4. LEARNING UNIT 4: STRATEGIC ANALYSIS: ANALYSING THE INTERNAL ENVIRONMENT

Transient advantage

The dominant idea in the field of strategy – that success consists of establishing a unique competitive position sustained over long periods of time – is no longer relevant for most businesses. They need to embrace the notion of transient advantage instead, learning to launch new strategic initiatives again and again, and creating a portfolio of advantages that can be built quickly and abandoned just as rapidly. Success will require a new set of operational capabilities in dynamic environments where stability is no longer the norm. Essentially, in a world where a competitive advantage often evaporates in less than a year, organisations cannot afford to spend months at a time devising a single long-term strategy. To stay ahead, they need to constantly start new strategic initiatives, building and exploiting many transient competitive advantages at once. Organisations that have figured this out, work to spark continuous change, avoid dangerous rigidity and view strategy differently – as more fluid, more customer-centric, and less industry bound.

Source: Adapted from McGrath (2013)

Review McGrath’s conclusion and answer the following questions:

- Do you believe that adopting a transient advantage approach would help organisations to strategically respond to environmental change more effectively?
- In considering this approach, would new skills be required? What would they be?
- Do you believe that the transient advantage approach would work better in some industries than others, or does it appear to be universally applicable across all industries?
Write down what you think about the above questions at this stage, and review your answers after you have completed this learning unit, and accessed the following websites: http://www.ritamcgrath.com; http://www.hbr.org/2013/06/transient-advantage What are your perceptions now?

4.1 Learning outcomes
On completion of this study unit, you should be able to analyse an organisation’s internal strengths and weaknesses as part of its strategic planning process and demonstrate the important relationship between competitive advantage and strategy. More specifically, you should be able to:

- explain the strategic importance of internal analysis in identifying organisational strengths and weaknesses for strategic planning
- discuss the characteristics of and provide practical examples of an organisation's resources, capabilities and core competencies
- explain why and how an organisation’s resources, capabilities and competencies are appraised
- analyse an existing organisation's strengths and weaknesses
- critically evaluate and compare the resource-based view on strategic analysis with the external, market-oriented approach to strategic analysis
- explain the merits of the value chain in internal analysis
- justify resources, capabilities and core competencies as sources of sustainable competitive advantage
- differentiate and provide practical examples of a competitive advantage, a sustainable competitive advantage and a transient advantage for an organisation

4.2 Key concepts
The key concepts identified in this learning unit are as follows:

- Internal environment
- External environment
- macroenvironment
- industry environment
- sustainable competitive advantage
- dynamic capabilities
- resource-based view
- value chain
In learning unit 3 we discussed the importance of analysing the organisation's external environment, comprising the macroenvironment and the industry environment, as part of the strategic planning process. In this learning unit we focus on the analysis of an organisation's internal environment in order to identify organisational strengths and weaknesses for strategic planning purposes. More specifically, analysing an organisation's internal environment serves to identify its main sources of competitive advantage and to explain the important relationships between an organisation's resources, capabilities and competencies, its competitive advantage and its strategy. In this learning unit, we accordingly

- explain the strategic importance of internal analysis in identifying an organisation's strengths and weaknesses for strategic planning
- identify and evaluate resources, capabilities and competencies as sources of a competitive advantage in the context of strategic planning and strategic management
- explain why and how an organisation's resources, capabilities and competencies are appraised
- provide a framework for analysing an organisation's strengths and weaknesses
- assess the resource-based view of strategic analysis

4.3 Introduction

Study the chapter orientation and section 7.1 in chapter 7 in the prescribed book.
• identify an organisation's sources of resources, capabilities and core competencies
• differentiate between the concepts of competitive advantage, sustainable competitive advantage and transient advantage in the context of strategic planning

On completion of this learning unit, you should understand the need for and be able to execute the internal analysis of an organisation and identify its sources of sustainable competitive advantage that constitute important information for strategic planning and ultimately for the selection of appropriate competitive business level strategies.

4.4 Importance of the internal analysis of the organisation

Study section 7.1 in chapter 7 in the prescribed book.

Fundamentally, strategic management is all about strategies that will enable organisations to outperform their rivals in dynamic and increasingly competitive markets. The primary objective of strategy therefore is to gain a sustainable competitive advantage in satisfying one’s customers’ needs better than one’s rivals, which should result in superior profitability and growth.

