

Original article

## Customer relationships as dynamic capabilities of an enterprise – theoretical aspects and practical implications

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### INFORMATIONS

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### ABSTRACT

*The article has a character of a theoretical overview and presents marketing aspects of the Resource-Based View (RBV). The considerations in this article are related to the Dynamic Capability Concept as a new research area in management sciences. The theses of the article focus particularly on locating customer relationships in the conceptual discourse of this concept. The purpose of this article is to identify relationships with customers as dynamic capabilities of an enterprise. The article also presents directions of practical implications and possibilities for using relational skills as a source of competitive advantage of an enterprise. The article uses the method of source analysis, which is based on domestic and foreign literature of the subject.*

### KEYWORDS

*customer, relations, dynamic abilities*



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## Introduction

As scientific research of the recent years and business practice indicate, business management is currently connected to value creation more than ever before. The approach to value in marketing is another changing aspect, as it is no longer linked directly to a product or service in the context of benefits or customer satisfaction, but is embodied in customer experiences and expressed in long-term relations with a company. Considering the importance of customer relationships in management, it should also be noted that marketing activities do not affect customers in a way that is isolated from enterprise resources. Relationships are becoming part of resources of modern organizations and can in themselves constitute the competitive advantage of an enterprise operating in a changeable and very dynamic environment. It becomes important to answer the questions: to what extent can customer relationships be considered as dynamic capabilities and what are the possibilities for a practical use of this approach?

Focusing the research on the inside of an organization and endogenous conditions of its functioning, strategies and changes creates the foundations for a better understanding of the essence of an organization and mechanisms, embodied in it, that foster or limit its developmental potential [Stanczyk-Hugiet 2012].

The primary aim of this article is to identify opportunities for the use of assumptions of the Dynamic Capability View in studying the importance of customer relationships in achieving the competitive advantage by a company. The additional goal is to present possibilities for applying this concept in business practice. The article is of an overview nature and the aim was accomplished through the presentation of global and national scientific achievements in the field of management and relationship marketing.

### **1. The dynamic capability view as an effect of the resource-based view evolution**

The increasing changeability of the global environment in which businesses operate today has been the fundamental subject of research in the field of management sciences for years. Eisenhardt and Martin [2000] talk about an uncertain, turbulent or even already dynamic environment that is characterized by features such as: variation in organization's boundaries, emergence of new distribution channels, contacts with costumers and high uncertainty of decision situations. Declining customer satisfaction, changes in the nature or structure products and services (including the development of new product concepts), expectations, attitudes and behavior of clients that are observed today are simultaneously sources of opportunities and threats to organizations operating on the market [Baran 2013]. These changes also cause evolution in the field of science development and directions of scientific research. As management researchers point out, contemporary problems related to the growing turbulence of the environment and the uncertainty of the decision context have matured to fully exploit the ontology, epistemology, methodology, and finally the axiology of the Research-Based View [Krupski 2009]. This view has become popular in the management theory in the 1990s and it claims that the factor determining the competitive advantage of a company is its material and intangible assets and, in conditions of low stability of the environment, organizational assets are recognized as the factor particularly determining this advantage [Mankiewicz 2015]. This aspect puts the intangible assets of an organization, since Barney's publication, at the heart of management researchers' interests.

The Resource-Based View of a company evolves together with numerous studies that refer to its assumptions. Initially, cognitive interests mainly targeted the knowledge resource and organizational learning, but currently, other assets are being explored more intensively, especially relational capital [Stanczyk-Hugiet and Kacala 2016]. It should be noted that the great potential of this approach also results from the variety of organization's activities emerging from the inside-out perspective, which is clearly superior to the outside-in perspective, making the research-based view the most desirable, in turbulent and uncertain times, epistemological and methodological bases (the isomorphism of the organization and the environment commands to respond to

chaos with chaos and to the increase in diversity of the environment with the increase in diversity of the organization) [Krupski 2009]. However, the suppositions of the classical resource-based view assumed a static approach and did not clearly indicate the possibility for changing a given number of business assets. This turned out to be a sort of limitation and deficiency for many scientists and “followers” of the resource-based view. Therefore, taking up the context of dynamism in the theoretical discourse has as a matter of fact become a natural consequence and direction of the development of this approach.

