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CIKKEK, TANULMÁNYOK

- **José Francisco ENRÍQUEZ-DE-LA-O**
Individual decision-making by top executives as
a valuable resource for strategic management
– A resource-based view and dynamic capability approach 2
- **Nick CHANDLER**
Millennials, entrepreneurs and the Hungarian workplace
of the future the preliminary findings of a pilot study 15
- **Patrick BOHL**
Dynamic capabilities and strategic paradox: a case study 25
- **BECSKY-NAGY Patrícia – NOVÁK Zsuzsanna**
Formalization of the informal venture capital market
– Business angel networks and syndicates 39
- **José Francisco ENRÍQUEZ-DE-LA-O**
Resource-based view and dynamic capabilities
– Achieving competitive advantage
through internal resources and competences 50

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José Francisco ENRÍQUEZ-DE-LA-O

INDIVIDUAL DECISION-MAKING BY TOP EXECUTIVES AS A VALUABLE RESOURCE FOR STRATEGIC MANAGEMENT

A RESOURCE-BASED VIEW
AND DYNAMIC CAPABILITY APPROACH

Strategy is highly important for organisational success and the achievement of competitive advantage. Strategy is dynamic and it depends on accurate individual decision-making from medium and high-level managers and executives. Since managers always formulate strategy, its formulation depends mostly on their assertive decisions. Making good decisions is a complex task, even more in today's business world where a large quantity of information and a dynamic environment forces people to decide without having complete information. As Shafir, Simonson, & Tversky (1993) point out, "the making of decisions, both big and small, is often difficult because of uncertainty and conflict". In this paper the author will explain a basic theoretical framework about top manager's individual decision-making, showing how complex the process of making high-impact decisions is; then, he will compare this theory with one of the most important streams in strategic management, the *Resource-Based View* (RBV) of the firm. Finally, within the context of individual decision-making and the RBV stream, the author will show how individual decision makers in top management positions constitute a valuable, rare, non-imitable and non-substitutable resource that provides sustained competitive advantage.

Keywords: decision-making, CEOs, strategic management, resource-based view (RBV)

Decision-making has been studied by scholars in diverse areas of study, from hard and analytical ones, such as Economics, Finance, and Strategic Management, to softer areas like Psychology. Decision-making can be studied in different scenarios, since everyday activities involve making several decisions. There are a lot of topics that are related with decision-making, and also decision-making could be studied from different angles, for example as individual, as part of a group, starting from risking situations, in simple straight-forward sceneries or in complex ones, depending on the kind of business, etc. What is true nowadays is that day to day operations in a firm are composed by a set of decisions that someone and somehow took. The complex and bigger the decisions taken the more impact in the course of the firm. That's why it is important to take into account the

theory behind individual decision-making in complex and ambiguous sceneries and how they can affect the performance of the firm or even represent a decision that provides a sustainable competitive advantage. In a nutshell, as we shall see, individual decision-making in top management levels is not easy and it can be considered more of an art than a science (Etzioni, 1989).

In the first part of this paper we will briefly show the main issues related to individual decision-making, focusing mainly on the complexity of top-level management decision-making. Bounded rationality will be presented in a special way, relating to the way of non-rational decision-making is made.

After the theoretical framework on individual decision-making, we will relate top manager's individual decision-making to two of the most important streams

in internal resources view of strategic management: the Resource-based View (RBV) of the firm and dynamic capabilities (DC), both of them focus on the optimization of the role of internal resources and capabilities as the principal basis for a sustained competitive advantage (SCA). The RBV is a theory centered on the nature of firms based on its existing resources (Lockett – Thompson – Morgenstern, 2009). The second part of the paper briefly explains the bases of the RBV theory and also dynamic capabilities.

In the third section of this paper, we will continue exploring the difficulties for high-level position decision-making so as to analyse whether these executives could be considered as valuable and unique internal resources for the RBV of the firm and enablers of dynamic capabilities. Several examples and different points of view will be provided. The objective is to show how individual decision makers are internal resources that can provide sustained competitive advantage. As Drucker (1967) said “effective executives do not make great many decisions. They concentrate on what is important. They try to make the few important decisions on the highest level of conceptual understanding”.

Finally, conclusions and future work for the topic of individual decision-making, as well as for the RBV of the firm is proposed, having in mind that top-level management in individual decision-making is core for a good strategy.

Strategic decision-making: challenges of individual decision-making

According to Sieber and Lanzetta (1964: p. 622.) “decision-making situations typically require that one make a selection among alternatives without having sufficient information to make and unequivocal choice. In the face of such uncertainty, the decision maker usually engages in various behaviours (e.g. acquisition of more information, reorganization of known information) instrumental in reducing uncertainty and response conflict”. I found very accurate to initiate with this citation because what it is going to be elaborated in this section precisely correspond to that theory that has to be taken into account in the complexity of individual decision-making. Also in this section behavioural aspects that could affect decision-making will be analysed, in order to help to respond the question “What determines the nature and extent of such “predecision” information processing behaviour?” (Sieber – Lanzetta, 1964: p. 622.).

Making correct decisions is neither an easy nor a quantitative issue, moreover, depending on the extent, the importance, and the magnitude of the consequenc-

es; decisions should be made with different approaches. In this section, let’s explore some particularities regarding to individual decision-making. The aim of this section is to have a general view of the complexity and in somehow the ambiguity of decision-making process.

The more choices and variables related with the decision the more complex to take one of the best ones for the company; also Sieber and Lanzetta (1964) found that in complex decisions or in ambiguous sceneries the effort applied to take one is increased; even more “time devoted to information acquisition and amount of information required are related to the degree of response uncertainty generated by a problem, time pressures, and cost of information. The day-to-day work of a manager is composed by several individual decision-making sceneries, and the sum of all of them and the results (positive or negative) will lead to the performance of the firm. In that way, analysing the way they take decisions is very useful in management nowadays.

In this paper we are most interested in theoretical frame of decision-making but related with strategic decisions. “Central among strategic process issues is strategic decision-making. It is crucial because it involves those fundamental decision which shape the course of a firm” (Eisenhardt – Zbaracki, 1992: p. 17.). But in a firm there are hundreds of decisions that are taken per week, and deciding which decisions are strategic and which are not is not easy. Shivakumar (2014) presents a conceptual framework that clarifies according to two dimension, degree of commitment and the scope of the firm, which decision should be considered strategic and which do not. The degree of commitment is measured by the extent to which a decision is reversible and the scope of the firm is often taken to mean the firm’s choice if products, services, activities and markets” (Shivakumar, 2014: p. 79–80.). This is a way of classifying strategic decisions in a normative frame. Nevertheless, deciding strategic and nonstrategic decisions could be more or less confusing and time consuming, top executives should have very clear that distinction among those decisions is crucial for the future of the firm. What is true is that medium and top level decision makers must have and excel results when doing decision-making, and that any failure could have serious consequences.

Individual decision-making in controlled sceneries

The aim of this paper is going deeply into the topic of decision-making in complex and ambiguous sceneries. But, before that, we will quickly make some comments about individual decision-making in controlled sceneries.

When making decisions, Drucker (1967) points out that breaking down the process in different sequential steps could be useful to diminish the risk-taking judgments. The six sequential steps that the author claims are: classifying the problem, defining the problem, specifying the answer to the problem, deciding what is right, building into the decision the action to carry it out and testing the validity and effectiveness of the decision. This is a rational way of finding the best decision, but as we shall see, it is not always possible to have complete control over the situation, and in several cases it will be necessary to use non-rational methods, moreover in high positions in firms.

The above named methodology is applied to single situations when we are evaluating different possible decisions, but how to decide when we have several options and most of them appear to be convenient? How can we make trade-offs when comparing quite different situations? According to Hammond, Keeney, & Raiffa (1998) this is one of the most difficult challenges in decision-making. They propose a methodology called *even swaps*, that “provides a practical way of making trade-offs among any set of objectives across a range of alternatives”. This method forces us to think and evaluate correct objectives among different options and discriminate those who represent a bad decision in an iterative process until we get the best option. The above *recipe* for individual rational decision-making could be applied in several situations and it represents a good reference frame when working on decision-making. According to Shafir, Simonson and Tversky (1993), a reason-based conception for decision-making has some good characteristics because “thinking of choice as guided by reasons provides a natural way to understand the conflict that characterizes the decision-making”.

Decision-making in controlled sceneries are quite rare in today firm environment. In general, decision-makers are more to use a combination of rational and irrational decision-making because all of the options and information about those complex day-to-day decisions are not available. According to Match (1978: p. 588.), “at first blush, pure models of rational choice seem obviously appropriate as guides to intelligent action, but more problematic for predicting behaviour”. Then several other aspects should be considered when making decisions. Most executives will not have the change to have controlled sceneries when making a decision. Then several considerations should be taken into account, some of them due to lack of information or complex and ambiguous sceneries and other due to the complexity of human behaviour and the “non-rational obscure side of humans”. Let’s explore deeply those considerations.

Decision-making in ambiguous and complex sceneries

But sometimes the situation is not as straightforward as we would want it to be; in a world where the quantity of information available is growing at an ever-increasing rate, decisions should be taken in short periods of time; therefore, complementary approaches must be available to support rational methods. Decisions in such sceneries do not obey to the concept of “economic man”, which according to Edwards (1954) is a man who has three properties: (a) He is completely informed, in the way that he knows not only all the probable actions, but also what the outcome of any action will be; (b) infinite sensitivity; and (c) rationality, that is one of the most important concepts and that means that “he can weakly order the states into which he can get, and he makes his choices so as to maximize something” (Edwards, 1954: p. 381.). Keep in mind this kind of men with such exceptional characteristics that will not apply for many situations in complex decision-making. In normative economics it is expected that persons assume more an “economic man” behaviour, assuming that the economic actor is rational; normative economics “does not need a theory of human behaviour: he wants to know how people ought to behave, not how do behave” Simon (1959: p. 254.).

In complex situations, strategic decision made by top and medium level executives take a special relevance. Several dimensions about decision-making should be taken into account. In the next paragraphs, different and complementary approaches for decision-making will be examined, some of them combining the rational and non-rational dimension.

Rational versus non-rational: Decision-makers limited by their bounded rationality

The way top executives make decisions has been a broad field of study. According to Jones (1999: p. 318.), “the behaviour of a fully rational decision maker would be completely determined by the task environment. If we know the environment and the goals of the decision maker, then we may deduce the decision maker’s actions. If, however, the decision maker intends to be rational but may fail, then we will need to know something about the cognitive and emotional architecture of the decision maker”. The answer arising here is that: Is it appropriated that decision makers under ambiguous and complex situations attached to 100% rational procedures? Are there other variables that must be taken into account? How is it supposed to deal with those situations? Next some considerations about behaviour and limited rationality in individual decision-making will be addressed.

In ambiguous and complex sceneries, some authors disagree with 100% rational and well-structured processes in decision-making. They alleging that decisions are made not only with the left rational side of the brain, but also with the right side (Mintzberg, 1976) and sometimes even trusting in gut (Hayashi, 2001). "In uncertain, ambiguous, or contradictory task environments, behaviour is a function of goals, processing limits, and the connection between the decision maker's problem space and the task environment (objectively characterized). In this far more complex situation, problem-space representations may interact nonlinearly with goals and processing limits" (Jones, 1999: p. 319.). According to Hayashi (2001), business executives support their important decisions using intuition and trusting their gut, both could be considered non 100% rational approaches. Gut and intuition are directly correlated with experience. It is quite difficult to define what gut and intuition mean, but hearing what important CEOs say could help us to figure it out. According to Lutz, CEO of Exide Technologies in 2001, the most critical decisions are made "with subconscious, visceral feeling. And it just feel right" (Hayashi, 2001).

Non-rational decision-making is not a bad procedure or something that belongs to a small set of firm environments. At the end, decisions are going to be taken to satisfy certain necessities or variables, and doing in optimal way does not mean that they are necessary satisfying the decision maker. According to Eisenhardt and Zbaracki (1992: p. 35.) "strategic decision-making is boundedly rational in that strategic decision makers are cognitively limited and engage in a cycling among rational decision-making steps".

Greenhalgh (2008) shows a very good qualitative analysis about how business occupiers do decision-making when deciding whether and where to relocate. Findings are very interesting because they support the non-completed rational way of thinking and also quoting Greenhalgh (2008: p. 122.) conclusions, "Rational choice equilibrium economics' notions of rationality and optimality rarely prevail in the complex and varied environment within which business occupiers go about making locational decisions. Some business occupiers do adopt approaches, strategies and decision-making processes that seek to reach optimal location decisions, subject to the constraints and conditions that any particular organization may find itself exposed to at a given time." Moreover in the same article, the author concludes that at the end decision-making is influenced by individuals and the higher the position in the firm the greater the influence.

Why is that some persons do not act as rationally expected when doing decisions? Why is that that they fails occasionally not demonstrate conformity to the classic expected utility model? That questions have been addressed mostly since the point of view of behavioural organization theory, then coming up with a very important concept in decision-making, *bounded rationality*. Jones (1999: p. 299.) claims that "bounded rationality is a school of thought about decision-making that developed from dissatisfaction with the "comprehensively rational" economic and decision theory models of choice". According to Jones (1999: p. 297.) "bounded rationality asserts that decision makers are intendedly rational; that is, they are goal oriented and adaptive, but because of human cognitive and emotional architecture, they sometimes fail, occasionally in important decisions. Limits on rational adaptation are of two types: procedural limits, which limit how we go about making decisions, and substantive limits, which affect particular choices directly". Cecil and Jundgren (1974: p. 600.) who cites Simon (1947) point out that "individuals and organizations cannot maximize decision-making in an objectively rational way.

In most complex decision-making situation, an individual not possesses the knowledge of alternatives or the consequences or alternatives to select the one alternative that maximizes utility. Instead, the individual seeks an alternative that is satisfactory – one that is better than his level of aspiration". More precisely, Simon (1957) referred in Jones (1999) attribute the bounded rationality behaviour to 4 specific characteristics of humans: (a) limitations due to the bounded cognitive ability and the complexity of the environment, (b) satisfying personally rather than optimizing behaviour, (b) "the tendency to set aspiration levels for each of the multiple goals that the organism faces, (c) the tendency to operate on goals sequentially rather than simultaneously because of the bottleneck of short-term memory. As it can be inferred, decision makers are bounded not just because the lack of complete information for a rational evaluation of all possible options, but also because emotions and personal path dependence.

How much thinking is optimal when making decisions?

Decisions can be classified according to the amount of time dedicated to the analysis of the problem, and the notion of thought required; the difficult thing here is how to use the "correct amount of thought required for a given decision" (Ariely – Norton, 2011). In general, these authors point out that thinking too little and

thinking too much have both advantages and disadvantages. Thinking too little could be dangerous and could lead us to poor decision-making when relying just in our knowledge and perpetual bad habits, “this can lead to suboptimal behaviour, as when people mindlessly continue to engage in habits even when those habits are costly” (Ariely – Norton, 2011).

Thus, if thinking too little has many advantages, we could conclude that the obvious solution would be to think more. But sometimes, thinking too much results in some problems, especially when considering too many attributes or, even worse, when we are willing to consider all attributes. According to Ariely & Norton (2011) “the general impact of considering attributes at all, of breaking decisions down into their consequent parts, can have deleterious consequences for decision-making”. Even more, we can consider that when making decisions, introspection, which is directly related to thinking too much, is not always a good thing; even more it can derive us to make bad decisions (Wilson – Schooler, 1991). As we will see further, introspection and thinking too much could be unbeneficial, especially when decisions are made in medium and high-level positions.

Depending on the context, the situation, the complexity of the problem, and even in the personality, knowledge and experience of the decision maker, a good balance between thinking too little or thinking too much must be considered. The important think when making decisions is to be aware of pros and cons of both positions.

How many options could be optimal when making decisions?

Thinking too much or thinking too little are not the only factors that can affect a good decision; also, an optimal compromise among the number of options must be taken into account. When it should be considered one or two options, choosing is not a challenge, but most of the cases are not such simple and multiple choices are available. When there are five, six or more options depending on several variables we could wonder: Is it convenient to consider all of them? Is it convenient to look for more options? Could it be a good practice for improving decision-making? Choosing the wrong attributes is a bad decision as well as considering too many options. According to Ariely and Norton (2011) considering many options can have a negative effect for executives because of the complexity of reevaluating all those options. As they point out “even aside from considering too many options, the mere act of choosing between options has been shown to have potential negative consequences for

the decision maker, given the regret and dissonance that can result” (Ariely – Norton, 2011).

There are also consequences on evaluating multiple attributes of stimuli in decision-making. There is evidence that when individuals decompose an evaluate stimulus in many different attributes, it “causes people to moderate their evaluations. This moderation effect is most likely to occur when the different attributes people consider are uncorrelated, so that some are positive and some are negative” (Wilson – Schooler, 1991). Again, it seems that thinking too much has some important disadvantages.

Decision-making in medium and high level positions (policy makers)

When talking about top executives and policy makers, not all problems are that simple, there is always a subset of critical, complex problems that must be solved. That kind of decisions are critical and most of us could think that they should be treated with the rational left side of the brain, but reality is quite different. Intuition, gut and the right side of the brain is needed; maybe this kind of magic could be the secret piece.

Quoting Etzioni (1989), “old-fashioned decision-making does not meet the needs of a world with too much information and too little time. So-called rational decision-making, once the ideal, requires comprehensive knowledge of every facet of a problem, which is clearly impossible today”. Everyday simple decisions are prone to be solved using rational methods, where the simplicity of the problems invites us to solve them using a deep analysis of all the solutions. But making complex decisions require different skills and perspectives of the problem, and success will depend mostly on the people who are involved in decision-making.

As Hayashi (2001) points out, according to Ralph S. Larsen, chair and CEO of Johnson and Johnson, there is a huge difference in the way middle and high management make decisions. He points out that decision-making in middle management levels is mostly quantitative and requires special brilliant management skills. The difference strives in the fact that, often, complex problems cannot be solved applying the same level of quantitative analysis that is typically used in middle level managers’ less complex problems.

Distortion of biases when making decisions

When making decisions, there are several biases that can affect the process. As human it is almost impossible that we can take decisions taking out of our head all of our history and all experiences that shaped

us. Path dependence is an important factor in the performance of managers. But not all experience we carry and not all the time.

But why is so difficult to avoid biases and other traps that could push us to take not the best decision? Maybe the response has to be with one of the characteristics of Resource Based View, the Path Dependence. According to the Resourced-Based View theory of the firm, it is path dependent because firm resources are directly related to firms' past activities, this can be determinant on increasing or decreasing growth through time. Resources differ in their impact on the firms' ability to generate profit or differentiation advantages, and hence, performance. When someone is making a decision several past experiences will shape that decision. Even more interesting, and supporting the importance of past experiences, is the fact that according to cognitive scientists, there are two modes of thinking: intuitive and reflective."

Executives behaviour, basic values and interpersonal skills in decision-making process

We have heard the phrase that an enterprise is as good as the people working in it. In the case of top and medium level executives, those who have people in charge, the behaviour of them into the decision-making process is related with the performance of the firm. Sometimes, the pattern of behaviour tends to create decision-making processes that are not very effective. According to Argyris (1966: p. 59.) "the actual behaviour of top executives during decision-making meetings often does not jibe with their attitudes and prescriptions about effective executive action. The gap that often exists between what executives say and how they behave helps create barriers to openness and trust, to the effective search of alternatives, to innovation, and to flexibility in the organization". In the same article, the author claims that most of the top executives that were considered for the study (more than 165 top executives in six different companies) agree that there is the need of an environment that can provide executives to be confident about innovation, flexibility, risk taking and where trust reign.

Interpersonal barriers and emotions can play a crucial role in making decisions among executives and the persons in charge of them. According to Ariely & Norton (2011) study of 165 executives, behaviours that inhibit innovation and trust are classified in two different patterns: Pattern A those who are thoughtful, rational and middle competitive and that were the most observed. These persons are always trying to post their ideas and just "simulate" to be interested in others ideas

just for taking information and discredit them. Type B Pattern are those competitive first, thoughtful and rational second; in these cases conformity to ideas is more important by far that the ideas per se. Moreover, antagonism to ideas prevails and is notorious, much more than openness to ideas. Executive belonging to this pattern ends with conflict among partners. In both patterns executives are rarely observed: taking risks of experimenting with new ideas or feelings, helping others to take risks and express feelings.

Last in this section lets discuss a topic that is more relevant now than ever in those executives or directors who are in charge of a group or persons, or even in those employers that belong to different work-teams regarding they have not personal in charge. I am referring to basic values in interpersonal and effective human relationships. According to Cohen (2008) Peter Drucker always emphasizes the importance of ethics behaviour and values of managers. In the chapter of the same book named "Ethics, honor, integrity and the law" Cohen (2008: p. 181.) mention this: "I think Drucker's lessons on ethics, honor and integrity as the most important and relevant. They are even more important today because the world has shrunk to the point that many of the businesses must deal with foreign cultures that work with principles and systems very different from our values". According to Argyris (1966), regarding different problems and contexts and different industries that possess different technology and varying greatly in size, the author is stunned with the importance of the role played by the values or assumptions of decision makers (top executives) and also by the effective human relationships. According to him three basic values were isolated as the research result: the first one is related to the fact that human relationships are the ones just based in achieving organizations objectives and getting the job done without taking care of the people; the second are related with the facts that feelings and emotions are played down, considering interpersonal discussions as irrelevant or immature; and the third one consider that "human relationships are just influenced in unilateral direction, and using coercion and sanction as a way of control". The impact of those values and the suppressing of interpersonal and emotional aspects are significant in the operation of the firm and also will shape the way decision-making is doing. According to Argyris (1966: p. 66.), "such a defensive reaction in an organization could eventually inhibit creativity and innovation during decision-making. This would reduce the probability of experimentation, thus decreasing openness to new ideas still further and constricting risk tak-

ing even more than formerly. We would thereby have a closed circuit which could become an important cause of loss of vitality”.

Executives are always leading and their leadership can be questioned if values and integrity is not the appropriated; in order to lead and people to trust in you your behaviour, thoughts and values must be aligned. But the most important, you must be able to create good interpersonal relations with your team, colleagues, partners, and all of them are going to be your allies in decision-making process.

Trusting in your gut

As we saw, when referring to high level decisions and complex problems, not only instincts are key to problem solving, but also a correct balance in emotions and feelings is required. According to Damasio (Hayashi, 2001), “decision-making is far from a cold, analytic process. Instead, our emotions and feelings play a crucial role by helping us filter various possibilities quickly, even though our conscious mind might not be aware of the screening. Our intuitive feelings thus guide our decision-making to the point at which our conscious mind is able to make good choices”.

But your gut is shaped by your past and experiences, which at the same time create rules and patterns that are immediately applied in decision-making. Those patterns are valuable in the decision-making process, and as Hayashi (2001) points out, “the instinct genius that enables a CEO to craft the perfect strategy could require an uncanny ability to detect patterns that other people either overlook or mistake for random noise”. Moreover, creation of patterns is related to two ideas: the varied and diverse backgrounds of the person, and the way they combine and make analogies of the varied fields of knowledge, to come up with excellent ideas and decisions, Hayashi (2001) calls this cross-index. “As people gain experience with a particular type of decision, they optimise the thought process they bring to bear” (Ariely – Norton, 2011).

In the same line of clever decisions there is another combination that is critical for a good performance, the use of both the left and right side of the brain. It is common that managers and executives privilege the logical and rational left side of the brain, but practice leads us to a different perspective. According to Mintzberg (1976), it is acceptable for planners to have a well-developed left side of the brain, but for top managers, a good balance and a well-developed right hemispheric process is critical for accurate decision-making. Planning and execution are systematic activities that demand capacities found in the left side of the brain, while the right

hemisphere is in charge of other important abilities for top managers.