According to Jones and Hill (2013:83), an organisation has a competitive advantage over its rivals when its profitability is greater than the average of all the organisations in its industry. It has a sustainable competitive advantage when it is able to maintain this above-average profitability over a number of years. Note that internal analysis therefore aims at identifying the sources of an organisation's competitive advantage that should enable it to build a sustainable competitive advantage. Competitive advantage is discussed in section 4.7 below.

Based on an organisation's vision, mission and long-term objectives, the outcomes of internal analysis combined with those of the organisation's external analysis
largely provide managers with the information they need to devise and select the competitive business level strategies that will enable them to attain a sustainable competitive advantage in pursuing their long-term objectives. Notwithstanding some differences in the approach to internal analysis, this typically requires the following three steps (Jones & Hill, 2013:83-84):

1. Managers need to understand the process by which organisations create value for customers and profit for the organisation, and the role of resources, capabilities and competencies in this regard.
2. Managers need to understand the importance of superior effectiveness, efficiency, innovation, quality and customer responsiveness in the process of creating value and generating above-average profitability.
3. Managers must be able to identify and analyse their organisation's sources of competitive advantage to know what drives the profitability of the organisation and where opportunities for further improvement might lie.

Essentially, from a strategy perspective, managers should ask two critical questions: "What are the sources of competitive advantage?" and "What is the link between competitive advantage, strategy and profitability?" In the sections that follow we will address the requirements for effective internal analysis to identify an organisation's strengths and weaknesses for the formulation of competitive business level strategies.

4.5 Identifying resources, capabilities and core competencies

Study section 7.2 in chapter 7 in the prescribed book.

4.5.1 Introduction
The resources, capabilities and competencies of an organisation are linked, and need to be fully understood in the context of internal analysis. In this section we
explain these concepts as sources of competitive and sustainable competitive advantage. According to Jones and Hill (2013:84-85), a competitive advantage is based on core competencies which they describe as follows: “Firm-specific strengths that allow a company to differentiate its products from those offered by rivals, and/or achieve substantially lower costs than its rivals”. According to these authors, core competencies arise from two complementary sources: the resources and capabilities of an organisation. In the sections that follow we discuss resources, capabilities and core competencies in more detail.

4.5.2 Identifying resources

Study section 7.2.1 in chapter 7 in the prescribed book.

4.5.2.1. Introduction

Resources are the productive assets owned by an organisation and can be grouped into the following five categories:

(1) financial capital resources
(2) physical capital resources
(3) human capital resources
(4) organisational capital resources
(5) technological capital resources

Not all organisations possess similar endowments of the above types of resources, and all aspects of an organisation’s resources are not strategically relevant. Even organisations in the same industry differ along different dimensions such as size, market orientation, innovation orientation and even their competitive strategies. Also, the ways in which different organisations deploy and combine these five types of resources will understandably also differ between organisations. What is important, however, is that organisations should preferably focus on their unique resource strengths as a source of competitive advantage. The way in which this can be achieved is discussed later in this learning unit. Organisational resources are further classified into tangible and intangible resources which we briefly explain below.
4.5.2.2. Tangible resources

Tangible resources are an organisation's physical resources that include physical infrastructure, land, plant, vehicles, manufacturing equipment, computer hardware, physical inventory and money, and can relate to any of the five types of resources mentioned above. Organisations find it relatively easy to identify tangible resources, but typically have more difficulty identifying intangible assets.

4.5.2.3. Intangible resources

Intangible resources typically include the knowledge and know-how of managers and employees gained through experience; the intellectual property of the organisation including patents, trademarks and copyrights; software; human capital; brand names; and the reputation of the organisation. Ensure that you have a clear understanding of the distinction between tangible and intangible resources. Note especially the comprehensive definition of intangible resources by Kristadl and Bontis (2007:15-18) in this section of the prescribed book and ensure that you understand why intangible resources in particular often hold greater potential for sustainable competitive advantage than tangible resources. Also note that knowledge as such is a powerful and valuable intangible resource, and that the difference between explicit and tacit knowledge is of significance in their respective value as sources of competitive advantage.

In summary, individual resources often have limited value, but a combination of resources can become exceptionally valuable. Bear in mind that resources and capabilities lead to core competencies. These concepts are discussed next.

4.5.3 Identifying capabilities

Study section 7.2.2 in chapter 7 in the prescribed book.

Resources on their own are not particularly productive, and organisational capabilities are required to combine or transform resources into productive activities.
However, capabilities, unlike resources generally, represent complex combinations of assets, people and processes that are used to create value by transforming inputs into outputs.

