in the grocery business industry or retail business, including micro grocery, small and medium grocery businesses. There are a high number of businesses in this industry. 2) Bargaining of Customer – based on an analysis by Jeamsripong (2011), titled Thai's Grocery Business: Problem and Solution, explaining consumers' behavior in selecting products from a grocery store changed due to more choices and more time in selecting a product. Grocery shopping has transformed from shopping for necessities to an activity that generates happiness from selecting products in a place which provides convenience such as air conditioning, variety of products and good services. 3) Bargaining of Supplier – Supplier has higher bargaining power due the products placed within the grocery stores are products that are household products that is used widely. These products are necessities that all stores must provide. As a result, the supplier holds the bargaining power. 4) Threat of New Comer – a research by Sathongvieng (2010) found that grocery business growth rate, including micro, small and medium level grocery stores, continuously rises since 1997, the year of Asian Financial Crisis. It also shown that the relation between economic condition and grocery business growth are of opposite direction. In other words, when the economy declines, the grocery business grows more. 5) Threat of Substitution - Sakhonkaruhatdej (2016) found that there are more channels of customer approach. In Thailand, many different channels have been developed to reach customers in various businesses. Jones Lang LaSalle (2017) explained the new substitution for grocery

store as modern trade and convenience store.

Due to higher competition, grocery stores in Thailand has adapted and changed to increase its advantages in competing. However, due to competitive environment rapidly changing, the old business models could not keep up and was not able to build advantages in the long run. Thus, the author turn to focus on contemporary concepts and theories in explaining how to create advantages to compete in modern days for Thai grocery business. Teece (2001) introduced the concept of an organization capability in measuring its ability to create advantages in rapidly changing competitive environment. In addition, in reviewing Thai literature, the author found that the previous studies regarding ability in business context gave importance to Adaptive capability (Sakhonkaruhatdej, 2016). However, present day studies gave more importance to the group of individuals who leads an organization, thus came the study of Managerial dynamic capabilities, which is the capability that evolved from managerial capabilities that can't stop progressing (Teece, 2016). The studies on Managerial dynamic capabilities gave importance to the management ability to lead an organization through crisis or build competitive. Thus, this article gives importance to the study of the management capability that develop with the rapidly changing environment to create an organization that has competitive advantages over its competitors.

II. GROCERY BUSINESS SYSTEM IN THAILAND

The cycle of retail business starts from the manufacturer who produces the products and sell it to the wholesalers and retailers. The manufacturers in retail market are divided into 3 groups: overseas manufacturer or supplier, domestic manufacturer or supplier, and small domestic manufacturer or supplier, who all play an important role in the retail business and produce products to satisfy the consumers' demand. The manufacturers will distribute the products through various channels through the wholesalers and retailers. Big retailers

has a network all over the world, and big suppliers from overseas will negotiate purchases on a regional and world level. Big retail stores purchases at a lower price than those of small retail stores, along with continuously expansion of big retail stores, causing smaller manufacturer less chances to place their products on the store's shelves due to lack of manufacturing ability in the long run. Consequently, there are a few big manufacturers and traders left.

Most of traditional stores consist of both retail and wholesale and have long existed in Thai society. These are divided into 3 groups: Chohua store, Yipua store and Chapua store. Chohua stores sell consumer products which are used in daily life. Most of other products can be purchased at Yipua stores who bought its products either from Chapua stores or directly bought from the manufacturers. Yipua stores or wholesales store sell products, which were bought directly from the manufacturers, in dozens so buyers could resell the products, but will not sell directly to consumers. Some Yipua stores will provide free deliveries.

This indicates that this business operation system is not complicated and doesn't require large amount of investment. Therefore, when the economy declines, those who were lay off turn to invest in grocery retail business, which consequently increase the competitiveness. The owners' ability thus became one of the important factors for studying the variables in keeping this type of business afloat.

III. DYNAMIC MANAGERIAL CAPABILITIES

The study of an organization capabilities is the basis which leads to the understanding of Managerial dynamic capabilities. Therefore, it is important to understand the theories relate to resources and capabilities. Penrose (1959) had conducted a study on an organization's perspective on resources. The study focuses on the management of physical resources (factory, materials, land, etc) and human resource, if any, from the management to operation levels. This concept of resource management has been developed by Wernefelt (1984; Barney, 1991) and is widely accepted. The perspective on