Finally, I would like to introduce two interesting approaches for *decision-making* that are related to non-rational decision-making in today’s world. The first one is the *decision-making* approach, where Etzioni (1989) points out that decision-making is more an art than a science, where executives need to make decisions with just partial information, due to the lack of time for a thorough analysis or the lack of information, and trusting their knowledge and intuition. The second approach refers to unconscious thought in complex decision-making that occurs when direct and conscious attention is directed elsewhere while trying to solve the problem in the unconscious level. According to Dijksterhuis and his colleagues (Payne – Samper – Bettman – Luce, 2008), “unconscious thought (a) is good at forming global or holistic impressions of alternatives, (b) weights the relative importance of different attributes of objects in a relatively objective and natural way, and (c) is less capacity constrained than conscious thought”. These approaches combine the best of two worlds: the rational side of the brain and gut or intuition in order to make conclusions without all the information.

Personally, I do not think that everything or the highest weight is attributed to gut and “the feeling” of the decision maker in gut based decision-making. A mental process and a hierarchical discarding process of different options for a decision should be applied, and the knowledge and “rational boundary” that everyone holds is what will shape part of the decision. As it was already mentioned, according to Alice Gast business leaders should think like scientist; “a scientific minds et can inform and benefit the decision-making process outside of the laboratory” (Gast, 2015). Maybe the part that is most influenced by what we called “gut” is the fast we take decisions and the good that we perform when choosing among very similar decisions or those that lacks of information but has to be taken. In those situations gut and feeling of every one could be different and really represent a difference in the way of decision-making is done.

Individual decision-making and sustained competitive advantage

Resourced-Based View (RBV) of the firm and Dynamic Capabilities (DC) are two of the main streams in strategic management. Next, some basic theory about RBV and DC will be provided, then, several cases will be briefly mentioned regarding to decision-making and decision makers.

Some generalities about the resource-based view approach for strategy

Let's start with a brief review of the resource-based view (RBV) of the firm, which is one of the several streams in strategy that appears in the late 80's and acquires importance in the 90's. This stream focuses on the optimization of the role of resources and capabilities as the principal bases for a sustained competitive advantage (SCA). The RBV is a theory that centers on the nature of firms based on its resources, as opposed to theories such as transaction cost economics, which seeks to explain the reason why firms exist (Lockett – Thompson – Morgenstern, 2009).

The RBV has had a major impact on strategy because the typical product/market orientation is no longer suitable nowadays, due to the constant and rapid change of the external environment and customer preferences. It is easy to understand this if we consider that it is more feasible to control internal resources and capabilities to face the real world, than changing the world to adapt to the firms' needs. The RBV of the firm allows us to answer significant questions such as: On which of the firm's resources should diversification be based? Which resources should be developed through diversification (Wernerfelt, 1984)?

The relationship between firm resources and competitive advantage is highly correlated. Resources must be *heterogeneous* and *not perfectly mobile* in order to be competitive (Barney, 1991). In addition, resources should have specific features that allow us to measure or probe their heterogeneity and immobility levels. Barney defined the following attributes or characteristics of a resource: (a) it must be *valuable*, in such way that it is capable to exploit opportunities and beat threats, (b) it must be *rare* among other resources, in such way that it happens to be *quite difficult to find the same resource in competition*, (c) it must be *imperfectly imitable* and (d) it must *not* have equivalent *substitutes*, this means that rare and valuable resources can only be sustained resources (Barney, 1991). Due to the initials of each characteristic, these are called VRIN (Valuable, Rare, Inimitable, and Non-substitute) resources, and this framework sets out the broad necessary conditions for a resource's comparative scarcity to become a strategic significance (Lockett, 2005).

Any resource that is considered a SCA must have a VRIN framework in order to exploit differences and create heterogeneous and immobile scenarios for the firm. When used in the correct way by the organization, VRIN resources can offer competitive advantage to any firm, due to their ability to provide unique and inimitable internal assets.

Some generalities about dynamic-capabilities approach for strategy

Dynamic Capabilities is one of the most important topics in Strategic management. As Vogel and Güttel (2013: p. 426.) mention this topic has become in one of the most vibrant topics in the domain of strategic management. Let's move further on explaining quickly the concept of dynamic capabilities and how are they related with Resourced-Based view. The aim of this section is to provide the basic information to understand why RBV and DC are related to individual decision-making.

RBV strategy could see like a static approach because it is about a bunch of resources that contribute for the good performance of the firm. That is not bad, but as world move faster, ubiquitous information, complexity and new technologies have challenged enterprises to renew the set of resources and procedures faster than ever. In that sense, the static approach of RBV will not be sufficient it is needed to find a way to constantly achieving competitive advantages. The static characteristic of RBV does not provide explanations on how successful firms endure over time with an increasing competitive environment. In spite of that, there are firms like IBM, Texas Instruments, Philips among others that stick to RBV approach accumulating valuable technological assets as VRIN resources (Teece – Pisano – Shuen, 1997). Nevertheless, for those firms to survive they need to demonstrate timely responsiveness and rapid adaptation mastering the management capability change and adapt as fast as needed the bunch of resources and procedures (Teece – Pisano – Shuen, 1997).

This ability to achieve new forms of competitive advantage through the renovation of based resources and competences belongs to dynamic capabilities approach. In that way, it is natural to be seen that Resource-Based view of the firm precedes Dynamic capabilities Barney (1991). As a matter of fact, DC can be seen as a complement to RBV approach. This is clear when referring to Teece, Pisano, & Shuen (1990) who claims that according to Ambrosini and Bowman (2009: p. 30.) “is not only the bundle of resources that matter, but the mechanism by which firms learn and accumulate new skills and capabilities, and the forces that limit the rate and direction of this process”.

There are several excellent articles about generalities and definitions of Dynamic Capabilities so it is not worth going deeply, some of those articles are: (Ambrosini – Bowman, 2009), (Eisenhardt – Martin, 2000) and (Teece – Pisano – Shuen, 1997). Considering that Dynamic Capabilities are associated with internal resources of the firm, and that they could pro-

vide competitive advantage in nowadays turbulent environments one of the most appropriate definition of DC and relevant for this article is the one that (Teece – Pisano – Shuen, 1997) propose: “dynamic capabilities are defined as the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environment”. DC refers to internal resources, is about differentiation and competitive advantage through internal resources; they “act as a catalyst and spark off the mechanisms of operational capability development” (Ellonen – Jantunen – Kuivalainen, 2011: p. 459.).

Dynamic capabilities are not capabilities by themselves neither are they resources. When referring to the term dynamic capabilities, we always must use both words together; otherwise the meaning surely is not going to be the correct. When used in the context of dynamic capabilities, the word “capabilities” emphasizes “the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organisational skills, resources, and functional competences to match the requirements of a changing environment” (Teece – Pisano – Shuen, 1997: p. 515.). Very different meaning from the one that has when for example is used alone in the context of RBV, where capabilities are just processes or routines that arises from VRIN resources. On the other hand, dynamic refers to the change in environment, but not to the capability of being dynamic. The word *dynamic* when used in the context of dynamic capabilities, refers to the capacity to renew competences and resources to have congruence with the changing environment and it is future oriented because it refers to processes that *change* the based VRIN resources, instead of just using and combining them in different ways (Teece – Pisano – Shuen, 1997). That’s why one of the main and unique characteristics of dynamic capabilities consists of “the firm ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Ambrosini - Bowman, 2009: p. 30.).

According to Ambrosini and Bowman (2009) empirical studies of dynamic capabilities remains relatively rare. There are several issues related with the formal study of DC. First, another issue, that also applies with RBV theory is concerned with the lack of evidence of dynamic capabilities; this is due mainly to two factors: because these capabilities have been poorly specified and because the difficulty to observe and measure of the dynamic capabilities.

To conclude this section, some annotations regarding to the issue of Dynamic Capabilities are going to be treated. Vogel and Güttel (2013: p. 440.) claim that

it is possible that Dynamic Capabilities are a field in the “adolescence” because the continuing exploration of fundamental issued and the lack of empirical validation. In fact theory concerned to this topic is relatively young, as it started in the middle 90s, so it is difficult to achieve a strong and irrefutable theoretical framework. Due to the dynamic characteristic of DC, quantitative analysis could be not the strongest methodology for observe and study them. It seems that Qualitative Analysis could be an excellent tool for addressing research related, not just to DC but also to RBV; in such way dynamic capabilities will remain popular but abstract and not usable the number of qualitative field investigations is not augmented (Ambrosini – Bowman, 2009). To reinforce, as Ambrosini and Bowman (2009: p. 37.) cited in Lockett and Thompson (2001: p. 743.) “it may be necessary to sacrifice some of generality of quantitative investigation for a more qualitative attention to detail”.

Individual decision makers as vrin resources and enablers of dc: acheiving performance through decision-making

Now that individual decision-making theory was addressed, we can realize that individual decision-making for top executives is not a trivial process. It comprises a qualitative and a quantitative process and requires people with abundant experience, intuition, and brilliance in analytical abilities, among others skills. Thus, it seems that good top executives or managers that excel in the art of making decisions could be very valuable for strategy. Then good decision makers are valuable, rare, non-imitable and non-substitutable resources that can provide a sustained competitive advantage to the firm. Put in this perspective, it could be considered that good decision makers and their leadership could be a VRIN resource in a firm strategy according with the Resource-Based view of the firm. Let’s explore and expand the last core idea, identifying why good leaders and decision makers in top-level management could be crucial for enterprises.

In this section there are going to be presented several cases that show how individual decision makers, since the point of view of internal resources strategy (RBV and Dynamic Capabilities), could represent VRIO resources or enablers of dynamic capabilities for achieving the final goal of strategic management: Sustainable Competitive Advantage. Diverse cases belonging to quite different kind of firms will be briefly presented. Citations could be used to going deeply in those cases.

Top executive decision makers as VRIN resources

Let's explore the result of merging the theoretical framework on individual decision-making with the theory of the RBV, to show why good individual decision makers in top executive positions could constitute a VRIN resource that can provide a sustained competitive advantage. What we are trying to show is how difficult it is to find characteristics of good decision makers in top positions.

As it was already discussed, making good decisions in top positions involve several qualitative and quantitative characteristics from executives. They need to have great analytical abilities and an appropriate intuition that allows them to process a large quantity of information in a short period of time. In this sense, it is not easy or factual to find too many well prepared individuals that can have a great performance in different situations. Good balance in emotions and assertiveness is necessary (Hayashi, 2001). It is possible to find out if an individual tends to use more the left side of the brain than the right side or vice versa. But using both sides on the right situation is essential for top executives when making a decision (Mintzberg, 1976). Moreover, great executives should know how to combine and use in the optimal way the left side or the right side, depending on the nature of the process or decision that they are examining.

Decisions are just one dimension, as Drucker (1967) points out "the most time-consuming step in the process is not making the decision but putting it into effect". In this sense, a good decision maker could not only be a VRIN resource that generates competitive advantage, but could also generate more advantages when combining or using the different resources in the appropriate balance. Lockett, Thompson, & Morgenstern (2009) point out that by combining resources; firms are able to add value.

Lastly, path dependence and heterogeneity are crucial for VRIN resources in the resource-based view of the firm. Path dependence provides knowledge learned through years to the firm and heterogeneity ensures that any source of competitive advantage is simply a rent conferred by one or more imperfections in the resource market (exogenous variables) that prevent an equitable input allocation among competitors. According to Eisenhardt & Martin (2000), there should be an adequate amount of experience, because in some situations experience that comes too fast can overwhelm managers; on the other hand, infrequent experience can cause forgetting of what was previously learned. The fact that a manager's perception affects resource allocation assures that resources have plenty of different usages

among different firms, supporting the heterogeneity theory that Barney (1991) held. In this sense, every decision maker in top positions depends on his path, his experiences, past jobs, and previous learning, that provide him with a unique characteristic that allows him to be different from others in the way he makes decisions. If we accomplish that, we can assure that unique experience of each person constitute a VRIN resource.

Top executive decision makers as enablers of dynamic capabilities

There are several studies that aim to explore the role of dynamic capabilities in developing new ways of differentiation. Firms are facing rapidly changing environments and they need to move on as quick as they could improving product developing methods, marketing strategies, vertical scopes of integration, networks with competitors and partners, etc.; this occur specially in those firms that are somehow related with technological business where new technology continually change abruptly; Lavie (2006) mentioned in (Ellonen – Jantunen – Kuivalainen, 2011: p. 459.). In this way they need to reconfigure resources, moreover those which are VRIO resources. In such a way, Dynamic Capabilities could be developed in hundreds of different ways, next we will analyse some ways of developing dynamic capabilities and how they are related with individual decision-makers.

Innovation and changing as Dynamic Capabilities are very important for achieving sustained competitive advantage. As seen in previous section, behaviour and decision-making process of top level executives could activate or inhibit innovation in the firms. According with the natural hierarchical nature of companies, two kinds of capabilities could be found. Those set of capabilities are: first-order capabilities that comprises all that are done for the day-to-day operation (accountability, marketing, sales, and others that are operational routines and secondary capabilities, those that are needed for changing or renew the first orders (Ellonen – Jantunen – Kuivalainen, 2011: p. 460.). Appropriated changes in correct time and correct form are needed with the rhythm of environment changing and are essential for adaptation. Dynamic capabilities represent the abilities of the firm to build new operational-level capabilities (Teece – Pisano – Shuen, 1997). In most enterprises the day-to-day operation (first-order capabilities) are essential for achieving objectives and surviving, but the second-order capabilities or operational routines are the ones that can set a big difference in the firm, because changing in the right time could represent the next competitive advantage.

In real estate business, after a qualitative study about how small and large business decide whether and where to relocate, Greenhalgh (2008) concludes with such interesting finding that is related with one of the main concepts in decision-making, the concept of bounded rationality; according to Greenhalgh (2008) determination of whether and where to relocate the business is one of the more complex problems and it differs from big to small business, but at the end individual decision makers in different positions in firms influence the process of decision-making. According to him "It is concluded that, not only are the factors and variables that most influence location decisions of large companies different to those dominating the thinking of smaller firms, but also the processes they employ to arrive at such decisions. The evidence suggests that business occupier relocation decision-making rarely holds to the neo-classical assumptions that are required to fulfill the requirements of rationality and profit maximization. Small firms are more prone to making sub-optimal decisions based on bounded information and constrained choice, but differences in the behaviour of firms and organizations when seeking to relocate can also be attributed to their organizational status, culture and structure. To understand business relocation decisions we must recognize the influence that key individuals exert over both the decision-making process and its outcome. One more time, and in a complete different business among those treated in this paper, individual decision-making plays an essential role in getting competitive advantage for a firm.

In regenerative dynamic capabilities, those that are needed to change and renew the firm's resource base, decision-making on top-level management is crucial (Ambrosini – Bowman – Collier, 2009). Certain traps in decision-making could be inhibitors of the deployment of this DC. Anchorage, framing and biases for example could represent three big enemies for decision that are intended to renew the base of resources (Hammond – Keeney – Raiffa, 1998); if decision makers are not open to new possibilities and are "anchor" or "framed" to past experiences he could be afraid of taking decisions or moving quickly when needed. Sometimes new people means new form of doing things and new ways of decision-making. "For instance a new CEO could be brought in, who has experience of transforming other firms, or strategic change consultants could be deployed. For such CEOs what they do within the firm is habitual – capabilities that they may have previously honed in different firms and contexts – and therefore these are not one-off performances. So for the CEO this is nothing new, only the context is new, but for the firm this would consist of a change in their dynamic capa-

bilities, i.e. an instance of the exercise of regenerative dynamic capabilities (Ambrosini – Bowman – Collier, 2009: p. S19.).

We could document more and more cases related with decision makers and decision-making processes as VRIN resources or as dynamic capabilities enablers. But it is not the purpose of the section. The purpose is to show how this is a reality and how the fact of doing research can throw valuable information that could be used for similar firms. In conclusions section, scholars are encouraged to apply qualitative methods to identify more of those cases in different industries. Decision-making is complex, but it can greatly influence internal resources and hence the performance of the firm.

Conclusions and future work

As we already saw, individual decision-making is not trivial, particularly, in top positions it is not just about analytical approach, but of the combination of several factors and abilities. Abilities such as the right combination of the left and right sides of the brain, the correct use of intuition and gut, the effective application of logical and rational methodologies such as even swaps and the effective steps for taking decisions that Drucker (1967) proposes. Even more, effective decision makers need to go beyond conscious processes, looking for the holistic idea of every situation through unconscious processes that allow executives to take systemic decisions. Dijksterhuis, Bos, Nordgren, & Van Baaren (2006) resume the idea of making the right choice without deliberate attention, pointing out that "contrary to conventional wisdom, it is not always advantageous to engage in thorough conscious deliberation before choosing".

All the experience and knowledge are also crucial for top managers when making decisions, this implies that decisions are "path dependent", as valuable and rare resources are path dependent to the experience of the firm. "One interesting possibility is that experience with making decisions helps people to find the right balance of thinking too much and thinking too little, and thus experience may be a way to improve decision-making" (Ariely – Norton, 2011).

Regarding future work, I encourage scholars to deeply study the non-quantitative side of individual decision-making: intuition, gut and the unconscious side of individual decision-making process, which in my opinion can only be studied through empirical research. In the same line of thought, Lockett, Thompson, & Morgenstern (2009) point out that scholars need to work and reflect on the methodological approaches to empirical research of the RBV. I am pretty sure

that executives who have an outstanding performance in decision-making will be more likely to represent a VRIN internal resource for their firms, and hence, provide sustained competitive advantage to their firms.

I also encourage scholars to address researching related with identify decision-making as enablers of dynamic capabilities. Different industries could need a different approach in decision-making process, then identifying good and bad practices in different kind of industries could be very valuable for understanding such complex topic.

Assertive decisions made in high positions are crucial for the development of sustained competitive advantage. Good experience, combined with gut and the ideal handling between left side of the brain and the right side will provide this assertiveness. Finally, as Drucker (1967) said “an effective executive is expected to make decisions that have significant and positive impact on the entire organization, its performance, and its results characterizes the effective executive”.

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Nick CHANDLER

MILLENNIALS, ENTREPRENEURS
AND THE HUNGARIAN WORKPLACE
OF THE FUTURE

THE PRELIMINARY FINDINGS OF A PILOT STUDY

Existing research into generational differences in Hungary was based primarily on adapting findings from studies undertaken in Western Countries. If we consider not only the comparative history and wealth but also the cultural differences between Hungary and the countries in which these studies took place, then the apparent adaptability is brought into question. This study aims to examine the nature of millennial students in Hungary by building up the characteristics from the ground up rather than adapting data from other countries. The findings of the pilot study indicate that the instrument is of suitable length and clarity, and that a printed format is the most likely to produce a high response rate, despite its disadvantages. The findings also confirm the results of previous studies concerning the preference of students in Hungary for a clan type of organisation. There are also initial indications that Hungarian millennials have a high potential for entrepreneurialism.¹

Key words: Millennials, Hungary, organisational culture, entrepreneurial

There are a number of difficulties that arise when considering a study of generational diversity. Firstly, it not clear where one generation ends and another begins. For example, Tulgan (1995) reports that birth-years for Generation X range from 1963-1981, while Howe

and Strauss (1993) put Generation X birth-years from 1961-1981. Reeves and Oh (2008: p. 296.) highlight the range of differences not only in dates for each generation but also in the wide array of labels attributed to each generation, as can be seen in the table 1.:

Table 1.

The generations

Source	Labels			
Howe and Strauss (2000)	<i>Silent Generation</i> (1925–1943)	<i>Boom Generation</i> (1943–1960)	<i>13th Generation</i> (1961–1981)	<i>Millennial Generation</i> (1982–2000)
Lancaster and Stillman (2002)	<i>Traditionalists</i> (1900–1945)	<i>Baby Boomers</i> (1946–1964)	<i>Generation Xers</i> (1965–1980)	<i>Millennial Generation; Echo Boomer; Generation Y; Baby Busters; Generation Next</i> (1981–1999)
Martin and Tulgan (2002)	<i>Silent Generation</i> (1925–1942)	<i>Baby Boomers</i> (1946–1960)	<i>Generation X</i> (1965–1977)	<i>Millennials</i> (1978–2000)
Oblinger and Oblinger (2005)	<i>Matures</i> (<1946)	<i>Baby Boomers</i> (1947–1964)	<i>Gen-Xers</i> (1965–1980)	<i>Gen-Y; NetGen; Millennials</i> (1981–1995)
Tapscott (1998)	–	<i>Baby Boom Generation</i> (1946–1964)	<i>Generation X</i> (1965–1975)	<i>Digital Generation</i> (1976–2000)
Zemke et al. (2000)	<i>Veterans</i> (1922–1943)	<i>Baby Boomers</i> (1943–1960)	<i>Gen-Xers</i> (1960–1980)	<i>Nexters</i> (1980–1999)

VEZETÉSTUDOMÁNY

how participants may affect workplaces in Hungary through their expectations of the ideal organisation and whether many of these participants would prefer to work for themselves and have their own company or become an employee. We consider how this Generation Y, or 'Generation M' as they are sometimes called, will perform and what expectations they will have not only during the course of their studies but in the workplace as well. Burstein (2014) highlighted that this generation has been nurtured in the environment of new technologies, three dimensionality, video games, online communications and screen and mobile devices, all of which entail a faster pace of life. The Grail report, published in 2011, highlights the differences between each generation, and the table 2., adapted with additional findings from Horsiaengchai and Mamedova (2011), summarizes some of the key findings of the Grail report.

Group	Baby Boomers	Generation X	Generation Y	Generation Z
<i>Name</i>	Hippies and Yuppies	Latchkey kids	Millennial generation	Digital natives
<i>Birth year (approx.)*</i>	1945 to early 1960s	early 1960s to early 1980s	early 1980s to early 2000s	early 2000s to present day
<i>Nurturing Environment</i>	Increasingly stable and optimistic. Post WWII, widespread government subsidies in postwar housing and education, increasing affluence. Rebuilding after WWII. Women's rights, civil rights movement, protest Vietnam war	Trends towards divorce, economic uncertainty. New technologies (e.g. cable TV, video games, home computing), Disco / hip-hop culture, punks and anarchy.	Increasing interregional and intercommunity conflicts. New technologies moving at a rapid pace (internet, mobile phones, instant communication via email and sms).	Terrorism and environmental concerns. Economic slowdown Rapid technological growth – social networking, hacking, programming
<i>Stereotypes</i>	huge consumers, idealistic, competitive	individualists, sceptical of authority	'techcomfortable', brand loyal, style-conscious, optimistic	tech savvy, globally connected, flexible and open / tolerant of diverse cultures

Such categories of generations as in table 2 have been accused of stereotyping entire generations and from the table it does seem that the focus lingers on the negative rather than positive impacts upon each generation. Although the author is mindful that such stereotyping may be considered unhelpful, categorizing some aspects that may emerge in the workplace may aid in promoting a mutual understanding across generations as well as giving the employer a basis for understanding and appreciating the diversity within an organisation as well as apparent communication gaps. Furthermore as this study extends beyond the basic attributes of the Y generation,

Table 3.

