CREATING SUSTAINED STRATEGIC CAPABILITIES THROUGH ORGANISATIONAL DYNAMIC CAPABILITIES AND STRATEGIES: A CASE STUDY OF RUBBER WOOD EXPORT INDUSTRY IN THAILAND

Yuttachai Hareebin1*, Somnuk Aujirapongpan1*, and Sununta Siengthai2

1 Walailak School of Business, Walailak University, Nakhon Si Thammarat 80161, Thailand
2 School of Management, Asian Institute of Technology, Km. 42, Phaholyothin Highway, Pathumthani 12120, Thailand

*Corresponding authors: shisukamas@gmail.com, asomnuk@wu.ac.th

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ABSTRACT

This exploratory research investigates how firms upgrade their strategic capabilities for superior returns of current markets and enable their entry into a new industry. The study explores how the current successful entrepreneurs build their organisation’s strategic capabilities and achieve their sustained strategic capabilities in today’s rapidly changing environment. As this is an exploratory study, a qualitative approach is used. We first interviewed the expert academicians in strategic management in order to validate and verify our research instrument. We then interviewed the sample successful entrepreneurs in the rubber industry in the South of Thailand on how they developed and adapted their strategies over time to sustain their competitiveness in the relevant product markets. Finally, a case study is used to illustrate how a successful company of latex product export industry became competitive in its new industry entry. This study finds that there is a positive systematic relationship between organisational strategic capabilities, namely resource-based capabilities (RBCs), knowledge-based capabilities (KBCs), network-based capabilities (NBCs), and organisational dynamic strategies. This relationship is linked to the development of a dynamic, process-oriented strategy that seeks to maintain a higher return on investment and to focus on new markets. This study contributes to the theoretical
knowledge of strategic management, and its practical implication is that entrepreneurs should focus on developing dynamic capabilities of their firm to cope with the constantly changing environment nowadays.

**Keywords:** dynamic strategies, dynamic capabilities, organisational strategic capabilities, rubber wood export, Thailand

**INTRODUCTION**

Dynamic change is the source of differentiation in today’s competitive business environment; from the scale-based competition to speed-based competition and from tangible assets into intangible assets-based competition. The dynamic change in the business environment also turns the primary use of capital into the use of resources to develop creativity (Dess, Lumpkin, & Eisner, 2007; Pairoj, 2016). Therefore, dynamic organisational development is the major factor for firms to gain competitive advantage. But firms may have to discontinue its current strategies and create new resources that can quickly and continuously respond to the environment (Døving & Gooderham, 2008; Eisenhardt & Martin, 2000; Tushman, Smith, Wood, Westerman, & O’Reilly, 2010). In this regard, it requires the ability of integrated search and resource utilisation, as well as the alignment of strategies to cope with the changing environment (Savory, 2006; Wang & Ahmed, 2007).

The use of innovation as a strategy in firm operation has been widely studied. Innovation plays an important role in the development of organisations, industries, economies, and societies (Byrd & Turner, 2001; Dorf & Byers, 2008). Thus, innovation performance requires strategic capabilities that will improve organisation’s capabilities to reduce friction when facing changes (Hult, Hurley, & Knight, 2004; Hurley & Green, 2005).

Relevant studies undertaken in the past on strategic capabilities and dynamic strategies have only covered some dimensions. For example, Baath and Wallin (2014) describe the components of dynamic strategy and its indicators; Parker, Storey, and Witteloostuijn (2010) assert that organisation growth requires dynamic strategies which are achieved by changing or adapting strategies continuously and learning from successes and failures in the past. This is in line with Sirén (2010) who asserts that strategic learning is a strategic process to create a new strategic analysis framework. In doing so, knowledge management is used to improve the firm strategies for sustainable competitiveness in the rapid environmental changes. For the use of dynamic/flexible strategy development, it is very important that the awareness and ability to cope with environmental change is developed (Feurer & Chaharbaghi, 1995; Tell, 2012).
The study of the relationship between contextual changes of strategic capabilities and major resources is critical to the sustained competitiveness of entrepreneurs in Thailand. It is more critical, especially for those in the latex industry in Thailand which has been ranked number one in the world’s export. The industry currently is facing foreign competitors from countries such as Indonesia, Vietnam, China, and India which have increased their production capacity of latex by 4% per annum. Apart from that, there is also artificial rubber that becomes a substitute product of latex (TMB Economic Analysis Center, 2016). Therefore, Thai entrepreneurs must promptly adapt themselves. In this regard, the Thai government has set an economic policy that supports industrial development with Thailand 4.0 model that aims to develop products from commodity to innovation. Therefore, it is a great opportunity for latex entrepreneurs to elevate from existing industry to new industry.

Studying firm dynamic strategies is thus an important contribution to the understanding of the process of change in direction of firm strategic capabilities for firm performance improvement. The process of change was taken by these firms under uncertain conditions through the coordination and use of the limited resources to create productivity in the form of continuous adaptation in each phase of change. To date, there is no research on the antecedents or the critical factors of dynamic strategy. There is neither systematic explanation of strategy development and adaptation. Therefore, this is a research gap that we attempt in this study to provide a systematic explanation of the organisational adjustment in a dynamic environment. This justifies the importance of the research questions of this study, which are stated as follows:

**RQ1:** Which factors or abilities of an organisation affect the dynamic strategies and also have an impact on sustained strategic capabilities?

**RQ2:** How can firm strategic leverage be developed which delivers superior returns on industry-specific competition and organisation-level capabilities towards new industries?

As discussed above, the importance of theory-building purpose and the industry sector (which is the context of this study) is the reason to investigate how firms create their sustained strategic capabilities. This study has, as its sampling frame, the Thai latex exporters who are successful in leveraging their business from upstream to downstream industries and still maintain their competitive position. With regard to dynamic strategies, components, and factors that have an impact on various aspects form a systematic development framework of the entrepreneurs in creating innovation which enhances sustainable business competitive advantage.
This study also benefits entrepreneurs who want to leverage their strategic capabilities to cope with the current market volatility.

