

The Karol Adamiecki University of Economics
in Katowice

Volume 5

2009

Journal of

Economics & Management

Wojciech Czakon

**RELATIONAL CAPABILITY
OF ORGANIZATIONS
– THEORETICAL ADVANCES**

Introduction

Strategic management research focuses on explaining firm heterogeneity. The Resource Based View of the firm (RBV) sees differences in assets as strong explanatory variable, yet empirical evidence¹ supports this view to a limited extent. Since resource based view of the firm provides at best 48% of business performance variation explanation there is a need to further investigate other explanatory factors. Along with empirical testing several questions have been raised, concerning the role of knowledge, routines, environment impact, etc. Theoretical advances reflected the need to link a resource with knowledge on their efficient use. Major attention has been recently attributed to dynamic capabilities, as the concept responds to the majority of criticisms advanced towards the orthodox resource based view of the firm. Among dynamic capabilities aligning is listed².

This leads to the second thread of research, recognizing a significant portion of a firm's actions which increasingly lie between, not within organizations. Research focusing on interorganizational issues, whether from dyadic or network level of analysis, has been so far carried out from two fairly divergent theoretical stances: sociological, which suggests that economic action arises on the preexisting structure of social relationships³, and managerial – pointing out to the need of efficiently managing such networks⁴.

Relational capabilities research remains in an early stage⁵, to the extent that scholars do not even agree on whether there is one single distinctive capability⁶ or is it a set of capabilities⁷. Despite a broad recognition that relational capabili-

¹ R.P. Rumelt: *How Much Does Industry Matter?* "Strategic Management Journal" 1991, Vol. 12, No. 3; A.M. McGahan, M.E. Porter: *How Much Does Industry Matter, Really?* "Strategic Management Journal" 1997, Vol. 18.

² K. Eisenhardt, J. Martin: *Dynamic Capabilities: What Are They?* "Strategic Management Journal" 2000.

³ R. Gulati, M. Gargiulo: *Where Do Interorganizational Networks Come From?* "The American Journal of Sociology" 1999, Vol. 104, No. 5.

⁴ K. Möller, A. Rajala, S. Svahn: *Strategic Business Nets – Their Type and Management.* "Journal of Business Research" 2005, Vol. 58.

⁵ A. Capaldo: *Network Structure and Innovation: The Leveraging of a Dual Network as a Distinctive Relational Capability.* "Strategic Management Journal" 2007.

⁶ G. Lorenzoni, A. Lippalini: *The Leveraging of Interorganizational Relationships as Distinctive Organizational Capability: A Longitudinal Study.* "Strategic Management Journal" 1999, Vol. 20, No. 4; D. Jarat: *Conceptualizing a Relationship Management Capability.* "Marketing Theory" 2004.

⁷ K. Möller, S. Svahn: *Managing Strategic Nets – a Capability Perspective.* "Marketing Theory" 2003, Vol. 3; M. Rodriguez-Diaz, T. Espino-Rodriguez: *Developing Relational Capabilities in Hotels.* "International Journal of Contemporary Hospitality Management" 2006.

ties are complex phenomena, its components have been rarely listed or empirically investigated and even if so, research has been carried out from very different theoretical stances. This paper aims at contributing to advance our understanding of the relational capabilities of the firm by examining current views and proposing further theoretical advances.

1. Dynamic capabilities perspective on the relational capabilities

The relational capability or alliancing is broadly seen as a distinctive type of dynamic capabilities⁸. However the concept of dynamic capabilities remains relatively new to the strategic management literature it offers interesting insights on the long term capacity of firms to achieve above average earnings. Scholars explain those above average earnings by resource base alterations or by changes in operating routines which create value out of the resources available.

Table 1

Views on dynamic capabilities in the literature

Impact object	Expected results
Resources ^a	Value creation ^b
Routines ^c	Competitive advantage ^d
Capabilities ^e	Improvement ^f

^a D. Teece, G. Pisano, A. Shuen: *Dynamic Capabilities and Strategic Management*. "Strategic Management Journal" 1997; K. Eisenhardt, J. Martin: *Dynamic Capabilities: What Are They?* "Strategic Management Journal" 2000; C. Hefalt et al.: *Dynamic Capabilities. Understanding Strategic Change in Organizations*. Blackwell Publishing, New York 2007; M. Blyler, R. Coff: *Dynamic Capabilities, Social Capital and Rent Appropriation: Ties that Split Pies*. "Strategic Management Journal" 2003, Vol. 24, No. 7.

^b K. Eisenhardt, J. Martin: Op. cit.

^c P. Kale, J. Dyer, H. Singh: *Alliance Capability, Stock Market Response, and Long-Term Alliance Success: The Role of the Alliance Function*. "Strategic Management Journal" 2002; M. Zollo, S. Winter: *Deliberate Learning and the Evolution of Dynamic Capabilities*. "Organization Science" 2002.

^d P. Kale, J. Dyer, H. Singh: Op. cit.; G. Lorenzoni, A. Lipparini: *The Leveraging of Interorganizational Relationships as Distinctive Organizational Capability: A Longitudinal Study*. "Strategic Management Journal" 1999, Vol. 20, No. 4.