Today, the Dynamic Capabilities View is considered responsible for the development of the resource-based theory of enterprise as well as for the effect of its evolution. It was defined and presented by D.J. Teece, G. Pisano and A. Shuen in 1997 in the *Strategic Management Journal*, and then developed by subsequent authors – Eisenhardt and Martin (2000), Winter (2003), Teece (2007), Helfat and others (2007), Helfat and Winter (2011), and Teece (2014) [Weinert 2015]. According to the authors of the concept, following the DCV definition, dynamic capabilities represent a company’s ability to integrate, build and reconfigure internal and external competencies directed at the rapidly changing environment [Weinert 2015].

There is some ambiguity in terms of the name of this concept in the Polish literature of the subject. The term “dynamic capabilities” exists, but some scientists use the term “dynamic competencies” interchangeably (within the same definition), which is due to various translation of the English word *capability*.

The term “business capabilities” was introduced and disseminated already by I.H. Ansoff and means that business capabilities constitute a “bundle” (set) of its particular skills serving to implement actions and/or tasks [Matwiejczuk 2016]. The primary feature, which is the most important determinant of business capabilities, is their focus on achieving the expected results that are obtained through intentional and coordinated methods of active resource engagement (the composition resource) in the implementation of set objectives [Matwiejczuk 2016]. Helfat and Peteraf (2003) define capabilities as an organization’s ability to perform a coordinated set of tasks in order to achieve a specific final result; hence capabilities along with assets are classified as business resources [Weinert 2015].

Two main groups (types) of capabilities are distinguished within the framework of the DCV [Matwiejczuk 2016]:

- 1) **operational capabilities** – cover all routine activities, often referred to as organizational routines, related to the primary activity of an enterprise;
- 2) **dynamic capabilities** – primarily associated with integration, creation and reconfiguration of resources, as well as with processes of their acquisition and disposal by an enterprise.

K. Eisenhardt and J. Martin [2000], on the other hand, identify the concept of “dynamic competencies” with “processes that use resources – especially processes of integration, reconfiguration, acquisition and release of resources – in order to adapt an enterprise to market changes or even cause such changes. Dynamic competencies are

therefore organizational and strategic procedures, by which businesses acquire new resource configurations in response to growth, merger, division, evolution and disappearance of markets” [Mankiewicz 2015].

Obviously, the literature sources also point to some weaknesses of the DCV concept. Arend and Bromiley indicate four important problems: unclear added value relative to existing concepts, lack of consistent theoretical foundations, poor empirical support and unclear practical implications [Weinert 2015]. However, there is no doubt that constantly changing conditions of the business environment play an important role in the perception of dynamic capabilities. In this context, from the perspective of dynamic capabilities, the mere possession of resources does not constitute a sufficient condition for obtaining a competitive advantage. In order to obtain it, it is also necessary to develop these resources skillfully and create new combinations of them as well as to use capabilities and competencies properly, due to which it will be possible to meet the requirements of the market and the environment [Eisenhardt and Martin 2000].

## **2. Customer relationships as dynamic capabilities of an enterprise – theoretical assumptions**

The classics of marketing have been writing for years about the changes that are systematically occurring in relationships between companies and customers. They pay attention to the shift away from mass marketing in order to build deeper, more durable and more direct relationships with precisely selected customers. These changes constitute a transformation in the direction of co-creating values together with customers within the framework of the so-called relationship marketing. The driving force behind this trend is not only a shift in customer attitudes and behavior, but also a growing awareness of companies that this engagement can be a source of new competencies of an enterprise. In the development of the concept of relationship marketing, the assumptions of the abovementioned resource-based view regarding intangible resources of an organization are very important. Among them, G. Hooley, J. Saunders and N. Piercy also mention marketing resources in the form of, for example, customer relationships [Rudawska 2008]. It has been recognized that the appropriate use of owned marketing resources serves to create and deliver value to customers, which in turn should be reflected in the increase of the competitive advantage of an enterprise [Rudawska 2008].

As indicated by the analysis of scientific literature, the DCV concept has also had a strong impact on studies conducted by researchers of marketing, in particular strategic marketing. This influence has been reflected in conceptualization works and, to a lesser extent, in empirical research regarding the so-called Dynamic Marketing Capabilities (DMC) [Mitrega 2016]. Thus, a category of business capabilities that is explicitly connected with the market has been created. Among academic achievements, however, there is a lack of a universally accepted definition of dynamic marketing capabilities as well as a set of these capabilities [Mitrega 2016]. Of course, the accentuation of market knowledge can be found in the sources as a central element of the DMC, but these considerations are conducted on a high level of generality.