LITERATURE REVIEW

Understanding Resource-Based View, Dynamic Capabilities, and Dynamic Strategies

This research describes and discusses the relationships among strategic capabilities and dynamic capabilities improvement as well as the resources owned by an organisation to gain competitive advantage, especially the dynamic capabilities that require resources and capacities that need to be created concurrently. The dynamic capabilities will be effective when the organisation has good strategies (Daniel & Wilson, 2003; Roy & Roy, 2004; Teece, Pisano, & Schuen, 1997; Teece, 2014b). Good strategies must be flexible and there are no fixed formulas. Mintzberg’s concept (Mintzberg & Waters, 1985) is considered a flexible concept as it does not give a fixed definition. The interpretation of the meaning of strategy depends on its utilisation in each context in order to come up with the way to achieve competitive advantage.

The term “dynamic strategy” refers to the concept of “dynamic organisational strategy.” It is the management of resources along with the development of organisations to reduce the limits to achieve the target under the constantly changing situation. The goal is to develop a policy direction and the potential to create a competitive advantage with different strategies (Porter, 1991). Most researchers have focused on the development of time frame, with the development of human resources through strategic planning in line with changes to reduce risks (Delahaye, 2005). Consistent with TNS Business Solutions UK (2011), the need to set goals and align resources to address organisational change takes into account the following six key factors: (1) alignment, (2) agility, (3) strategy acceptance or employee buy-in, (4) clear accountabilities, (5) knowledge capital, and (6) integrated business platform. Another interesting point is the definition of dynamic strategies in terms of time (business model), i.e., response to organisational change with strategic capabilities, with time constraints involved. This study explores the strategic ability to reduce the impact of change by responding to a non-prevention system. It is called passive-backup and defense by dynamic integration strategies that have aggressive response strategies (Shanshan, Yong, & Lujie, 2017), and strategic alternatives or emergent strategies to mitigate the impact which can reduce the risk of an organisation’s losses from volatility (Fang, Zhao, Fransoo, & van Woensel, 2013; He, Huang, & Yuan, 2015).
The core competency development of an organisation can be defined by the sustainable competitive strategy to support dynamic change (Lee, Lee, & Rho, 2002). Over the past 10 years, organisational capabilities have been developed or resources have been improved to be dynamic capabilities (Helfat & Martin, 2015). Dynamic capabilities are an organisational capability in a form that focuses on transforming the internal resources and environment in terms of appropriate strategic management and integration of skills, resources, and capabilities (Teece & Pisano, 1994). In fact, the elements or factors that affect organisational performance are not present in the balance sheet (Teece, 2015). Therefore, dynamic capabilities are defined as the ability to have a new kind of process or product innovation by integrating resources to align with change (Helfat et al., 2007; Eisenhard & Martin, 2000; Gimzauskiene et al., 2015). According to the definition of Wang and Ahmed (2007), the ability to change which focuses on the behaviour of an organisation must build or enhance its capacity in the context of external environmental change. Another issue this paper focuses on is the integration of resources in line with the strategies. As a result, the organisation’s original operational systems should be discontinued (Savory, 2006). Dynamic capabilities arise from the interaction of the growth of the organisation and the transfer of business models, the consistency between the organisation, and the effectiveness of its adaptation occurs most often when it comes to cooperation, i.e., within foreign companies (Teece, 2014a). One of the main considerations of this research is that dynamic capabilities are also tools for strategic analysis. It is important to have a consistency which must be observed in all three areas: resources, strategies, and environment (Winter, 2003; Doving & Gooderham, 2008).

The resource-based view from a dynamic perspective is about the ability of firms to adapt their resources to cope with constantly changing environment (Barreto, 2010; Leskovar-Spacapan & Bastic, 2007). According to Porter (1991), the ability to change in the form of dynamic capability is rooted from dynamic theory of strategy. The major components that are the origin of the compatible strategies and must be constantly improved are critical resources of the organisation and the flexible organisation structure. Therefore, this research aims to explain how systematic relationships between organisational strategic capabilities, dynamic capabilities, and strategic change create strategic effectiveness of the organisation.

**Organisational Strategic Capabilities**

An organisational strategic capability is another view of tangible and intangible resources that serves as an alternative to strategic planning and capabilities which need to be managed in order to integrate the organisation’s ability to integrate multiple capacities (Kaleka, 2002; Ngo & O’Cass, 2012; Theodosiou, Kehagias,
& Katsikea, 2012). The current strategic philosophy that leads to the development of strategic capabilities is time management, technology management, relationship management, and the management of knowledge (Jacome, Lisboa, & Yasin, 2002; Walters, Halliday, & Glaser, 2002). Organisational strategic capabilities are the skills and capabilities of organisations that develop strategic assets to be useful and aligned with strategy and strategic alternatives that serve as their business guidelines (Di Benedetto, DeSarbo, & Song, 2008; Zhou & Li, 2010). In particular, technology assets can create superior products to meet the needs of customers quickly and overcome technical problems of the organisation (Eesley, Hsu, & Roberts, 2014). Most studies have found the same effect: organisational strategic capabilities have a positive influence on organisational performance (DeSarbo, Di Benedetto, Jedidi, & Song, 2006; Song, Di Benedetto, & Nason, 2007). Organisational strategic capabilities may act as interventions between strategic alignment and organisational performance, by providing managers with an easier understanding of strategic change mechanism functions (Hao & Song, 2015). For an organisation that focuses on high performance, it is important to integrate skills, technology, behavioural management, and workplace values into organisational strategic capabilities (Evans, Pucik, & Barsourx, 2002).

Organisational strategic capabilities refer to having resources connected to firm network and being capable to make a difference compared to other organisations. In other words, different types of resources have different effect on the organisations’ capabilities (Mata, Fuerst, & Barney, 1995), especially knowledge or knowledge management in various forms, such as tacit knowledge and explicit knowledge. The knowledge of personnel can be developed into knowledge of the organisation (Nonaka & Takeuchi, 1995).

