The effect of intangible resource bundling on ambidextrous capabilities—the moderating effect of EO and MO
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Abstract
As the value-adding process of industrial firms are increasingly based on the capabilities, the natural focus of attention shifts from the control of static, firm-specific resources to the transform resources into capabilities. This paper builds a framework of structuring resources and capabilities. The paper outlines the intangible resource bundling, capability, EO and MO. Based on the theoretic framework, many hypotheses have been proposed.

Key words: Intangible resource bundling, exploitation capabilities, exploration capabilities

INTRODUCTION
With the dependence of core capabilities, firms pay attention from static and scare resource to resource bundling, capabilities enhance and application. In practice and theory research, resources are transformed into capabilities at the most extent. Through the bundling of intangible resources, firms can accumulate the resources and build competitive advantage and internalization. However, there are many controversial views that how to build intangible resources into capabilities. In practice, Chinese firms were encouraged to learn the advanced technologies and experiences. In recent years, firms were also encouraged to accumulate the resource by themselves. But the firms only focused on the import of equipment and product and ignored the core technologies and knowledge. And the assimilation and application of imported knowledge are ignored; therefore the capabilities of firms were not enhanced to requirements.

Based on the RBV and resource management review, the different types of resource, tangible and intangible resources are used to bundle into capabilities. Furthermore, the capabilities are classified into exploration and exploitation capability. How do the intangible resources have the impact on different types of capabilities?

In resource management process, the entrepreneurial orientation and market orientation as internal organizational factor is discussed. The entrepreneurial and market orientation can exhibit the dynamic capabilities, which can help firms find opportunities and enhance the efficiency of resource management. The effect of external environment on resource management has been discussed, but the effect of internal organizational factor on resource management is also absent.

THEORETIC BACKGROUND
Tangible resources which include: (a) financial assets (Grant, 1991) and (b) physical assets (Grant, 1991). Intangible resources that are assets which include: (a) intellectual property assets (Hall, 1992), (b) organizational assets (Barney, 1991; Fernandez et al., 2000), and (c) reputational assets (Roberts and Dowling, 2002).

Specifically, the RBV suggests that possessing valuable and rare resources provides the basis for value creation. This value may be sustainable when those resources are also imitable and lack substitutes (Barney, 1991). However, merely possessing such resources do not guarantee the development of competitive advantages or the creation of value (Barney & Arikan, 2001; Priem & Butler, 2001). To realize value creation, firms must accumulate, combine, and exploit resources (Grant, 1991; Sirmon & Hitt, 2003). Unfortunately, there is minimal theory explaining “how” managers/firms transform resources to create value (Priem & Butler, 2001). Therefore, the RBV requires further elaboration to explain the link between the management of resources and the creation of value.

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Resource management is the comprehensive process of structuring the firm’s resource portfolio, bundling the resources to build capabilities, and leveraging those capabilities with the purpose of creating and maintaining value for customers and owners.

RESOURCE BUNDLING
Bundling is the process by which capabilities are formed. Resources within the firm’s resource portfolio are integrated (i.e., bundled) to create capabilities, with each capability being a unique combination of resources allowing the firm to take specific actions (e.g., marketing, R&D, etc.) that are intended to create value for customers.

Different types of bundling processes produce specific capabilities. Thus, different bundling processes are necessary when the firm is attempting to produce incremental change than when the goal is more substantial change in the firm’s capabilities (Hamel & Prahalad, 1994).

EXPLOITATION AND EXPLORATION CAPABILITY
March (1991, p. 85) defines exploration as “experimentation with new alternatives having returns that are uncertain, distant, and often negative” and exploitation as “the refinement and extension of existing competencies, technologies, and paradigms exhibiting returns that are positive, proximate, and predictable.” Levinthal and March (1993, p. 105) define exploration as “the pursuit of knowledge, of things that might come to be known,” and exploitation as “the use and development of things already known.” Building on these definitions, we define “exploration capabilities” as the importer’s ability to adopt new processes, products, and services that are unique from those used in the past and “exploitation capabilities” as the importer’s ability to improve continuously its existing resources and processes. These conceptualizations emphasize the dynamic and distinctive aspects of exploration and exploitation.

HYPOTHESIS
Intangible resource is difficult to imitate, substitute and its’ flexibility, which can easily enhance the present capability. For an example, technical knowledge can have an impact on process innovation and product design. Based on the diversity of technical knowledge, Toyota Corporation designed the new flexibility process. Therefore, Toyota used the existing knowledge to accumulate the capability. Secondly, with the advanced technical knowledge can accelerate the speed of new product development. Thus, firms can build the capability with the present knowledge. The cooperation among firms can provide a way to share the knowledge, which is helpful for firms to enhance the capability.