Generational diversity in the workplace

<i>Name and birth year</i>	Traditionalist Born 1925 – 1945	Baby Boomers Born 1946 – 1964	Generation X Born 1965 – 1980	Generation Y Born 1981 and after, (Gen Z – after 2000)
<i>Workplace traits</i>	• Team players • Indirect in communicating • Loyal to the organization • Respect the authority • Dedication and sacrifice • Duty before pleasure • Obedience • Respond well to directive • Leadership • Seniority and age • Correlated • Adherence to rules	• Big picture / systems in place • Bring fresh perspective • Do not respect titles • Disapprove absolutes and structure • Optimism • Team orientation • Uncomfortable with conflict • Personal growth • Sensitive to feedback • Health and wellness • Personal gratification	• Positive attitude • Impatience • Goal orientated • Multi-tasking • Thinking globally • Self-reliance • Flexible hours, informal work environment • Just a job • Techno-literal • Informal – balance • Give them a lot to do and freedom to do their way • Question authority	• Confidence • Sociability • Morality • Street smart • Diversity • Collective action • Heroic spirit • Tenacity • Technological savvy • Lack of skills for dealing with difficult people • Multitasking • Need flexibility
<i>Attire</i>	Formal	Business – casual (high end)	Business – casual (low end)	Whatever feels comfortable
<i>Work Environment</i>	Office only	Long hours – office only	Office, home, desires flexible schedule	Office, home – desires flexible schedule
<i>Motivators</i>	Self – worth	Salary	Security	Maintain personal life
<i>Mentoring</i>	Not necessary	Does not handle well negative feedback	Not necessary to receive feedback	Constant feedback needed
<i>Retention</i>	Loyalty	Salary	Security/Salary	Personal relationship
<i>Client Orientation</i>	Personal contact	Telephone	E-mail	E-mail/IM/Text
<i>Technology</i>	Dictates documents, e-mail only in the office, use of library instead of web, limited phone use	Documents prepared by the Associates, e-mail primarily in the office, web use to “google”	Creates own documents, uses mobile and laptop, uses web to research, review, etc., e-mail/mobile 24/7	Creates own documents, creates databases, uses web to research and network, use of email/text 24/7
<i>Career Goals</i>	Build a legacy, a life-time career with one company	Build a perfect career, excel	Build a transferable career, variety of skills and experiences	Build several parallel careers, have a several jobs simultaneously

Source: Adapted from the report *Overcoming Generational Gap in the Workplace* by United Nations Joint Staff Pension Fund (2009).

and is concerned with the relationship between the Y generation and the workplace, it is necessary to consider and compare the key characteristics that have been found for each generation as a means of gauging the similarities and differences between the findings of earlier studies in Western countries and those found in this study of Hungarian millennials. Some studies have already covered such categorizing specifically for the workplace, such as that by the United Nations, and the findings are summarized in the table 3. It should be noted that this table contains different generations to those in table 2 as generation Z is omitted and an earlier generation, called the traditionalist generation (1925–1945), has been added.

Source: Adapted from the report *Overcoming Generational Gap in the Workplace* by United Nations Joint Staff Pension Fund (2009).

This presents distinct differences across generations in values and expectations of the workplace and colleagues respectively. Besides the evident differences in familiarity with technology, the expectations with regard to mentoring, basis for motivation and reasons for retention of staff all represent significant challenges for leadership in multi-generational organisations. This issue has been covered for a number of years such as in 2006 when the Harvard Business School wrote that “*managing multigenerational workforces is an art in*

itself! Young workers want to make a quick impact, the middle generation needs to believe in the mission, and older employees don't like ambivalence! Your move". This is an indication of the current issues facing Hungarian managers and yet, multi-generational diversity has not had the same amount of attention in Hungary as cultural diversity. The issue of how to be deal with this diversity and its impact upon the organisation may be seen in the following section.

Generational diversity in the workplace

Managing diversity in the workforce is nothing new, such as in the case of multinationals managing cultural diversity and this topic can be traced back a number of decades. However the topic of managing the diversity between generations in the workplace is less prevalent. Seitel (2005) coined the term 'generational competence' for the organisational adaptation to the varying needs of different generations in the workforce as well as the marketplace. A study by the United Nations Joint Staff Pension Fund (2009) categorized attitudes to generational diversity into four different levels: Level 4: "The generation of people in the top boxes is the only one that matters... the rest just need to grow up or shut up"; Level 3: "The generational change is an emerging issue within our organization but we haven't done much about it"; Level 2: "We view generational change as an emerging opportunity"; Level 1: "We're actively changing the work culture to harness the power of generational change". To understand the potential diversity of the workforce by generation, we need to consider the spread of generations in general and the table 4. indicates the percentage of each generation that constituted the total workforce in 2007.

shown in table 4. also raises some other interesting questions. In cultural management we are told that certain cultures, such as in the UK, the working attitude is to "work to live", whereas in other countries it may be the opposite: "Live to work". In light of this data on generations, one is left to wonder if culture has a role to play. If examinations of national culture took place, such as with Hofstede, studying IBM between 1967 and 1973, then this surely should indicate the different national cultures for Veterans and Baby Boomers, depending on the ages of the participants. However, if cultural differences exist then does this mean generational diversity is a 'constant' across countries, which is moulded by national culture or that differences in national culture may in fact reflect generational differences of samples. If replications of Hofstede's study indicate that the findings are still valid such as that of De Mooij (2004) then it can be assumed that generational diversity remains somehow a constant in studies of national culture. However, personal experience tells us that there are differences between generations, especially as different generations are socialized by entirely different external environments and values systems. Whilst an allowance has to be made for the differences in national culture, if we accept the existence of generational diversity then the data available on national cultures seems a little obsolete. Not only did Hofstede undertake his study of national cultures between 1967 and 1973, Trompenaars' (2000) study of managers for national cultural differences was published when the current millennial generation had likely just been born in 1996. Thus, at the very least, we have to consider that most studies of national culture do not refer to millennials themselves but rather to the parents of millen-

Table 4.

Spread of generations in the workforce

Generation	Birth years	% of workforce	Work perspectives
Veterans / Traditionalists	1922–1945	10	"Company loyalty" – believed they would work for the same company for their entire career
Baby Boomers	1946–1964	44	"Live to work" – believe in putting in face time at the office. Women enter the workforce in large numbers
Gen Xers	1965–1980	34	"Work to live" – believe that work should not define their lives. Dual-earner couples become the norm.
Millennials / Gen Y	1981–2000	12 (increasing rapidly)	"Work my way" – devoted to their own careers, not to their companies. Desire meaningful work.

Adapted from Marston (2007)

Whilst it may come as no surprise that the baby boomers and GenXers constitute a large part of the working population, the diversity of working attitude

nials or even earlier generations who may have an impact upon the values and beliefs of millennials through the socialization process but due to other environmen-

tal factors, it takes a certain leap of faith to assume that the values of one generation are passed perfectly onto another without any influence of the external environment, such as fast-paced developments in technology, financial crises and so on. Furthermore, DeLorenzo et al. (2009) in their paper on the internet age and globalization theory indicate stark differences may be found between cultures based upon generation / age differences, even though this was not the aim of their study. They emphasise that the population surveyed in Slovakia and the US “*reflected an age of 18-22 years of age*” as “*the original Hofstede study surveyed professionals working for IBM – presumably, adults for the most part reflecting an age span greater than 22*” (DeLorenzo et al., 2009: p. 464.). This distinction between differences in values based upon certain age groups reinforces the basis for the study in this paper.

Thus, this study needs to bear in mind the characteristics of Hungarian national culture as having an impact upon the generational characteristics of the millennials, but not necessarily negating generational differences in themselves. Heidrich (1999) claims that Hungarian culture was very much collectivist and prone to social grouping with informal groups forming at many workplaces prior to the changeover. Heidrich (1999) also claims that there was a lack of individual risk taking and autonomy in making decisions, which is also due to this aspect of collectivism. This particular finding may have an impact upon the level of potential entrepreneurialism expressed by participants. Meschi and Roger (1994) studied 155 companies with partial ownership in Hungary and, using the OCAI of Cameron and Quinn (1999), found the main types to be clan and hierarchy culture types. Bearing in mind these findings with regard to social aspects, it seems to point to the likelihood of millennials preferring a clan culture type. Heidrich (1999) also points out that power distance is a distinct characteristic of the education system, which may prove itself in this study when a comparison is made between millennials in employment and those in education. Bakacsi and Takács (1997) claimed that Hungarian culture tended towards masculinity rather than femininity.

In summary, articles by Hungarian authors such as Kissné (2014) of generational differences using Western studies provide useful insight into the differences between generations in general, as reflected upon in this paper, however, the assumption that these generational typologies from Western countries must be the same everywhere else, including Hungary, is rejected. If we are considering the values, beliefs and norms of different generations from different countries and claim they are all the same then we are ignoring the national

culture, traditions and history that may also shape individuals. It seems, conversely, that many studies of national culture have failed to allow for generational differences and often view national culture as not being age-sensitive, which, in the face of literature to the contrary, seems like another false assumption. The following section examines how cultural differences specific to Hungary may affect the characteristics of the millennials generation, relative to existing findings from studies in the West, such as the United Nations study referred to earlier in this paper.

Previous views of the ideal organisation in Hungary

This study intends to analyse what millennials perceive as the ideal type of organisation. This indicates not only the values of the participant with regard to an organisation but also the preferred culture type of organisation. Therefore the following section considers studies into the preferred culture type of organisational culture in Hungary.

Bognár and Gaál (2011) undertook a survey of 260 companies in Hungary using the OCAI and found that the majority favoured either the hierarchy (81 companies) or the clan culture type (81 companies), closely followed by the clan type (76 companies) and by far the least common type the adhocracy (8 companies). This is in stark contrast to the findings of Bogdány et al. (2012), who found from a survey of 1500 prospective employees that the majority (75.5 %) preferred the clan type as a future workplace followed by the market (9.2 %) and the adhocracy (9.4 %) culture types. In this study the hierarchy type was least preferred by prospective employees. This seems to indicate the potential for culture preference change over the coming years either as new employees are assimilated into current organisational cultures or new employees seek to gradually change existing cultures to suit their preferences. However, it should be noted that a similar study conducted by Balogh et al. (2011) found conflicting results to that of Bogdány et al. (2012) with 1242 prospective employees who preferred the clan type, followed by the adhocracy, and then by market and hierarchy with similar results. Although the clan type still comes as one of the more preferred, the preferences regarding the adhocracy and hierarchy types seem less certain.

Aside from the preferences found using the OCAI, Bakacsi et al. (2002) considered the perspective of managers and used the GLOBE findings to describe the Eastern European cluster (Albania, Georgia, Greece, Hungary, Kazakhstan, Poland, Russia, and Slovenia). Managers from this cluster expressed distinctively high power distance and high family and group collectivism.

VEZETÉSTUDOMÁNY

This seems to reinforce a form of ‘clan mentality’. The managers also highly valued future and performance orientations, as well as charismatic and team-oriented leadership. Gelei et al. (2012) highlight that Hungary being a member of the East European Cluster may have a significant impact upon organisational relationships with Germanic or Anglo regions, as the East European Cluster is closer to the Latin American, Middle East and Sub Saharan Africa clusters. However, the external relationships of the organisation are beyond the scope of this study. Matkó and Berde (2012) also used GLOBE to analyse the organisational cultures in the public sector, namely regional local authorities. This study found the highest values in future orientation and asserted this was due to the economic situation and an increasingly competitive sector. This may serve to indicate a similar situation in higher education in Hungary as it experiences drives to become more competitive. Matkó and Berde (2012: 21) point out that “the future cannot be planned without team work and cooperation”.

Borgulya and Hahn (2008: p. 222.) assert that Hungarians (as well as other Eastern Europeans) see the workplace as “not only an area for creating value added, but also a social net(work), where people can fulfill their social need for creating human relationships”, seemingly confirming the findings of Bakacsi et al. (2002: p. 69., 75.). This seems to indicate a potential for interactions leading to the formation of sub-cultures. Furthermore, Hofmeister-Tóth et al. (2005) take this view one step further and claim that Hungarian employees are very likely to develop informal relationships and arguably, thereby a closer relationship as they see each other out of working hours. It should be noted however that in a more recent work by Borgulya and Hahn (2013) they considered the impact of the economic crisis on Hungarian work-related values with a longitudinal analysis using data from the earlier study in 2008 and found that this importance placed on personal relationships at work had decreased somewhat leaving only two aspects with similar figures compared to their earlier study: good pay and a secure job.

Theoretical framework

It was found in the literature that the millennials are devoted to working in their own way and focusing on their own careers rather than their company. They desire meaning, which leads to the potential for an entrepreneurial nature to some extent. Therefore, bearing in mind the sample of Hungarian millennials and the findings of the literature review, the following hypotheses have been devised in relation to millennial entrepreneurialism in Hungary:

Hypothesis 1: Millennials attitudes to entrepreneurialism vary according to type of course taught and institution.

Hypothesis 2: There is a direct relationship between views of luck being the key to success and responses to failure.

It is also clear from the literature that millennials perceive the workplace and the values and norms associated with the workplace substantially differently to other generations. The author wondered what the ideal organisation would be like for Hungarian millennials and so a tool needs to be considered which will indicate an ideal type of organisation and the participants’ values in relation to the organisation. Once a tool is selected further hypotheses can be developed (see methodology section).

Based upon the peculiarities of Hungarian national culture having an impact upon the millennial generation, the following hypotheses have been developed as a means of allowing for this aspect:

Hypothesis 3: Hungarian millennials accept the darker side of entrepreneurialism to a greater extent than the positive traits (pessimism high).

Hypothesis 4: Hungarian millennials has a strong sense of the need for success and find it difficult to accept failure (masculinity high).

Hypothesis 5: Hungarians have a high desire for the social aspect and a preference for a clan/collegial culture in organisations (low context, high collectivism).

Methodology

In order to test these hypotheses the following two tools were chosen for the study: the OCAI (organisational culture assessment instrument) and the FACETS framework. The OCAI was developed based upon the competing values framework developed by Cameron and Freeman (1999) to consider the effectiveness of leadership. This framework was used to create the OCAI which has been used to assess an employee’s perspective of the current organisational culture and that which would be preferred. In this study we used the latter of these two, as the preferred type of organisation in which a millennial may work or want to work is considered. In this way, for each of the six dimensions the participant is required to decide between four statements, which represent four culture types. Thus, over six dimensions such as criteria for success, organisational glue and dominant characteristic, each student will have a dominant culture type out of four

total types or possible a balance of two or more types. This tool is planned to deal with the cultural aspects of the hypotheses, highlight the central values and the preferred organisation in which to work, for each participant. Based upon this research tool, the following hypotheses are put forward:

Hypothesis 6: Entrepreneurial millennials do not prefer the market culture type, but rather the ad-hocracy.

Hypothesis 7: Criteria for success has a relationship to how millennials view failure and success.

The second instrument to be used is the FACETS theoretical framework, which is the Bolton Thompson Entrepreneur Indicator (the BTEI). This framework is used for defining the entrepreneur and based on six character themes, Focus, Advantage, Creativity, Ego, Team and Social, hence the acronym, FACETS. Thompson (2004) indicates that the FACETS framework could also be 'a practical and accurate assessment of a person's entrepreneurial potential' (Thompson, 2004: p. 244-248.). Both of these models have been updated in the early 2000s and as there is no significant time lapse between the latest versions of these tools, it is felt that there is a matching which will allow comparison of the data. However, the different forms of assessment means that they are not directly comparable but will involve, say, relationships between nominal and scale data.

This study takes the assumption put forward by Horsaengchai and Mamedova (2011) that the focus is on the internal potential to become an entrepreneur, rather than delve into the complexity of considering all other external factors such as access to finances, environment, and sociability / networking opportunities. This being the case, only Focus, Advantage, Creativity and Ego (FACE) of the instrument are to be used.

The second stage of this study will take a qualitative approach and delve deeper into the characteristics of the millennials in terms of additional qualities found in this literature review such as attire and motivation, as well as triangulate the quantitative data.

Design of the pilot study

The aim of the pilot study was to test the questionnaire on a small sample whose characteristics are the same or similar to those who will be completing the final questionnaire as a means of spotting any flaws which can be corrected before implementing the main survey. The pilot study is a means of considering unanticipated procedural problems not only in the administration of the questionnaire but also in the planned

statistical and analytical procedures. The pilot study also investigates the comprehensiveness of the questionnaire and the usefulness of the answers given. This pilot study was conducted in August 2015 prior to the main stage of questionnaire distribution and data gathering, planned for the following autumn semester.

Sample

The size of sample is a small one for the pilot for two reasons. Firstly, Bless and Higson-Smith, (2000: p. 52.) argue that the pilot study should involve taking a sample from the population upon which the study is planned. With a case study involving a limited number of around 1000 participants, a large sample for the pilot study might result in a less than representative sample of the actual study as the data of those involved in the pilot study would not be used in the main study (Peat et al., 2002: p. 57.). Furthermore, questionnaires would not be given in the main study to those who took part in the pilot study due to concerns about "questionnaire fatigue" and the possibility that participants will no longer follow the protocol as it is no longer novel (Van Teijlingen – Hundley, 2001). Secondly, the interviews concerning evaluation of the pilot questionnaire were qualitative rather than quantitative in nature and a smaller sample was deemed adequate (Hudson et al., 2007; Jacobson – Wood, 2006; Haralambos – Holburn, 1995).

The sampling frame for the pilot study involved both students and employed persons between 18 and 35, considered part of the millennial generation, totalling 20 participants in all. Through the random selection of young people, it is hoped to avoid convenience bias of only students from the Budapest Business School. A limitation of this pilot study is that unemployed 18-35 year olds did not participate and the lower age range had a higher number of participants.

Pilot study instrumentation

A semi-structured interview methodology was utilized to assess the suitability of the questionnaire. The interview questions were based upon those questions recommended by Bell (1999) and Wallace (1998) for a pilot study:

1. Were the instructions clear and easy to follow?
2. Were any of the questions unclear or ambiguous?
3. Were you able to answer all of the questions?
4. Did you object to answering any of the questions?
5. Did you find any of the questions embarrassing, irrelevant or irritating?
6. In your point of view, are there any important or concerned issues omitted?

Table 5.

Summary of initial findings

Code	Age	Gender	Student / employed	Entrepreneur potential	Top motivator	Ideal organisational culture type
001	21–23	male	both	4.83	Working atmosphere	Adhocracy
002	18–20	female	both	4.30	Opportunities for study	Clan*
003	24–25	male	both	4.30	Working atmosphere	Clan*
004	21–23	female	student	4.65	Opportunities to develop	Clan*
005	24–25	male	student	4.21	Opportunities to develop	Clan*
006	26–28	male	employed	4.15	Independent decision-making	Adhocracy
007	18–20	female	employed	4.26	Flexible working conditions	Clan
008	26–28	male	student	4.72	Promotion opportunities	Market
009	29–30	male	employed	4.03	Trust in company and colleagues	Clan
010	24–25	male	student	4.81	Work fitting studies	Adhocracy
011	21–23	male	student	4.50	Salary and benefits	Adhocracy
012	21–23	female	student	3.79	Opportunities to develop	Clan
013	24–25	male	student	4.28	Opportunities for further study	Clan
014	18–20	male	student	4.02	Promotion opportunities	Clan
015	24–25	female	student	4.09	Opportunities for further study	Clan
016	24–25	male	student	4.20	Opportunities to develop	Clan
017	18–20	female	student	3.68	Opportunities for further study	Clan
018	31–33	male	employed	4.16	Better salary and benefits	Market
019	18–20	male	student	4.19	Long-term job	Clan
020	21–23	male	both	4.54	Working atmosphere	Clan

*Note: These participants had a very close second dominant type as the adhocracy

7. Was the layout of the questionnaire clear?
8. How long did it take you to complete the questionnaire?

For each participant, the aim of the pilot was explained and then they were asked to complete the questionnaire. Participants were asked to think out loud when completing the questionnaire and notes were taken of any comments made during the completion of the questionnaire. Following completion of the questionnaire, the interview was held using the questions above as a loose structure for the interviews. Each interview lasted approximately 20–40 minutes depending upon the responsiveness of the interviewee and interruptions.

Summary of findings and future directions

One of the biggest concerns was about the length of the questionnaire as too long a time would result in impatience and fatigue, thus providing inaccurate results. From the pilot study, it was found that the majority of respondents took 10–20 minutes to complete the questionnaire (18 respondents) and another 2 respondents

taking 21–30 minutes. Although there was some concern about the completion time creeping towards 30 minutes, it should be stated that in this case, there was a number of interruptions, causing the extension of completion time. Although the questionnaire was lengthy, when questioned, none of the respondents complained of fatigue or grew impatient. It was a surprise that the questionnaire took less time than anticipated to complete. It should be noted that in most cases the time was closer to 10 minutes than 20 minutes.

There were a number of issues in relation to ambiguous wording. In one case the wording of the instructions for the OCAI was altered to facilitate completion of what was considered an unusual format. Another example was that in question 2C of the OCAI; the questionnaire was reconsidered by experts in translation and with an understanding of business. A new wording was agreed and then the respondents were consulted concerning this new wording. They agreed that this was much clearer and posed no further problems.

The pilot seemed to confirm the selected case-study as a good platform for conducting the investigation –

especially from the point of view of access to potential participants. To avoid 'undercoverage' of certain demographics, the questionnaire will be in printed format and handed out personally, although much of the sample is likely to have access to electronic format. The author hopes in this way to include all the target population, with minimum non-response bias thanks to feedback from the pilot study. With regard to the demographic data, it has also been decided to not have the age put in ranges but simply a year of birth. In this way, categorising can take place based upon differences in values and entrepreneurial data for age.

The future research is planned to extend this pilot study by examining a larger pool of Hungarian students and young employees from as many locations as accessibility allows. This would allow for generalizability and additional cross checks and verification of initial findings of this pilot study. A further extension is being considered on an even wider scale encompassing participants from other generations as a means of comparing the diversity of generations in Hungary. However, the findings from this small sample are indicated in the following summary, standard deviation has not been calculated for a small initial sample, but these findings may give an indication of the likely results for the entire sample once complete. (Table 5.)

The findings shown in the table 5. seem to indicate a preference of millennials for a clan culture type organisation, and with this, a desire for a good working environment. Studies of millennials indicated that they would be devoted to their own careers, not to their companies with the desire for meaningful work. This aspect might be reflected in many participants putting the opportunity to develop as the top motivator, however it can be seen in the table that this is often the preference for participants who are students and may be due to the fact that they live within the education system where the need to learn and study is a value that is constantly reinforced, rather than a devotion to their own careers. It is hoped that following the quantitative study, the qualitative study will provide answers to such questions. It may also uncover whether the top motivators are general motivators for each participant or based upon a current issue being dealt with e.g. if good salary is listed as a good motivator, is the person generally motivated by money or simply has temporary financial problems at the time of completing the questionnaire.

One clear result is that, based upon the Likert scale of 1-6, the majority of participants believe they have entrepreneurial potential, with an average of 4.28 for the sample. This may also be reflected in the fact that a

number of participants have a preference for the adhoc-racy culture type, which is associated with innovation and flexibility, both characteristics of entrepreneurs. A larger sample will confirm whether these initial findings are representative of the entire sample or not, but as a pilot study it has proved the viability of the questionnaire and the potential for answering some important questions on the shape of Hungarian workplaces in the future.

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DYNAMIC CAPABILITIES AND STRATEGIC PARADOX: A CASE STUDY

Today's business leaders must constantly review and develop their firm's abilities to adapt to and benefit from external changes. Dynamic capabilities are the capacity of an organization to purposefully create, extend or modify its resource base. They enable it to exploit business, technological and market opportunities and adapt to market changes, an ability more often observed in highly dynamic industries, such as consumer electronics or telecommunications. Using the case study method, this article identifies dynamic capabilities in traditional, less dynamic industries when faced with a sudden drop of revenue. Four distinct routines emerge, namely structure and practices enduring time-sensitive strategic decision-making by the time, and a culture encouraging learning and coevolving. Seemingly strategic paradox objectives encourage the management team to question the status quo and, when managed well, transform the tensions between old and new into an ability to advance superior ideas faster.