Some studies related to network building through the view of knowledge and competency explain the importance of skillful human resources who create networks (Robert, Mumin, & Thomas, 2015). Suli, Wei, and Jian (2011) identify patterns of problem solving by using knowledge management capabilities together with the informal structure network. Thomas and Hans (2003) assert that when an organisation can integrate knowledge resource with communication and knowledge exchange in the existing organisation structure, this affects organisational network capabilities. With regard to mutual information sharing and exchange, this can be explained in terms of the relationship and mutual cooperation to network-based resource that interconnects the organisations for the purpose of resource exchange, such as knowledge, technology, etc. The cooperation must be mutually independent (Hareebin, Aujirapongpan, & Siengthai, 2016).
The Relationship between Strategy and Critical Resources

Connecting strategic capability improvement through supportive factor capabilities and resource-based view from a dynamic point of view is originated from the rapid life cycle of goods or products in the market and rapid expansion of technology. This leads to the imitation of competitor’s products (Ireland, Hoskisson, & Hitt, 2006). With regard to dynamic capability, it is the behavioural determination of an organisation to integrate, restructure, restore, and create new resources and major potential to respond to environmental changes in order to achieve competitive advantage and business sustainability (Helfat et al., 2007; Wang & Ahmed, 2007). Therefore, to start before the competition get fiercer among the rapid life cycle of products in the market and create new capacity is a major question which the organisation’s management has to make decisions and implement which shall determine firm’s long-term operation (Thomas, David, Alan, & Chuck, 2014) and hence sustainability.

From a dynamic view, Mintzberg has proposed a planning concept that leads to implementation. This dynamic view starts from intended strategies, emergent strategies, and strategic learning which are the system feedback to improve or adapt the plan continuously (Mintzberg & Waters, 1985). In the following sections, we review the theoretical literature on dynamic strategy development, the process which is composed of intended strategy, emergent strategy, and strategic learning.

Intended strategy

The intended strategy of the organisation is important for setting the mission and direction of business operation which are the keys to winning over the competitors under its owned resources (Hamel & Prahalad, 1990). The firm’s competitive strategy must be related to the effort to benefit from its resource utilisation which affects the entrepreneur’s ability to compete (Mishina, Pollock, & Porac, 2004). Apart from that, firms need to seek opportunity and identify limitations related to the external factors, so that the firms can set appropriate strategies (Porter, 1998). Therefore, the creation of dynamic strategy must take into account the environmental changes and strategic orientation of the organisation which are part of competitive strategy at the business strategy level (Chen, 1996; Chen, Su, & Tsai, 2007; Nadkarni & Barr, 2008).
Emergent strategy

Emergent strategy will occur when the intended strategy is implemented but not realised as planned (Mintzberg & Waters, 1985). This adjusted strategy is important and it is the indicator of the flexibility of strategy to respond to changes. There is an organisational learning that will enable firms to cope with changes and support the planned strategy to be coherent (Fuller-Love & Cooper, 2000; Jett & George, 2005).

The adapted strategy should be used with the planned strategy that is set by the management for flexibility to solve problems at hand or certain critical situations (Moncrieff, 1999). Apart from that, the organisation must be able to sense the sign of change in order to analyse the influencing factors and create a framework or agreement within reporting structure and the joint utilisation of available resources with external organisation by focusing on more flexible system (Arlene, Andrew, & Grant, 2001; Effie, Ozcan, & Denis, 2016).

Strategic learning

Learning is a strategy of organising (learning approach to strategy) through experiments and feedback for continuous planning and improvement (Marquardt, 1996), such as short-term or long-term strategic planning which must be reviewed on a yearly basis, turning information both inside and outside the organisation into policy and translated into implementation at the operational level (Fiol & Lyles, 1985).

Strategic learning is the critical component of dynamic strategy development. It enhances the dynamic nature of the strategic capability building. This stage is to investigate the change or even the patterns of the responses to business opportunities (Moncrieff, 1999). Baath and Wallin (2014) assert that firms should focus on strategic learning in their research because in the business with high growth rate, uncertainty is also high. Therefore, the strategic learning capability of the organisation must be continuously developed. It is a double-loop learning which is learning to fix the situation, activity, or experience to create compatibility with the strategic need and learning to aim for improvement in the future.

Therefore, this current research defines dynamic strategy capability improvement as follows: “Dynamic strategic capability improvement is the ability to create efficient strategic procedures in every stage of business operation. It has an impact on the effectiveness of organisation for resource management and organisation improvement to be ready for the changing environment both within and outside the business with limited resources” (Baath & Wallin, 2014).
From the literature review described and discussed above, it is clear from the systems perspective that both internal and external supporting factors affect dynamic strategies. These factors consist of organisational strategic capabilities, dynamic capabilities, dynamic strategies, and strategic effectiveness for organisation performance.

**METHODOLOGY**

We developed a draft research instrument for the in-depth interviews with the experts in strategic management to validate the interview instrument drafted based on the relevant literature review in the first stage. We then conducted a qualitative study using the revised interview protocol with the group of sample entrepreneurs to collect data and information from the sample entrepreneurs in the latex export sector. This is the grounded theory approach to study some specific phenomena from many point-of-views in order to seek meaning in strategic management and bring the obtained information both from the in-depth interviews and secondary sources of information to develop the conceptual framework. The data and information obtained from these sources, i.e., experts in strategy and entrepreneurs and secondary sources of information were then analysed in order to ascertain the theoretical linkage among the relevant factors. The data collection was conducted during June 2016 until January 2017. Details of the research methodology of the study are described below:

1. **Step 1:** The researchers consulted five academics who are expert in strategic management on the draft research instrument (interview protocol) to validate its content which was based on the theoretical literature review. Then, a frame of reference or the structure of the questions about dynamic strategy and organisational strategic capabilities is finalised and used to interview the sample entrepreneurs. Based on the interviews of the academic experts, their views and issues are summarised in Table 1.

2. **Step 2:** We conducted direct interviews or phone interviews with 15 sample entrepreneurs in different sectors as follows: export business (3), hotel business (3), contractor business (2), retail business (3), hospital business (2), and IT parts business (2). These sample entrepreneurs were identified and selected from previous local research (from the ranks of outstanding domestic industries 2016) that indicates their ability to adapt and become competitive in their business in spite of several constraints and limitations in order to identify factors related to the use of competitive strategy currently in Thailand. Then, a factor analysis was performed to identify the significant constructs which subsequently answers our research
questions. The data and information about this stage of the research were gathered from July 2016 to October 2016.