resources tries to explain that an organization can create competitive advantage through management of its business resources (Peteraf, 1993). The concept also shows that an organization's resources and capabilities are the foundation of competitive advantage. An organization's resources consist of assets, culture, information, experience, technology and expertise (Maijoor and Witteloostuijn, 1996). An organization must create the capabilities in management process that can be adapted to coordinate the use of different resources in the organization to achieve its goal. (Amit and Shoemaker, 1993; Bowman and Ambrosini, 2003; Teece, 2014) and Barney (1991) introduced the types of resources that is the basic foundation in an organization, which will lead to competitive advantage in the form of Resource Based View Theory. This theory gives importance to the analysis of resources within the organization and its capability, which will lead to Competitive advantage. Subsequently, dynamic capability expanded the view on Resource Based View Theory to relate resources and capability to the environment of modern day businesses. Collis (1994) conducted a study regarding an organization capability in that generation to increase the competitive capability limit over the competitors. Dynamic capabilities is widely popular in empirical researches due to its importance in motivating an organization to adapt, learn, and develop resources and its ability to respond to Eisenhardt and Martin (2000).

Market dynamism changes rapidly, affecting competitive advantage which is important to business operation in an competitive environment (Bitar and Somers, 2004; Andreeva and Chaika, 2006). Market dynamicism concept, thus, became the guideline that helps an organization survive and become successful from having appropriate resources and learning the dynamics (Luo, 2000; Bergman, et al., 2004) from its knowledge management (Shera and Lee, 2003), which is the ability to invent and develop new products (Petroni, 1998). To satisfy demand for change (Wu, 2006) as explained by Wang and Ahmed (2007), dynamic

capabilities is the factor which enable an organization to success due to its ability to absorb new knowledge and information from outside and its ability to adapt to market's changing conditions. Oliver (2014) further explained that dynamic capabilities is the factor which create competitive advantage in the long run and contribute to an organization success.

The developing of dynamic capabilities is argued to be especially important form firms operating in retail markets characterized by relatively short innovation cycles (Zahra et al., 2006) No matter whether one takes an inductive (Montealegre, 2002) or a deductive (Weerawardena et al., 2007; Teece, 2007) to study the sources and elements of dynamic capabilities, on invariably ends up pointing to the top management as the critical source of developing dynamic capabilities, as well as for setting up the learning processes in the organization for their development. This is especially relevant for retail business where the founder or management team set the direction, choose strategy and implement processes (Weerawardena et al., 2007). Thus, the focus of this study naturally becomes the dynamic managerial capabilities of retail business.

A dynamic managerial capabilities is a concept that has been conceptualized and studied in relation to larger organizations. Adner and Helfat (2003) define it as : the capabilities with which managers build, integrate, and reconfigure organizational resources and competences, the concept of dynamic managerial capabilities is a direct analogy to more general organizational dynamic capabilities, which Teece et al. (1997) define as capabilities that enable an organization to integrate, build and reconfigure competences.

This definition are adopted to this study. However, while Adner and Helfat (2003) have studied the presence of these capabilities quantitatively, the objective of the presen study is to explore the specific aspects of the dynamic managerial capability for the business sector.

VI. COMPETITIVE ADVANTAGE

Referring to the business environment, which influence the ability to create competitive advantage for a business, this includes customers, competitors, suppliers, substitute products and new competitors. This is an explanation in regards to business positioning (Positioning). However, such concept was criticized in terms of concept stability (Static), which led to the development of Market Dynamic and when circumstance becomes dynamic, which means it's constantly changing, and creating competitive advantage must correspond to the market dynamic (Angeli and Jaiswal, 2015; Porter, 1985) Competitive advantage in the previous generation was explained in the terms of creating differences in business operation, products and services, along with cost advantage compare to the competitors by selling at a price lower than the market price (Day and Wensley, 1988). Creating competitive advantage by differentiating require large amount of investment and considering the high dynamic environment, this type of investment is most likely to be easily counterfeit in a blink of an eye, where as creating advantage by investing lower than the market by not developing new products will not result competitive advantage in the long run. Ghosh (2013) Competitive advantage explained under dynamic competitive environment was developed by (Beamon, 1999) introducing the concept to expand the previous competitive advantage concept, giving importance to competitive advantage that has flexibility in tactics. Businesses will be ready for constantly changing environment and able to adjust its plans in between process to accommodate the changes and opportunities to come (Slack, 1999). The advantage from creating flexibility for the business needs the business itself to constantly seek for information from competitive condition within the industry. This indicates that the business needs to be dynamic (Kim et al., 2016). A business with a dynamic characteristic is a business that does not stop and constantly developing because information the business receives is also constantly changing which allows the business to utilize it and