Keywords: dynamic capabilities, business model, strategy, change management, leadership

Many industries have recently experienced rapid changes in the economic environment coupled with increasing reaction times of competition and higher expectations from customers. Today's business leaders must constantly review and develop their organizations capabilities, value creation processes, market strategies, relationship networks and so on. There have been at least two approaches in the literature to explain the ability of organisations to adapt to and benefit from such external changes, the business model concept (Timmers, 1998; Osterwalder – Pigneur, 2002) and the dynamic capabilities approach (Teece et al., 1997; Eisenhardt – Martin, 2000; Zahra – George, 2002). A business model is a tool to help understand how an organisation does business (Magretta, 2002; Zott – Amit, 2010). It is concerned with how it sets competitive strategy through the design of its products, how prices are set, what it costs to produce, how it differentiates itself by the value proposition, and how it integrates its own value chain in to those of other members of the value network (Teece, 2010).

Dynamic capabilities can be defined as the capacity of an organization to purposefully create, extend, or modify its resource base (Helfat et al., 2007: p. 4.). This enables it to exploit business, technological and market

opportunities and adapt to market changes (Teece et al., 1997; Teece, 2010).

Some business organisations are able to adapt to rapid external changes and maximize new opportunities while managing potential or actual loss of established markets again and again, while others are going out of business. Are there significant differences between the business models of such companies, or is the deciding factor not the business model in itself, but the ability to adopt, change, and manage the tensions created from a state of constant transitions, regardless of the business model applied. This article contributes to this discussion by arguing that an organisation's dynamic capabilities improve the firm's performance in a state of turbulence, and that such capabilities also support the process of adopting the business model. Leaders who are able to 'hard wire' such abilities into their leadership teams ensure a constant evolution of their business model. Using the case study method, we will analyse the dynamic capabilities of an organisation in greater detail to advance our understanding of this concept. We will also discuss which are some of the specific capabilities to successfully changing a business model, following the call for more investigation into the 'black box' of business model activities (Zott – Amit, 2010).

VEZETÉSTUDOMÁNY

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There is an abundance of literature on business models (Timmers, 1998; Amit – Zott, 2001; Tapscott, 2001; Stähler, 2002) as well as some studies, which discuss model change, especially the model design process (Zott – Amit, 2007; Zott – Amit, 2008; Zott – Amit, 2010; Frankenberger – Weiblen et al., 2013). At the same time there is still uncharted territory in this field, for example there is limited understanding of what enables the change itself (e.g., Lindner – Cantrell, 2000) or how flexible a model needs to be to survive in the long term (e.g., Chesbrough, 2007). Only few complex models, which permit the presence of strategic tensions, have been classified and defined by scholars (Smith et al., 2010). For example Achtenhagen et al. (2013) identify capabilities inherent in companies successfully changing business models, which relates to the concept of ‘dynamic capabilities’.

The literature on dynamic capabilities focuses not only on the ability and the process of changing models, but the inherent capabilities to adapt to changes, exploit new opportunities and switch assets and organisational structures. When present, such capabilities allow shifting business models *as well as* other tangible and intangible assets of the firm creating a competitive advantage. The concept was initially advanced by Teece, Pisano, and Shuen (1997) and has attracted much attention in the strategic management literature (Eisenhardt – Martin, 2000; Zollo – Winter, 2002; Di Stefano et al., 2010). This article follows calls to investigate such dynamic capabilities in greater detail, including extending the knowledge of their dynamic nature, analysing their nature in traditional, less dynamic industries, and understanding how leaders and their teams interact to create such capabilities (Easterby-Smith et al., 2009; Kor – Mesko, 2013).

We argue that there are some capabilities, which leaders can develop without the need to change business models, and illustrate such capabilities based on data collected. Furthermore, there are also complex business models, which encourage the development and application of such capabilities. These include inherent conflicts, paradoxes, and therefore encourage an organisation to live with, manage and benefit from a constant tension to justify one against the other, compare, chose. Paradox is some ‘thing’ constructed by persons or organisations when oppositional tendencies are brought into proximity through reflection or interaction (Ford – Backoff, 1988). The strategies would be paradoxical if multiple strategies were ‘contradictory, yet interrelated’ (Lewis, 2000). For example leaders may demand from a production unit to deliver speedy, low cost service to one customer segment while achiev-

ing slower, high quality service to another, with success metrics of a higher order, such as overall profitability. At the same time they need to ensure the company’s DNA encourages learning, manages conflict resolution, and gives equal opportunities to those delivering new opportunities and those maximizing profits out of existing businesses.

Research aim and methodology

The aim of the study reported in this paper was to answer the following research questions:

1. Which dynamic capabilities are required to recover quickly from a significant drop in demand?
2. How to differentiate between changes to the dynamic capabilities and change models?
3. What specific dynamic capabilities allow maintaining strategic paradox over a prolonged period of time?

The research methodology selected is the case study method, a scientific and appropriate way to investigate phenomena in its context, “especially when the boundaries between phenomenon and contact are not clearly evident” (Yin, 1994: p. 13.). In this research, a single case study was employed in order to identify potential new facets of dynamic capabilities and business model change phenomena. Its results may therefore not be widely applicable, but still unearth new phenomena and help develop a relatively young research stream (Teece et al., 1997; Chesbrough, 2007; Smith et al., 2010). Qualitative data collection took place by completing several in-depth interviews and content analysis of publicly accessible sources.

Theoretical background

Changing business models

Business model research has developed since the 1980s to understand organisations’ strategic framework and the identify frameworks which can help to deliver better economic outcomes. It has been argued that business models are rather vague descriptions of how a business should look like in order to be successful (Stähler, 2002). We therefore start by definition how we will use the term business model. The creation of value for customers is at the heart of many definitions, and was introduced to the literature through Porter’s value chain concept (Porter, 1985) – in fact a first attempt at describing business models. Later a business model describes the “core architecture of a firm, specifically how it deploys all relevant resources” (Tapscott,

2001), the “content structure and governance of transactions designed so as to create value” (Amit – Zott, 2001). Other definitions stress that also the various actors and their roles, as well as how they benefit from the activities of the firm should be part of a business model (Timmers, 1998). Understanding the firm as part of a value creation network, and focusing on the ability of the organisation to convert value to customers into revenues is key to our analysis. Therefore we will refer to the term business model as “a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams” (Osterwalder – Pigneur, 2002).

The business model is also not to be mixed up with strategy. For the purposes of this paper, we prefer a definition of strategy, which allows the discussion of events in the past and present. In a backward looking context, therefore, we view strategy as a pattern of choices made over time, and a plan, which can be identified behind these conscious choices by the firm (Mintzberg, 1994; Teece, 2010). Business models, in turn, should enable the firm to make such choices, and develop this plan, and therefore even in cases of drastic change of strategy stay in place. It is therefore important to understand when a firm is undergoing a change of business model or a change of strategy.

Business models have six basic functions:

1. Articulate the value proposition, that is, the value created for users by the offering.
2. Identify a market segment, that is, the users to whom the offering is useful and for what purpose.
3. Define the structure of the value chain required by the firm to create and distribute the offering, and determine the complementary assets needed to support the firm’s position in this chain. This includes the firm’s suppliers and customers, and should extend from raw materials to the final customer.
4. Specify the revenue generation mechanism(s) for the firm, and estimate the cost structure and profit potential of producing the offering, given the value proposition and value chain structure chosen.
5. Describe the position of the firm within the value network (also referred to as an ecosystem) linking suppliers and customers, including identification of potential complementors and competitors.

6. Formulate the competitive strategy by which the innovating firm will gain and hold advantage over rivals” (Chesbrough, 2007).

It can be argued that companies in fast changing industries may change their model so rapidly, that the ability and processes to induce and manage the change require an established business model in itself. Following the above definition by Osterwalder and Pigneur (2002) a company employing different processes with a new architecture or partner relationship to deliver value to segments of the market would be an *evolution of the existing business model*, not a new one. A simple change of a success metric would be purely a *sideways shift of the model* (McGrath, 2010). Concepts that allow evolving from a specific state of their business model to a new and improved state have also been termed ‘change models’ by Linder and Cantrell (2000). Change that does not alter the fundamental modus operandi, e.g., a geographical expansion, is based on a ‘realization model’. An established process to constantly change, such as companies regularly acquiring and improving additional brands was termed renewal model. Firms continuously expanding into new ground with opening new markets, adding new elements to the value change, or adding new operations without losing any of the existing ones need an ‘extension model’. And ‘journey models’ are applied by companies deliberately leaving their status quo behind and embarking on a path towards a new business model. This could be a regional player developing into a global entity, including establishing presence in many countries, and shifting their value proposition to include an increasingly global reach and capabilities (Lindner – Cantrell, 2000). This taxonomy is helpful to determine if changes require adjusting the business model itself, and to what extent. Also the presence of such a model in a company may determine the success of the change process.

Dynamic capabilities of a firm

Frequent changes in the business environment or new market opportunities with less time to act require companies to constantly renew their ability to react. The organisation’s capabilities and resources, its value creation processes, its product and service offering and revenue generating capabilities, to name only a few, need to be shaped to be able to adopt quickly and effectively. This is most needed in uncertain trading environments, where companies need to enrich and reconfigure their capabilities as well as develop new ones (Sirmon et al., 2008). Such capabilities have been discussed in the business model literature, which agrees that models need to change as the company reacts to changes in their envi-

ronment or exploits new opportunities (Hamel, 2000; Lindner – Cantrell, 2000). The strategic management literature terms these “Dynamic capabilities”, which include all capabilities and organisational and managerial processes with which a firm exploits business, technological and market opportunities and shifts its assets and organizational structures adapting to market changes and company growth (Teece et al., 1997; Teece, 2010).

The objects of adoption are the assets and organizational structures. The business model of an organisation can be regarded as asset in itself, and the capability of creating value, the structure of the value chain as well as revenue generating mechanisms are arguably among the most important assets of a firm. Dynamic capabilities are, in fact, the ability to design and evolve business models, rather than the business model itself. Following the definition above, changing business models may cause additional burden on the organisation to manage change, and therefore it would be beneficial for a company to have resources and capabilities to adjust, but at the same time to have a business model that may not need to be changed each time a new opportunity arises. Such capabilities depend on the firm’s ability to constantly review and improve the relationships and loops between the variables inside a business model (Casadesus-Masanell – Ricart, 2010).

Achtenhagen et al. identify what is needed for ability to change business models after completing a longitudinal study of 25 SME firms (Achtenhagen et al., 2013). The first critical capability is an entrepreneurial orientation towards experimenting with and exploiting new business opportunities. Such companies continuously obtain information about trends, markets and competitors through market research, informal and secondary sources. They encourage the development of new ideas and provide freedom for the development of new business ideas. While may lead also to mistakes, the culture handles this as an opportunity to learn from them. Secondly, Resources and capabilities are used in a balanced way. Although focusing on new opportunities, the existing business needs are not neglected. Also development is spread over several resource bases. Financially, the company focuses on a steady cash flow, low cost levels and is ready to reinvest profits for further expansion. The third ability is to achieve an active and clear leadership, a strong corporate culture and employee commitment. This includes encouraging employees’ contribution to ideas and constructive questioning. The company’s values are developed jointly, and clearly communicated. A visible and credible leadership style is being practiced and employees are involved in strategizing activities (Achtenhagen et al., 2013).

Managing strategic paradoxes

In some cases attracting new segments requires new processes, or marketing mix elements, which put existing segments at risk. This would be the case when delivering value presently requires architecture and processes that are unable to deliver value to new segments. When the strategies applied are seemingly contradictory to each other, such as applying a low-cost strategy and a high value strategy in parallel, they are termed paradoxical strategies. *Strategy* refers to a set of products or services and how they are taken to market in order to compete. *Paradox* is some ‘thing’ constructed by persons or organisations when oppositional tendencies are brought into proximity through reflection or interaction (Ford – Backoff, 1988). The strategies would be paradoxical if multiple strategies were ‘contradictory, yet interrelated’ (Lewis, 2000). The strategies can involve inconsistent or contradictory use of products, markets, technology or other resources, which reinforce each other and lead to long-term organisational success. Companies successfully managing such situations are able to apply different strategies to different segments, and excel under such tensions. It is therefore important to understand more about such complex business models, as they are more critical in highly competitive, fast moving industries (Smith et al., 2010).

The concept of seemingly conflicting strategies has been illustrated by Williamson (2010) who presents the strategies by a company under pressure from competitors to provide innovation at low cost. Although an established player, it is faced with the challenge to deliver high technology at low cost, and variety and customization without a significant price premium, and at the same time over low prices to move into mass markets. Such cost innovative strategies had been displayed by new market entrants from countries such as China and India and became a threat to be taken seriously. The disruptive potential of such cost innovation called for some radical re-thinking about future business models. Achieving this required to rethink the supply chain, transfer value-for-money production to emerging economies and restructure reporting lines and improve know how of local staff to turn in to a truly global organization (Williamson, 2010). The challenge in such situations is that organisations may have become complacent, and unable to step out of their circle of thinking. Paradox itself has a power to generate insight and change, and is therefore an important contribution to management thinking (Eisenhardt – Westcott, 1988).

Marianne Lewis reviewed paradox identified in organisation studies, and proposed that the phenomena identified belong to one of three groups: Paradoxes of

learning, organizing and belonging. Learning paradoxes take place when past understandings are critiqued, questioned, and sometimes dismissed while allowing innovation, developing new concepts and constructing new and more complex frames of reference. The ability to transform the tensions between old and new often is called to action by shock as well as the ability to openly communicate and enforce the following internal battles in order to advance the organisation. Paradoxes of organizing discuss the balance between control and flexibility. Firms need to control yet encourage opposing forces to engage in conflict, avoiding both extreme chaos and rigidity, and ensure that superior ideas are being advanced (empowerment). Tools for this include agreement on superordinate goals and humour. Lastly, paradoxes of belonging relate to the ability of groups to value the diversity of their members and opinions, as well as the interconnections with other groups. It sets a framework, which allows members to focus on the tasks at hand with low power discrepancies within the group, valuing differences. It avoids tribalism or destructive conflict between groups, which has become an essential capability in the age of globalisation (Lewis, 2000).

Managing such tensions requires an influential leader capable of thinking paradoxically, guiding a regular reflection within and among groups and help the organisation to examine and not suppress tensions (Lewis, 2000).

Case study and analysis

Situation/Challenge

The company selected for the case study is an airport confronted with the bankruptcy of their largest airline customer. With around half of the total revenues lost over night, the financial stability of the firm was at stake, and the leadership team had to transform the company to return to a stable growth path. The case is well documented in the scientific literature (Linkweiler, 2013; Bilotkach et al., 2014), however additional publicly available company and industry data as well as management interviews were used to allow deep insights. What makes this case unique is the fact that the company was able to react quickly, compensate

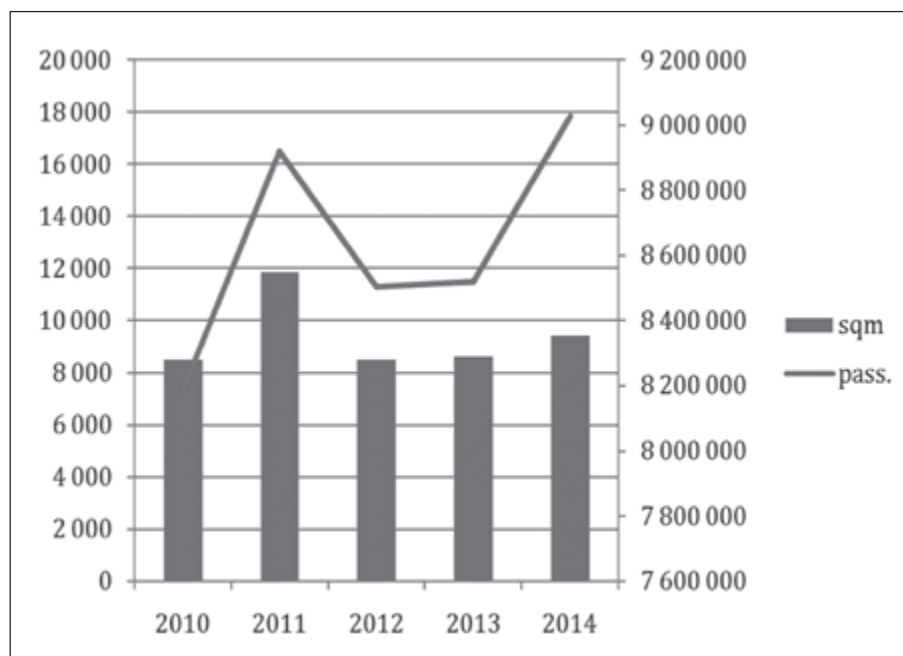
the lost business, and fully recover (Linkweiler, 2013) while most other airports – there are at least 37 similar cases documented (Redondi et al., 2012) – fail to recover within the first years.

The company

Budapest Airport Zrt. is the operator of Ferenc Liszt International Airport in Hungary under a long-term concession agreement and owned by a private consortium. The airport was acquired from the state in December 2005, when 75% of the company was sold at a price tag of 1.8bn EUR, the biggest privatisation in Hungary's history (hvg.hu, 2005; hvg.hu, 2006). Later, the remaining 25% were also sold making it a fully privately owned company, managed by the majority shareholder, the German AviAlliance GmbH (Budapest Airport, 2009). By 2011, the airport opened its Sky-Court shopping centre located in the main departure hall, and fulfilled its commitment to invest into this and other modern infrastructure (Budapest Airport, 2011). The building won several architectural awards, and featured 39 catering and retail outlets will offer their services on 4300 square meters, including the largest unit, a 1400 square meter walk-through duty free shop operated by the German company Heinemann (ACI Europe, 2011). The *Figure 1* shows the airport's passenger volume (2014: forecasted) and the square meters of retail space available.

Figure 1

Total in-terminal retail space and total passenger numbers at Budapest Airport
(End-of-year data, 2014: forecasted).



VEZETÉSTUDOMÁNY

In February 2011, the airport lost its main customer, Malév Hungarian Airlines, which stopped operations after it found itself unable to comply with a EU Commission ruling to pay back illegal state aid. With Malév delivering almost half of the company's revenues, this situation put the investment of 1.8bn EUR at risk, and sent a shockwave through the organisation. For comparison, the company's finance cost was 112m EUR at the end of 2011 with revenues of 291m EUR. This heavy burden required fast and, in some cases, seemingly contradictory strategic decisions by the management, in order to ensure the company's stability and satisfy investors' expectations for the remaining 74 years of this concession. (Table 1)

company also rented a number of buildings to Malév, including office buildings, a crew centre, a flight training centre and so on.

The company had to move quickly to reduce cost burdens, maximize income from its existing customers, as well as backfill the massive gap in both aeronautical and non-aeronautical revenues. The actions turned into a success story. One year after the collapse, the airport had lost only 5% of passengers, which its shareholders praised as a "considerable achievement" (Linkweiler 2013). The airport's financial statements showed that earnings before tax (EBITDA) dropped by only 2% in the first year of crisis, and then started increasing by 31% in year two, with revenues being up 7% year-on-

Table 1

Key financial metrics – Budapest Airport Zrt. 2011–2014

	Passengers	Revenue (EUR k)	Growth (%)	EBITDA (EUR k)	Growth (%)
2014*	9,155,961	N/P	–	N/P	–
2013	8,520,880	180300	7%	126200	31%
2012	8,504,020	168615	–2%	96200	–2%
2011	8,920,653	171421		98200	

Source: Budapest Airport (2013), AviAlliance (2014), Budapest Airport (2015). *: 2014 financial results were not published at time of writing.

Table 2

Nine Business Model Building Blocks

The company's main revenue sources are fees paid by airlines and passengers, so *aeronautical revenues*, and income from 'other' activities including the operation of car parks, renting real estate and retail space, the *non-aeronautical revenues*. In 2011, Malév carried 3 million passengers, 34% of the total, including 1.5 million transfer passengers (portfolio.hu, 2012). In addition, several partner airlines announced not to serve the airport any further, since their passengers lost the possibility to transfer on to Malév flights. In total, over 40% of the aeronautical revenue was at stake. The airport's non-aeronautical revenues, accounting for 33% of the business, were also under threat. The company had lease agreements with shops and catering units in both of its terminals, 1 and 2, however Terminal 2, host to Malév, suddenly had less than half the passengers, while terminal 1 was overcrowded. Both empty and crowded shops are a major concern and concessionaires were demanding correcting action. The

Pillar	Business Model Building Block	Description
Product	Value Proposition	Gives an overall view of a company's bundle of products and services.
Customer Interface	Target Customer	Describes the segments of customers a company wants to offer value to.
	Distribution Channel	Describes the various means of the company to get in touch with its customers.
	Relationship	Explains the kind of links a company establishes between itself and its different customer segments.
Infrastructure Management	Value Configuration	Describes the arrangement of activities and resources.
	Core Competency	Outlines the competencies necessary to execute the company's business model.
	Partner Network	Portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value.
Financial Aspects	Cost Structure	Sums up the monetary consequences of the means employed in the business model.
	Revenue Model	Describes the way a company makes money through a variety of revenue flows.

Clarifying Business Models: Origins, Present, and Future of the Concept by A. Osterwalder, Y. Pigneur, and C.L. Tucci

year. The company's recovery process was symbolically completed after it could report to have served 9.1 million customers in 2014, more than even during the best years when Malév was still operating (see Appendix I).

The changes will be presented in the structure following the nine business model building blocks proposed by Osterwalder, Pigneur and Tucci (2005). Only data related to the three-year period between January 2010 and December 2012 was included. (Table 2)

The value proposition to its customer airlines is to offer reliable infrastructure able to handle flights and passengers 24 hours/day without constraints, at a location where there is demand for air services. New value creating services were added, such as low cost aircraft parking allowing passengers walking onto the aircraft. New infrastructure was built upon request of one of the new entrants. New boarding gates offered sufficient capacity to handle the boarding process for passengers of 12 departing planes. A new pricing structure was developed, which included high incentives for new entrants – which were mainly low cost carriers. Also, several services were debundled, allowing the airlines to stop paying for services they were not using, for example fast track security, passenger bridges and passenger bussing. This was only possible by redesigning operational procedures and changing processes in cooperation with stakeholders such as local authorities and other suppliers.

The organisation targets several B2B segments. The first group are airlines operating a 'hub-and-spoke' system at the airport, such as Malév with its local sub-contractors. This system allows passengers to fly from their origin to Budapest (along the 'spokes' of the route network), transfer at the airport (the 'hub') and continue to their final destination (along another 'spoke'). This segment is essential to achieve significant growth, without this system such passengers would not use the airport at all. In the case of Budapest this accounted for around 20% of the demand. Further segments are foreign airlines, which deliver 'only' direct passengers as well as attract local passengers to fly to their own hubs and beyond. A further segment is low cost carriers marketing aggressively to price sensitive tourists and business people, followed by charter carriers using the airport as an element of their packaged holiday products. One of the segments was lost completely (the national hub-and-spoke airline), while another segment – the low cost segment – grew from 22% to 50% in market share.