^e K. Möller, A. Rajala, S. Svahn: *Strategic Business Nets – Their Type and Management*. "Journal of Business Research" 2005, Vol. 58.

^f D. Teece, G. Pisano, A. Shuen: Op. cit.; C. Hefalt et al.: Op. cit.; M. Blyler, R. Coff: Op. cit.

⁸ K. Eisenhardt, J. Martin: Op. cit.; C. Hefalt et al.: *Dynamic Capabilities. Understanding Strategic Change in Organizations*. Blackwell Publishing, New York 2007.

Researchers investigate the relational or alliancing capability from two perspectives: the dynamic capabilities view and the network management view. While the first would define relational capabilities as the capacity of an organization to purposefully create, extend, or modify its resource base through alliances⁹, the second points out to the willingness and ability to partner¹⁰. Also, dynamic capabilities approach strongly refer to the resource based view of the firm and the need to change, while the network approach points out to the fact that cooperation requires a set of distinctive skills, resources, and governance choices. However both explanations aim at elucidating the firm's above average earnings, the emphasis remains strongly inclined either towards changes in the resource base or either towards achieving relational rents, i.e. positive performance stemming from cooperative arrangement with other firms. Table 1 shows three different foci of relational capabilities research in terms of object of impact and expected results. A brief overview shows how fragmented and sparse is our understanding of the relational capabilities and underlying theoretical explanations.

1.1. Resource based view of the firm on the relational capabilities

Firm heterogeneity has been explained from the resource perspective. This explanation has long focused on resources which the firm need to own exclusively or quasi exclusively. The seminar paper on competitive advantage cornerstones¹¹ draws attention to types of rents – ricardian or monopoly – which explain above average earnings. The vigorous development of alliances between organizations, followed by the rise of the network capitalism¹² revealed the need to include externally owned, but jointly used resources. In this respect rent generation crosses the boundaries of the organization and localizes between cooperating firms. Resource exploitation occurs both within and beyond the organization.

A capability is made of resources and the knowledge how to efficiently exploit them¹³. Relational capability extends the resource base of the firm beyond

⁹ C. Hefalt et al.: Op. cit., p. 4.

¹⁰ J. Dyer, H. Singh: *The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage*. "The Academy of Management Review" 1998, Vol. 24, No. 4.

¹¹ M.A. Peteraf: *The Cornerstones of Competitive Advantage: A Resource Based View*. "Strategic Management Journal" 1993, Vol. 14.

¹² M. Castells: *The Rise of the Network Society*. 2nd edition, Blackwell Publishing, New York 2000.

¹³ K. Möller, S. Svahn: Op. cit.

the organization's boundaries, but also reveals the processes underlying this potential to alter the resource base. Originally three processes have been defined¹⁴, without specifying their interrelationships: building, integration, and reconfiguration of the firm's resource base. This view has been further developed by amending the "build" process with "gain" and "release" resources (Figure 1).

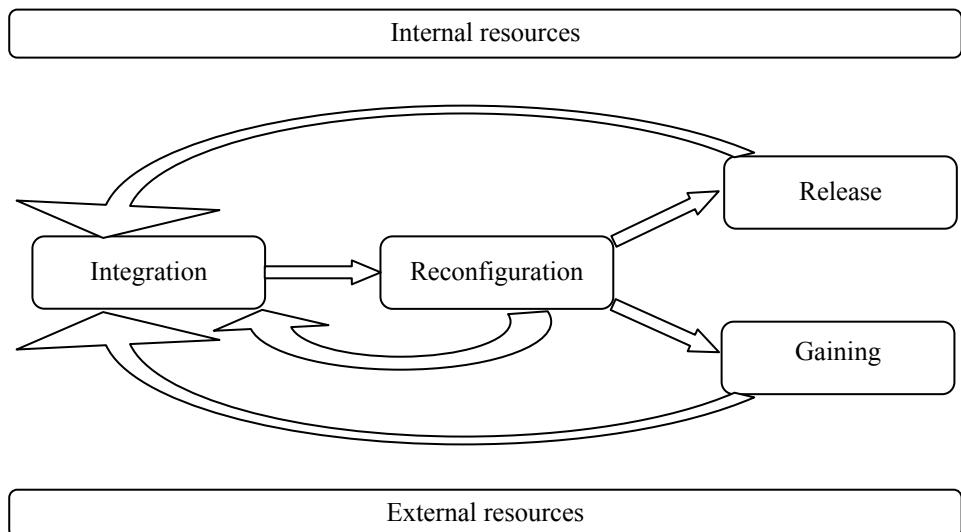


Figure 1. Relational capability as a stream of processes altering firm's resource base

The managerial trilemma: Make-Buy-Ally¹⁵ stresses the distinctive role of relational capabilities – provide access to resources without having to own them or develop on the organization's own. Finally, a third feature aside of external resource inclusion and the process approach is cited in the literature, namely the deliberate and path dependent nature of relational capabilities. According to scholars, the relational capability is defined as a type of dynamic capabilities with the capacity to purposefully create, extend, or modify the firm's resource base, augmented to include the resources of its alliance partners¹⁶.

¹⁴ D. Teece, G. Pisano, A. Shuen: *Dynamic Capabilities and Strategic Management*. "Strategic Management Journal" 1997.