3. Step 3: We consulted the same five academics who are expert in strategic management again about the result of the factor analysis in order to review and ascertain the theoretical validity of the importance of identified variables.

4. Final step: We then discussed the results obtained in Step 3 with five sample entrepreneurs of rubber wood exporting business who are successful in elevating the organisation to downstream industry for not less than seven years. By using the view of the academics and relevant factors or variables obtained to set the issues for discussing and assessing what the entrepreneurs do in their actual implementation, we then identified a set of indicators of dynamic strategy. This stage of data collection was undertaken from November 2016 to March 2017. The details of these procedures will be illustrated in the case study in the subtopic entitled “The Development of Sustained Strategic Capabilities.”

Table 1
Academics’ view on dynamic strategy and organisational strategic capabilities

<table>
<thead>
<tr>
<th>Issue</th>
<th>Detail</th>
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<tbody>
<tr>
<td>1. Definition of dynamic strategy</td>
<td>Procedures or strategic capabilities that affect the effectiveness of an organisation in coping with change and adapting strategic direction as well as the implementation and enhancing organisational flexibility to respond and sense the significance and direction of changes. In addition, there is also a feedback system for organisational learning to improve the organisation innovative capability.</td>
</tr>
<tr>
<td>2. Organisational strategic capabilities</td>
<td></td>
</tr>
<tr>
<td>2.1. Resource-based perspective</td>
<td>A strategic resource that is important for achieving competitive advantage which may be due to the organisation’s capacities, such as organisation structure, organisation culture, standard operating procedures, or even the type of competitive strategies chosen.</td>
</tr>
<tr>
<td>2.2. Knowledge-based perspective</td>
<td>Procedure of knowledge development from the creativity or experiences of the personnel, access to knowledge that is useful for innovation creation. Such factors are important for strategic learning.</td>
</tr>
<tr>
<td>2.3. Network-based perspective</td>
<td>Cooperation for resource exchange caused by relationship system or specific cooperation due to certain constraints that do not allow implementation according to the intended strategy.</td>
</tr>
</tbody>
</table>
FINDINGS

Capabilities Affecting the Organisation’s Dynamic Strategies

Based on the in-depth interviews with the 15 sample entrepreneurs, we identified issues that are significantly similar and different which we have classified into two main categories, namely, organisational strategic capabilities and dynamic strategies. The detailed results of the research are summarised in Table 2.

Capabilities Enabling Development of Dynamic Strategies

Strategic capabilities of the organisation are the supporting factors to develop the needed required capabilities. According to the interview with the sample entrepreneurs, it is found that organisational resources are very important for strategy driving. This is the capability which enable organisations to efficiently use the existing available resources that the competitors cannot imitate. Apart from that, there is an importance of resources generated from their network, which is generated due to the constraints faced by the organisations themselves, such as lack of expertise, necessary technology, innovation, etc. Therefore, this necessitates the resource exchange to enhance the organisation’s competitiveness. These capabilities as organisational resources can be divided into three types as follows:

1. Resource-based capabilities (RBC)

   It comes from the sample entrepreneur’s reflections on the awareness of the different valuable resources and the difficulty of imitation resulting in a firm competitive advantage. According to the expert opinion, the resources can be classified into five categories namely, financial resources, physical resources, human resources, technological resources, and organisational resources. In the perspective of strategic resources of the organisation, the important drivers of the strategies are structural system of organisation management, organisational culture, and leadership, since they are the capabilities of internal organisation management that will lead to improvement of strategy-implementing efficiency.

2. Knowledge-based capabilities (KBC)

   It is the analysis of the supporting factors of knowledge improvement process with dynamic features that are related to data, information, knowledge, and activity management. It also includes experiences, beliefs, values, and creativity of employees in the organisation. The linkages of
strategic capabilities show that knowledge management is important to clearly communicate and promote the organisation’s vision and policies throughout the organisation, to clarify strategy.

3. Network-based capabilities (NBC)

A NBC is the mutual cooperation that is linked together by group relationship. These can be at the level of the individual, working group, or organisation exchanging resources. It can be both formal and informal relationship systems. Such a network is actually the competitor in the same product market, but the specific cooperation can lead to competitive advantage and still maintain the existing customer base by preventing them from changing the target for new and other firms. Therefore, the concept of network is important for organisation’s capability improvement, but it needs to be under the condition of network management that is established to create stability of needs of the network members.

The interviews with the sample entrepreneurs can be summarised into sub-component in each factor as shown in Tables 2 and 3.

Based on the literature review, we have identified this as a priori model which is composed of the following factors influencing the organisation’s strategic capabilities: (1) intended strategy, (2) emergent strategy, and (3) strategic learning. The in-depth interviews with the academics also suggest that these three components are important to strategic capability improvement. In addition, the explanation of 15 entrepreneurs further supported the importance of these following indicators.

In the strategy making process, it must be long-term plans and it must match with strengths and weaknesses of the organisation. The strategy making must result in plans or programmes and it must show the budget plans in order to follow the strategy, as well as the procedures to show the plan to use available resources in their operations to maximise effectiveness of the organisation.

For the emergent strategy, the interviews with the sample entrepreneurs suggest the same view that strategy implementation has many obstacles, such as inadequate resources like personnel, manufacturing factors, technology, and laboratory. Therefore, the performance is inefficient. Mostly the challenges they face are inadequate skilled personnel since the existing manpower are overloaded with other works. One of the sample entrepreneurs said:
Most of the personnel are on the production line and are labour-intensive. They are very skilled in their work. At present, the supervisory personnel are graduates in mechanics recruited from vocational high school. There is a lack of research and development personnel to work for the improvement of the quality and production of rubber. This group of personnel is the most lacking in Thailand. Many companies solve this problem by employing knowledgeable personnel from abroad.