According to Jones and Hill (20013:84), “capabilities refer to an organisation's resource coordinating skills and productive use...More generally, a company's capabilities are the product of its organisational structure, processes, control systems and hiring systems.” Capabilities also involve leadership attributes, the way decisions are made and how effectively the internal processes are managed in the organisation in order to achieve its objectives. Most importantly, capabilities are intangible and do not reside in individuals, but in the way individuals interact, cooperate and make decisions in an organisation (Jones & Hill, 2013:84-85). Based on the structure we have provided here, study the rest of this section in the prescribed book with specific reference to the following:

- the fact that capabilities can be within business functions and reflect the ability of the organisation to manage linkages between the elements of the value chain.
- the difference between capabilities and dynamic capabilities
- the importance of developing capabilities that are difficult to imitate

We conclude our discussion in this section by briefly examining core competencies.

4.5.4 Identifying core competencies

Study section 7.2.3 in chapter 7 in the prescribed book. Note that the term “core competencies” is preferred and will be used in the remainder of this learning unit.

For our purposes, we distinguish between capabilities and competencies, and do not see them as similar. Core competencies distinguish an organisation from others in the industry. An important characteristic of core competencies is that they are difficult to imitate – hence their importance as a basis for sustainable competitive advantage.
Refer to the insert, *Practising strategy*, which presents SABMiller's core competencies.

Figure 7.2 aptly illustrates how core competencies – arising from a combination of resources and capabilities as an intangible resource – provide the basis for the organisation’s differentiation or low-cost strategies to create superior customer value that results in above-average performance and profitability.

Reflection

Ensure that you understand the extremely important relationships that are illustrated in figure 7.2, since they capture and explain what you have encountered thus far in this learning unit. Bear in mind that when an organisation does have core competencies, this will obviously enhance the organisation's competitive strategy – whether differentiation or low cost – creating greater customer value than its competitors and thus achieving superior performance in a competitive market environment. In this regard, recall the two questions in learning unit 3 that organisations in competitive environments need to ask: (1) What do customers want? (2) How do we survive competition?

Now study the rest of this section in the prescribed book, keeping in mind the importance of internal analysis as a necessary step in strategy formulation.

In this section we identified and explained the concepts of resources, capabilities and core competencies in the context of internal analysis. In the next section we look at the appraisal of resources, capabilities and core competencies.

4.6  **Appraising resources, capabilities and core competencies**

Study section 7.3 in chapter 7 in the prescribed book.
By now you know that resources and capabilities have the potential to become core competencies that can result in a competitive advantage, provided certain conditions are met. The analysis of resources, capabilities and competencies is approached from a resource-based view of the organisation, which is discussed in more detail later on. However, for resources and capabilities to become core competencies they need to be valuable (V), rare (R), inimitable (difficult to imitate) or nonsubstitutable (I) and exploitable by the organisation (O) – the so-called “VRIO framework for appraisal”. These criteria are used to assess the value of resources, capabilities and core competencies.

Study these criteria in this section in the prescribed book, noting the following:

• Valuable (V) implies the extent to which resources and capabilities can be transformed to enable the creation of higher value for the consumer through differentiation or low cost. Examples would be increased customer value resulting from a superior low-cost strategy in the case of Mango airlines, or the increased customer value resulting from effective product or service differentiation, in the case of the City Lodge Group, with its Courtyard Group of hotels, City Lodge, Town Lodge and Road Lodge, serving different customer-market segments. These strategies are discussed in learning unit 7.

• Rare (R) exists when organisations own a valuable resource or possess a rare and valuable capability that competitors do not have, or is not available to them, such as a pharmaceutical manufacturer’s patent for a specific proprietary medicine.

• Inimitable (I) implies that resources and capabilities should in some way be protected against imitation to be valuable. This could involve being too difficult or too costly to imitate, or there should be no viable substitutes. In studying this section, note the role of knowledge, embedded organisational skills, organisation culture, networks, intellectual property and trust relationships as attributes of value with regard to resources, capabilities and core competencies.

• Organisation (O) means that where organisations cannot exploit its resources, capabilities and core competencies, they will be of little value. The way in which leadership, organisation culture, strategies, policies, systems and
procedures are manifested in or executed by an organisation should result in the optimal deployment of the organisation's resources, capabilities and core competencies, leading to effective strategies, superior customer value creation and excellent performance. Refer to figure 7.2 again for these relationships. While we only referred to SABMiller's core competencies in the “Practising strategy” insert, we can conclude that this company, as the second-largest beer brewer in the world and performing exceptionally well, has been doing something right, not only in terms of this criterion of “organisation”, but also as far as the entire process described in figure 7.2 is concerned.