¹⁵ J. Child, D. Faulkner: *Strategies of Co-Operation. Managing Alliances, Networks, and Joint Ventures*. Oxford University Press, Oxford 1998.

¹⁶ C. Hefalt, M. Peteraf: *The Dynamic Resource-Based View: Capability Lifecycles*. "Strategic Management Journal" 2003.

1.2. Knowledge management view of the relational capabilities

Another thread of research on the relational capabilities come from the knowledge management stance and focuses on learning, and routines¹⁷. Here, dynamic capabilities and relational capabilities among them are expected to impact on the operational routines in order to improve efficiency. This ability to proactively adapt in order to generate and exploit internal and external firm specific competencies and to address firm's environment¹⁸ focuses on change. Yet scholars suggest also¹⁹ that not all dynamic capabilities have such impact. Figure 2 depicts a hierarchy of concepts where the relational capability is one of dynamic capabilities type.

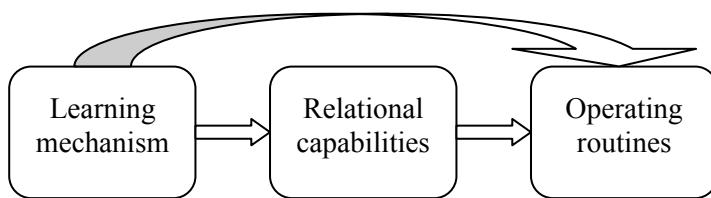


Figure 2. Relational capabilities in knowledge management context

Source: M. Zollo, S. Winter: *Deliberate Learning and the Evolution of Dynamic Capabilities*. "Organization Science" 2002.

Yet relational capabilities cannot be reduced to learning's impact or mediation with operational routines. They involve learned ways of behaving with interorganizational relationships, including procedures and policies²⁰. The learned pathway of change makes relational capabilities consistent with dynamic capabilities when learning is deliberate in terms of knowledge evolution within organizations²¹. Also patterns in relational capabilities would refer to routines, defined as behavior that is learned, highly patterned, repetitive or quasi-repetitive, founded in part in tacit knowledge and the specificity of objectives²². It involves

¹⁷ S. Winter: *Understanding Dynamic Capabilities*. "Strategic Management Journal" 2003, No. 10.

¹⁸ M. Augier, D. Teece: *Dynamic Capabilities and the Multinational Enterprise: Penrosian Insights and Omissions*. "Management International Review" 2007.

¹⁹ C. Hefalt et al.: Op. cit.

²⁰ J. Johnson, R. Sohi, R. Grewal: *The Role of Relational Knowledge Stores in Interfirm Partnering*. "Journal of Marketing" 2004, Vol. 68.

²¹ M. Zollo, S. Winter: *Deliberate Learning and the Evolution of Dynamic Capabilities*. "Organization Science" 2002.

²² S. Winter: Op. cit.

a significant level of intentionality. Some authors suggest even that the dynamic capabilities perspective is a weak form of the resource based view in the sense that its primary interest resides on how high level routines or dynamic capabilities govern the rate of change of operational capabilities or routines²³. The knowledge management perspective unveils two features of the relational capability: (1) repetitive and deliberate patterns of learning, and (2) the change of operational routines.

2. Network perspective on the relational capabilities

Cooperation with other businesses can be source of competitive advantage. Firms form interorganizational relationship for various reasons, ranging from access to resources, uncertainty reduction, transaction cost minimization, or learning. Prior research brought in evidence that network governance benefit in vertical relationships to supplier firms²⁴ and to customer firms²⁵. Less research has been carried out in horizontal and lateral networks with the notable exception of learning processes or R&D²⁶. The benefits available are labelled as collaborative advantage²⁷ or relational rents²⁸.

Yet the objectives of cooperation are very often missed²⁹. High failure rate, instability³⁰, opportunism³¹, and appropriation concerns³² make network opera-

²³ P. Regner: *Strategy as Practice and Dynamic Capabilities: Steps towards a Dynamic View of Strategy*. "Human Relations" 2008, No. 4.

²⁴ M.U. Kalwani, N. Narayandas: *Long-Term Manufacturer-Supplier Relationships: Do They Pay Off for Supplier Firms?* "Journal of Marketing" 1995, Vol. 59, No. 1.

²⁵ J.P. Cannon, C. Homburg: *Buyer-Supplier Relationship and Customer Firm Costs*. "Journal of Marketing" 2001, Vol. 65, No. 1.

²⁶ W. Powell, K.W. Koput, L. Smith-Doerr: *Interorganizational Collaboration and the Locus of Innovation: Networks of Learning in Biotechnology*. "Administrative Science Quarterly" 1996, Vol. 41, No. 1.

²⁷ C. Donada: *Generating Cooperative Gain in a Vertical Partnership: A Supplier's Perspective*. "Canadian Journal of Administrative Sciences" 2002, Vol. 19, No. 2.

²⁸ J. Dyer, H. Singh: Op. cit.

²⁹ A. Madhok, S. Tallman: *Resources, Transactions and Rents: Managing Value through Collaborative Relationships*. "Organization Science" 1998, Vol. 9, No. 3.