Table 2

<table>
<thead>
<tr>
<th>Organisational strategic capabilities</th>
<th>Indicator</th>
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<tbody>
<tr>
<td><strong>RBC</strong></td>
<td></td>
</tr>
<tr>
<td>• Organisational structure</td>
<td>Strategic orientation, self-managed team, formal and informal organisation.</td>
</tr>
<tr>
<td>• Organisational culture</td>
<td>Acculturation, openness, cultural integration, culture of adaptabilities, learning group, and entrepreneurial styles</td>
</tr>
<tr>
<td>• Leader</td>
<td>Challenges seeking, need of control, formulator and implementer, potential force, expert power, and control over resources.</td>
</tr>
<tr>
<td><strong>KBC</strong></td>
<td></td>
</tr>
<tr>
<td>• Expertise capabilities</td>
<td>Strategic expert, product expert, commitment to learner, external awareness, resilience, and service maturation.</td>
</tr>
<tr>
<td>• Technology subsystem</td>
<td>Communication technology, collaboration technology, storage technology, and management information system.</td>
</tr>
<tr>
<td>• Knowledge centre</td>
<td>Executive information system, individual memory, information memory, connection memory, structural memory, and cultural memory.</td>
</tr>
<tr>
<td><strong>NBC</strong></td>
<td></td>
</tr>
<tr>
<td>• Resource access</td>
<td>Finding network partners, managing network relationship, leveraging network relationship, network maintenance, and resource sharing.</td>
</tr>
<tr>
<td>• HRM activities</td>
<td>Personnel recruitment and selection, personnel development, performance management, and labour relations.</td>
</tr>
<tr>
<td>• Integrated communication</td>
<td>Formal communication, informal communication, content, channels, and continuity.</td>
</tr>
</tbody>
</table>

*Note: Factors identified in this research are from the 15 in-depth interviews.*
The last component of dynamic strategy is the strategic learning which is the method or procedure to assess the possibility or approach of evaluation, which can improve or help develop the performance indicators of chosen business strategy to ensure that the organisation is moving towards its goals, what problems that the organisation is facing with during the strategy implementation, and whether there are any changes required in the intended strategy. For example, in a complex dimension, an entrepreneur shared that:

According to the improved strategy implementation, the target or goal needs to be changed. We found a better business opportunity than the intended target. In the process, there is a strategic learning that proves that the intended target does not match the current situation and there is no possibility that it is suitable with the existing resources owned by our company.

The strategic learning is thus the important process that may lead to new target that brings success to the organisation in the future.

Therefore, dynamic strategy, consisting of intended strategy, emergent strategy, and strategic learning is a construct that can simultaneously enhance organisation performance and elevate strategic capabilities of the organisation. It is the process that requires continuity and requires supporting factors for dynamic features as a basic and important foundation to drive the organisation strategies for organisational changes to achieve competitiveness.

The Development of Sustained Strategic Capabilities

Entrepreneurs of rubber wood export industry in Thailand

Rubber wood export business is quite good since the demand of rubber wood of China has been increased due to the growth of the wooden furniture market in the country and also its export growth to other countries. Thai competent entrepreneurs started to increase the production ratio of rubber wood furniture and rubber wood products in order to increase value for export and to join force to realise the Thai government policy in bringing the country up to “Thailand 4.0” model. This model requires at least three major dimensions of change, which are (1) change from “commodity” production to “innovation” products, (2) change from adopting new technology, creativity, and innovation to industry sectors, and (3) change from production sector-focused to more on service sector-focused. According to such policy initiative, the government has supported rubber wood
industry systematically and completely, starting from doing research to improve rubber wood quality, supporting product design to promote a high-quality product.

Therefore, the entrepreneurs need to get ready for this new challenge of organisation, adaptation or organisation capability enhancement. We interviewed and discussed with the entrepreneurs to identify the approaches used to enhance their strategic capabilities which lead to innovation creation and capacities that affect their dynamic strategy.

**Organisational strategic capabilities**

The organisational strategic capabilities are the ability of firms to effectively use available resources through continuous strategy making to support their operation. The five sample rubber wood entrepreneurs have jointly agreed on the development of the similar overall strategies in the industry. However, they create differences in the capabilities by integrating strategy in the context of each organisation and discussion of planning. Strategic decision making can be divided into three strategic directives as follows:

1. To develop latex and rubber wood products by improving technology in midstream material quality and latex and rubber wood product testing room in order to improve quality and standard of Thai latex and rubber wood products.

2. To develop personnel in research and design, and technicians in latex and rubber wood product industry.

3. To create and develop a database of Thai latex and rubber wood product industry by surveying and gathering data, news, and technological direction, as well as standards related to Thai latex and rubber wood product industry.

According to the three strategic directives mentioned above, additional factors are identified as indicators used by the 15 sample entrepreneurs. These indicators are adjusted in order to indicate the capability that will affect strategic capability improvement. The details are described in Table 3. The variables are categorised by element, key resources, development of temporary dynamic capabilities, strategic capability improvement, and sustained strategic capabilities.
Table 3
Supportive factors to strategic capabilities improvement of the Thai rubber wood product exporter

<table>
<thead>
<tr>
<th>Element</th>
<th>Key resources</th>
<th>Development of temporary dynamic capabilities</th>
<th>Leverage of strategic capabilities</th>
<th>Sustained strategic capabilities</th>
</tr>
</thead>
</table>
| RBC     | **Organisational structure** (Tina, Ian, & Anne, 2002; Elbanna, 2016)  
**Organisational culture** (Ginevicius & Vaitkunaite, 2006; Genç, 2013)  
**Leadership** (Bass & Avolio, 1997; Chang, 2015; Prasertcharoensuk & Keow, 2017) | • Synergising and integration for new capabilities  
• Avoidance of product imitation  
• Developing and adding value through creating compatibility and alignment between resources and capabilities | • Identifying ways towards success, such as brand creation of furniture products, new market opportunities  
• Innovation through promotion and support provided for universities’ business incubator projects and the government | • Operation under strategic plans  
• Reduction of risks from long-term investment  
• Decisions of leaders who initiate change or new business target |
| KBC     | **Expertise capabilities** (Dooley, Corman, & McPhee, 2002; Kawamura & Vlaseros, 2017; Tiwana & Mclean, 2005)  
**Technological subsystem** (Santos, Araújo, & Correia, 2017; Yang & Chen, 2007)  
**Knowledge centre** (Rogers, McDonald, & Brown, 2005; Freeze, 2006; Venkitachalam & Willmott, 2017) | • Creating a new body of knowledge on a continuous basis  
• Effective communication through knowledge sharing  
• Learning for continuous improvement and ability to adapt and adjust | • Business operating procedures and clear understanding of the outcomes of such relationships  
• Creation of deep knowledge in the rubber wood furniture industry and anticipation of future trends | • Integration of important activities to develop intellectual properties  
• Human capital to bring new knowledge linking to existing knowledge  
• Change of ideas leading to new industry |
| NBC     | **Resource access** (Mattsson, Corsaro, & Ramos, 2015; Phichai, 2009)  
**HRM activities** (Ritter, 1999; Lind, 2015)  
**Integrated communication** (Knoke & Yang, 2008; Mattsson et al., 2015) | • Negotiate to obtain better terms and conditions  
• Networking and collaboration to reduce internal constraints and develop new products | • Collaboration on trend analysis of the furniture markets  
• Testing of assumptions for the materialisation of business strategies  
• Communication patterns between networks through marketing activities or MOU | • New agreements from collaboration opportunities  
• Social capital to reduce complexities and difficulties in implementing strategies |
The upgrading of strategic capabilities to innovation capabilities

