CHAPTER 5: INTERNAL ANALYSIS.

Resources and Capabilities.

The **Resources** of a company are all the tangible and intangible assets, as well as the knowledge and skills that the company has. As for the **Capabilities**, they are defined as the abilities to effectively make use of its **resources (Capabilities = Competencies).**

Resource-based view of the firm.

The resource and capabilities determine the strategy. We **choose** the **industry** based on what we have and what we know instead of searching for an attractive industry in cost and differentiation terms, the resources come first on the decision making.

But mainly, there is a **correlation** between the **resources** and **capabilities** with the **strategy.**

Resources and Capabilities as a Competitive Advantage.

To stablish a competitive advantage characteristic of R&C need to be:

1. Characteristics by Grant:
   - **Relevant:** It is relevant to the business. **Ex.:** BBA degree for a corporate director.
   - **Scare:** Which is a different capability that others do not have, just a few. **Ex.:** Chinese speaking people in Europe.
2. Characteristics by Barney:
   - **Valuable:** Thanks to them, resources and capabilities, we can achieve the goals.
   - **Rare:** Not a lot of companies have it, and it is a difficult thing to achieve.

To gain sustainability of the stablish competitive advantages R&C need to be:

A. Characteristics by Grant:
   - **Durable:** Like my list of jokes.
   - **Untransferable:** Like my resumes in Word format.
   - **Unrepeatable:** Like David Petit's career.

B. Characteristics by Barney:
   - **Inimitable:** Like each one of us who are reading these notes.

At last, it is important that we claim the **returns** that our competitive advantage is handing us.

Characteristics of the Resources and Capabilities (Vocabulary).

- **Unique resources:** Cannot be replicated. **Ex.:** Steve Jobs, Brand.
- **Distinctive Competencies:** Knowing the competencies in which we are different to our competitors. To do that we should use the SWOT analysis.
- **Core Competencies:** Those which are linked with the Key Success Factors. **Ex.:** Knowing how to make balloons in one of the last cases. **Note:** Capabilities which are

derive from a complex organizational routine are difficult to imitate. **Ex.:** Irizar with the coaches.

- **Path dependency of capabilities:** Capabilities which cannot be change and because of this it the business depends on them for a long time.
- **Resources and Capabilities can be:** Bought or Build in order to have them to your disposal.

Casual Ambiguity.

This is what we should be looking for. When the competitive advantage is such a complex mix of resources, capabilities and stuff which is almost impossible to imitate and difficult to determine the road to success of that company.

Effectuation.

Effectuation is another way of doing business. In contrast to the **causation**, effectuation combines means that are **idiosyncratic to the entrepreneur** (who I am, what I know, whom I know) with contingencies occurred during the entrepreneurial process to **create effects that are sought but not preselected**.

While causation selects the means in order to cause a particular effect, effectuation selects **between** different **effects** that could happen from a set of means.

Difference.

- **Opportunities are created:** We need to create them; they do not exist, and we need to find them.
- **Create unexpected business:** We cannot set a clear path from the beginning; we need to improvise.
- **Five principles:** Which we have to answer.

Effectuation: Cold Opportunity	Causation: Zipcar
Principle: start with your means Start with your means: who I am, what I know, and whom I know (what I have). Then, think about what you can do with them.	Set goals beforehand and write a business plan to achieve them. Obtain the required means.
Principle: focus on the downside risk Calculate what you can lose. Can you afford the loss?	Calculate what you can earn.
Principle: leverage contingencies Welcome negative surprises, small disasters and contingencies.	Avoid negative surprises, small disaster and contingencies.
Principle: form partnerships Partner with everyone, including your competitors.	Compete with your competitors.
Principle: control versus predict The future cannot be predicted because it is the result of what you do. "To the extent we can control the future, we do not need to predict it."	The future can be predicted because it is a continuation of the past. "To the extent we can predict the future, we can control it."

- **The future is unknown and unknowable:** Therefore unpredictable.
- **Writing a business plan is problematic:** How easy would be on the final project of the degree to just say you are enforcing the effectuation on your project.

Knowledge.

The knowledge in a firm is **based on experience** and is **Explicit** and **Tactic** so that the company can take the best results out of it.

The knowledge can be codified, but its effect goes all over the **firm's systems** and **routines.**

Pros and cons of codifying tactic knowledge.

Pros.

- **Allows modules:** Which means to create bodies which can perfect the knowledge of the company.
- **Protection:** Intellectual property protection which protects the competitive advantage.
- **Adds value:** As it can be measured, it can be sold as well as accounted.

Cons.

- **Costs:** It is the main problem, it is costly.

Sharing and diffusing knowledge requires:

- ✓ **Trust:** The reasons are obvious.
- ✓ **Weak hierarchy and low functional barriers:** Then the flow of information will be much easier.

Difference between the Business and Strategic processes.

Business.

They are a **set of sequential activities** which connect each day to function.

These processes use **inputs** formed by part of the resources (material or immaterial) in order to form **outputs** (products, services, information) to **internal** or **external** clients.

They also provide **graphical representations** of what is going on in the business and how is the **performance** doing.

Types of measurements:

- **Strategic:** Overall Company.
- **Key:** About the key resources.
- **Support:** To make other decisions, to support them.

Jokes.

Si “ordinario” es sinónimo de vulgar, ¿por qué “extraordinario” no significa muy vulgar?

Strategic Processes.

This are **guidelines** for the **decision-making** of the company. They need to be in accordance with the vision and the mission of the company.

Chapter 5 finished.

CHAPTER 4 CHAPTER 6

https://youtu.be/ZJX9v33vLrA - Not bad.