Two teams were in charge of customer contact, one focusing on the commercial relationship and a second, larger team, delivering the services required at

the agreed standard. The links to customer firms were very close for the hub-and-spoke segment, and less close with other segments, which seemed to be more driven by market demands rather than service quality, and were unwilling to commit to longer term relationships. The relationships with several key strategic customers were intensified, including negotiations about long-term agreements, starting from the period of crisis. Higher frequency of contact, and increased value of information transmitted to potential customers was observed.

The activities and resources of the company to deliver value were slightly adjusted. For example making passenger fast track a pay-for-use service required the installation of new passenger lanes and payment kiosks. Some procedures needed to be adjusted, such as more efficient re-fuelling processes or speedy passport checks for stewardesses. After a reduction of administrative staff, teams had to learn to cope with time pressure and very demanding new customers.

In order to address the issue of an underutilization of buildings, the management decided to temporarily close one of the two terminal buildings, regardless of the numerous services and businesses operating there under a lease agreement. The closure led to increased efficiency in the remaining building, and even stores soon reached the originally forecasted volumes, allowing additional stores to be opened. In 2014 alone, the company attracted a supermarket, a telecommunications shop, a travel electronics and accessories store, a Victoria's Secret branded cosmetics and lingerie store and opened a new 190sqm roof top lounge and bar. While total retail space has still not reached previous levels (see Figure 2), the ratio of passengers to floor space is more attractive, leading to increases in productivity and rental income.

The core competency of the company continued to be operating airport infrastructure. Following a path chosen well before the crisis, the firm further reduced its scope to concentrate on core activities. This involved, for example, outsourcing of all activities related to vehicle maintenance, facility management and cleaning. Several key services of the value chain are being provided by third party entities, a fact that increases the ability of the airport to adjust the service offering if needed. For example, low cost airlines required additional services for charging excess baggage, which third parties were able to offer in short time under an agreement with both the airport the airlines. The business model prior to the crisis included an on-going process to outsource non-core activities; therefore this was not changed due to the events of 2011.

While there were no significant changes to the network of partners (such as those servicing and maintaining aircraft or checking-in passengers), it is worth to discuss the cost structure and revenue model in greater detail. Cost cutting measures lead to the cost budgets for 2012 to be reduced by 25%. The company's links to employees representatives (supported by the local labour law) allowed a fast reduction of staff by some 250 people only two months after the event, and a further 100 headcounts could be reduced as they were on leased contracts. Only in 2009 was the last strike at the airport's company (Index.hu, 2009), but since then the new management was able to lead the organisation without the threat of strike. Contracts with main suppliers were renegotiated, and infrastructure used by the operation and tenants was reduced to increase efficiency (Linkweiler 2013). At the same time, revenues only dipped by 19% reducing the operating profit from 83k to 79k Euro. Finance costs, however, remained unchanged.

The above section discusses the most relevant data related to the building blocks of the company's business model. While in many cases the magnitude of change was drastic, such as cutting investment volume into half, it appears that the basic model of doing business has not changed significantly. In order to understand how the company managed to identify, decide and implement such changes, we need to look into more data about the organisation's written or unwritten processes and approaches how to go about change. In the following part, we summarise information on the capabilities to exploit existing assets and/or shift assets and organisational structure to manage this crisis.

Information flow to/from top management. The CEO encourages a culture of open communication and feedback. His office is located at the centre of the administrative offices (rather than on top of them), and when not in meetings follows an open door policy. Employees are invited to participate and ask questions during informal 'breakfasts with the CEO'. Communication to employees takes place via a staff newspaper, as well as internal communications ambassadors in each business unit, tasked to disseminate important information quickly and informally. This tool is often faster than cascading information through management layers and avoids rumours spreading.

Smaller, faster decision making units. The CEO meets weekly with a small selection of Executive board members, to make decisions. This institution was created during the crisis but stayed in place afterwards. Business controllers were assigned to each business unit, as part of that organisation, ensuring that re-

sources are available to prepare decisions and that they are in line with financial policies, such as investment policies or cash flow targets. CFO received additional veto rights over even smaller expenses for a temporary period to introduce a culture of rigour and reduce unnecessary expenses. Some of these rights were retained after the crisis.

Organisation following market structure. A new organisational structure was put in place to allocate business units to customer segments. For example the same executive director was responsible for the aeronautical operations and generating aeronautical revenues, another executive director for building, leasing and operating stores inside the terminal and so on. Once new business opportunity was identified which required a change to the value delivery, processes could be adjusted quickly to meet customers' requirements. In fact, this change took place in 2009 already, at a time when first signs of Malév's difficulties became visible, in foresight of what was ahead (Linkweiler 2013).

Close links to shareholders. The company's majority shareholder is also providing the top management of the company, guaranteeing faster decision making and a trust based relationship between owners and executives.

High loyalty. Bonus schemes and fringe benefits are in place for all administrative staff and a modern HR culture ensures development opportunities and open performance management. During the crisis period, a bonus system was introduced to blue collar workers, too, replacing additional pay triggered by certain shift patterns. This created loyalty among high performing teams and increased awareness of company, team and individual performance on all levels of the organisation. The selection of employees emphasises a wide range of backgrounds, for example the airline sales team members joined from airfreight, ground handling and the airline industry, and thus have a deep understanding of their customer needs.

Approach to learning. The management's approach to problem solving allows a time for alternative proposals and open discussion, while respecting decisions once final. Mistakes are seen as an opportunity to improve. The responsibilities of executives are changed from time to time, which increases an understanding of the overall business as well as strengthens the coherence of the team.

Finally, the research shed light on several instances where the company is pursuing seemingly conflicting strategies. First, the general approach to investment was extremely conservative, stopping all non-essential projects. On the other hand, incumbent custom-

ers demanded new boarding facilities, which required releasing non-planned capital expenditure or drawing planned investment from other business units, seemingly a paradox strategy.

The management developed the capability to identify and decide on investments related to new business opportunities while being very strict on any other investment at the same time. This involves reviewing available capital on a regular basis and can lead to tensions inside the organisation if not managed with care. Another paradox strategy followed may be seen in the difference between the state of the art architecture of the SkyCourt building opened in 2011 and the tin buildings placed on the concrete to serve low cost boarding gates. Both projects were planned and implemented by the very same team, however their design and approach to planning and execution could not be more different. Third, the pricing strategy discussed above included two strategies, which create tension inside and externally. Typically, airport prices are determined by distributing the costs of capital investment in infrastructure among its users, the airlines. With less passengers using the infrastructure, the prices overall had to be increased. Some of the existing customers were, in fact, enjoying near monopoly benefits after the exit of a major competitor, and were able to pass on increased airport costs to their customers. On the other hand, the airport needed to attract new business quickly, and most potential opportunities were among the price sensitive low cost airlines. Therefore solutions had to be found to be price competitive while at the same time increasing the overall yield per passenger. The sales teams were negotiating with low cost airlines about savings of several cents per passengers at one moment, and with a middle-eastern carrier ordering first class facilities for their new daily service at the next.

In the next section, we will analyse and discuss the above data in order to answer the research questions in turn.

Discussion

Firstly we will identify the dynamic capabilities applied in the above case, and discuss how such capabilities can positively influence a company's recovery from a significant drop of demand. Next, we will address the question of change: Has the underlying business model changed, was there a "change model" applied, or is even the change part of the business model. Have dynamic capabilities changed before or during the crisis under discussion. And: Which dynamic capabilities are required to sustain strategic paradox over time?

Dynamic capabilities cover the internal abilities of the organisation to change the metrics in their business model, to integrate, reallocate and reconfigure resources within the company, which have led to superior performance. The organisation had such inherent capabilities or took care to develop them to cope with the change. The above data contains (at least) four distinct capabilities, time-sensitive strategic decision-making, flexible resource allocation, release of resources, and coevolving of different parts of the firm.

Time-sensitive strategic decision-making. The established routine of frequent leadership gatherings, the creation of smaller, fully empowered decision making teams, and the close relationship between management and shareholders has led to an ability to make strategic decisions at a fast pace. A regular routine to pool the management teams skills and functional backgrounds, discuss within clear time limits the options, and make choices which shape the future strategic moves has allowed to go from challenge to implementation in less time. By involving all crucial areas of the business, required changes to existing resource pools can be reviewed. This requires a constant flow of information to the top, open communication channels with middle management, and a capability of leaders to absorb and have ready the required information for decision-making.

Flexible resource allocation. The ability to reconfigure existing resources inside the organisation is a key capability during periods of change. For example when customer requirements need the development of infrastructure at short notice, too strict allocation of resources slows down reaction time and may lead to loss of market share. Seizing business opportunities requires the ability to allocate manpower, capital and management time to key issues. This requires routines, which delay final decisions for resource allocation, and maintain a readiness of individual business units to let go of initially planned investment, for example, allowing another unit to maximize benefits resulting from a change. Part of such routines can be hard coded, for example in business plans and approval processes, which approve use of resources tied to certain conditions or additional approval processes, and close control of a central unit. In the case discussed above this was through the role of and authority given to business controllers. Many routines however are developed through organisational learning and a certain corporate culture, which develops over time.

Release of resources. The case discussed highlighted the importance of releasing resources to adjust to market conditions. Human resource planning

routines can consider such situations in advance by having a certain portion of the work force on temporary or agency contracts. Contracts with suppliers can include opt-out or early termination clauses in certain cases.

Coevolving of different parts of the firm. Knowledge and skills present in different units of the firm may lead to superior outcomes when combined, even for temporary times. The ability to identify and pool capabilities of the entire organisation for specific challenges at hand ensures that synergies are identified and may become a resource in itself. By cooperating, the various parts of the company are developing their own resources (such as knowledge), and thus evolve, while overall the combined abilities achieve better results. In the case above, merging operations and commercial teams improved the firm's ability to quickly assess the operational needs of potential new customers, develop associated products and offer them with appropriate profits.

These dynamic capabilities seem especially important in dynamic and less predictable industries. The flexible allocation of resources, the ability to lose (or gain) resources quickly, and an ability to exploit opportunities through synergies while allowing the firms units to coevolve have allowed to quickly 'weather the storm' of an external demand shock in the case discussed. The routines discussed are rather simple, require little description and can be communicated even verbally over a wide area of the firm.

Fewer rules make it easier for managers to focus their attention during turbulence and overwhelming amounts of data (Eisenhardt – Martin, 2000), and they are less likely to be forgotten over time (Argote, 1999). It should also be noted that actual and perceived crises may, in fact, be a blessing in disguise if they have brought forward and implemented additional dynamic capabilities in the organization. This importance of crises has been confirmed in a long-term study of learning processes in Hyundai (Kim, 1998).

Also, such capabilities are most needed during change, therefore too complex sets of rules require frequent adjustment, which in turn does not allow the routines to deeply penetrate management thinking. In fact, such capabilities demand that the firm engages in experimenting and learning, and further develop its abilities. A certain part of them are hard coded, others are manifested in the day-to-day behaviour of management, routine of decision-making processes and informal approaches to resource allocation. Dynamic capabilities that have been developed during a period of high dynamism may be under threat, once the in-

dustry gets less dynamic again (Eisenhardt – Martin, 2000).

Was the underlying business model changed? During the period described in the data, the company underwent significant change, and there is no doubt that some fundamental changes took place. A drastic reduction of costs, a closing of production facilities, a loss of a complete customer segment has fundamentally affected the way of doing business. However one may argue that the fundamental business model was hardly touched. The company's value proposition is still to offer infrastructure and services at a high quality level, access to an attractive market, and pricing concepts to allow B2B customers a profitable operation, for example. The metrics have changed, and the allocation of resources among activities, but neither have entirely new business activities been started, nor has the company reorganised their value chain. It appears that the model in place was robust, still complex enough to allow fast reaction to changes in the market place, and only success metrics shifted sideways (McGrath, 2010).

The model is complex in the sense that it is externally aware and able to develop. Such a firm is on the lookout for new ideas and technologies, has relationships with outsiders in place to help satisfy such needs, and has frequent exchanges with suppliers and customers to plan their activities in concert with the activities (see Type 4 models as proclaimed by (Chesbrough, 2007)).

Was then the ability to react built into the model? In the sense of Linder and Cantrell (2000), this company did neither change the underlying operating mode, nor actively seek the development. It was a reactive change, which was expected but not planned (Linkweiler, 2013). Therefore it is unlikely that there was a specific 'change model'. Consequently, it can be argued that the abilities to maximize the opportunities given by an unforeseen change in demand are not founded in the business model itself, but the dynamic capabilities inherent in the organisation. This is more likely to be the case in industries which otherwise are undergoing less change, including capital intensive industries, and those relying less on innovation and technology change, for example.

Several dynamic capabilities seem to have been developed during the crisis itself. For example the speed of strategic decision-making was increased when the leadership realised that the existing processes were too slow to cope with the volume and urgency of making necessary choices. However most other capabilities were in place before the external crisis. In fact, the fast

recovery was most likely driven by the fact that the organisation already owned the necessary tools. This underlines the importance for companies to shape up the existing processes and routines in anticipation of change.

Several of the strategic choices made contained inherent conflict, and such paradoxical strategies require additional abilities of the organisation. There may be contradictions between several paths taken, and one approach may, in fact, be threatening the other. For example while exploring new opportunities, aiming at new customer segments and developing future products requires risk taking and fast decision making, exploiting existing products roots in risk minimization and hierarchical structures (Smith et al., 2010). The company discussed in this article chose to maintain central and hierarchical structures but at the same time focused on fast decision-making and a speedy flow of management information to retain the ability to change course if needed. Another risk of paradoxical strategies may be people being unable to cope with applying different set of rules to very similar issues, such focusing on standard service delivery for existing clients while developing new services and thinking out of the box for new ones.

One model that was proposed to manage this tension is the learning organisation. It understands the need to change and adapt while at the same time perform and align to well working practices (Smith et al., 2010). In the present case, the company discussed here combined a leader-centric, hierarchical approach to decision-making, while encouraging open communication. Having all information available to the leadership team requires both a regular flow of management information but also the readiness of middle and senior management to openly communicate both positive and negative things to the top. Furthermore, the organisation must ensure a high flexibility of resource allocation or – if needed – withdrawal. This was achieved through teamwork and good understanding of each other's challenges.

In fact, internal debates and tensions may be the key ingredient to innovation and change in industries undergoing change, and appropriate management processes and structures in place may become a competitive advantage over other players. Examples of such organisations include Southwest Airlines, which managed to uphold a business model for decades that delivered strict cost management and exploiting existing businesses while also encouraging challenging the status quo and explore new business opportunities (Gittel, 2000).

Conclusion

Companies experiencing an unusual degree of change may find that their organisation's capabilities are unfit to cope with the challenges and opportunities at hand. By capabilities we refer to the capacity of an organization to purposefully create, extend, or modify its resource base (Helfat et al., 2007: p. 4.). This includes routines, rules, behaviours, structures hard or soft coded into the organisation of a firm. Today's business leaders must constantly review and develop their organizations capabilities, value creation processes, market strategies, relationship networks and so on.

In the case described in this article, a firm's leadership team has developed the organisation's ability to adopt to and, in the long term, benefit from external changes brought about when their largest customer went out of business. Such dynamic capabilities enable firms to exploit business, technological and market opportunities and adapt to market changes (Teece et al., 1997; Teece, 2010).

While changing a large number of success metrics and reallocating resources within the value change significantly, no major change of the underlying business model could be identified. The analysis therefore focused on identifying the capabilities present in the organisation. There were four distinct routines, namely structures and practices enduring time-sensitive strategic decision-making by the leadership, a flexible allocation of capital and manpower resources, the ability to release resources no short notice, and a culture and processes which encouraging learning and coevolving of different parts of the firm.

At the same time, the leadership made a number of seemingly contradictory strategic choices, termed strategic paradox, which may cause tensions and destructive processes inside the firm (Ford – Backoff, 1988; Lewis, 2000). These have been avoided by developing dynamic capabilities (e.g., fast flow of information) allowing managing these effectively. In fact, the crisis itself may have developed capabilities, which resulted in competitive advantages in the long-term.

The findings expand our knowledge of dynamic capabilities, following calls for more research into their role in traditional, less dynamic industries (Easterby-Smith et al., 2009; Kor – Mesko, 2013). We put forward the view that the ability of companies to react to and benefit from sudden change does not always require changing business models, but a limited number of specific routines and processes. We argue that there are some capabilities, which leaders can develop without the need to change business models, and illustrate

**Budapest Airport Zrt., Consolidated Income Statement
(2010–2012)**

(in EUR k)	for the period ended 31 December 2010	for the period ended 31 December 2011	for the period ended 31 December 2012
Aviation revenues	103723	114940	115725
Fuel supply revenues	94337	120119	67745
Rental revenues	51624	50487	46651
Other revenues	5489	5994	6239
Raw materials and consumables used	–92405	–118025	–67386
Utility expenses	–8479	–8407	–8809
Employee benefit expense	–29761	–30942	–26060
Depreciation and amortization	–17252	–21441	–21306
Other income, costs and expenses	–13721	–29429	–33785
Operating profit	93555	83296	79014
Finance income	619	1569	1814
Finance costs	–113023	–111793	–114075
Loss before income tax	–18849	–26928	–33247
Income tax expense/benefit	4060	–23503	–2169
Loss for the period	–14789	–50431	–35416

Source: Budapest Airport (2012, 2013) Media References

such capabilities based on data collected. Furthermore, there are also complex business models, which encourage the development and application of such capabilities. These include inherent conflicts, paradoxes, and therefore encourage an organisation to live with, manage and benefit from a constant tension to justify one against the other, compare, chose.

There are a number of limitations of our analysis. Firstly, the case study approach itself does not permit to generalise findings or even suggest its applicability to other industries. This study aims to further the discussion by additional insights and also provides some data that may be of value for future studies. Secondly, the data was collected after the crisis, and is based on post event management interviews. Pre-crisis data was available only through press releases and company documents.

There are some managerial implications of this study. Firms in industries with limited dynamics may be well advised to ensure the relevant dynamic capabilities are in place to be prepared in case of unprecedented change. In fact, the benefits of a crisis may lie in the ability to develop an ability to innovate and rethink the resource allocation. Also, when faced with the need to exploit existing markets while exploring new oppor-

Table 3

tunities, which may lead to seemingly paradox strategic choices, the organisation needs to be able to handle the related tensions. Appropriate communication channels and learning mechanisms need to be in place to allow an organisational stability that can maintain such pressures over time.

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FORMALIZATION OF THE INFORMAL VENTURE CAPITAL MARKET

BUSINESS ANGEL NETWORKS AND SYNDICATES

Business angels are natural persons who provide equity financing for young enterprises and gain ownership in them. They are usually anonym investors and they operate in the background of the companies. Their important feature is that over the funding of the enterprises based on their business experiences they can contribute to the success of the companies with their special expertise and with strategic support. As a result of the asymmetric information between the angels and the companies their matching is difficult (Becsky-Nagy – Fazekas 2015), and the fact, that angel investors prefer anonymity makes it harder for entrepreneurs to obtain informal venture capital. The primary aim of the different type of business angel organizations and networks is to alleviate this matching process with intermediation between the two parties. The role of these organizations is increasing in the informal venture capital market compared to the individually operating angels. The recognition of their economic importance led many governments to support them. There were also public initiations that aimed the establishment of these intermediary organizations that led to the institutionalization of business angels. This study via the characterization of business angels focuses on the progress of these informational intermediaries and their ways of development with regards to the international trends and the current situation of Hungarian business angels and angel networks.

Keywords: business angels, investments, enterprises

The European Business Angel Network (EBAN) in its business angel definition highlights the following features (EBAN, 2013a):

- individual investors (qualified investors, as defined by some national regulations),
- financially independent, so business angels invests their own money directly or via networks and they make their investment decisions on their own,
- they focusing on financing the seed and early stage of companies,
- they are not in family relationship with the companies they invest in,
- they make medium to long term investments,
- they respect the code of ethics,
- they provide strategic support to the companies from investment to exit, hence they can increase their survival in the market significantly.

The business angels are willing and able to provide financing efficiently for companies with relatively low capital needs in the early stages of their development and growth. They play an important role in the alleviation of financing gaps that may occur in case of these companies (Nagy, 2004). That is the reason why the definition above used by the EBAN should be expanded by the criterion that the invested company must be a new company with substantial growth potential (Gaston, 1989; Harrison et al., 2010). This criterion emphasizes the feature of business angels that they usually invest into growth-oriented, innovative companies which involve higher risks as well. Sohl (2012b) on the other hand draws the attention to the current realignment of business angel investments, especially in the US. The focus of angel investments is more and more on the post-seed stage of the companies nowadays, while in the past the emphasis was on the seed stage (Nagy, 2004; Sohl, 2012a; Sohl, 2012b).

VEZETÉSTUDOMÁNY

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In business angel investments the personal relationship of the investor and the entrepreneur, the trust between the two parties play a crucial role. Business angels as informal venture capital investors provide equity financing by raising the capital of the company and this way they gain a part of its ownership, while the share of the founder entrepreneurs decreases (Kosztópulosz – Makra, 2006). On the other hand business angels not only provide funds for companies, but also use their connection capital and their professional experiences to increase the value of the company, although they rarely take full control over its operation (Ácsné, 2004; Van Osnabrugge, 2000). As a result of this partnership these investments also mean the close cooperation of business angels and entrepreneurs that makes personal relationships more important.

Business angels make decisions based on their managerial-entrepreneurial experiences and their insight into human nature and the evaluation process takes a relatively short time. In their evaluation, informal venture capital investors as well as institutional venture capital investors take the emphasis on the future growth and development prospects of the companies and the past performance plays a less important role. In face of the future orientation business angels set different evaluation criteria.

The quality of business plan, business opportunities, the personality and traits of the owners are taken into consideration by the investors when they make a decision. In the ideal case the owners of the company have prior proof or conformation about the viability of their idea, but it is essential to have huge growth potential and appealing business prognosis to raise the attention of an investor.

The exit possibilities and the capital gains are important factors in the evaluation of business angels as well as for the institutional venture capital investors, but in their case the commitment and traits of the entrepreneur and the trust in the management of the company have also outstanding importance. Competitiveness, responsiveness to market changes, ambition, great professional expertise are traits that business angels seek in the management of the company and in many cases they invest into the management of the company rather than the company itself (Van Osnabrugge, 2000; Brettel, 2003; Ácsné, 2004; Sudek, 2006; Blonski, 2009; Harrison – Mason, 2003; Kosztópulosz – Makra, 2006).

Business angels usually invest locally; they invest into companies near to their residence. The strong regional commitment in business angel market is the re-

sult of the need of easy accessibility of the companies because of the personal involvement of the investors in the operation. Furthermore in the evaluation it can be an advantage that the investor knows the conditions of the local environment of the company and the local focus can also alleviate the matching process of the management and the investors because the parties can get information about each other more easily. Also, informal investors have altruistic motivations and it can be important for them to gain the respect of the local community (Makra, 2004).

Types and motivations of business angels

The business angel investors are natural persons motivated by their own individual goals. As investors, their most important motivation is to reach high capital gains, but they take into consideration other factors as well. Many researchers examined the motives of business angels (Wetzel, 1983; Sullivan – Miller, 1996). Financial and emotional reasons (for example the intention to be involved in the operation of a company, social responsibility, joy and excitement of investment) are also relevant. According to Osman (1998) the angels want to experience the joy of a successful undertaking and they want to spend their time meaningfully. Sullivan and Miller (1996) categorized the angel investors according to their motives into the following three groups:

- economic investors: economical factors are dominant, like profit maximization, higher income, increase of personal welfare, tax benefits,
- hedonistic investors: the emphasis is on the enjoyment of the investment process, they consider their activities as a hobby, they find pleasure in taking part in the work and the establishment of a young, new and innovative company,
- altruistic investors: over the self-interest they take into consideration the interests of others, the willingness to help and social responsibility are dominant in their case.