In the process of intangible resource bundling, the process and routines also can promote the exploitation capability. Through the discussion and group work, the employees can have the common recognition and understanding on the intangible resource. At the same time, members can make full use of the intangible resource, enhance the knowledge store, and promote the operation behavior. These can reflect the exploitation capability enhancement.

Knowledge sharing is helpful for firms to enhance the knowledge level and employee’s skills, which can promote the firms’ adaptive behavior. In the process of knowledge sharing, firms may integrate the different types of knowledge, and then build the new capability. On the other hand, the knowledge sharing can make employees comprehend the relationship between behavior and performance, which is also result in the new capability building.

Interorganizational learning is the important way to enhance the competitive advantage. Acquiring the knowledge, firms can improve the knowledge stock and broaden the knowledge basement, which promote the flexibility under the dynamic environment. Namely, the new idea is the foundation of new capability.

The scan of outside the knowledge can stimulate the new routine, which is helpful for firms to build the exploration capability. In a word, acquiring the intangible resource can promote the exploration capability. Firstly, firms can form the new routine in which firms can build the skills and experiences of integration of knowledge. Secondly, the interrelationship can provide the opportunities to find the new knowledge and integrate the knowledge, which can promote the new capability.

Hypothesis 1a: As the level of intangible resource bundling increases, the level of exploitation capabilities increases.
Hypothesis 1b: As the level of intangible resource bundling increases, the level of exploration capabilities increases. Different orientations have different recognition values. EO provides the environment under which the resource bundling has the cognitive effect on exploitation and exploration capability enhancement. With the EO, firms have the access to the market opportunities, risk taken and innovativeness. The EO emphasizes the exploration of the potential market, not the extension of the present market. But the intangible resource is difficult to imitate. Based on the RBV, firms should take advantage of the intangible resource to build the exploration capability. Therefore, with the emphasis of EO, the firms may less structure the intangible resource to build exploration capability.

Atuahene-Gima (2005) regarded that firms with the EO will encourage the firms to evaluate the present performance. Therefore, firms may choose to build rather the exploration capability than exploitation capability.

Hypothesis 2: EO negatively moderates the effect of intangible resource bundling on exploitation capability.

As a generative organizational learning mechanism, EO may encourage firms to take the explorative and risk preference behaviors in the process of resource integration. Resource structuring is regarded as the resource input, so EO may have the impact on the integration and application of intangible resource. Consequently, EO makes the firms find the market opportunities and threat. Then, EO promotes firms to deploy the intangible resource. Furthermore, proactive firms may have the impact on the new knowledge and capability. Thus, under the environment, firms have the higher probability to find the new way to structure intangible. At the same time, firms can build the new routine of integration of new knowledge.

Hypothesis 3: EO positively moderates the effect of intangible resource bundling on exploration capability.

While the literature offers several conceptualizations of market orientation, most interpretations focus on three components: (1) a customer focus, (2) a competitor focus, and (3) inter functional coordination. For example, Naver and Slater, Kohli and Jaworski, and Day focus on customer- and competitor-oriented activities with emphasis on information management (i.e., acquisition, dissemination, and responsiveness) that serves to coordinate organizational behavior. Market orientation has been found to be positively related to organizational performance.

Similarly, Baker and Sinkula view market orientation as a driver of organizational market information processing activity as well as how it is used in the firm’s strategy. They note that while learning may occur as a result of market-oriented processes, it is not necessarily an outcome of such processes. In fact, market-oriented success could breed resistance to learning and change as when successful outcomes associated with past behavior and their interpretations, spawn complacency, and avoidance or rejection of contrary information, which may be indicative of the need for change. Thus, while market-oriented firms, by definition, engage in acquiring, sharing, and acting on market intelligence, they may be involved in the biased information processing of deficient information.

As noted by Baker and Sinkula, market orientation exists on a continuum qualified by the degree to which firms obtain and react to feedback from customers and competitors—the so called “outside-in” orientation. This perspective affects the ability of the firm to work with customers to develop products, appropriate selling propositions and service, and global marketing capabilities that make the firm an attractive supplier vis-à-vis its competition.

Hypothesis 4: MO positively moderates the effect of intangible resource bundling on exploitation capability.

Hypothesis 5: MO negatively moderates the effect of intangible resource bundling on exploration capability.

REFERENCES