For the entrepreneurs who want to implement new strategies in order to adjust to the change of export, i.e., by selling furniture instead of rubber wood and by creating more value added in the products, there must be necessary operational guidelines. This includes the appropriate area (market) analysis, knowledge sharing process, processing technology, environmentally-friendly rubber tree growing, information system, rubber market system/logistics, and clarity of management and government support. The most important aspect of such changes is that the entrepreneurs must create compatibility of resources and efficiency of response to the environment through flexibility and effective strategy making with the following procedures.

For the intended strategy, these sample entrepreneurs did the following:

1. They set their organisational goals, such as creating the awareness of the brand of their furniture products, searching for new target markets by avoiding major traders in order to enter into a new industry.

2. They established the policy for operational guidelines for furniture market analysis, knowledge absorption, technology, and innovation creation with the support and encouragement of university-business incubator project and the government support. One of the sample entrepreneurs said: “The workforce nowadays lacks of skill to use modern manufacturing tools and lack of product design skills which are needed for value creation of products.”

3. Action plans are developed to create marketing channels, recruit, or develop research and design personnel to become an expert and who will understand the trading rules and regulations of the European Union (Forest Law Enforcement, Governance and Trade or FLEGT) in order to export furniture to Europe.

Emergent strategy

We found that in order to be able to adapt their business strategy to respond timely and effectively to the changing environment, the sample entrepreneurs had undertaken the following:

1. Developing a dynamic sensing system to detect impact factors or a trend of demand of furniture market and change the approach and frequency of communication within the organisation at every level. Some entrepreneurs mentioned that: “There are many ways to help us sense the impact factors.”
2. The experiment is performed to test the assumptions to assess the possibility of the strategies by trial and error and to test the forecast of competitors’ responses and plan to deal with digital marketing in order to adjust the marketing promotion programmes to achieve the highest response from the customers by adding a variety of products, such as dining table set, living room furniture, cabinet, as well as garden furniture. In addition, there are also rubber wood export products in the form of finished products, semi-knocked-down products, or complete-knocked-down products.

3. Adjusted resource allocation of long-term investment to a short-term investment based on the similar studies undertaken in the same organisation. This practice creates variety in the resource allocation for the experiment. They also operated on a project basis as well as develop open collaboration with external organisations.

**Strategic learning**

These sample entrepreneurs demonstrated their strategic learning in the following ways:

1. They follow up, scan, and analyse the environment to continuously run their business using reliable information. For example, an entrepreneur said that: “We create compatibility of furniture demand and current economic conditions by learning about consumers’ taste in various countries by offering modernised products with quality and standard. This is the result of the development of the product models that are in line with the consumers’ need in various markets. In addition, the products are also promoted in many countries.”

2. Creating in-depth knowledge of rubber wood furniture industry to enable all concerned parties to correctly and timely understand the strategic management process and understand the current situation of the business and the anticipated changes in the future.

Another perspective obtained from the in-depth interviews of these three sample entrepreneurs is strategic learning that can elevate firm’s midstream to downstream industry. They agreed that it must be the learning that can create new sustainable capability in the competition. This needs to start from development or resource seeking, capability to sense and search opportunity. It is important for entrepreneurs to indicate and create new opportunities. All these are to improve furniture manufacturing industry or the materials processed from rubber wood thoroughly.
and to be able to compete at international level, starting from manufacturing system, quality assurance, product development, financial management, and marketing in order to increase capability to compete in the global markets.

**DISCUSSION**

**Factors Affecting the Dynamic Strategies and Sustained Strategic Capabilities**

Dynamic capabilities are newly created capabilities upgraded to new capabilities that are consistent with changing environments to respond to innovation at the time of entry into the marketplace (Teece et al., 1997). This is the result of the organisation’s ability to innovate through integration of changes in the patterns of internal and external processes to optimise productivity, product design, and service.

The theoretical implications of the sustained strategic capabilities are that the use of knowledge strategies drives organisational decision-making (Roozbeh, Mohammad, & Atieh, 2016; Yun, Jung, & Yang, 2015). Using strategic learning capabilities as part of a holistic process creates a continuous organisational behavioural process (Baath & Wallin, 2014; Moncrieff, 1999). Factors of strategic upgrading, such as technological resources being built, are new capabilities in research, development, and cost reduction (Doordarshi, Jaspreet, & Inderpreet, 2013; Ahenkora, 2012; Parnell, 2011; Sanchez, 2012). Finally, there is a relationship between dynamic strategies and performance (Ogilvie, 1998; Feurer & Chaharbaghi, 1995; Cappel, Wright, Wyld, & Miller Jr., 1994; Mintzberg & Waters, 1985). In Thailand, research that is concerned with the strategic upgrading of the rubber business is very rare. A study on resource availability by Punninon (2015) found that there is a positive relationship between resource availability and firm competitive advantage through export strategy. However, the study did not develop a holistic conceptual framework for explaining relationships in which inputs, moderator variable, process, and outcomes include links of elevation. Based on the field in-depth interviews, we have been able to see the overall picture and identified several issues and indicators of various organisational resources that affect dynamic strategy. We also find that in term of theory building, there are linkages between the systems theory that explain firm strategic capability improvement and their ability to shift from midstream industry to downstream industry. In order to show how these sample entrepreneurs develop their strategic capabilities, the description and discussion of the findings are provided below.
Organisational strategic capabilities

Organisational strategic capabilities that affect a dynamic strategy include RBC (organisational structure, organisational culture, and leader), KBC (expertise capabilities, technology subsystem, and knowledge centre), and NBC (resource access, HRM activities, and integrated communication). These strategic processes that are resource-restructured respond to changes in the marketplace. The processes include integration and reconfiguration to suit the changes occurring (Eisenhardt & Martin, 2000).

