

Whitepaper

Foundations of Organizational Development from a Resource-based Perspective

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Organizational Development from a Resource-based Perspective

To respond to the opportunities of digitization, companies have to review their strategy (Porter 2008). The challenge is to analyze companies from the resource and not from the product side, and to find strategies which exploits best company's resources and capabilities relative to external opportunities (Penrose 1959; Wernerfelt 1984).

In this sense, Grant (Grant 1991) emphasizes Hofer and Schendels (Hofer and Schendel 1980) definition of strategy as "the match an organization makes between its internal resources and skills [...] and the opportunities and risks created by its external environment." (Grant 1991) This shows the central meaning of the company's resources as the foundation for its strategy. This is not so much about the resources as about the services and benefits they make possible (Penrose 1959). Penrose also recognizes that the potential value of a resource rises with growing knowledge (Penrose 1959). Using new opportunities such as the creation of new couples of resources or the use of artificial intelligence to increase knowledge, can improve the use and productivity of resources.

The challenge in the strategy development process of companies is to identify the resources and capabilities which constitute the unique market position. Building upon it, a company has to define the resource gaps which need to be filled and to invest in upgrading its resource base (Grant 1991). Grant's analysis of the rent generating potential of resources concludes that companies' most important resources are those which are durable, difficult to identify and understand, imperfectly transferable, not easy to replicate and in which a company possess clear ownership and control – he calls these resources the "crown jewels". Even if digitization must question these characteristics of the most important resources we agree to the essence. Grant's essence of strategy formulation is to design a strategy that makes the most effective use of this core resources and capabilities (Grant 1991).

By using this approach we express our resource-based understanding of organizational and business development: **Organizational Development as a concrete improvement of functional capabilities understood as improving the ability to adjust, integrate and apply the organization's resources.**

Therefore, the management of an organization's internal and external resources should be the driving force, rather than managing activities such as production or finance (Constantin and Lusch 1994). Resources and capabilities are major factors upon which a firm can establish and frame its strategy: especially the understanding of the relationship between resources, capabilities, and competitive advantage. Building on this understanding it is possible to design strategies which exploit each firm's unique characteristics (Grant 1991).

An organization can therefore be understood as an institutional resource system operating with an environmental resource system. Resources can be differentiated into resources that have an effect on the strategy and with this on the unique firms position (operant resources) and resources that are functionally important but do not make a difference in the competition (operand resources) (Constantin and Lusch 1994).

References

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