Changes in the market environment noticed by an organization are therefore an incentive to develop dynamic marketing capabilities [Mitrega 2016]. It is pointed out that one should not speak only of a single “global” dynamic marketing capability, but rather of different possible DMCs. This means that an enterprise can gain competitive advantage through the capability to reconfigure a selected set of marketing assets [Mitrega 2016].

The question then arises: can customer relationships be recognized as dynamic capabilities allowing for gaining competitive advantage? As Czakon emphasizes, the group of dynamic capabilities still remains open; such examples include: competencies that facilitate carrying out changes, competencies related to innovation, strategic decision-making, product development, cooperation management skills, response to market needs, introducing product innovations as well as the ability to develop and reconfigure human resources in an enterprise (also on the strategic level) [Weinert 2015]. Thus, there is a need to conduct research that would provide a scientific basis for recognizing customer relationships as a marketing capability of a dynamic nature. For these considerations, it is important to refer to the characteristic features of dynamic capabilities. C.L. Wang and P.K. Ahmed have identified three primary indicators of dynamic capabilities that, in their opinion, are not only common to various enterprises, but also crucial in the process of creating and developing business competencies. Among these indicators, which constitute a kind of “dynamic sub-capabilities” (components of dynamic capabilities), the authors have listed [Matwiejczuk 2016]:

- 1) **adaptation capabilities** – express the particular abilities of an enterprise to adapt to changes occurring in its environment;
- 2) **absorption capabilities** – relate mainly to abilities allowing the assessment of the value of knowledge (including, in particular, the so-called market knowledge), as a key business resource, as well as to abilities to acquire this knowledge and use it in a way that allows to create a competitive advantage;
- 3) **innovation capabilities** – concern the business capabilities to create and develop new products and services, new methods and techniques of production, new ways of providing services, new standards of customer service, new organizational forms and new markets.

It should be noted that there are wide scientific achievements that identify the relational aspects of the functioning of modern enterprises. It is a response to the need to define and characterize all intangible assets of organizations that are often critical to its value and it has been reflected in creation of the concept of intellectual capital of organization [Perechuda and Chomiak-Orsa 2013]. For contemporary organizations, the components of intellectual capital are particularly important, especially the structural capital (in addition to human capital), which is the representation of the relational capital created by an organization in the internal and external perspective. The following can be then distinguished [Perechuda and Chomiak-Orsa 2013]:

- **Internal relational capital** – defined as a collection of the intellectual property of organizations, work processes and methods, executive procedures, databases and ICT infrastructure. In addition, the internal relational capital of an

organization is primarily consists of relational resources created by stakeholders who are sub-constituents of an organization that creates the atmosphere and trust within it.

- **External relational capital** – perceived, on the other hand, as a structure for maintaining proper relationships with the environment, including, among others, the system for searching audience, sales networks, research and development projects, customer bases, brand and reputation of a company and strategic partnership.

The consideration above does not, however, take into account the specificity of customer relationships, which, in essence, combine internal possibilities and external chances. Thus, while the creation of relational capital is becoming one of the processes reducing the uncertainty of business activities, it is important to determine whether and to what extent understanding customer relationships as a marketing capability of an organization is a significant source of competitive advantage. It is worth emphasizing that the use of customer relationship management in an enterprise does not always have a positive impact on its effects. As Krasnikov, Jayachandran and Kumar write, it may even be that actions in the direction of CRM (Customer Relationship Management) reduce the effectiveness of an organization, depending on when and where they are implemented [Mitrega 2016]. Creating customer relationships in the DMC concept perspective and treating them as dynamic capabilities by an enterprise would be the solution to this problem. Only then one can agree with the statement by Nguyen and Mutum [2012] that creating customer relationships, which are based on quality, dialogue, innovation and learning, is the most effective strategy [Matwiejczuk 2016]. This relational capability of an enterprise is extremely difficult to replicate by competitors and, as a consequence, it can constitute a long-term competitive advantage [Baran 2013].

