

# The Relationship between Organizational Resources and Capabilities: a Case Study of the Thailand Gem and Jewelry Industry

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**Abstract** - The objective of this study was to examine the relationship between organizational resources and capabilities of manufacturing companies in the gem and jewelry industry in Thailand. The research employed a quantitative method. The samples were comprised of 323 exporters working in gem and jewelry firms in Thailand. A questionnaire was used as a research tool for data collection. A structural equation modeling (SEM) approach was used to analyze the empirical data and test the hypotheses. The research results indicated that organizational resources had a positive effect on organizational capabilities. The findings have not only contributed to the literature on the resource-based view (RBV), but it is also beneficial for operators and policymakers in this regard.

**Keywords** - Resource-Based View, Organizational Resource, Organizational Capability, Competitive Advantage

## I. INTRODUCTION

Under the competitive circumstances in the business world, a business organization has its main objective to gain a competitive advantage position among competitors. The issue of organizational resources is well discussed in the competitiveness and strategic management literature. Hundreds of studies and many different explanatory conceptual models and theories have been advanced in the literature

of export performance (Aaby & Slater, 1989; Zou & Stan, 1998). Recent developments in the study of the resource-based view of the firm have expanded the scope and nature of resources that a firm may acquire or develop in pursuit of sustainable competitive advantage (Barney, 1991; Chrisohm & Nielsen, 2009; Locket, Thompson, & Morgenstern, 2009; Wernerfelt, 1984).

## II. LITERATURE REVIEWS

Organizational resources are available inputs, both tangible and intangible, owned and controlled by the firm. Many previous studies have confirmed that there are significant relationships among organizational resources, capabilities, systems and competitive advantages (Wernerfelt, 1984; Barney, 1991; Morgan, Kaleka, & Katsikeas, 2004; Santhapparaj, Sreenivasan, & Loong, 2006; King, 2007; Phusavat & Kanchana, 2007; Sirmon, Hitt, & Ireland, 2007).

The resource-based view of the firm (RBV) has explained the key drivers to the starting point of organizational competitive advantage. This paper will focus on the resource-based view of the firm (RBV) perspective to develop a theoretical framework in identifying advantage-generating resources and capability as critical determinants of export performance. The resource-based view (RBV) is based on the concept of corporate resources mentioned

by Penrose (1959) from an economist point of view to generate production opportunities.

### **A. Organizational Resources**

The resource-based view of the firm (RBV) explains that resources owned and controlled by a firm have the potential to generate competitive advantages (Wernerfelt, 1984; Dierickx & Cool, 1989; Barney, 1991; Peteraf, 1993; Fahy, 2002; Miller & Ross, 2003; Morgan et al., 2004; King, 2007; Sirmon et al., 2007).

In 1991, Barney has published the article "Firm Resource and Sustained Competitive Advantage" published in *Journal of Management*. This article has become recognized as a key theory of competitive advantage which has been continually extended and challenged by other scholars. Barney (1991) suggested the four essential characteristics of strategic resources as follows: 1) they must be valued by creating opportunities and solving threats in the environment; 2) they must be rare or hard to find; 3) they must be inimitable or difficult to imitate; and 4) they must be non-substitutable (Barney, 1991).

In 2002, Fahy has published the resource-based model of sustainable competitive advantage in a global environment. It is expanded to the country-specific resource of both country-of-origin and host countries. Fahy (2002) analyzes three generic groupings of firm's resources: 1) tangible resources - plant and equipment, land, other capital goods and stocks, and debtors and bank deposits; 2) intangible resources - trademarks, patents, trade secrets, network and reputation; and 3) capabilities - skills, teamwork, organizational culture and relationships between management and workforce.

### **B. Organizational Capability**

Capabilities are the firm's most important resources in a global environment (Fahy, 2002, pp. 57-78). Several studies confirm that the development of firm capability is more important than firm resources (Doole, Grimes, & Demack, 2006; Ibeh, 2003; Morgan, Kaleka, & Katsikeas, 2004; Rock & Ahmed,

2014). To determine the factors influencing the export performance, many previous studies had attempted to identify key factors that contribute to the successful international marketing context. Export performances are consistent with information, relationship and product development capabilities (Piercy et al., 1998).

Several previous studies have found that both the information capability and the product development capability have a significant relationship on the organizational competitive advantage (Morgan et al., 2004; Ray et al., 2004). Furthermore, some studies have also found a significant relationship between relationship capabilities and organizational competitive advantages (Morgan et al., 2004; Ray et al., 2004; Ainuddin et al., 2007). In this study, the organizational capabilities were comprised of information capability, relationship capability, and product development capability.

## **III. RESEARCH METHODOLOGY**

The population was the entire members of the Thai Gem and Jewelry Industry, derived from a list of 1,395 exporters. The samples of the study were 323 exporters who completed the questionnaire, resulting in a response rate of 23%. The sample size was calculated according to the rule of the structural equation model (SEM), which considers the number of free parameters as a rule of thumb to the determined sample. The suggested ratio of the sample size might be able to go as low as 10:1 under the normal and elliptical theory, especially when there are many indicators of latent variables and the associated factor loadings are large, though there is even less experience on which to base a recommendation (Bentler & Chou, 1987). The free parameters from the conceptual model were 21, and the final list of the sample consisted of at least 210 exporters from the gem and jewelry industry in Thailand.

## IV. RESEARCH RESULTS

### A. Structural Model

A structural model was conducted to test the relationship of organizational resources and organizational capabilities among the Thai gem and jewelry exporters. According to the model, it was found that organizational resources had a positive effect on organizational capabilities. After empirically testing and analyzing the proposed model, it was found that organizational resources has a positive effect on organizational capabilities ( $\beta = 0.93$ ). The researchers developed a questionnaire to test the relationship among the two variables, based on the theoretical framework that was included in the organizational resources (production technology, human resource, planning, and capital resource) and organizational capabilities (information capabilities, relationship capabilities, and product development capabilities).

## V. DISCUSSION AND CONCLUSION

According to the research question, Do organizational resources have an influence on organizational capabilities?, the results of the structural model and the hypothesis testing indicated that organizational resources influenced organizational capabilities. The findings of this study are consistent with the study of Phusavat and Kanchana (2007), that surveyed 10 manufacturers in Thailand, and found a significant relationship between organizational resources (i.e., human capital development and manufacturing flexibility) and organizational capabilities (i.e., product quality improvement and technical skill development) among the manufacturing firms in Thailand. The findings also support the study of Santhapparaj et al. (2006) which examined the relationship between organizational resources, capabilities, systems, and competitive advantages from semiconductor manufacturers in Malaysia. Moreover, it is also found that there was a significant relationship between organizational resources and capabilities. Additionally, the findings are supported by the existing literature (Barney, 2001a; 2001b; Priem & Butler, 2001; King, 2007; Sirmon et al., 2007) based on the notion of the significant

positive relationship between organizational resources and organizational capabilities.

The findings of this study indicated a significant positive effect of organizational resources and organizational capabilities. The findings support and extend the literature of the resource-based view (RBV) of competitive advantage theory. Further, from the "practical" perspective, the findings of this study have contributed to the organizational management in terms of providing valuable resources and awareness of the factors to consider in achieving the organizational goal and competitive advantages.

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