Activity 4.1
Access SABMiller’s website (http://www.sabmiller.co.za) and analyse the company's profile, structure, global involvement and its most recent annual report in terms of the dimensions illustrated in figure 7.2. Write a brief report on your findings, indicating the reasons for SABMiller's success.

It should be clear by now that an organisation's resources, capabilities and core competencies should meet the VRIO requirements better than its competitors do in order to gain a sustainable competitive advantage and achieve superior performance in increasingly competitive environments. While this section only considered appraisal of the value of resources, capabilities and core competencies in terms of the VRIO framework, section 7.5 in the prescribed book, “Identification of capabilities and core competencies to create value”, and section 4.6 below should, in effect, be studied in conjunction with this current section. You should therefore regard these two sections as complementary. We now explore the well-known resource-based view of strategising.

4.7 The resource-based view (RBV)
Study section 7.4 in chapter 7 in the prescribed book.

As you are aware by now, the purpose of strategy is to obtain a competitive advantage. In recent times it has become apparent that a competitive advantage, or the lack thereof, is generally better explained by understanding the importance of the resources, capabilities and competencies of an organisation than by understanding only its external and competitive environment. The shift in focus away from the external environment gave rise to development of the RBV over the last two decades, which focuses on the internal strengths, resources, capabilities and competencies of organisations.

Study this section in the prescribed book and note why the RBV primarily focuses on value creation and gaining a sustainable competitive advantage. Now ensure that you understand the relationships pertaining to the RBV as illustrated in figure 7.3. More specifically, study the role of management, the implications of value, barriers to duplication and appropriability as they relate to the key resources and capabilities and contribute to a sustainable competitive advantage and superior performance, as indicated in figure 7.3. These relationships explain the RBV approach to customer value creation and a sustainable competitive advantage.

The RBV is a model for analysing the strengths and weaknesses of an organisation which can then be linked to environmental opportunities and threats as inputs to the formulation of competitive business level strategies. Combining external opportunities and threats with internal strengths and weaknesses is the basis for SWOT analysis (see the example in learning unit 5).

Activity 4.2
To learn more about the RBV in assessing resources, capabilities and competencies, view the following video on YouTube:
http://www.youtube.com/watch?v=KN81_oYil1s.

What are your perceptions about the merits of the RBV?

Resources, capabilities and core competencies can also be assessed by means of value chain analysis which typically considers the following:

- supply chain management and operational management
- financial management
- research and development
- people management
- marketing management
- intangible resources

In conclusion, we refer you to some limitations of the RBV which are discussed in this section of the prescribed book.

4.8 Identification of capabilities and core competencies to create value

Study section 7.5 in chapter 7 in the prescribed book.

4.8.1 Introduction
In section 4.4 we explored how the value of resources, capabilities and competencies can be appraised by using the VRIO framework. In this section, it is suggested that these criteria be assessed and applied by using value chain analysis and the RBV. Study this section in conjunction with section 4.4 to confirm how the RBV focuses on analysis of the internal environment that provides information for strategic decision making. However, note that the “five stages of strategy formulation” in this section do not refer to the conventional strategy formulation steps that were introduced in learning unit 1 and discussed in learning unit 2. These five
stages refer instead to steps in RBV analysis, the outcome of which should provide valuable information, together with other informational inputs, for strategic planning or strategy formulation. The fourth step in fact states that a strategy that is (ultimately) selected should exploit the resource and capability strengths of the organisation and be reflected in its strategy, which is correct.

Two possible methods to identify and classify an organisation's resources, capabilities and competencies are (1) classification according to the functional areas of the organisation, and (2) analysis of the organisation's value chain. These approaches are discussed in the next section.

4.8.2 Classification of capabilities and core competencies according to the functional areas of the organisation

Study section 7.5.1 in chapter 7 in the prescribed book.

This approach requires that each of the functional areas in the organisation be analysed to identify the resources, capabilities and core competencies derived from each specific functional area. Now study the various functions listed in this section and identify the actual or potential capabilities and core competencies in each functional area in terms of internal strengths or weaknesses.

Activity 4.3
In studying this section in the prescribed book, can you think of other functions and/or benefits that could provide information in this regard? In your opinion, what are the benefits of this classification and analysis in identifying organisational strengths and weaknesses? Answer this question in the form of a brief report.
We now turn to classification of capabilities and core competencies through value chain analysis

4.8.3 Classification of capabilities and core competencies through value chain analysis

Study section 7.5.2 in chapter 7 in the prescribed book.