³⁰ A.C. Inkpen, P.W. Beamish: *Knowledge Bargaining Power, and Instability of International Joint Ventures*. "The Academy of Management Review" 1997, Vol. 22, No. 1.

³¹ S. Jap, E. Anderson: *Safeguarding Interorganizational Performance and Continuity under Ex Post Opportunism*. "Management Science" 2003, Vol. 49, No. 12.

³² R. Gulati, H. Singh: *The Architecture of Cooperation: Managing Coordination Costs and Appropriation Concerns in Strategic Alliances*. "Administrative Science Quarterly" 1998, Vol. 43, Iss. 4.

tion very difficult in practice, while not fully understood in theory. This paper focuses on two concepts: relational rents as purposefully created source of competitive advantage and the network management viewed as a learned and distinctive set of capabilities.

2.1. Relational rents

The relational rent is above average return earned jointly with partners. Four sources of the relational rent have been identified³³. The first source, i.e. investment in relation specific assets which results in better coordination and adjustment across the boundaries of involved partner firms, requires resource allocation processes oriented at partnering firms as well as the resources themselves. Among relation specific resources physical assets, equipment, software, personnel, or procedures are frequently cited³⁴. The second source of relational rents, i.e. substantial knowledge exchange, including the exchange that results in joint learning refers to knowledge management process. It is viewed as a sequence of knowledge articulation, codification, sharing, and internalization³⁵. While knowledge management within the boundaries of a single organization is a challenge, operating in a network, or dyadic environment brings up appropriation concerns³⁶. Clearly the capability to manage existing knowledge and to create new knowledge in cooperative settings requires openness to partners and a collaborative culture. The third source of relational rents, i.e. combining the complementary, but scarce resources and capabilities which results in the joint creation of unique new products, services, or technologies refers to value chain management or, more broadly, business architecture implementation capability. Cooperation involves realization of cross-functional processes across the boundaries of two or more firms³⁷. Efficient operation requires adaptation and management of those processes as if they were carried out by a single organization. The fourth source, i.e. lower transaction costs than competitor firms and their alliances, arising from the more effective governance mechanism relies upon purposeful choice and changes in network governance. Most broadly network gov-

³³ J. Dyer, H. Singh: Op. cit.

³⁴ J. Dyer: *Effective Interfirm Cooperation: How Firms Minimize Transaction Costs and Maximize Transaction Value*. "Strategic Management Journal" 1997, Vo. 18, Iss. 7.

³⁵ C. Hefalt et al.: Op. cit.

³⁶ T. Jorde, D. Teece: *Competition and Cooperation: Striking the Right Balance*. "California Management Review" 1989, Vol. 31, No. 3; P. Kale, H. Singh, H. Perlmutter: *Learning and Protection of Proprietary Assets in Strategic Alliances: Building Relational Capital*. "Strategic Management Journal" 2000, Vol. 21, No. 3.

³⁷ M. Rodriguez-Diaz, T. Espino-Rodriguez: Op. cit.

ernance is “[...] coordination characterized by social system rather than bureaucratic structures within firms, and formal contractual relationships between them, to coordinate complex products in uncertain and competitive environments”³⁸. Therefore, implementing network governance implies that managers find an appropriate balance between social, hierarchy, and market coordination mechanisms. Adaptation to change which inevitably occur long-term relationships adds to the governance design capability an additional requirement – to be flexible.

All sources of relational rents require commitment by parties involved and point out to relevant capabilities and resources connected with them, which seem to precondition the successful achievement. Table 2 shows the relational rents and capabilities connected to them.

Table 2

Relational rent and capabilities

Sources of rent	Capability
Relation-specific asset investment	Resource allocation process
Substantial inter-firm knowledge exchange	Knowledge management Openness Collaborative culture
Combining the resources and capabilities of partner firms	Value chain management
Transaction cost minimization	Network governance design and adaptation

The unique combination of resources and capabilities, together with efficient governance mechanism leads some researchers to view networks as valuable resources³⁹ difficult to imitate source of above average rents. It is consistent with the resource based view of the firm, which suggests that abnormal returns come from unique resources, enabling their users to achieve ricardian or monopoly rents⁴⁰.

2.2. Manageability of networks and dyads

Our understanding of interorganizational and networks comes essentially from two stances. The first one is the sociological research, drawing on social

³⁸ C. Jones, W.S. Hesterly, S.P. Borgatti: *A General Theory of Network Governance: Exchange Conditions and Social Mechanisms*. “Academy of Management Review” 1997, Vol. 22, No. 4.

³⁹ A. Madhok, S. Tallman: Op. cit.

⁴⁰ M.A. Peteraf: Op. cit.

ties⁴¹, further developed into the concept of social capital⁴². The unit of analysis has been the individual, which makes a direct transfer of findings to management a difficult task. These researchers see networks as self-organizing units, arguing that management by a single company emerges from experience of day-to-day joint operations. Other scholars adopt the view that networks as deliberately created structures which have to be managed in order to be efficient⁴³. Whereas the sociological stance focuses rather on explaining the ongoing processes of network emergence⁴⁴, the strategic network thread of research aims at providing managers with a toolbox to cope with network operation challenges. Specifically it aims at listing the processes and capabilities necessary to successfully carry out network operations or dyadic relationships.