develop, creating competitive advantage in many aspects. This is called Flexibilities Advantage. This advantage is facilitated by a dynamic environment within the organization to create a dynamic competitive advantage in terms of flexibility advantage, which will create receptiveness in the business in a competitive environment in the industry. Business will create advantages in many aspects which the business expects to be able to compete and respond to the market demand. The demand being satisfied is also constantly changing, this is also a market dynamic (Tangpinyoputtikun, 2009). Thus, the study of the characteristic of competitive advantage will create accordance with market demand dynamic (Sullivan and Kang, 1999), given way to the explanation of competitive advantage in flexibility in responding to the market demand (Speed to the market) in addition to new product development into the market in a low price, compare to the other competitors, prompt response is an important advantage (Ananta, 2014). This competitive advantage in speed will gain businesses new market and help maintain current market in the dynamic environment (Yang and Meyer, 2015). The speed in responding is an advantage that the businesses have to rely on marketing and product distribution to create this type of advantage. This advantage is created under the market condition, which is dynamic, which was explained from dynamic advantage perspective. In conclusion, present day competitive advantage is increasingly developed in accordance to dynamic environment, which turns into Dynamic Competitive Advantage. This is to create readiness in adapting to competitive and dynamic environment by relying on information that businesses must constantly collect to create flexibility advantage or advantage in the speed to respond to the market demand.

V. THE CHARACTERISTIC OF COMPETITIVE ADVANTAGE FOR TRADITIONAL BUSINESS IN THAILAND

Analyzing related literature, the author found that there are many competitive advantages relating to

Thai's business. Most of the literature introduced in terms of factors, which affect creating competitive advantages and its characteristics. Jeamsripong (2010) explained the characteristic of competitive advantage in traditional Thai's retail business that it is a characteristic that creates opportunities and respond to the opportunities swiftly. In which the business has to have a lower cost of investment than its competitors. Similarly, Sathongvieng (2010) introduced an article, titled "Retail Business in Thailand" and explained the factors which support the retail businesses in Thailand to survive is the supporting internal environment, which creates opportunities that arise in terms of the advantage in business speed in answering to the market. The concept of dynamic competitive advantage is still very new in Thailand.

If referring to dynamic competitive advantage, the characteristic was developed from the importance given to the unstable competitive environment, which dictates that dynamic competitive advantage must hold the flexibility advantage characteristic. The businesses have to adjust its tactics in competing to create advantages over its competitors in accordance to the ever-changing competitive environment in every phase of the business (Beamon, 1999). The competitive advantage characteristic should be able to answer to market demand in a timely manner (Ghosh, 2013). This characteristic is an advantage that needs the business to be fast pace. Once learn of the demand and develop a product or service to fulfill that demand, the business must respond to the demand before the other competitors in the industry (Yang and Meyer, 2015). It can be seen that the present day traditional retailers operate within a highly competitive environment, thus product development never stops, along with services that comes with promotional sales. This confirms that the characteristic of competitive advantage in responding the market promptly is necessary for the business to lead to success in long term. Sakhonkaruhatdej (2016) The flexibility advantage makes business ready to adjust and change

accordingly the dynamic environment, and gives competitive advantage in terms of respond speed to market demand. An advantage which describe very well the characteristic of the competitive advantage in present day.

VI. THE INFLUENCE OF MANAGERIAL CAPABILITIES

The Influence Dynamic Managerial Capabilities and Dynamic Competitive Advantage

Figure 1 are from reviewing the literature, the author found that there are a few studies on dynamic managerial capabilities and not much importance was given. Adner and Helfat (2003) study the relation between dynamic managerial capabilities in terms of large organization's management knowledge which creates competitive advantage Bosch and Wijk (2001) found that Dynamic Managerial capabilities creates uniquely valuable services, which differentiate the business from its competitors. Knight and Kim (2009) explained the characteristics of the ability similar to dynamic managerial capabilities in the context of international business. They explained the characteristic of a leader that has the ability of recognize opportunities and risks and manage resources accordingly, which will to more efficient operation. Similarly, Oxtorp (2014) studied dynamic managerial capabilities in international new venture and found that dynamic managerial capabilities relates to competitive advantage in the long run. The variable dynamic managerial capabilities will result in technology development in a competitive environment that is not stable. Moreover, it is found that in Thailand the study on managerial capabilities has a similar characteristic to dynamic managerial capabilities. Tangpinyoputtikhun (2009) introduce a study which give importance to managerial capabilities and competitive advantage indicates same relation. For example, Mongkholchaiaranya (2014) studied managerial capabilities in terms of integration, learning and reconfiguration which influence competitive advantage. similar..

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