4.8.3.1. Introduction

An organisation's value chain links the value of its activities to its main functional parts, and is used to assess the contribution that each part makes to the overall added value of the business (Lynch 2009:132). Ireland, Hoskisson and Hitt (2013:81) take this a step further by stating that value chain analysis allows an organisation to understand the parts of its operations that create value and those that do not. For the purposes of internal analysis using the value chain, Porter (1985) linked the following two areas together:

(1) identifying the added value that each part of the organisation contributes to the whole organisation
(2) identifying the contribution that each of these parts might then make to the competitive advantage of the whole organisation

Figure 7.4 indicates the two broad categories of primary and support activities which are discussed in more detail below. The relevant information from value chain analysis in the two areas suggested by Porter can assist management in their decision-making about those activities that contribute value, those of which the costs can be reduced, and those that can be eliminated, all of which should make a positive contribution to a sustainable competitive advantage. Study the first part of this section in the prescribed book and relate it to our discussion above. In the sections that follow we will discuss the primary and support activities of the value chain respectively.
4.8.3.2. *Primary activities of the value chain*

In figure 7.4 the primary activities are indicated as follows:

- inbound logistics
- operations
- outbound logistics
- marketing and sales
- service

Ensure that you understand what each of these activities depicted in figure 7.4 involves.

4.8.3.3. *Support activities of the value chain*

Figure 7.4 indicates the following support activities:

- administration and infrastructure
- human resource management
- technology development
- procurement

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**Activity**

Note that our discussion of the value chain and value chain analysis here specifically refers to manufacturing organisations. The increasing worldwide trend in services in recent decades, and especially in the information, communications and technology (ICT) sectors, poses new and daunting management challenges. Can we argue that service organisations have proportionately more intangible resources compared to tangible resources, unique capabilities and thus unique core competencies compared to manufacturing organisations? How would this influence value chain analysis for services, and hence internal analysis of service organisations? Access
internet sources for information on these questions. Summarise your findings in a brief report.

Feedback
Before we look at an example of a value chain for services, we need to note the main characteristics of services as compared to physical products. Services are more or less intangible, are activities or services of activities rather than things, are at least to some extent produced and consumed simultaneously, and a customer could participate in the service delivery or consumption process at least to some extent. As an example, a generic value chain for services will have five primary attributes and four supporting attributes. The term “attributes” instead of “activities” is used here because in the case of services, value chain components may not be activities. The shape of the value chain diagram is the same as for products, but the main difference is in the value chain components (attributes) and their application.

**Primary attributes** – service design, knowledge management, delivery systems management, moment of truth management and service competition management

**Supporting attributes** – people, process information, physical aspects and punctuality

Compare these attributes to the activities in figure 7.4 in the prescribed book. Service value chains are found in the healthcare, insurance, finance, airline and hospitality industries, to name but a few. (You may access the following for more information:

http://www.educonsult.net/elisante/journals/value_chain_for_services.pdf

We now identify how resources, capabilities and core competencies contribute to competitive advantage.
4.8.4 The contribution of resources, capabilities and core competencies to competitive advantage

Study section 7.6 in chapter 7 in the prescribed book.

As we know by now, a competitive advantage occurs when an organisation is more profitable than its competitors. Referring once again to figure 7.2, bear in mind that the two ways in which organisations can strategically create value and thus achieve a competitive advantage are through strategies of differentiation and cost leadership. But to achieve this, organisations first have to combine their resources and capabilities in such a way that their core competencies do allow superior product differentiation, or alternatively, substantially lower costs than their competitors.

Either of these strategic positions can be achieved through having different resources and capabilities, as well as a unique way in which they may be combined, resulting in core competencies based on the following, as indicated in figure 7.2:

- the ability to produce top-quality products or deliver excellent services, superior to those of one’s competitors
- the ability to innovate products, services and organisational capabilities, still with the primary aim of creating superior customer value and a sustainable competitive advantage
- responsiveness to customers, which relates to organisation’s ability to satisfy customer needs better than its competitors are able to
- efficiency in the transformation of inputs into outputs, influenced by the quality of inputs, processes and outputs which could result in higher productivity and increased competitiveness. Production efficiencies can be achieved in various ways from economies of scale to leveraging location economies. Study these means and how they could enhance organisational efficiency. Refer to the "Managerial perspective" (in the prescribed book), which highlights a
petrochemical company's organisational efficiencies. Sustainable competitive advantage is discussed in the next section

4.9 Sustainable competitive advantage

Study section 7.7 in chapter 7 in the prescribed book.