Deliberate shaping and adaptation of relationships has been confirmed as a capability critical for competing in the business-to-business sector⁴⁵. Consistent with this view relational capabilities are defined as superior skills to manage resources shared between companies⁴⁶. Also, the development and leveraging of a distinctive set of capabilities, called by some authors also network capabilities⁴⁷, is crucial for the lead firm to be able to tap into the strategic potential of its alliance web⁴⁸. Extant literature provides several classifications of these capabilities, as shown in Table 4.

The alliance function, as some authors label the distinctive part of the organization devoted to manage alliances, has proven to significantly improve the firm's performance⁴⁹, bringing the success ratio roughly from 50-50 for firms without the function to 2-1 for firms with the function. The alliance function plays a number of roles: leveraging learning and operational routines modification, tacit knowledge increase as to how to manage alliances, ensuring visibility of firms' dedication to effectively run interorganizational relationships, mobi-

⁴¹ M. Granovetter: *The Strength of Weak Ties*. "American Journal of Sociology" 1973, Vol. 78; R.S. Burt: *Structural Holes – the Social Structure of Competition*. Harvard University Press, Cambridge, Massachusetts 1992.

⁴² N. Lin: *Social Capital. A Theory of Social Structure and Action*. Cambridge University Press, Cambridge 2001.

⁴³ K. Möller, A. Rajala: *Rise of Strategic Nets – New Modes of Value Creation*. "Industrial Marketing Management" 2007, Vol. 36.

⁴⁴ R. Gulati: *Social Structure and Alliance Formation Patterns: A Longitudinal Analysis*. "Administrative Science Quarterly" 1995, Vol. 40, No. 4.

⁴⁵ D. Jarrat: Op. cit.

⁴⁶ M. Rodriguez-Diaz, T. Espino-Rodriguez: Op. cit.

⁴⁷ K. Möller, S. Svahn: Op. cit.

⁴⁸ A. Capaldo: Op. cit.

⁴⁹ P. Kale, J. Dyer, H. Singh: *Alliance Capability, Stock Market Response, and Long-Term Alliance Success: The Role of the Alliance Function*. "Strategic Management Journal" 2002.

lizes the resources of the organization which usually are allocated to the function, motivates to develop metric valuing performance⁵⁰.

3. Discussion

According to some scholars, the relational capabilities are equifinal, which supposes that firms can develop these capabilities from many starting points and along different paths⁵¹. This suggest that they are complex and heterogeneous. Different yet complementary views on the relational capabilities are exemplified in Table 3.

Table 3

Definitions of the relational capability according to different perspectives

Perspective	Author	Definition
Resource Based View	Hefalt et al. (2003)	<i>the capacity to purposefully create, extend or modify the firm's resource base, augmented to include the resources of its alliance partners</i>
Dynamic capabilities	Augier, Teece (2007)	<i>ability to proactively adapt in order to generate and exploit internal and external firm specific competencies and to address firm's environment</i>
Knowledge Management	Johnson, Sohi, Grewal (2004)	<i>learned ways of behaving with interorganizational relationships, including procedures and policies</i>
Network governance	Dyer, Singh (1998)	<i>willingness and ability to partner</i>
Network management	Rodriguez-Diaz, Espino-Rodriguez (2006)	<i>superior skills to manage resources shared between companies</i>

The concept of ability suggest a preexisting capacity, which suggest that there can be a general relational capabilities set, regardless of whether the firm does actually have partners, and another set of relational capabilities stemming from current and past relationships, idiosyncratic to them. Therefore an examination of relational capabilities elements would probably shed light on the “black box” of this phenomenon. Also, literature review points out to some critical features of the relational capabilities, and therefore enables to propose a nominal definition, focused on its specific features. I propose to define relational capabilities as “[...] purposefully created combination of management and govern-

⁵⁰ Ibid.

⁵¹ K. Eisenhardt, J. Martin: Op. cit.

ance structures that allows carrying out value creation and learning processes by two or more parties under conditions of joint resources and capabilities exploitation in order to achieve partners' objectives”.

3.1. Building blocks of the relational capability

From the process perspective previous research points out to three roles of organizational processes: (1) coordination, (2) learning, and (3) reconfiguration⁵². Further refinements bring a broader list where coordination has been renamed asset orchestration, while reconfiguration became business design competence and another distinctive capability investment allocation decision heuristics⁵³. These authors, preceded by others⁵⁴, also added efficient governance as a prerequisite in interorganizational settings where plural form of governance instead of hierarchy prevails. The views and terminology in the literature are neither coherent nor inclusive, as illustrated on Table 4.

Table 4

Components of the relational capability

Author	Building blocks of the relational capability
Jarrat (2004)	<ul style="list-style-type: none">- functional infrastructure,- integrative learning,- behavioral
Augier, Teece (2007)	<ul style="list-style-type: none">- learning and innovation,- business design competence,- investment allocation decision heuristics,- asset orchestration, bargaining, and contractual competence,- efficient governance and incentive alignment
Moller, Svahn (2003)	<ul style="list-style-type: none">- ability to integrate and coordinate value activities,- architectural knowledge of the value system,- capability to exploit current actor competencies through effective knowledge transformation and sharing,- open, trusting culture
Dyer, Kale (2007)	<ul style="list-style-type: none">- improving knowledge management,- providing internal coordination,- facilitating interaction and accountability,- maintaining external visibility
Lorenzoni, Lipparrini (1999)	<ul style="list-style-type: none">- ability to absorb competencies from others,- ability to combine and coordinate the technical dimension of a large number of firms,- ability described as architectural to combine existing competencies to generate new knowledge

⁵² D. Teece, G. Pisano, A. Shuen: Op. cit.