For the RBC, an organisation’s internal management capability affects efficiency of strategy implementation to create value added in the process. Three sample rubber exporters agreed that:

Sending a research team to an incubator of a university with expertise in rubber products can lead to an innovative product, based on the knowledge of materials science, marketing, and manufacturing technology. This depends on the clarity of the entrepreneurial strategy and the technological rights of the university.

This team building affects new strategy development and enhances competitiveness through innovation (Tina et al., 2002; Elbanna, 2016). The organisation may have to initiate activities to develop the organisational culture that serves to blend all together. This research finds that network has a significant role. Therefore, the integration of organisational culture is important for the creation of new ideas and supportive to the creation of innovation (Ginevicius & Vaitkunaite, 2006; Genç, 2013). The organisational leaders must search for challenge without being afraid of failure. They must expertly use their management authority as well as controlling resources in order to achieve efficiency (Bass & Avolio, 1997; Chang, 2015; Prasertcharoensuk & Keow, 2017).

Knowledge management capability in the dynamic environment relates to dynamic strategy. It especially pays attention to the expertise, capability in the form of tacit knowledge that is developed over time until accepted as knowledge champions (Dooley et al., 2002; Kawamura & Vlaseros, 2017; Tiwana & Mclean, 2005). The organisation must create a next generation version of knowledge champions to replace the turnover rate or retirement (natural attrition) rate. There is a rubber exporter who said that: ‘Those who are knowledgeable about economic trends and export to new markets, especially CLMV (Cambodia-Laos-Myanmar-Vietnam) and new frontiers have continued to grow. They are highly ranked as one of the
world’s leading and most knowledgeable persons in the rubber and plastics sectors, the rubber and sheet rubber materials have to be developed as innovative products.” These knowledgeable people are important for the exchange of knowledge and knowledge transfer strategies within an organisation (Hansen, Nohria, & Tierney, 1999; Jones, Herschel, & Moesel, 2003).

The last component is network capabilities. This perspective focuses on formal and informal relationship of people, working group, and organisation in order to exchange resources. The network also involves drafting organisation strategy to change the policies and work plans leading to the exchange and sharing of needed resources (Phichai, 2009), and to get knowledge about the rubber industry. Through the network, there is an opportunity to meet knowledgeable people and share experiences in developing proposals. They can create a joint research network on rubber industry between and among agencies. They also get practical research problems that meet the needs of foreign customers. This may be a form of resource access (Knoke & Yang, 2008; Mattsson et al., 2015; Ritter, 1999).

In this regard, these three capability perspectives or supporting factors of dynamic strategy depend on the coherence or compatibility of various factors related to the context with which each organisation or industry is facing. Although paying attention to the guidelines and strategy under the responsibility of one division or department is good, but it also has to comply with the corporate-level strategy or business-unit-level strategies. This is because the competitiveness of an organisation results from the ability to create compatibility of the organisation’s overall strategies (Pearce & Robinson, 2003; Porter, 1998; Thomas et al., 2014).

**Components and indicators of dynamic strategies**

The newly created capability was elevated to a new capability in response to the changing environment that corresponds to the innovation that meets the current market needs (Teece, 2014a). Strategic dynamic capabilities enhance the ability of the organisation to implement its strategy for change from an environmental perspective (Manu & Sriram, 1996).

Baath and Wallin (2014) found that components of dynamic strategy are dynamic strategy development and strategic learning. However, in this research, we have further defined that the components of dynamic strategy are intended strategy, emergent strategy, and strategic learning. These three components are systematically demonstrated in connection with the sample entrepreneurs’ strategy improvement. The indicators of the discovered dynamic strategy for the sample respondents are as follows:
1. Setting the business strategy plan of the market and adjusting and allocating resources from long-term investment to include a ratio of short-term investment.

2. Having a system of prompt environmental change monitoring, assessment, and analysis.

3. Flexibility to allow implementation of backup plan concurrently and systematically with the main plan of the organisation without losing target opportunity due to risks.

4. Creating new knowledge in order to solve the problems due to internal and external changes.

5. The speed of the response to strategic knowledge of the personnel.

6. Communication of knowledge obtained from strategic decision making to further enhance the implementation of organisation chosen strategies.

Such indicators are developed by Mintzberg and Waters (1985) which are also included in these three components.

The linkage of all these factors identified in this research is shown in Figure 1. Organisational strategic capabilities (RBC, KBC, and NBC) must be adapted to the capacity of the organisation to develop as a dynamic capability; so it goes into the dynamic strategy process with the three components above. At one point, feedback is a strategic learning in two ways: (1) learning to develop strategic capabilities to outperform the current market and (2) learning to develop strategic capabilities to boost the organisation’s entry into a new industry. Thus, this creates a cycle of creating sustained strategic capabilities through organisational dynamic capabilities and strategies.

**Strategic Leverage for Industry-Specific Competition and Organisation-Level Capabilities towards New Industries**

What is the strategic importance of improving the competitive advantage of the industry and the ability to upgrade the organisation to new industries? To answer this question, we have addressed two relevant issues which are: (1) Enhancing the strategic ability to generate superior returns (develop strategic capabilities) in the same industry as the development of temporary dynamic capabilities by gathering/using existing resources, strategic practices, and value creation which is the dynamic strategy. It also focuses on maintaining a competitive position in the
market by managing the risks of long-term investment and integrating important activities with a sustainable competitive advantage. (2) Upgrading the organisation to new industries (leverage of new industries) which is the strategic learning of the market orientation, organisational process, and capabilities which require the organisation’s processes to create new knowledge, to create innovative products in collaboration with the network. It is a new organisational ability to focus on new markets by seeking partners for opportunities and sharing resources with its social capital. The advantage of human capital is that it creates innovative work and leads the way to a change in sustained strategic capabilities (see Figure 1).