The EBAN (2013b) uses a distinctive definition for entrepreneurial angels, who are extremely wealthy and as an alternative of the trading on the stock exchange they support many companies mainly for hedonistic reasons.

As the varying characteristics show us the heterogeneity of business angels is high because of their individuality (Erikson – Sørheim, 2005). Many studies tried to group them by capturing their common features (Convey – Moore, 1998; Sørheim – Landström,

2001; Gaston, 1989), but the examinations made in different countries describe a specific region's or country's angels and they cannot be generalized. Gaston (1989) divided the angels of the US into 10+4 categories (business devil, godfather, nobleman, „Randy” cousin, „Dr. Kildare”, successful corporate man, „Warbucks” daddy, high-tech angel, shareholder, very hungry angel; furthermore highflyer, impatient angel, green angel, 5-10 penny angel). Coveney and Moore (1998) findings have more relevance in case of the German informal venture capital market. They categorized the angel investors according to their activities and their entrepreneurial experiences into four active types (wealth maximizing, entrepreneur, income seeking, corporate) and two potential-angel types (virgin, latent). Sørheim and Landström (2001) categorized the informal venture capital investors based on their competences and divided the angels into four groups; lotto investors, trader, analytical investors and business angels.

The angels in the categories show differences in terms of their wealth, experiences and in motivations. There are investor types that are included in all the categorizations above and only differ in their titles, for

construction of a proper sample is problematic as the angels usually try to keep their anonymity and they operate in the background. They seek out the concerned organizations, the known business angels and with their contribution they got data via respondent-driven sampling. Table 1 contains the descriptive of their sample and the results of similar studies made in Sweden and Germany as benchmarks.

In international comparison the Hungarian angels shows more homogeneity in terms of their gender, qualification and profession than the investors of the benchmark countries. In terms of demographic characteristics according to the EBAN's data in 2010 in Europe 5 % of the investors was female while 13 % in the US. In the sample of Makra and Kosztopulsz male investors dominated in 100 %. In average the Hungarian angels are younger. Most of the angel investors have entrepreneurial experiences, but the international empirical evidences shows that investors without such experiences with managerial background also can provide strategic support for companies. The high qualification of the angels is in connection with these evidences. In case of Hungary the qualification of informal investors was outstanding.

Table 1

Demographic characteristics of business angels

Characteristics	Hungary	Sweden	Germany
Size of sample	14	253	232
Gender	100% man	96% man	95% man
Average age (year)	44	56	48
Entrepreneurial experience	93%	90%	55%
Qualification	86% higher education	69% higher education	–
Average number of investments by angels in the last 3 years	4.9	5.6 (last 5 years)	3.3
Average size of investments	15 million HUF (0,06 million Euro)	0.07 million Euro	0.5 million Euro

Sources: Author's compilation (Kosztopulsz – Makra, 2004; Månsson – Landström, 2006; Stedler – Peters, 2003)

example Gaston's nobleman is identical with the entrepreneurial angel of Coveney and Moore and with the traditional business angel of Sørheim and Landström (Makra, 2002).

The first comprehensive study directly focusing on the Hungarian business angel market was the article of Kosztopulosz and Makra (2004). They attempted the qualitative and quantitative analysis of the Hungarian angel investors via questionnaire surveys. The

An average Hungarian angel invested into 4.9 companies in a 3-year long period before the survey, which shows higher activity in Hungary than in Sweden and in Germany. The average size of an investment in 2004 in Hungary was calculated with on a 308.6 HUF/Euro exchange rate 0.049 million euro that was below the average of the other two countries. This investment size is far below the 100-200 thousand euro average measured in 2011 in Europe (CSES, 2012).

VEZETÉSTUDOMÁNY

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Table 2 shows the similarities and differences in the motivations of business angels in different countries. Because of the missing data in the comparison instead of the Swedish angel's motivations table 2 includes data about the EBAN and French angels. In Hungary as well as in the EBAN the most important factor was the chance of high profit, but the professional challenge played also an important role. Furthermore many investors fund companies with high potential growth for the pleasure of investment, altruistic aspects are less important. On the other hand the angels in Germany are motivated mainly by altruistic factors like the passing of their experiences, the contribution to success and the opportunity to support a company. High profit prospects are secondary for them. The French business angels are mainly altruistic and hedonistic investors, high profits are less important for them. The spurring effect on the economy that they have by funding innovative firms is also crucial for them.

mediaries appeared on the market who could manage the problems occurred as a result of information asymmetries, but also investor groups, who made their investments together in cooperation with each other. Despite the progression of this institutionalization process there are only a few studies in the literature focusing on the current changes (Sohl, 2012a; Mason et al., 2013).

The first organized syndicates appeared in the Silicon Valley of the US. In Europe the development of these organizations had been running in a similar way, but the business angel networks became more prevalent (Mason, 2009). The operation of the networks as information intermediaries made a segment of the angel market more transparent and facilitated the matching of investors and entrepreneurs seeking funding (Sohl, 2012a). The angel networks show heterogeneity in their objectives, operation, in the provided services and it is impossible to choose a „best practice” of their methods (Makra, 2002).

Table 2

Ranking of motives of business angels

Rank	Hungary	Germany	France	EBAN
1.	high returns	passing of experience	added value	high returns
2.	professional challenge	high returns	entertainment, adventure	personnel satisfaction
3.	enjoyment, hobby	contribution to success	helping others	portfolio diversification
4.	future dividend	personnel challenge	spurring the economy	spurring the economy
5.	support of young enterprises	support of ideas	high returns	self employment

Source: Kosztópulosz (2004); Stedler – Peters (2003); EBAN (2009)

Note: green – altruistic, blue – economic, yellow – hedonistic motivations

Institutionalized business angels – networks and syndicates

The information gap between entrepreneurs and investors can be reduced by the involvement of intermediary organizations that leads to the „formalization” of the informal venture capital market. In the second half of the 90's have begun the transformation of the business angel market in the US, when organized groups of angel investors appeared for the sake of making joint investments (Paul – Whittman, 2010). In addition, the intermediary institutions and services became more widespread. As a result this special and „informal” segment of the capital market made the first steps towards a more institutionalized form (Makra, 2002). The formerly fragmented market of mainly anonym, individual investors and ad hoc groups of angels gradually underwent a transformation. Not only informational inter-

Business angel syndicates

As angel investors make relatively smaller scale investments hence they can be excluded from the funding of enterprises that have larger capital needs even in if the potential investment would match the preferences of the angels. Also investing into one company a great share of an angel's funds would involve too much risk. In such cases there is the possibility that via their cooperation they make investments together (Osman, 2008). Business angels operating in formal or informal syndicates also appeared in the business angel definitions next to the individual investors (Mason – Harrison, 2008). The EBAN (2013c) uses a special definition for business angel syndicates. The EBAN describes these organizations as the association of angels, who share the risks for the sake of making larger scale and more profitable investments by uniting their experiences, competences, financial and human capital. This way they can become more effective than

they could have been individually. These syndicates are also able to fund companies up to their IPO without obtaining further institutional venture capital (Mason et al., 2013).

In these syndicates there is a so called „gatekeeper” who represents the group and the type of this person affects the operation of the syndicate. The literature describes two types of gatekeepers. The professional manager takes the leadership of the group, seeks new investment opportunities, analysis them and recommends them for investment to the group. As employees they have a salary and they are entitled to a share of profit in case of successful investments. On the other hand the members of the group can also take the management of the syndicate; the members can take this role together or they can assign someone for the task, who usually doesn't receive a salary for this work (Ramadani, 2012).

The members of the group are obliged to accept the rules of the syndicate (attendance on meetings, how frequently they make investments, wealth audit, code of ethics, etc.) and this commitment is often expressed in contractual form (Mason et al., 2013).

Principally these organizations recruit new members and offer assistance in transactions, but they keep trainings and provide other services as well. The companies that seek capital introduced on their web page in the first place, than after the inspection of the gatekeeper the viable ideas are discussed by the members of the syndicate. There is a meeting for the members on a monthly or weekly basis where 2-3 entrepreneurs are invited to present their ideas (Ramadani, 2012). The members of the group evaluate the ideas and offer a term sheet for the suitable companies. The members can decide independently whether they want to invest into a company or not, and about the amount of capital they want to invest (Mason et al., 2013).

The syndicates can increase the number and the activity of business angels so the companies in need of angel capital can find more easily investors as they become „visible”, and it gives the opportunity for researchers to study the angel investors as well. Despite these favorable features of syndicates many researchers debate their positive effects, because they become very similar to institutional venture capital firms and they do not have those distinctive features anymore that made them capable of financing a special area of enterprises (Sohl, 2012a).

Business angel networks have an important role in the establishment of syndicates as via their assistance the potential co-investors can find each other more easily (Osman 2008).

Business angel networks

The primary aim of business angel networks is to alleviate the matching of investors and the companies seeking financing. These networks focusing on the two factors that leads to the inefficiencies in the informal venture capital market; the anonymity of business angels and the high costs of searching and matching. Basically the networks operate as mediator agencies in the business life (Aernoudt – Erikson, 2002; Makra – Kosztopoulos, 2004). The objective of the networks according to the definition of the EBAN (2013d) is the alleviation of the matching of companies seeking venture capital and business angels.

The angel networks can be organized two different ways; there is a top-down, and a bottom-up method. The top-down networks are set up as a result of an initiation from an authority or from the government, while bottom-up method covers the initiation of the private sector (Ramadani, 2012). The more developed a country's business angel market is the more prevalent the private sector initiation is (Gullander – Napier, 2003). Both types of networks offer a platform for communication and information mediation for companies and possible investors, while keeping a part of the angel's secrecy (Béza et al., 2007; Mason et al., 2013).

Operation of networks

The networks can carry out their match making service by gathering a wide range of investment possibilities and offer them for the angel investors, this way they can keep their anonymity until the investment negotiations. It is important to see, that these networks are not financial intermediaries as they provide primarily informational intermediation and match making services (Makra – Kosztopoulos, 2004). In the same time entrepreneurs have the opportunity to make contact with more investors and so their chance of obtaining capital can increase (Mason – Harrison, 1995).

There are different methods of the intermediation process which methods are often combined with each other. One way is the electronic mediation when the investors and the entrepreneurs give their features and investment preferences and this way a database can be constructed where via computer aided data processing angels and companies can be matched. This way investors are able to keep their anonymity until the first meeting with the entrepreneur. The assumption of this method is, that angels can give particularly their investment criteria, but the investors usually are not able to describe these requirements, they can only give explicitly the terms un-

der they are not willing to invest into a company (Makra, 2002). By sending regularly newsletter, prospectuses to angels about the investment possibilities either in written or electronic form networks can also provide information for investors. These brochures can include even the full business plans of companies. This way the angels have the opportunity to select their investment targets on their own. The third method of mediation is keeping regular investment forums, where the entrepreneurs can introduce personally their companies and ideas. In this case the angels make contact with the entrepreneurs and they settle the investment process themselves so in this case the investors lose their anonymity (Kosztópulosz – Makra, 2004; Mason et al., 2013).

Most of the angel networks provide additional services as well, that can increase the supply and demand of angel capital (Ácsné, 2004). Networks can increase the capability of companies to obtain capital by offering counseling in the shaping of a business plan and in the presentation of their ideas. For new angels, networks offer legal and tax-counseling and they can benefit from the experiences of investors with a longer track record (Blonski, 2009). Furthermore the so called „investment readiness” agendas provide complex, multi-staged financial and managerial education for entrepreneurs to make them ready for obtaining venture capital, and these programs can contribute to the development of entrepreneurial culture (Ácsné, 2004; Mason et al., 2013).

The key to the success of business angel networks is to reach the critical level of clientele to maintain their daily operation and to reach their long term goal that is the stimulation of informal venture capital market hence the networks are interested in the increase of their membership. Networks recruit their members by personally making contact with the possible investors, making display seminars, through articles and prospectuses. Cooperation with universities, research institutions, business development and financial institutions can also help to increase the number of members (EC, 2002; Makra – Kosztópulosz, 2006).

Discretion and reliability are critical for angel networks. That is the reason why many networks regulate the behavior of their members with strict ethic codes (Ácsné, 2004). The obligation of the members is restricted to keep this code (Mason et al., 2013).

Different types of networks

In terms of geographic scope there are local-regional, national and international business angel networks (Kosztópulosz – Makra, 2004).

A typical form of network is the local-regional network that is able to harness the knowledge of local environment, personnel connections and small geographical distance, hence their operation and the non-financial value added services of investors can be more effective. National networks coordinate the regional intermediary institutions where the geographical distances cause problems in efficiency (for example the German Business Angels Netzwerk Deutschland), or as a result of the small size of the informal market a national network is adequate.

The international networks have utmost importance in smaller and specific sectors, for example in case of high-tech enterprises, as they can increase the mobility of the specific investors that have the special expertise that is necessary to invest into such companies successfully. Also international networks, such as EBAN contributes to the development of national networks (Ácsné, 2004).

In the United Kingdom, where the informal venture capital market is the most developed in Europe, according to the territorial scope, financing method and the provided services there are five categories of angel networks (Mason – Harrison, 1995):

- local/regional, not profit-oriented organization,
- national level network, not profit-oriented organizations,
- regional and national profit-oriented networks with private ownership,
- institutional archangels, that are profit-oriented institutions that organizes its members into syndicates,
- profit-oriented organizations that provide assisting services.

Business angel networks can be described not only according to their territorial scope but according to their industry focus as well, as there are networks that specialized to an industry (Gullander – Naper, 2003).

The efficiency of networks also depends on their organizational framework. There are networks that operate as independent organizations. This framework is dominant in areas, where the institutional environment of companies is relatively underdeveloped. The advantage of these networks is their independency, while a drawback of this form is that it has high financial and human capital needs. Angel networks can appear as a new division of an already existing business development institution. In this case the funding costs are lower. The third type of framework is the cooperation of networks and business development organizations. In this case networks recruit angel investors and busi-

ness development organizations provide information about their partner companies, this way networks are independent but still able to build an extended clientele (Makra – Kosztópulosz, 2006).

Business angel networks around the world and in Hungary

In the last years business angel networks created intercontinental organizations to share each other's experience such as the WBAA (World Business Angel Association) that was founded in 2009 and its primary objective is to help business angel networks in making contact with each other. In 2011 according to the OECD report WBAA had 15 members worldwide like EBAN and the business angel networks of Australia, New-Zealand, United States, China, Spain, Turkey, India, Chile, Germany and the United Kingdom. This OECD report shows that besides the angel market of the US and Europe the informal venture capital market of Asia and Australia developed at a steady pace as a result of the rapid formalization of the market. On the other hand in the Middle-East and African regions except for Israel the impact and activity of business angels are not significant.

European Union takes more emphasis on the enhancement of business angel activities in order to improve the funding prospects of young enterprises with high growth potential. In the Third (1997-2000) and Fourth (2001-2005) Multiannual Business Development Programs EIF (European Investment Bank) provided financial support for the establishment of business angel networks. These agendas offered assistance in the foundation, operation of networks and in the organization of campaigns that promote and raise the awareness of angel investments. The EU also co-financed the new networks for three years, after that they had to become self-financing. The program increased the number of business angel networks, but without the support of the EU many networks proved to be incapable for operation (Ácsné, 2004).

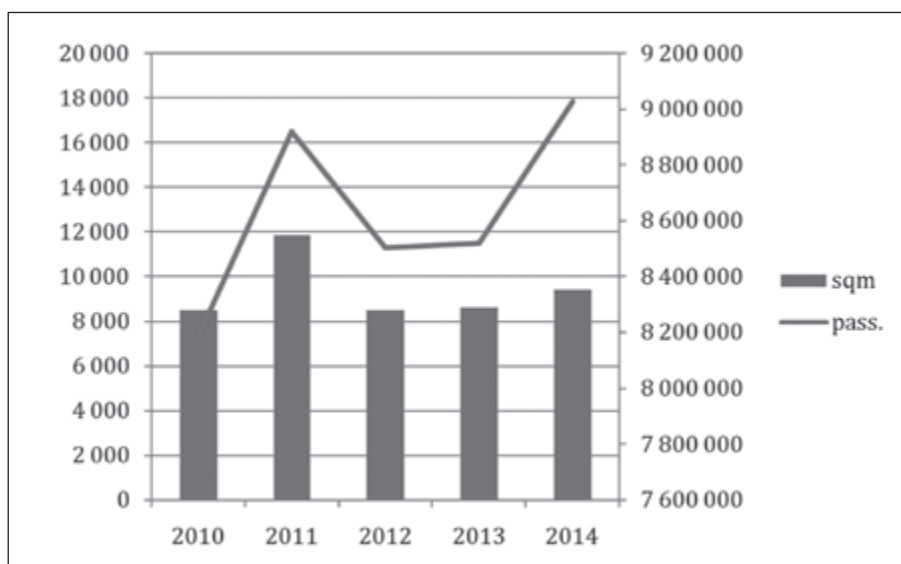
The EIF in 2012 in Germany founded the European Angel Fund that makes co-investments with business angels (I6). The European Commission in 2013 in its

green book called „Long-term financing of the European economy” emphasizes the role of venture capital in the economic growth, but does not mention the support of business angels (BAE, 2013). On the other hand the EC in its innovation financing agenda called „Horizon 2020” mentions the co-financing with business angels besides the institutional venture capital (Kramer-Eis – Schillo, 2011; EC, 2014, II).

The EBAN was founded as an EC initiation in 1999 as an international organization in cooperation with other pioneer angel networks. The EBAN's mission is to represent the business angel networks and early stage venture capital firms. The continuously growing organization has more than 440 members; furthermore it is in connection with other organizations like government agencies that facilitate the funding of young enterprises. From 2009 institutional venture capital funds can be full members of EBAN as well and this way all the parties that play a role in the bridging of financing gaps are represented in the organization (EBAN, 2014a).

Figure 1.

The number of business angel networks in Europe 1999-2013



Source: Own illustration, EBAN (2012, 2014a)

Figure 1 shows that in the last seven years according to the estimation of EBAN the number of business angel networks increased. In 1999 when the EBAN was established the number of angel networks was 66, while in 2013 it was 468. The decrease in the middle of the decade was the result of the end of the Multiannual Business Development Programs and many networks founded in co-financing structure supported by EU funds had not been viable alone in the market. The in-

crease after 2008 is the result of the recession of banking sector, hence the importance as alternative funding sources increased.

In Europe the business angel networks are concentrated in Western Europe where the financial institutions are more developed and where the business angel investments appeared first time, like in the UK, France, Spain and Germany (Figure 2). In these countries the number of angel networks is above 30, France is outstanding with 83 networks. From the Eastern-European region Russia has the most angel networks in spite of the fact that this financing form does not have a long history there. The other countries in the eastern region are connected to the EBAN only with one or two business angel networks.

Even though we have more information about the informal venture capital market as a result of its formalization, in order to have a more in-depth knowledge and deeper understanding about the world of business angels in Hungary as well as internationally it is inevitable to create databases that are able to support scientific researches. However, gathering data is hindered by the fact that business angels are not observable as they like to operate in the background; hence we do not have enough quantitative and qualitative information about them and it is true especially in case of the Hungarian informal investors. Hungary, unlike in the previous years, was not appeared in the above mentioned study of the EBAN in 2014, but in the absence of other data sources there is no other benchmark that could be used in an international comparison.

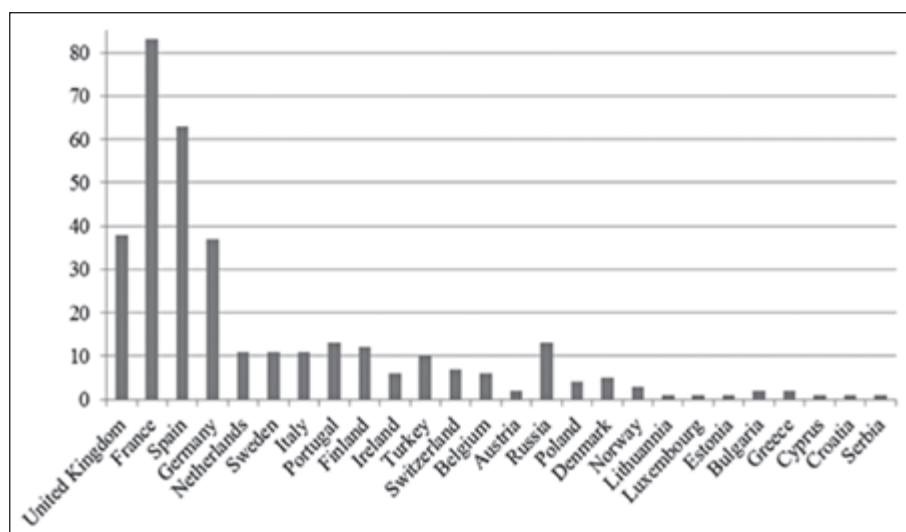
In Hungary there were attempts in the last decade for the institutionalization of the business angel market. The first endeavors that tried to facilitate the matching of angel investors and young companies with funding needs were the events of the Business Angel Club that was organized by the First Hungarian Business Angel Network that was founded in 2000 and from 2007 it had been operating as a non-profit organization. This initiation after the ceasing of government support was not viable in the market. Based on the interview with the leader of the First Hungarian Business Angel Network in the absence of government funds the Club was not able to operate in a self-financing way, as the membership fees and other type of revenues could not cover the expenses of a professionally managed organization (Miskolczy, 2014). The conclusion of the fate of the Business Angel Club was that there was no demand for such an organization.

There are other organizations in Hungary that are taking up innovative ideas, committed to help young companies and they are able to match business angels with the proper enterprises. Such organizations are those institutions that support syndicated investments as well and they appeared in the EBAN's European Business Angel catalogue (EBAN, 2014b). Furthermore the European Angel Fund that has international importance appeared in Hungary in 2011 (Mason et al., 2012).

In Hungary the business angel market is still underdeveloped and researchers and market participants do not have enough information about it. The Business Angel Club that was re-launched in 2012 and was renewed

Figure 2.

The number of business angel networks in Europe by countries in 2013



Source: Own illustration, EBAN (2014a)

in the summer of 2014 may have a chance to increase the activity in the market. It operates in the framework of Hungarian Business Angel Association which is a bottom-up organization initiated by a community of private sector participants. The goal of the renewed Association is different from the Clubs' objective, as the Association aims to draw in investors into the informal venture capital market, who are currently not business angels on their own admission (potential investors, successful mid-level businessmen, business owners). In order to succeed in this goal first of all the topic of informal investments must be evangelized and the interested parties' aware-

ness should be raised about the perspectives of this funding form. It is also important to clarify which type of companies and projects are able to obtain angel capital. According to the opinion of the leader of this initiation the first step along the road is to create a committed team that is willing to implement innovation and new methods, but based on his experience the Hungarian environment is very skeptical towards informal investments contrary to the neighboring countries where similar initiations and networks were implemented and established. The current short term objective of the Hungarian Business Angel Association is to expand its membership to a level, where the membership fees can cover the expenses of a professionally managed and organized community. The mission of the Association is to alleviate the problem of funding gap by providing access to funds for new ideas and innovative companies. These types of investments and initiations play a crucial role in the economy, as the formalization and the increased effectiveness of the business angel market could spur the development of the startup ecosystem. Currently the question of joining to the EBAN is not on the agenda of the Association, so far it has focused on building the grassroots of the industry and on the solidification of the professional discussion of the participants. The gap in the Hungarian chain of funding sources made the appearance and the development of formalized angel investors necessary, as their appearance is in the interest of many participants and they are inevitable in order to create a sound startup ecosystem (Miskolczy, 2014). Becsky-Nagy and Erdős (2012) in their research found that according the Hungarian spin-off enterprises the barrier of the development of the informal venture capital market is the low number of business angels and the lack of networks. The viability of the current initiations on the long run is unsure yet. In many countries among them the surrounding countries of Hungary there are existing and successfully operating business angel networks, but so far in Hungary these networks could not succeed permanently. An explanation for the underdevelopment of Hungarian networks could be that the Hungarian business angels do not operate individually, instead they found venture capital firms or they join to subsidized venture capital firms. In the JEREMIE venture capital program there is also a co-investment fund that makes joint investments with other investors, in many cases with business angels that could incentive informal investors to make partnerships with venture capital funds and enjoy the benefits of this type of cooperation rather than joining angel networks. This reasoning can explain the problematic operation of Hungarian business angel networks, however further researches are necessary to support this hypothesis.