⁵³ M. Augier, D. Teece: Op. cit.

⁵⁴ D. Griffith, M. Harvey: *A Resource Perspective on Dynamic Capabilities*. “Journal of International Business Studies” 2001, No. 3.

A broad overview supports the thesis that relational capabilities are made of four typical elements taken from both the organization theory and strategic management: structures-process and resources-competencies.

The structural component of relational capabilities addresses the challenge of efficient joint value creation by many actors in a network context. Appropriate choice of both business architecture and governance make it possible. While business architecture refers to the issue of how to configure the value system of the network in terms of value activities, the network governance component refers to the issue of how to frame the transactions between network actors. Network governance is typically a plural form, made of the social, market, and hierarchical mechanisms. Flexibility requires the proportions of those mechanisms to change over time to respond to major environment changes. Prior research has been carried out from the transaction cost economics stance with the focus on governance choices independently of other factors⁵⁵.

The process component of the relational capabilities remains relatively well described and established in the literature. Learning, coordination, and transformation are necessary both to efficiently exploit current resources and competencies and to explore improvements to operating routines. Prior research focused either on the resource base or on operational routines. However important those issues are, they miss the coordinating and transformative role of organizational routines. Therefore all roles played by interorganizational processes need to be included.

The resources component reflects the need to allocate sufficient assets to managing jointly operated activities as described in the alliance function⁵⁶ and to co-specialize assets in order to seek interorganizational synergies⁵⁷. Specifically this resource dedication difference shows that contrary to prior literature resources in network context are not idiosyncratic to one precise partner firm. On the contrary there is a more general allocation of resources to unilateral readiness to operate in or to orchestrate a network. Next when cooperation is ongoing bi- or multilateral adaptation or co-specialization of assets is typically carried out. This finding suggest that there are general relational capabilities and dedicated relational capabilities.

Finally, competencies or technical and managerial knowledge necessary to successfully exploit resources and operate the value activities do complement

⁵⁵ J. Bradach: *Using the Plural Form in the Management of Restaurants Chains*. "Administrative Science Quarterly" 1997, Vol. 42; J.P. Cannon, R.S. Achrol, G.T. Gundlach: *Contracts, Norms, and Plural Form Governance*. "Academy of Marketing Science" 2000, Vol. 28, No. 2.

⁵⁶ P. Kale, J. Dyer, H. Singh: Op. cit.

⁵⁷ J. Dyer, H. Singh: Op. cit.

the list of relational capabilities components. This suggests that relational capabilities are multidimensional, scalable on each dimension, phenomena.

Conclusion

Within the general question of why firms achieve heterogeneous performance lies a more narrow issue of why some firms perform more successfully than others within cooperative settings, be it dyadic or network. Our understanding of the phenomena underlying empirical evidence remains nascent, far from a comprehensive model. Therefore the purpose of this paper has been to examine existing views and research to integrate it into a synthetic view. Dominating stances in the literature – the resource based view of the firm, the dynamic capabilities approach and network management – seem to be complementary to each other. Research grounded in any stance typically draws on findings from others, which suggest an ongoing process of theory building.

The paper findings contribute to the development of relational capabilities understanding fivefold. Firstly, on the grounds on a selective and not exhaustive review of literature, I support the view that relational capabilities are numerous, complex, heterogeneous, and equifinal. There is no empirical evidence of a single distinctive capability which provides relational rents for cooperating firms. Instead many of its components have been studied, unveiled, and proven to be dynamic. Hence rather a set of skills, resources, structures and processes is to be seen as the relational capability, which makes it very close to the original meaning of routines.

Secondly, I propose an integrated list of the relational capability components – governance, asset, knowledge management, value chain management. What derives from this list is a double layer of the relational capability – one obviously idiosyncratic, but the other more general as readiness to cooperate before partners are found. So far researchers have privileged the idiosyncratic side of the relational capability, while neglecting the unilateral commitment of resources, knowledge, and propensities to cooperate.

Thirdly, I provide an overview of the literature pointing out to the very different, yet not conflicting perspectives – the resource based view, dynamic capabilities approach, and network research. All these perspectives rely on the same assumption that a capability needs to be coupled with resources and framed in effective governance when the value creating processes are interorganizational. This explains why different foci provide fragmentary view of the phenomenon without risking dialectical tensions.

Fourthly, I advance a definition of the relational capabilities as “[...] purposefully created combination of management and governance structures that allows carrying out value creation and learning processes by two or more parties under conditions of joint resources and capabilities exploitation in order to achieve partners' objectives. The interest is to bring different perspectives together in order to get a better image of the phenomenon boundaries.