4.9.1. Introduction
We have thus far frequently referred to the concepts of competitive advantage and sustainable competitive advantage, which were introduced in learning unit 1 (sec 1.7). While we know that a competitive advantage occurs when an organisation is more profitable than its competitors, a sustainable competitive advantage implies capabilities and core competencies that are durable over a long period, that are difficult to imitate or replicate and that are transferable whenever necessary in order to create superior value.

In addition to the above, dynamic capabilities involve an organisation's ability to innovate and reconfigure internal business processes through capabilities and core competencies to satisfy evolving consumer needs in a dynamic and rapidly changing external environment. Dynamic capabilities thus imply an exceptional ability to adapt to changing market environments.

4.9.2 Capturing the value generated by resources, capabilities and core competencies

Study section 7.8 in chapter 7 in the prescribed book.

Even if resources, capabilities and core competencies comply with the VRIO requirements, organisations still have to capture the benefits and value that they generate. Failing that, they will not justify any investment and will not deliver a
competitive advantage. In other words, organisations need to develop dynamic capabilities.

Apart from complying with the VRIO requirements for resources, capabilities and core competencies to achieve a competitive advantage and superior profitability, it is crucial that the organisation's market segments should be large enough to generate sufficient profits (L), and that the unmet needs of customers are satisfied (U), criteria that extend the VRIO framework to VRIOLU. This extended framework now allows analysis from the following three perspectives:

1. the organisation perspective
2. the perspectives of rarity, inimitability and availability of resources, capabilities and core competencies in a competitive environment
3. the perspectives of customers and market size

Since strategy is regarded as a creative, innovative and dynamic approach to leadership and management, it implies an ever-evolving field of inquiry (new insights, theories, methodologies and practices, all of which contribute to increasing knowledge), but also more intense competition in the continuously evolving business landscape. While entrenched approaches to business, strategy (and for our purposes here) a sustainable competitive advantage) are sound, appropriate and still applicable, it is a reality that they have come under scrutiny from time to time as new developments arise. An example is the emergence of strategy-as-practice in response to new strategic realities which we explored in learning unit 2. As such, new ideas about a competitive advantage and a sustainable competitive advantage are surfacing, inter alia, in response to a rapidly changing external environment, increasing innovation, unprecedented technological advances, an increase in emergent strategies and more intense competition. Hence some assumptions such as the conventional assumption about the durability of a sustainable competitive advantage, have come under scrutiny with the emergence of the concept of "transient competitive advantage" (McGrath 2013:63-70). It is not so much that strategy as such has changed, but rather that we need to change the way in which new, emerging realities are recognised and accommodated so that we do not lag behind. According to the McGrath (2013), even though transient competitive
advantages are individually temporary, a portfolio of advantages can keep organisations in the lead in the long run. Refer back to the “thought-provoker” at the beginning of this learning unit to guide your thoughts on this initiative.

In closing, we briefly highlighted the important concept of sustainable competitive advantage in the context of internal analysis, and concluded with a brief overview of new thinking about competitiveness, competitive advantage and sustainable competitive advantage.

4.10 Summary
In this learning unit we discussed the importance of internal analysis in strategy formulation, described an organisation's strategic resources, capabilities and competencies and explained how the value of resources, capabilities and competencies is appraised. The roles and importance of both the RBV and the value chain in internal analysis were reviewed as a means of identifying organisational strengths and weaknesses. The importance or resources, capabilities and core competencies as sources of sustainable competitive advantage concluded our discussions.

The preceding discussion should provide the necessary guidelines for managers to analyse their organisations in terms of their strengths and weaknesses in order to identify a sustainable competitive advantage as a basis for formulating really exceptional competitive strategies. This means that you should be able to analyse organisations in terms of their strengths, weaknesses and competitive advantage. In learning unit 5 we explore the context and strategies for doing business in Africa.

4.11 Discussion questions
(1) Explain the importance of an organisation's resources, capabilities and core competencies in strategy formulation.
(2) Discuss the differences between and importance of both the tangible and intangible resources of an organisation.
(3) Explain the RBV and its role in internal analysis.
(4) Conduct an internal analysis on an organisation of your choice to determine its strengths and weaknesses, and give your views on the sustainability of its competitive advantage.

(5) Define the concepts of competitive advantage, sustainable competitive advantage and transient advantage, and explain their importance in strategy formulation.

4.12 References