Conclusions

The current international trends shows that, the informal markets of business angels become more and more formalized in the developed venture capital markets. The operation of privately founded bottom-up organizations is more justified than the top-down networks that are created as government initiations. The involvement of the public sector can lead to temporally biases in the market and could result in the establishment of organizations incapable for operation. The international and Hungarian evidences shows that, on the long run after the ceasing of public interventions only the viable organizations are able to keep operating on the market.

While the institutionalization of the market alleviate the information asymmetries of the venture capital market and can increase the its activity, the traditional business angels who operate in an informal way are necessary to keep those specific features that make them capable of funding young enterprises with huge growth potential successfully.

There were many attempts in Hungary to create a business angel organization, although in the past these attempts were mostly in vain and they could reach only meager and temporally successes. However, the current changes in the Hungarian informal venture capital market are promising and there is a chance that bottom-up organizations will increase the activity in the market, but compared to the business angel market of the US and Western-Europe Hungary is still underdeveloped and it is in its infancy. The indirect government interventions and the development of startup ecosystem could create a more effective informal venture capital market.

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José Francisco ENRÍQUEZ-DE-LA-O

RESOURCE-BASED VIEW AND DYNAMIC CAPABILITIES RESOURCE-BASED VIEW AND DYNAMIC CAPABILITIES

ACHIEVING COMPETITIVE ADVANTAGE
THROUGH INTERNAL RESOURCES AND COMPETENCES

Strategy has always been important for success. Whether strategy is applied for military purposes, in large firms, or even for personal objectives, there are certain key characteristics that every successful strategy carries on: clear, objective and simple goals; deep knowledge and understanding of the competitive environment; objective understanding and exploitation of resources; and an effective plan implementation. In this paper, the author's attention will be focused on the role of internal resources, routines and processes as the bases of sustained competitive advantage (hereafter SCA) into what is now known as the resource-based view of the firm (RBV) and Dynamic Capabilities (DC). First, the relevance of RBV and DC approaches and the main characteristics of those are briefly mentioned. Second, RBV and DC are examined as an important piece to achieve SCA. Later on, the author deepens into some examples and the manager's importance when using these RBV and DC approaches. Then issues related with complexity and undefined concepts in RBV and DC are briefly mentioned. Finally, conclusions and personal comments are presented.

Keywords: strategy, resource-based view, dynamic capabilities, competitiveness

Strategic management is a wide topic in which many scholars and enterprises have invested a huge quantity of time and economic resources. Understanding and discovering new ways of sustained competitive advantage has been a major research area in strategic management. Firms obtain sustained competitive advantage in different ways: by creating new products for undiscovered markets; by developing innovative manufacturing processes; by generating new business models, and so on.

We can identify several dominant themes in the evolution of strategic management from 1950 until our times. The dominant paradigm during the late 1970's and 1980's comes with Porter who claims that firms can create defensible positions in industry according to external forces, which shape the strategy to implement. According to Grant (2010), the dominant themes in these decades were strategy as positioning (in the

1970's) and quest for competitive advantage (in the 1980's). Another approach is referred as strategic conflict approach, which uses the tools of game theory to keep rivals out of market through strategic investments, pricing strategies and control of information (Teece – Pisano – Shuen, 1997).

The above strategic approaches have in common the fact that rents flow from privileged product market positions, and make reference mainly to the external environment. Another distinctive approaches are based in internal resources, trying to build sustained competitive advantage (SCA) through capturing entrepreneurial rents that comes from firm level efficiency advantage. Those approaches are the resourced-based view of the firm (RBV) and the related theme dynamic capabilities (DC). To put it in perspective, the RBV can be located between the years of 1990 and 2000, and also dynamic capabilities arises about the same time.

Both perspectives are trend topics in strategic management, and also contributed a disruptive change in the way of conceiving the firm.

But why does the RBV and dynamic capabilities have special importance in strategy? As we saw, strategic management models have traditionally defined different strategies based on product or market positioning, finding a “blue ocean strategy” (Mauborgne – Kim, 2005) and trying to differentiate in order to create unique value. Focusing on internal resources and capabilities, resource-based view and dynamic capabilities strategies can provide a more long-lasting competitive advantage than the traditional product/market approach; this does not mean that external environment and proposals of industrial organization from Porter must be taken away, but complemented. As we shall see, a resource-based view of the firm is treated as a critical field of strategic management in creation of competitive advantages and as a motor to new important fields as dynamic capabilities and knowledge-based view.

It is not a big surprise that the world is in constant change, as Wind and Main (1998) claim in Balaton (2007: p. 9.), “the most risky strategy nowadays is the passivity”. For most of the firms to obtain sustainable competitive advantage in actual competitive environments is such a great challenge, and the deployment of resources and capabilities are critical for getting and maintaining a good position among competitors. In words of Balaton (2007) “capability for change becomes a synonym of efficiency and competitiveness.” With that in mind, it is straightforward to see that the role of managers and leaders in different industries is clue for the mentioned deployment of resources and capabilities. The way they decide, the way they combine and the way they change faster than industry pace will keep them alive.

Understanding resource-based view and dynamic capabilities

General annotations about resourced-based view

In 1959, Edith Penrose published the Theory of the Growth of the Firm, and made an important change in how firms are seen. This book settled that firms are “flesh and blood” organizations, and not just a point on a cost curve. According to the theory of the growth of the firms, the latter consists of human and non-human resources, under administrative authoritative coordination and communication (Pitelis, 2005). Penrose focused on the internal resources of the organizations where knowledge, added value, innova-

tion and, in general, competitive advantage could be generated. For Penrose, managers play a very special role in the growth of firms. Penrose saw the external environment as an “image” in the minds of managers (Pitelis, 2005).

Although Penrose settled down all the bases about “flesh and blood” firms in the late 50’s, it was until the 80’s that internal resources and capabilities gained more importance, triggered mainly by three factors (Grant, 2010): first, the growth of more unstable environments that required more secure bases for formulating strategy; second, the flourishing idea that competitive advantage rather than industry attractiveness was the main source of profitability; and last but not least, the existence of a world where customer preferences and new technology rates are volatile.

RBV and DC as we shall see, correspond to the strategic creation of sustainable competitive advantage focusing in internal resources and complement the focus on industry structure that Porter has claimed for years (Brahma – Chakraborty, 2011). Differences between those two big areas of approaches to strategy arise with many scholars arguing what are the differences and how they complemented each other. According to Brahma and Chakraborty (2011), superior skills of different forms arise from the way they play in industry, for example trying to maximize the advantages of five forces of Porter, an approach what we call today Industrial Organization. Meanwhile RBV in Brahma and Chakraborty (2011: p. 9.), Barney (1986) argued that “if the factor market resources are perfectly competitive, it is not possible for a firm to get economic rent even if it is successful in creating an imperfect product-market because the price paid to such resources will be equal to its value that the resource will create in the product-market. There is an imperfection in the factor-market which is the result of luck or insights of the firm.” In that way, “Porter emphasized on the creation of imperfection of a firm’s product-market for competitive advantage” (Brahma – Chakraborty, 2011: p. 11.).

RBV strategy focuses on the optimization of the role of resources and capabilities as the principal basis for a sustainable competitive advantage (SCA). The RBV is a theory centered on the nature of firms based on its resources, as opposed to theories such as transaction cost economics, which seeks to explain the reason why firms exist (Lockett – Thompson – Morgenstern, 2009). Another way to define the RBV is as a determined collection of assets or resources that are tied “semi-permanently” to the firm (Wernerfelt, 1984) and (Lockett – Thompson – Morgenstern, 2009).

The RBV has had a major impact on strategy because the typical product/market orientation is no longer suitable due to the constant and rapid change of the external environment and customer preferences. It is easy to catch this if we consider that it is more feasible to control internal resources and capabilities to face the real world, than changing the world to adapt to the firms' needs. The RBV of the firm allows us to respond significant questions such as: On which of the firm's resources should diversification be based? Which resources should be developed through diversification? (Wernerfelt, 1984).

What are resources according to RBV?

Firm resources include human resources, assets, organisational processes, information and knowledge, among others. In a general sense, resources can be classified as tangible, intangible and human. On the other side, resources can be static or dynamic.

Regarding resources Lockett, Thompson, & Morgenstern (2009) point out that there are three central elements in the RBV: resource functionality, resource combination, and resource creation and decay. By combining resources, firms are able to add value. In fact, Penrose argues that the "opportunity set is also influenced by the way managers combine resources to produce productive services or capabilities" (Lockett – Thompson – Morgenstern, 2009: p. 14.). The creation of resources depends on the history of the firm; it can be seen that each firm possesses a bunch of resources whose value is in constant flux. According to Lockett, Thompson and Morgenstern (2009: p. 16.), "if resource markets are perfect, the costs of acquiring resources will be approximately equal to the value of those resources once they are used to implement product market strategies. Consequently, if a firm acquires resources, and continues to use them in the same way that they were previously employed, SCA will be difficult to achieve in the absence of resource market imperfections".

Barney (1991) defines the following attributes or characteristics of a resource: (a) it must be valuable, in such way that it is capable to exploit opportunities and beat threats, (b) it must be rare among other resources, in such way that it happens to be quite difficult to find the same resource in competition; (c) it must be imperfectly imitable and (d) it must not have equivalent substitutes, this means that rare and valuable resources can only result in sustained competitive advantage. Due to the initials of each characteristic, these are called VRIN (Valuable, Rare, Imperfectly imitable, and Non-substitutable). Resources must have VRIN attributes, but just having those attributes is not sufficient for achieving

competitive advantage, nevertheless sustainable competitive advantage. Rare and valuable are two of the main characteristics of RBV, both are equally important for achieving competitive advantage, but a valuable resource depends not only in the intrinsic nature of it, but in the way it is used or the way it is deployed.

As we shall see, the way resource is used or combined will depend in most of situations on the decision making of the managers or administrators in charge. According to Brahma and Chakraborty (2011), from the point of view of VRIN resources, for a firm to have a sustained competitive advantage the resources should be not just rare and valuable, but inimitable and non-substitutable. For example, you can have a specific technology that can give you advantage and introduce new products or new features that may improve the revenues and the position of your firm, but if that technology is easy to copy or emulate, the competitive advantage will last a short period of time and hence not sustainable. Important to mention that resources should be replaced once they lost any of the VRIN characteristics, in order to maintain SCA.

Toward a dynamic capabilities approach from resource-based view

RBV strategy seems to be not enough to support significant and sustained competitive advantage, especially in rapidly changing environments. The problem with RBV is that the view of the firms as a bunch of resources is very static and limited and does not provide explanations on how successful firms endure over time with an increasing competitive environment. For example, firms like IBM, Texas Instruments; Phillips among others seems to stick to RBV approach of accumulating valuable technological assets as VRIN resources (Teece – Pisano – Shuen, 1997). Nevertheless, those firms that have sustained good positions seem to demonstrate timely responsiveness and rapid adaptation to environment through internal changes in their structure and resources. It seem that they have mastered the management capability to coordinate and redeploy internal and external resources and competences (Teece – Pisano – Shuen, 1997). This ability to achieve new forms of competitive advantage through the renovation of based resources and competences belongs to dynamic capabilities approach.

According to Barney (1991), dynamic capabilities follow the theory of RBV of the firm. As a matter of fact, DC can be seen as a complement to RBV approach. According to Teece, Pisano, & Shuen (1990) when refereeing to RBV in Ambrosini and Bowman (2009: p. 30.), "is not only the bundle of resources that

matter, but the mechanism by which firms learn and accumulate new skills and capabilities, and the forces that limit the rate and direction of this process". In this way, they propose an interesting definition of dynamic capabilities as follows: "the firm ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Ambrosini – Bowman, 2009: p. 30.).

There are several definitions of DC in the literature of strategic management. Spending time analysing them could be worthless, it is just important to emphasize that they refer to resources or routines configurations that are learned or created by managers according to their knowledge and history (path dependence) in order to address rapidly changing environments. It is important to remark that dynamic capabilities are intended processes that arise inside the firm but with the well-defined purpose, it is not about luck or emergent situation.

Notice that RBV and dynamic capabilities refer more to strategy through performance rather than through the market position approach that is posted by Porter in the 80's. They also highlight internal resources and the path dependence of them, instead of focusing on external environment like Porter proposes. But DC are complex by themselves, because they refer to changing internal factors, most of the times resources that are not measurable, in this way it is important to consider more theories as concerned to DC, theories like process of creative destruction and innovation-based competition and the role of firm-specific assets and isolating mechanisms (Ambrosini – Bowman, 2009). This approach is relevant in a Schumpeterian world of innovation-based competition (Teece – Pisano – Shuen, 1997).

understanding the correct use of the term "dynamic capabilities"

Dynamic capabilities are not capabilities by themselves neither are they resources. When referring to the term dynamic capabilities, we always must use both words together; otherwise the meaning surely is not going to be the correct. Let's go deeply in the very particular meaning of each word when used in DC.

Let's start with the word "capabilities". The word "capabilities" has a very different meaning when used in dynamic capabilities compared to the classical meaning in other contents. In RBV for example, capabilities are processes or routines that arises from VRIN resources, but they refer to today capabilities as they are *static* in the way that they refer to today's abilities to be different and hence to have a competitive advantage. On the other hand, in dynamic capabilities, the

term "capabilities" emphasizes "the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organisational skills, resources, and functional competences to match the requirements of a changing environment" (Teece – Pisano – Shuen, 1997: p. 515.).

On the other hand, the word *dynamic* refers to the capacity to renew competences and resources to have congruence with the changing environment (Teece – Pisano – Shuen, 1997) and it is future oriented because it refers to processes that change the based VRIN resources, instead of just using and combining them in different ways. Dynamic refers to the *change* in environment, but not to the capability of being dynamic. In RBV capabilities refers by which the resources are utilized. It refers to the abilities to adapt and change constantly internal and external resources to address the changing environment (Ambrosini – Bowman, 2009).

path dependence and heterogeneity

Two main characteristics of the RBV are path-dependency and firm heterogeneity (Lockett – Thompson – Morgenstern, 2009). As Lockett (2005: p. 85.) mention, Penrose considered the firm as "administrative organizations that are collections of heterogeneous productive resources that have been historically determined".

RBV is path dependent because firm resources are directly related to firms' past activities, this can be determinant on increasing or decreasing growth through time. When talking about heterogeneity, the RBV offers an interpretation of the existence of profits in equilibrium. In other words, any source of competitive advantage is simply a rent conferred by one or more imperfections in the resource market (exogenous variables) that prevent an equitable input allocation among competitors. Resources differ in their impact on the firms' ability to generate profit or differentiation advantages, and hence, performance.

When referring to dynamic capabilities, heterogeneity does not apply, as we shall see later in this paper, mainly because routines and processes that compose DC share commonalities among different firms. Nevertheless, and as we also shall see, it does not mean that homogeneity yields to the lack of a sustained competitive advantage because the most important thing for dynamic capabilities is to generate new heterogeneous and VRIN resources.

Path dependence and position are very important for dynamic capabilities. "The literature characterizes dynamic capabilities as complicated routines that emerge from path-dependent processes" (Eisenhardt

– Martin, 2000: p. 1114.). This path dependence provides knowledge learned through years to the firm, but also important for developing DC is the contribution of small losses in the learning process. Repeated practice accelerates and improves the creation of DC. According to Ambrosini and Bowman (2009), not only path dependence is important but also position of the firm; both are internal factors and their importance resides because they are concerned with two aspects that play a critical role in the effective deployment of dynamic capabilities: learning and the existing set of resources, as we saw previously. Finally, experience also plays a key role in developing DC; according to Eisenhardt and Martin (2000), there should be an adequate amount of experience, because in some situations experience that comes too fast can overwhelm managers, on the other hand infrequent experience can lead to forgetting what was learned previously.

Resource-based view and dynamic capabilities as sources of profit and sustained competitive advantage

A resource is anything in a firm that can be thought or considered as a strength or weakness (Wernerfelt, 1984). In general terms, we can identify two major sources of superior profitability: industry attractiveness and competitive advantage; of these, competitive advantage is by far the most important (Grant, 2010). In the last years many researchers have spent time and research in trying to identify which resources provide SCA, to mention some of them that were identified: human resources (according to Amit – Schoemaker, 1993) mentioned in Brahma – Chakraborty (2011: p. 9.), organisational culture (according to Barney, 1986) mentioned in Brahma & Chakraborty (2011: p. 9.), organisational routines (according to Nelson – Winter, 1982) mentioned in Brahma & Chakraborty (2011: p. 9.), response lags (according to Lippman – Rumelt, 1982) mentioned in Brahma & Chakraborty (2011: p. 9.), invisible assets which are difficult to imitate (according to Itami, 1987) mentioned in Brahma & Chakraborty (2011: p. 9.), research and development assets.

The relationship between firm resources and competitive advantage is highly correlated. Resources must be heterogeneous and not perfectly mobile in order to get competitive advantage (Barney, 1991). In addition, resources should have specific features that allow us to measure or probe their heterogeneity and immobility levels. VRIN framework of resources sets out the broad necessary conditions for a resource's comparative scarcity to elevate it to strategic significance (Lock-

ett, 2005). It is clear that any resource that is considered a source of competitive advantage must have the VRIN framework in order to exploit differences and create heterogeneous and immobile scenarios for the firm. When used in the correct way by the firm, the VRIN resources can offer competitive advantage to any firm, due to the ability to provide unique and inimitable internal assets.

RBV approach claims that competitive advantage is found when a firm achieves VRIN resources, but VRIN resources are static in a specific frame of time and in some moment in the future, competition could copy or destroy them, eliminating the competitive advantage. Then, if the objective of a competitive advantage is to generate a differentiation through the time we could wonder if the static approach of RBV could generate real and sustained competitive advantage in a firm? Up to now it seems that VRIN resources are basic for the creation of competitive advantage, but maybe they are not enough to get a sustained one. "A valuable resourced base (and hence capabilities) allows a firm to earn a living in the present" (Ambrosini – Bowman, 2009: p. 34.). Going deeply in literature, it seems that DC is a complement to the static approach of the RBV to get real and sustained competitive advantage. According to Winter (2003) quoted in Ambrosini & Bowman (2009: p. 32.) "dynamic capabilities govern the rate of change of a firm's resources and notably its VRIN resources". But the critical point here is that, a firm with unused VRIN resources is not able to generate competitive advantage; DC allow firms to continually have competitive advantage and help firms to avoid developing core rigidities (Ambrosini – Bowman, 2009). Then, the goal of dynamic capabilities is to generate a new bundle of VRIN resources.

Let's move further in the last idea. Despite what we have seen, some authors like Ambrosini and Bowman (2009) consider that due to the abstract and intangible characteristics of DC, the effect in firm performance is indirect and not direct like with VRIN resources. Moreover, in agreement with Eisenhardt and Martin (2000), as processes and routines, dynamic capabilities possesses several commonalities among firms and those commonalities imply that DC per se are not likely to be sources of competitive advantage, because "firms can gain the same capabilities from many paths, and independent of other firms" (Eisenhardt – Martin, 2000: p. 1110.) and thus they are not unique nor inimitable. Then we can infer that dynamic capabilities are necessary but not sufficient for creating sustained competitive advantage because they could be duplicated across firms. Moreover, depending on how valuable, rare, inimitable are the new-based resources created by spe-

cific dynamic capabilities, the performance of the firm could be positively or negatively influenced. Positive changes occur when the based resource that arises from dynamic capabilities provides a better performance in the firm. On the other hand, if the new base resource provided by the DC yields to a poorer performance the result is negative. The final possibility is that DC provides just temporary competitive advantage instead a sustained one, if the new emerged VRIN resources are easy to imitate for the competitors.

As noted from above paragraphs, achieving sustained competitive advantage from resource-based view and dynamic capabilities is not a straightforward process neither an easy one for any firm. Dynamic capabilities do not necessarily lead to sustained competitive advantage; even more they could provide negative results. Then we wonder how could we sum-up in a nutshell the way to get sustained competitive advantage? The focus is on asset structures for which no market exists and in creating continually new VRIN resources in such way than these resources improve the firm's performance; a key step in building competitive advantage "lies with its managerial and organisational processes, shaped by its specific asset position, and the paths available to it" (Teece – Pisano – Shuen, 1997: p. 518.). As we shall see further, managers play an important role for getting sustained competitive advantage.

Exemplifying applied strategy based in resource-based view and dynamic capabilities

As referring to internal resources, most of the time some commonly unobservable like human resources and other implicit resources such position of the brand and organisational learning (Lockett – Thompson – Morgenstern, 2009: p. 16.), RBV and DC are still questioned when trying to be measured by common quantitative methods. Nevertheless, there are several examples of papers that treat topics related with achieving SCA through the application of RBV theory of the firm.

Unique capabilities in different industries could be a source of competitive advantage. For example in semiconductors industry, the way they do research and the way they develop technology can create the difference for surviving in such competitive and changing environment; even more, internal decisions, and the way managers in different levels provide the conditions that involved different employers in the strategy could benefit in having a successful strategy (Burgelman, 1991).

In several different industries, research could be the important and unique difference. In pharmaceutical industry, for example, the ability to conduct research and

the way this research provide new products can accomplish important dynamic capabilities that separate those firms that survive from those who will not (Henderson – Cockburn, 1994). Henderson and Cockburn (1994) provide a detailed study of pharmaceutical industry claiming that the ability to integrate knowledge both across the boundary of the firm and across disciplines and product areas within the firm is an important source of strategic advantage. In fact, in those technology-driven industries, according to Dierickx and Cool (1989) refereed in Henderson and Cockburn (1994: p. 3.) "a substantial body of theoretical work suggests that idiosyncratic research capabilities are likely to be a particularly important source of strategically significant competence in science and technology driven industries".

Sometimes, intangible resources play a very special role as VRIN resources. It is well known that those resources are quite difficult to measure or observe. A specific case is the role of managers, important role that is shaped by the set of decisions that are taken day by day, and that are not measured neither observed one by one. Next section will go deeply in the way managers' behavior constitutes a kind of resource and sometimes a capability that can provide sustained competitive advantage in a firm.

Role of managers in resourced-based view and dynamic capabilities strategies

When talking about RBV strategy, resource advantage can be both exogenous and endogenous. According to Lockett, Thompson and Morgenstern (2009), the role of a manager is similar to that of a card player: the player has cards determined exogenously depending on the environment (external factors). Success in the game depends on how the player takes advantage of those cards, and the subsequently acquired cards (endogenous factor).