Fifthly, the theory advances further a recent thread of research focusing on the purposeful and deliberate process of capability building. The extension provided by my paper consist in demonstrating that this capability building effort is heterogeneous and requires multifaceted efforts – obviously different for asset allocation processes, network governance adaptation and inter-partner learning.

The applicability of theoretical advances resides upon clear directions or methods of action. This thread of applied research developed recently⁵⁸ mixing extensions of established theoretical findings with observation of what managers actually do. Seen from this angle the managerial relevance of this paper resides upon the dimensions which require managerial skills and attention. So far those directions were presented to a limited extent, while managers should explore both pairs: structure-process and resource-competencies. Focus on building blocks helps achieving cooperative goals and competitive advantage. It also supports the view that intentional capability building is desirable and feasible as far as the relational context is concerned.

Theoretical advances in a sparse and fragmented phenomenon description are subject to several biases. Firstly, the literature considered represents a fraction, however relevant, but still not exhaustive, of published research. Including omitted papers should certainly improve the depth of the view available. Secondly, a large extant literature in the four relational capabilities components needed to be stressed to a very synthetic degree. Reductionism in early phases of cognitive efforts may harm the quality of results. The author is aware of those biases, yet considers them to be acceptable at this stage of theory development. Thirdly, the need for empirical evidence, even as case studies would offer the opportunity to confront with extant literature and theoretical propositions or findings. Further studies will involve empirical evidence, yet the confrontation effort could be made with reference to the advances of this paper. Finally, the descriptive nature leaves us unsatisfied when problems of interrelationships and impact on explained phenomena, are concerned. Further research should tackle this issue.

⁵⁸ M. Rodriguez-Diaz, T. Espino-Rodriguez: Op. cit.

Researchers in the field of relational capabilities are compelled to admit the nascent nature of theory, which poses certain typical challenges. The theoretical advances provides insights, therefore one research direction would certainly be to test the exhaustiveness of the relational capabilities components and provide a detailed description. Once this list is established a further step in modeling it as a managerial tool requires exploring relationships between relational capability components. For instance there is need to investigate how governance impact resource allocation effectiveness on the one hand, and learning processes on the other. Some empirical evidence with respect to these issues is available, but needs further testing and coherent theory building. Another issue most interesting for researchers and managers is the impact of all components onto the firm's performance.

References

- Augier M., Teece D.: *Dynamic Capabilities and the Multinational Enterprise: Penrosian Insights and Omissions*. "Management International Review" 2007, p. 175-192.
- Blyler M., Coff R.: *Dynamic Capabilities, Social Capital and Rent Appropriation: Ties that Split Pies*. "Strategic Management Journal" 2003, Vol. 24, No. 7, p. 677-686.
- Bradach J.: *Using the Plural Form in the Management of Restaurants Chains*. "Administrative Science Quarterly" 1997, Vol. 42, p. 276-303.
- Burt R.S.: *Structural Holes – The Social Structure of Competition*. Harvard University Press, Cambridge, Massachussets 1992.
- Cannon J.P., Achrol R.S., Gundlach G.T.: *Contracts, Norms, and Plural Form Governance*. "Academy of Marketing Science" 2000, Vol. 28, No. 2, p. 180-194.
- Cannon J.P., Homburg C.: *Buyer-Supplier Relationship and Customer Firm Costs*. "Journal of Marketing" 2001, Vol. 65, No. 1, p. 29-43.
- Capaldo A.: *Network Structure and Innovation: The Leveraging of a Dual Network as a Distinctive Relational Capability*. "Strategic Management Journal" 2007, p. 585-608.
- Castells M.: *The Rise of the Network Society*. 2nd edition, Blackwell Publishing, New York 2000.
- Child J., Faulkner D.: *Strategies of Co-Operation. Managing Alliances, Networks, and Joint Ventures*. Oxford University Press, Oxford 1998.
- Donada C.: *Generating Cooperative Gain in a Vertical Partnership: A Supplier's Perspective*. "Canadian Journal of Administrative Sciences" 2002, Vol. 19, No. 2, s. 173-183.