### **3. The use of the *dynamic capability view* in creating long-term relationships with enterprise customers – practical implications**

As indicated by global scientific sources, the life cycle of a contemporary organization is constantly and diametrically decreasing, which means that every organization today is forced to look for new incentives and solutions that determine a fast market success. Managers of many companies identify the creation of relationship networks as one of the significant guarantees of market success. This perception of market opportunities means the need to attribute a special role to intangible resources in management models [Perechuda and Chomiak-Orsa 2013]. This practical trend is part of the development of the DCV concept, which gave impetus to the search for diverse and dynamic sources of success for contemporary organizations. According to Al-Aali and D. Teece, dynamic capabilities belong to the area of best practices. They constitute the highest level of capabilities because they dictate the way in which ordinary capabilities of an organization are developed and combined [Al-Aali and Teece 2014]. Therefore, such understanding of capabilities in the business practice is becoming a kind of duty. It determines how an organization is to develop its strengths, as well as to create and syn-

chronize them with elements of the business environment in order to increase the operational effectiveness. Dynamic capabilities thus derive from combining managerial skills, knowledge, experience, values and organizational routines [Penc-Pietrzak 2015].

The use of various company activities in the DCV context has been widely researched and described. Dynamic capabilities in the following spheres can be mentioned: supply chains, innovation and production and IT technology, as well as alliances and networking. As pointed out by D. Teece, businesses with strong dynamic capabilities are highly entrepreneurial. Not only do they adapt to the business environment but they also shape it through innovation and cooperation with other enterprises and institutions [Al-Aali and Teece 2014].

Taking into consideration the fact that today's contemporary businesses are concentrated on their attention to a large extent on customer relationships as an important source of competitive advantage, it becomes essential to use a dynamic approach also in terms of marketing customer relationships. Thus, there is an urgent need for businesses to learn how to develop and strengthen their relational capabilities as dynamic marketing capabilities (DMC) [Bratnicka 2014]. Poorly represented, although existing, empirical research results allow to assume that DMCs are beneficial to organizations and not merely a theoretical construct. In other words, it should be stated that the introduction of DMCs in organizations is justified from the perspective of business practitioners' expectations [Mitrega 2016]. Therefore, the concept of dynamic capabilities of an organization is worth popularizing within Polish businesses, because in conditions of intensified competition and frequent changes of market rules, the development and skillful use of these capabilities can determine the success or even the enterprise's survival on the market [Penc-Pietrzak 2015].

## **Conclusion**

The tendency of modern organizations to create values as a result of the transformation of intangible resources has changed the picture of management. Modern business management concepts are largely based on intangible resources. The Dynamic Capabilities View, as part of the resource-based view, perceives competitive advantage as an effect of specific organizational behaviors that allow businesses to adapt faster and more precisely to all market changes. The DCV concept states that the essence of dynamic capabilities is not only the possession and use of resources, but also their development and renewal, which is possible due to organizational learning processes that shape new organizational logic.

Nowadays, customer relationships play an important role in building competitive advantage of many businesses. This means that the marketing capabilities of enterprises and organizations can become an argument for operating on a dynamically developing and highly competitive market. The identification of customer relationships as an intangible resource of a dynamic nature and testing its attributes and effect on the success of a business is becoming increasingly significant. As emphasized by K. Eisenhardt and J. Martin, the importance of dynamic capabilities lies in the proper configuration

of resources, not only in resources themselves. Competitive advantage is achieved thanks to resources being used in faster and better than by competitors. Thus, it becomes necessary to test this paradigm in the context of relationships between an enterprise and customers. The analysis of the scientific achievements conducted in this article has shown that there are studies regarding relational networks as well as the identification of resources and relational capabilities, however, in the context of organizational relationships – the construction of subjective dependency networks on the supply side. A research gap has thus been identified with regard to the possibilities for the use of the Dynamic Capabilities View in studying the importance of customer relationships in achieving an enterprise's competitive advantage. Better understanding of marketing capabilities, which are customer relationships, can give answers to many questions that are crucial for a company's nature both for scientists and practitioners. Thus, the popularization of the DCV in Polish enterprises seems justified, as today in the conditions of digitalized economy, accompanied by fast information flow, growth of markets with increased competition and frequent changes of market rules, the development and skillful use of marketing relational capabilities as dynamic ones can be crucial for improving the effectiveness of an enterprise's functioning and even surviving on the market.

#### **Conflict of interests**

The author declared no conflict of interests.

#### **Author contributions**

Author contributed to the interpretation of results and writing of the paper. Author read and approved the final manuscript.

#### **Ethical statement**

The research complies with all national and international ethical requirements.

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