The theoretical contribution of this study is that it has broadened the strategic management concept in addressing the issues of organisational competence in particular such as: First, RBC that require leadership qualities. These leadership qualities are the abilities to anticipate future changes in the industry. Strategic intuition is the ability to have a strategic instinct to synthesise a strategy or a way to compete for organisational success (Lewis, Spears, & Lafferty, 2008; Dane & Pratt, 2007; Duggan, 2013). Second, KBC that require business analytic capabilities as a tool for the organisation to create analytical capability, empower executives to make decisions to solve business problems (Yang & Chen, 2007; Davenport & Harris, 2007); and third, NBC that create business networks to enable them to expand their business base or exchange mutual resources under shared interests (Walter, Auer, & Ritter, 2006; Ranganathan & Rosenkopf, 2014; Bayne, Schepis, & Purchase, 2017).

**Figure 1.** Conceptual framework
For practical contributions, this research has identified supporting factors that contribute to the dynamic processes that play an important role in business operations. At present, the entrepreneurs focus on the view of the network. This can reduce many limitations. It also contributes to the improvement of the organisation or even the development of human resources as knowledge champion within the organisation as a strategic and product specialist (Hansen et al., 1999; Jones et al., 2003). The use of power to control the resources of the leaders is based on adaptation of the strategy to the network (Chatzkel, 2003), the exchange of resources, and the development of personnel through learning between organisations to absorb knowledge. Thus, the issue of network factors can directly and indirectly affect the sustainability of today’s competition (Gopalakrishnan & Santoro, 2004; Johnson & Johnson, 2006). Factors leading to the necessity to develop dynamic strategies are external environmental change. The change may be due to the management’s intentions to use modern management tools such as digital transformations, disruptive innovation labs (Christensen, 2013; Darrell, 2009), etc. Management of information system and knowledge management are developmental sciences of modern organisations in the world. They also increase the potential of the entrepreneurs, including firm productivity and innovation of the organisation (Quintas, 2002; Freeze, 2006; Plessis, 2007). Finally, cooperation in the business network with innovative performance will rely on the following elements and support: government agencies, partners, coordinating units, and research and development organisations (Zeng, Xie, & Tam, 2010). These organisations are useful for entrepreneurs who want to make changes within the organisation to enhance their creativity by seeking outside cooperation (Antikainen, Makipaa, & Ahonen, 2010).

The current rubber processing business is interesting because it is a business that is expected to grow in the future and Thailand has the advantage of being a major producer of rubber. It is also a high-return industry where investment may be required to build a relatively large facility to create an economy of scale and value for technology. Therefore, upgrading the strategy requires resources such as product expertise, technology know-how, and win-win mindsets with their networks. For example, by setting up joint ventures with Malaysian entrepreneurs with market insights, the needs to control the industry from the beginning to the end will be less which can leave the performance of the industry to the market forces. A network of distributors and freighters covering ASEAN countries, China, South Africa, United States, and Europe can also increase bargaining power in international markets for such joint ventures.
CONCLUSION

This study examines the new performance model of strategy development to achieve organisational objectives of superior returns in its current industry. We also examine how firms leverage their current capabilities to enter a new industry through dynamic processes which respond to the needs of the industry and current market volatility. This study also integrates the concept of resource-based view, dynamic capabilities, and dynamic strategy. We find that our priori conceptual framework based on the relevant literature review is further refined based on the in-depth interviews of about 20 successful entrepreneurs in the rubber wood export industry. Other empirical findings are as follows: (1) supporting factors that result in dynamic processes include organisational strategic capabilities (RBC, KBC, and NBC), and (2) forms of holistic strategy development linked to resource factors. Organisational competence can be explained by systems theory with feedback or strategic learning.

The pattern that emerged was a new concept in term of decision models to develop an entrepreneurial strategy. This is because both leverage of new competencies and development of strategic capabilities have its focus on potential markets. Organisational processes and the capabilities of the organisation are two different aspects. That is, leverage of new competencies must be developed. Organisational strategic capabilities in a dynamic form called the development of temporary dynamic capabilities which rely on the organisation’s processes to build new knowledge of innovative products through collaboration with networks. Then, this will be upgraded to a new performance that will focus on new markets by seeking partners to create opportunities. Furthermore, resources are exchanged with social capital, the advantage of having human capital to create innovative work, and having a leader who wants to change to a sustained strategic capability.

Another perspective is development of strategic capabilities with temporary dynamic capabilities based on the integration/alignment of existing resources with strategic practices and the creation of resource values. It then focuses on maintaining a competitive position in the market by managing the risks of long-term investment and integrating critical activities with a sustainable competitive advantage.

One observation based on this study is that supporting factors that drive dynamic processes play an important role in business operations. At present, entrepreneurs value network perspective which can reduce many limitations. It also helps to elevate the organisation, or to develop human resources, i.e., as a knowledge champion within the organisation, as a specialist in strategy and product use,
and so on. The power to control a leader’s resource is governed by a change in strategy. Finally, with network, there can be an exchange of resources and the development of personnel through learning between organisations to absorb knowledge. Therefore, this finding highlights the significance of network factors that can directly and indirectly affect the sustainability of today’s competition.

Limitations of the Study and Agenda for Future Research

This study is a qualitative research based on in-depth interviews of 5 experts and 15 entrepreneurs from 5 industries, group discussions, and case studies of 5 rubber entrepreneurs. The data and variables are derived from only one sector of each industry. The results of the classification of organisational strategic capabilities (RBC, KBC, and NBC), or the process of dynamic strategy of the organisations derived from this study are presented. Furthermore, it is observed that there is a limitation in term of the depth of information obtained although we have been able to build up some rapport with and get back to the sample entrepreneurs for clarification and additional information. Hence, it is suggested that future studies of quantitative nature be conducted to generate a larger database so that structural equation model can be performed to ascertain the relationships among dynamic capabilities and dynamic strategies, organisational performance, and innovation performance, hence higher level of generalisation.

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Dynamic capabilities and strategies for sustainable strategic capabilities