- Dyer J., Kale P., Singh H.: *How to Make Strategic Alliances Work*. "MIT Sloan Management Review" 2001, Vol. 42, Iss. 4, p. 37-43
- Dyer J., Singh H.: *The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage*. "The Academy of Management Review" 1998, Vol. 24, No. 4, p. 660-679
- Dyer J.: *Effective Interfirm Cooperation: How Firms Minimize Transaction Costs and Maximize Transaction Value*. "Strategic Management Journal" 1997, Vol. 18, Iss. 7, p. 535-556.
- Eisenhardt K., Martin J.: *Dynamic Capabilities: What Are They?* "Strategic Management Journal" 2000, p. 1105-1121
- Granovetter M.: *The Strength of Weak Ties*. "American Journal of Sociology" 1973, Vol. 78, p. 1360-1380.
- Griffith D., Harvey M.: *A Resource Perspective on Dynamic Capabilities*. "Journal of International Business Studies" 2001, No. 3, p. 597-606.
- Gulati R., Gargiulo M.: *Where Do Interorganizational Networks Come From?* "The American Journal of Sociology" 1999, Vol. 104, No. 5, p. 1439-1493.
- Gulati R., Singh H.: *The Architecture of Cooperation: Managing Coordination Costs and Appropriation Concerns in Strategic Alliances*. "Administrative Science Quarterly" 1998, Vol. 43, Iss. 4, p. 781-814.
- Gulati R.: *Social Structure and Alliance Formation Patterns: A Longitudinal Analysis*. "Administrative Science Quarterly" 1995, Vol. 40, No. 4, p. 619-652.
- Hefalt C. et al.: *Dynamic Capabilities. Understanding Strategic Change in Organizations*. Blackwell Publishing, New York 2007.
- Hefalt C., Peteraf M.: *The Dynamic Resource-Based View: Capability Lifecycles*. "Strategic Management Journal" 2003, p. 997-1010.
- Inkpen A.C., Beamish P.W.: *Knowledge Bargaining Power, and Instability of International Joint Ventures*. "The Academy of Management Review" 1997, Vol. 22, No. 1, p. 177-202.
- Jap S., Anderson E.: *Safeguarding Interorganizational Performance and Continuity under Ex Post Opportunism*. "Management Science" 2003, Vol. 49, No. 12, p. 1684-1701.
- Jarrat D.: *Conceptualizing a Relationship Management Capability*. "Marketing Theory" 2004, p. 297-309.
- Johnson J., Sohi R., Grewal R.: *The Role of Relational Knowledge Stores in Interfirm Partnering*. "Journal of Marketing" 2004, Vol. 68, p. 21-36.
- Jones C., Hesterly W.S., Borgatti S.P.: *A General Theory of Network Governance: Exchange Conditions and Social Mechanisms*. "Academy of Management Review" 1997, Vol. 22, No. 4, p. 911-945.
- Jorde T., Teece D.: *Competition and Cooperation: Striking the Right Balance*. "California Management Review" 1989, Vol. 31, No. 3, p. 25-37.

- Kale P., Dyer J., Singh H.: *Alliance Capability, Stock Market Response, and Long-Term Alliance Success: The Role of the Alliance Function.* "Strategic Management Journal" 2002, p. 747-767.
- Kale P., Singh H., Perlmutter H.: *Learning and Protection of Proprietary Assets in Strategic Alliances: Building Relational Capital.* "Strategic Management Journal" 2000, Vol. 21, No. 3, p. 217-237.
- Kalwani M.U., Narayandas N.: *Long-Term Manufacturer-Supplier Relationships: Do They Pay Off for Supplier Firms?* "Journal of Marketing" 1995, Vol. 59, No. 1, p. 1-16.
- Lin N.: *Social Capital. A Theory of Social Structure and Action.* Cambridge University Press, Cambridge 2001.
- Lorenzoni G., Lipparini A.: *The Leveraging of Interorganizational Relationships as Distinctive Organizational Capability: A Longitudinal Study.* "Strategic Management Journal" 1999, Vol. 20, No. 4, p. 317-338.
- Madhok A., Tallman S.: *Resources, Transactions and Rents: Managing Value through Collaborative Relationships.* "Organization Science" 1998, Vol. 9, No. 3, p. 326-339.
- McGahan A.M., Porter M.E.: *How Much Does Industry Matter, Really?* "Strategic Management Journal" 1997, Vol. 18, p. 15-30.
- Möller K., Rajala A., Svahn S.: *Strategic Business Nets – Their Type and Management.* "Journal of Business Research" 2005, Vol. 58, p. 1274-1284.
- Möller K., Rajala A.: *Rise of Strategic Nets – New Modes of Value Creation.* "Industrial Marketing Management" 2007, Vol. 36, p. 895-908.
- Möller K., Svahn S.: *Managing Strategic Nets – a Capability Perspective.* "Marketing Theory" 2003, Vol. 3, p. 209-234.
- Peteraf M.A.: *The Cornerstones of Competitive Advantage: A Resource Based View.* "Strategic Management Journal" 1993, Vol. 14, p. 179-191.
- Powell W., Koput K.W., Smith-Doerr L.: *Interorganizational Collaboration and the Locus of Innovation: Networks of Learning in Biotechnology.* "Administrative Science Quarterly" 1996, Vol. 41, No. 1, p. 116-145.
- Prieto M., Easterby-Smith M.: *Dynamic Capabilities and the Role of Organizational Knowledge: An Exploration.* "European Journal of Information Systems" 2006, p. 500-510.
- Regner P.: *Strategy as Practice and Dynamic Capabilities: Steps towards a Dynamic View of Strategy.* "Human Relations" 2008, No. 4, p. 565-588.
- Rodriguez-Diaz M., Espino-Rodriguez T.: *Developing Relational Capabilities in Hotels.* "International Journal of Contemporary Hospitality Management" 2006, p. 25-40.
- Rumelt R.P.: *How Much Does Industry Matter?* "Strategic Management Journal" 1991, Vol. 12, No. 3, p. 167-185.

Teece D., Pisano G., Shuen A.: *Dynamic Capabilities and Strategic Management*. "Strategic Management Journal" 1997, p. 509-533.

Winter S.: *Understanding Dynamic Capabilities*. "Strategic Management Journal" 2003, No. 10, p. 991-995.

Zollo M., Winter S.: *Deliberate Learning and the Evolution of Dynamic Capabilities*. "Organization Science" 2002, p. 339-351.