

## Chapter 8

# The Role of Dynamic Capabilities as Influencers of Organizational Intelligence

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### ABSTRACT

*Dynamic markets have made it extremely difficult for firms to sustain their competitive advantages. Adapting with the reconfiguration of its internal resources has become essential for the survival of firms. In the midst of these changes in the market, the concepts of Dynamic Capability (DC) and Organizational Intelligence (OI) arise, theories that, despite their different approaches to the use of firms' resources, have as their ultimate objective the creation and maintenance of a sustainable competitive advantage. So, in order to better understand the influence of these theories on the activities of firms, this chapter approaches the relationship between both theories, analyzing their common points, and the way DC influence OI.*

### INTRODUCTION

In an effort to stay profitable and to become more competitive than their competitors, companies face different internal and external challenges. In the external environment, opportunities and threats arise from domestic growth, global competition, better informed customers and rapid technological advances (Istudor, Ursacescu, Sendroiu, & Radu, 2016). Internally, they are pressured to reduce costs and improve the distribution of services to customers, thus creating more value. And, as a result of these challenges, companies experience difficulty competing and staying ahead of their competitors (Eidizadeh, Salehzadeh, & Chitsaz Esfahani, 2017).

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In this context, the concepts of OI and DC emerge, both related in the literature to the capacity to adapt and sustain the competitiveness of companies (Biedenbach & Müller, 2012; Eisenhardt & Martin, 2000; Istudor et al., 2016; Meirelles & Camargo, 2014).

The concept of OI highlights the organization's ability to develop efficient behavior that assures it to react to changes in the environment (Istudor et al., 2016), generating knowledge to strategically adapt to the environment and solve technical and human-related organizational problems (Toolarood & Daryani, 2015). Market development demands intelligent organizational models able to react appropriately to the needs of environment (Choo, 1999; Quinn, 1992; Senge, 1992). So, two main concepts, which are connected, emerge: the Competitive Intelligence and OI (Anunciação et al, 2017) (Zambon & Anunciação, 2014). Some of the common elements are:

- Integrating disperse data research processes, transformed into relevant information (Tarapanoff, 2001)
- Corresponding to institutional and systematic programs of information collection and analysis (Gomes & Braga, 2002)
- Corresponding to a strategic information management activity, allowing the decision-makers to anticipate the markets and the competition (Gomes & Braga, 2002)
- Implementing a formal, permanently controlled process, to evaluate the capability to aid maintenance or development of a competitive edge

The goal for developing the intelligence processes is to monitor the internal and external environment, researching information with added value, opening doors to new business opportunities, contributing to the development of strategies to reach competitive advantages (Oliveira, Gonçalves & Paula, 2013) (Sapiro, 1993).

The term DC is part of a new approach in the field of strategic management. The expression arose in the mid-1990s with the authors Teece and Pisano (1994), and evolved with the contribution of several other scholars (Eriksson, 2014).

Teece and Pisano (1994) define DC as the company's ability to integrate, build and arrange external and internal competencies to cope with rapidly changing surroundings. Therefore, DC reflects the organization's ability to develop competitive advantages in turbulent environments (Biedenbach & Müller, 2012), reconfiguring its resources to adapt to market turmoil (Eisenhardt & Martin, 2000).

Both concepts are related to the fact that there can only be OI in all its dimension if there are organizational DCs capable of guaranteeing levels of reactivity adequate to the demands of the economic responses to the market. Two aspects should be considered in the construction of DCs: the strategic resources and competences used to generate competitive differentials and the renovation and evolution of such resources and competences, based on the firm's routines. These aspects help to understand the firm's technological, organizational and environmental changes, in order to understand how to create and sustain competitive advantages (Meirelles & Camargo, 2014).

In this regard, both the inherent capacities of the two concepts depend on the organization's connections with the environment in which it is inserted, as well as the internal relations to its own system and the human intelligence of its employees (Istudor et al., 2016).

It is due to the reasons described that the OI is considered a determinant factor for the increase of the productivity of the firms. If it is not considered, it will reduce the chances of competition and survival of the organization (Rasouli, Soodi, & Jafarzadeh, 2016).

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