CEOs and managers in middle and at top levels could be considered as unique resources, that per se have unique path dependences that constitutes VRIN resources and provides SCA. Brahma and Chakraborty (2011: p. 13.) referring to Smith, Carson and Alexander (1984); Pfeffer and Davis-Black (1986); and Halebian and Finkelstein (1993) claims that "past researchers have found that organisational performance is associated with executives performance, top-managers team size, composition and tenure". According to Oliver (1997) cited in Brahma & Chakraborty (2011: p. 13.) "a firm's sustainable advantage depends on its ability to manage the institutional context of its resource decisions which includes internal culture and broader influences from state, society and inter-firm relations". Man-

agers do all these things. It is easy to show that firms like INTEL, APPLE, and FORD installed the culture that CEO brings to the firm, CEO culture and experience depends on path dependence, among other factors.

Most of the time, managers are in charge of executing the master plan of the firm's corporate or business strategy. As Mintzberg (1988) said, it is about crafting a strategy that requires managers to know about the business and apply their knowledge and experience to create strategic differentiation. The SWOT and marginal analyses are very useful and allow most managers to be capable to react to the internal and external environment, trying to create and develop new actions and strategies that enable firms to survive among competitors. Nevertheless, RBV approach permits managers to gain a better understanding of market imperfections, not just on resources but also on products, to accomplish SCA. Under the resourced-based view and dynamic capabilities, managers have the possibility to continuously reposition the firm according to internal and external resources. On the other hand, industrial organization economics consider that the role of managers is responsive to different situations. Thus, in RBV (and we can extend to dynamic capabilities as well), managers have the chance to be more proactive and adaptive to different situations (Lockett – Thompson – Morgenstern, 2009).

Since the point of view of RBV, managers take different decisions based on their perceptions, knowledge and experience about their resources, changing the nature of competition in markets. As Penrose (1959) points out in (Lockett – Thompson – Morgenstern, 2009), managers' decisions are linked to their perceptions about the firms' resources and the external environment; and finally this experience is fundamental for the enterprise.

A manager is responsible for the profitable usage of the available resources. Thus, a manager's perception is an important dimension in the RBV. From another point of view, the fact that a manager's perception affects resource allocation assures that resources have plenty of different usages among different firms, supporting the heterogeneity theory that Barney held (Barney, 1991).

Great managers' challenge in the use of RBV and dynamic capabilities strategy is not only detecting and anticipating future competitors (Burgelman, 1991) but also being thoroughly acquainted with the functionality of resources that are under their control, recombining them in a range of different ways and determining the most profitable usage for these resources depending on the market.

Managers are also crucial for the correct deployment of dynamic capabilities; more over it should be one of the main concerns in their positions. According to Ambrosini and Bowman (2009), managers are one of the internal factors that most influence dynamic capabilities, because they always play a key role in the firm's ability to adapt to the environment. To resume the importance of managers and the relationship with path dependence, according to Teece (2007: p. 1346.) quoted in Ambrosini and Bowman (2009: p. 41.), "dynamic capabilities reside in large measure with the enterprise's top management team" but, because of path dependency these dynamic capabilities "are impacted by the organisational processes, systems, and structures that the enterprise has created to manage its business in the past".

According to Burgelman (1991), intra-organisational ecological perspective of strategy making and organizational adaptation is also well related with managers and people taking decisions. "Strategy results, in part, from selection and retention operating on internal variation associated with strategic initiatives. Variation in strategic initiatives comes about, in part, as the result as individual strategists seeking expression of their special skills and career advancement through the pursuit of different types of strategic initiatives" (Burgelman, 1991: p. 240.). In the mentioned paper, Burgelman explore the way Intel Company supports its strategy through time, achieving sustainable competitive advantage through several decisions most of them based in contingency approach and through the leadership of their managers and employees. At the end Burgelman (1991) supports even more the importance of managers and their performance mentioning three propositions that firms that achieve SCA for more than 10 years have: the combination of autonomous strategy and the content of it and the ability of maintaining simultaneously bottoms-up driven internal experimentation and selection processes.

Another point of view when creating competitive advantage through a VRIN strategy (valuable, rare, imperfectly inimitable and non-substitutable) value as our key element will depend on the firm's purposes for competitive advantage. It is important to mention the critical contribution and support that a functional area like Human Resources can do for the companies' own benefit.

In order to have a successful approach of the RBV it must be tested in real projects. There's an applied study in a United Kingdom manufacturer of production line equipment. This company decided to create a competitive advantage in the way they provided service. Im-

provements had been coordinated by a “service steering committee” which met in a specific period of time to review progress and decide which ideas to support (Mills – Platts – Bourne, 2003). For the researchers this was an opportunity to increase and develop knowledge on resource analysis methods and outcomes, while top management felt this was a useful opportunity to check progress on their service provision competence.

During the research it was noticeable the support from different directors, which led to advantages in the research area. When having this type of support from top management it’s a high value resource for the inside of the company but still is something that competitors can imitate without a problem. Another type of concern when applying RVB methods for improvements, is the question of what happens if the leader is changed or leaves the project? Can the committee, employees or anyone involved could continue in order to not losing the previous improvements?

An important approach of the case study reviewed is that the firm noticed that service departments should also make profits; it is not exclusive for sales or production departments. Applying this concept to the purpose of this research paper, how can different school service departments (finance, scholar services, library, etc.) create profits even though they are not properly selling, they are providing a unique service to a specific market (college students). That’s why the importance of top Management communication through different levels of the organization so everyone can commit to the firm’s goals and purposes. And it’s inevitable to mention again the importance of the human resources department. Not only involving top management as the strategic planners, another fundamental area when developing competitive advantage is the human resources department. This functional area is in charge of having the first contact with prospect employees with their basic tasks such as recruitment, selection & feedback.

The resource-based view theory suggests that proficient Human Resources Management will help in the development of unique and distinct firm competitive advantages. Organizations that take time to invest in their people (resources) are most likely to generate positive outcomes. The hardest thing to replicate and emulate for are the different intangible skills an employee may have such as knowledge, experience and other skills. For example there are studies that indicate that when the company offers flexible environments for the employees to work, these become more productive and also loyal to their company and willing to play the extra mile since they are truly engaged like if they were family. Thus one of the characteristics of

the “best places to work” where the employee feels comfortable and also supported by management in order to develop new ideas, products, processes, etc. for the firm’s own benefit and employee recognition. This engagement starts on day one the prospect makes contact with the firm. Firm’s branding and corporate image plays an important role, since candidates will trust more a renowned company from one that barely people talks about.

Normally companies invest a week or a couple of days in training their new personnel specially when the position is urgent to be filled but there’s the opposite situation where companies like C&A spend more than a couple of months in training their employees in all the areas involving their business. A new employee that is going to work in corporate office for example gets to know how a retail store functions, how do they handle merchandise, basics of accounting, etc. This way the employee has the general background of the company.

There’s a study applied to 30 companies out of Fortune’s 100 best companies and identified key tasks in their practices for example:

- 1) knowledge investment,
- 2) caring workspace,
- 3) work-life balance programs,
- 4) diverse management practices and
- 5) work engagement. (Joyce, 2003).

They signal employees to engage in productive behaviors as a consequence of their excellent reputation (Joyce, 2003). Every company can work with these 5 elements but the question is how well they can do it in order to become successful.

There’s an opposite example and that happened to Best Buy and their ROWE strategy (results- only-work-environment) a policy that emphasized flexible work schedules. Best Buy allowed its corporate employees the flexibility of not being physically present at their desks from 9 to 5 every day. Unfortunately this strategy went down on 2013 because of different leadership issues the firm was confronting. This strategy was proposed and executed by two of their former employees (now they own their HR consulting practice firm). You may say how this isn’t replicable or hardly to imitate for other competitors in fact it is easy to copy but hard to maintain when there’s a lack of communication and management skills from top management.

Rebuilding corporate culture is the hardest work in business and starts by having dynamic leaders that create an environment of trust throughout the organization (Peterson, 2013).

Depolying dynamic capabilities

Understanding the creation of dynamic capabilities

Studying and defining the creation of DC is not such and easy task; dynamic capabilities are not well defined and, until now, there is not a well-defined follow-the-rules process to create them. About creation of DC, first it is important to mention that there are internal and external situations or factors that inhibits or enable dynamic capabilities (Ambrosini – Bowman, 2009): the level of dynamism of external environment (where rapidly changing environments provide better conditions than slow ones), the pace of change in an industry and path dependence (like in RBV history matters), managers. According to other authors there could be more specific factors like social capital, leadership, trust, among others (Ambrosini – Bowman, 2009).

Focusing on market dynamism in general, we can distinguish two well differentiated sceneries: first with moderately dynamic markets, where dynamic capabilities appear in stable industries, being complicated, detailed, and arising from analytical processes that relay on previous knowledge and are linear to produce well known outcomes. In contrast, in very high-velocity markets are different, because the unstable market pushes them to be simple, experiential and quickly giving competitive advantage that could be copied with the time and unpredictable outcomes (Eisenhardt – Martin, 2000).

Examples of dynamic capabilities

We already saw that there are several factors that could stimulate or discourage the creation of DC. As we will see further, the investigation about creation of DC is not completely clear and there is plenty of room to do. As we pointed out there is little empirical evidence about DC nevertheless, there are well defined DC that have provided competitive advantage to the firms.

As specific processes, dynamic capabilities can integrate, reconfigure, create or release resources. In the case of product development routines, managers integrate resources combining knowledge, experience and skills across different functional teams to provide new and different products that provide a competitive advantage to the firm. In the case of reconfiguration, for example, IDEO manager's routines create new products from knowledge of existing products from many industries and clients (Eisenhardt – Martin, 2000). Creating resources involve those routines that build new knowledge in the firm, those includes alliance and acquisition to bring new resources from external sources. Acquisitions and alliances are commonly used in biotech industry to achieve superior performance (Eisenhardt

& Martin, 2000). Finally, releasing resources could be also a dynamic capability, primary in rapidly changing environments; it consists in releasing resource combinations that not longer provide competitive advantage.

Research and development constitutes another typical dynamic capabilities, which used in the correct way could provide an effective response to changes in market prices. Related with research and development, product innovation is also a great dynamic capability that provides to the firm the base to renew constantly products and processes. Organizational structure reconfiguration could be also a dynamic capability, letting firms to reconfigure their business units and recombine resources to adapt environmental changes. Besides the above examples, we could find several more dynamic capabilities. For further information we encourage you to check (Ambrosini – Bowman, 2009), (Eisenhardt – Martin, 2000) and (Teece – Pisano – Shuen, 1997) where several examples and references are made deeply. Finally, we must not forget that dynamic capabilities could be similar among different firms but the importance stands in the way that they change the based VRIN resources, to provide a better performance.

Resources sometimes are complex to define or measure. Dynamic capabilities as well, could be difficult to detect. For example, cultural organization in different industries could provide SCA, like the case of Hewlett Packard which culture promotes and strongly pushes for cooperation and teamwork through different division and among different employees.

Issues related to resource-based view

It is a fact that the RBV has been relevant to strategy in the last decades. Despite that, there are several difficulties for the practical approach and the generation of clear unambiguous hypothesis in the manner of more narrowly conceived theories of firm behavior (Lockett – Thompson – Morgenstern, 2009). In the next lines, we will discuss briefly some of them.

First, the issue of tautology is reviewed. Quoting Priem and Butler (2001a: p. 58.), "if a resource is valuable and rare, then it can be a source of competitive advantage" but value and rarity depends on the use of resource in the firm. More generally, they argue that the problem of tautology lies in the relationship between the general and the specific in the RBV. Equally complex is the size of the firm when researching in the RBV: it is very complex to identify and explain causal relationship in large firms; also, it is very difficult to isolate a resource or a bunch of them and probe their influence in the results of the firm.

Due to the difficulty in measuring, observing and defining the VRIN resources of a firm or a set of firms, quantitative analysis is not the only and most of the times are not the recommended type of analysis for getting results when researching for RBV. Alternatively, researchers suggest using qualitative methods, for example ethnography in order to observe resources that could be unobservable for researchers that do not belong to the organization (Brahma – Chakraborty, 2011). Longitudinal research could be also a big challenge due to the complexity of maintaining a stable organizational chart during the years, because most of the time VRIN resources and creation of dynamic capabilities depend on the different level managers (Burgelman, 1991) the last condition combined with the difficulty of observe and measure VRIN resources and DC just strength the difficulty of longitudinal research.

Paradox is an important concept that could be related with RBV theory due to the nature of this theory. Lado, Boyd, Wright and Kroll (2006) treat in a very specific way the paradoxes that are involved with RBV theory. It is not complex to elucidate some of those paradoxes. To mention some, when talking about measuring resources for obtaining data for a quantitative analysis, it follows that important resources are not easy to imitate because they are unobservable for most of the people, including managers or operators in the business. Such organizational capacities or be some times are unobservable or immeasurable making them complex to study, but at the same time these factors that made them complex to study are those that make them unique and the drivers to provide sustained competitive advantage.

Finally, when wondering if RBV approach represents a competitive advantage or not, it will result very helpful to refer to Priem and Butler (2001b), who through mathematical representations of elemental RBV assertions shows that this theory, as constituted in these years, contains a theory of sustainability but not a theory of competitive advantage. So, the question still arises. Priem and Butler (2001b) point out that resources of the firm and the competitive environment are both essential for the strategy making-process and hence for RBV.

Issues related to dynamic capabilities

According to Ambrosini and Bowman (2009) empirical studies of dynamic capabilities remains relatively rare. There are several issues related with the formal study of DC. First, theory concerned to this topic is relatively young, as it started in the middle 90s, so it is

difficult to achieve a strong and irrefutable theoretical framework. Another issue, that also applies with RBV theory is concerned with the lack of evidence of dynamic capabilities; this is due mainly to two factors: because these capabilities have been poorly specified and because the difficulty to observe and measure of the dynamic capabilities.

Considering the above reasons and the idiosyncratic and intangible characteristics of dynamic capabilities, we might wonder whether quantitative methods are the most or the only appropriated for researching dynamic capabilities. As suggested by Lockett and Thompson (2001: p. 743.) and quoted in Ambrosini and Bowman (2009: p. 37.) “it may be necessary to sacrifice some of generality of quantitative investigation for a more qualitative attention to detail”. According to Ambrosini and Bowman (2009) smaller samples are well appropriated to qualitative analysis could be more appropriated for understanding the resource creation and regeneration process in dynamic capabilities. Finally, it is important to mention that dynamic capabilities will remain popular but abstract and not usable the number of qualitative field investigations is not augmented (Ambrosini – Bowman, 2009).

Conclusions

Resource-based View of the firm and dynamic capabilities have emerged as dominant paradigms in strategy in the last 20 years and are focused on those resources that can provide a sustained competitive advantage to the firm. In this sense, it may seem quite logical to take for granted that the RBV can produce competitive advantage to the firm; nevertheless, there are some assumptions and implications that allow an *open door* to criticize the RBV approach, the main objection is related to the difficulty found in defining and measuring resources that can provide SCA; in the end, necessary attributes like rarity and value are often difficult to define in an objective way.

According to Professor Barney, “resource-based models of strategic advantage may need to be augmented by theories of the creative and entrepreneurial process” (Priem – Butler, 2001a: p. 64.). In this sense, incremental knowledge and creative destructive processes are very important in generating new VRIN resources that could give sustainable competitive advantage to the firms.

Despite all authors in favor or against the RBV on the firm, a very important question must be raised: Is the RBV strategy here to stay? Wernerfelt (1995) answers this question through a fabulous analogy that

involves sports and firms: all games have a body of strategy knowledge which is independent from the specific opponent; however when a specific opponent is to be faced, one can tap into a different body of knowledge in such ways that differences can be exploited. In other words, one can do better by taking advantage of the firm's differences and diversity. Unlike sports, firm environments do not have enough opportunities for second divisions, therefore "strategies which are not resource-based are unlikely to succeed in such environments" (Wernerfelt, 1995: p. 173.).

To the extent of dynamic capabilities, those are going to grow in importance in the next years. The reason is simple: the environment is changing faster and faster, thus static based resources are not an option today, the way to compete and achieve real and sustained competitive advantage is finding the correct process and routines that allows firms to constantly renew the based resources, seeking always for VRIN resources. Finally, and continuing with the way of finding sustained competitive advantage it is worth to think about the answer that Eisenhardt and Martin give to the question where does the potential for long-term competitive advantage lies? According with them: "It lies in using DC sooner, more astutely, or more fortuitously than the competition to create resource configurations that have that advantage. Therefore, long-term competitive advantage lies in the resource configurations that managers build using dynamic capabilities, not in the capabilities themselves" (Eisenhardt – Martin, 2000: p. 1117.).

There are more areas that are found directly related with RBV and DC, for example knowledge management (Grant, 1996), strategic leadership, strategic marketing (Fahy – Smithee, 1999), just to mention some. The more turbulent the environment of the industry, the more complex to maintain a long lasting competitive advantage. In those conditions, there is an important type of advantage that is derived directly from RBV and DC, the named Transient Advantage. According to the anatomy of transient advantage, any competitive advantage goes through a life cycle composed of different stages (Gunter McGrath, 2013). But the most interesting thing about Transient Advantage is the new rush dynamic perspective that this approach is revealing derived from the today's forces in industry, such the digital revolution, a "flat world", low entry barriers that boosted globalization, the near zero cost opportunity for getting information, etc. Quoting from Gunther McGrath (2013: p. 64.) "in a world where a competitive advantage often evaporates in less than a year, companies can not afford to spend months at a

time crafting 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".

We hope to have a better understanding about resource-based view and dynamic capabilities in the near future. I hope more scholars and researchers spend time doing research not just in DC and RBV, but in related topics such knowledge management or transient advantages; and I hope they remain open not just to conventional quantitative methods, but to qualitative and ethnographic methods that sometimes are more appropriated for doing RBV and DC research. I am pretty sure that those approaches are going to be key for the competitiveness of firms in the increasingly changing environment. But, it is also important to notice that those approaches, neither competitive forces nor game theory are the *holy grail* of strategy. Each approach has advantages and disadvantages and the success in achieving competitive advantage will depend on the managers, their experience and the way they combine and apply the correct strategies.

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Az egyetem könyvtárterme

E SZÁMUNK SZERZŐI

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VEZETÉSTUDOMÁNY

CIKKEK ANGOL NYELVŰ ÖSSZEFOGLALÓI

José Francisco Enríquez-de-la-O

Individual decision making by top executives as a valuable resource for strategic management: A resource-based view and dynamic capability approach

Strategy is highly important for organizational success and the achievement of competitive advantage. Strategy is dynamic and it depends on accurate individual decision making from medium and high-level managers and executives. Since managers always formulate strategy, its formulation depends mostly on their assertive decisions. Making good decisions is a complex task, even more in today's business world where a large quantity of information and a dynamic environment for people to decide without having complete information. As Shafir, Simonson, & Tversky (1993) point out, "the making of decisions, both big and small, is often difficult because of uncertainty and conflict". In this paper the author will explain a basic theoretical framework about top manager's individual decision making, showing how complex the process of making high-impact decisions is; then, he will compare this theory with one of the most important streams in strategic management, the resource-based View (RBV) of the firm. Finally, within the context of individual decision-making and the RBV stream, the author will show how individual decision makers in top management positions constitute a valuable, rare, non-imitable and non-substitutable resource that provides sustained competitive advantage.

Nick Chandler

Millennials, entrepreneurs and the Hungarian workplace of the future – the preliminary findings of a pilot study

Existing research into generational differences in Hungary was based primarily on adapting findings from studies undertaken in Western Countries. If we consider not only the comparative history and wealth but also the cultural differences between Hungary and the countries in which these studies took place, then the apparent adaptability is brought into question. This study aims to examine the attitude of millennial students in Hungary

by building up the characteristics from the ground up rather than adapting data from other countries. The findings of the pilot study indicate that the instrument is of suitable length and clarity, and that a printed format is the most likely to produce a high response rate, despite its disadvantages. The findings also confirm the results of previous studies concerning the preference of students in Hungary for a clan type of organisation. There are also initial indications that Hungarian millennials show a high potential for entrepreneurialism.

Patrick Bohl

Dynamic capabilities and strategic paradox: a case study

Today's business leaders must constantly review and develop their firm's abilities to adapt to and benefit from external changes. Dynamic capabilities are the capacity of an organization to purposefully create, extend or modify its resource base. They enable it to exploit business, technological and market opportunities and adapt to market changes, an ability more often observed in highly dynamic industries, such as consumer electronics or telecommunications. Using the case study method, this article identifies dynamic capabilities in traditional, less dynamic industries when faced with a sudden drop of revenue. Four distinct routines emerge, namely structure and practices enduring time-sensitive strategic decision-making by the leadership, flexible allocation of capital and manpower resources, ability to lease resources on short notice, and a culture encouraging learning and coevolving. Seemingly strategic paradox objectives encourage the management team to question the status quo and, when managed well, transform the tensions between old and new into an ability to advance superior ideas faster.

Becsky-Nagy, Patrícia – Novák, Zsuzsanna

Formalization of the informal venture capital market – Business angel networks and syndicates

Business angels are natural persons who provide equity financing for young enterprises and gain ownership in them. They are usually anonymous investors and they op-

VEZETÉSTUDOMÁNY

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erate in the background of the companies. Their important feature is that over the funding of the enterprises based on their business experiences they can contribute to the success of the companies with their special expertise and with strategic support.

As a result of the asymmetric information between the angels and the companies their matching is difficult (Becsky-Nagy – Fazekas 2015), and the fact, that angel investors prefer anonymity makes it harder for entrepreneurs to obtain informal venture capital. The primary aim of the different type of business angel organizations and networks is to alleviate this matching process with intermediation between the two. The role of these organizations is increasing in the informal venture capital market compared to the individually operating angels.

The recognition of their economic importance led many governments to support them. There were also public initiatives that aimed the establishment of these intermediary organizations that led to the institutionalization of business angels. This study via the characterization of business angels focuses on the progress of these informational intermediaries and their ways of development with regards to the international trends and the current situation of Hungarian business angels and angel networks.

José Francisco Enríquez-de-la-O

Resource-based view and dynamic capabilities: achieving competitive advantage through internal resources and competences

Strategy has always been important for success. Whether strategy is applied for military purposes, in large firms, or even for personal objectives, there are certain key characteristics that every successful strategy carries on: clear, objective and simple goals; deep knowledge and understanding of the competitive environment; objective understanding and exploitation of resources; and an effective plan implementation. In this paper, our attention will be focused on the role of internal resources, routines and processes as the bases of sustained competitive advantage (hereafter SCA) into what is now known as the resource-based view of the firm (RBV) and Dynamic Capabilities (DC). First, the relevance of RBV and DC approaches and the main characteristics of those are briefly mentioned. Second, RBV and DC are examined as an important piece to achieve SCA. Later on, we deepen into some examples and the manager's importance when using these RBV and DC approaches. Then issues related with complexity and undefined concepts in RBV and DC are briefly mentioned. Finally, conclusions and personal comments are presented.

CONTENTS

STUDIES AND ARTICLES

José FRANCISCO ENRÍQUEZ-DE-LA-O

Individual Decision Making by
Top Executives as a Valuable Resource for Strategic
Management:
A Resource-Based View
and Dynamic Capability approach 02

Nick CHANDLER

Millennials, entrepreneurs and the Hungarian
workplace of the future
– the preliminary findings of a pilot study 15

Patrick BOHL

Dynamic capabilities and strategic paradox:
a case study 25

BECSKY-NAGY, Patrícia – NOVÁK, Zsuzsanna

Formalization of the informal venture
capital market – Business angel networks
and syndicates 39

José FRANCISCO ENRÍQUEZ-DE-LA-O

Resource-Based View and Dynamic Capabilities:
Achieving Competitive Advantage through Internal
Resources and Competences 50

VEZETÉSTUDOMÁNY