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The Practices and Process of Strategic Differentiation in the Emergence of New Organizational Capabilities: An Analysis of the Launch of New Services

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Abstract:

This study contributes perspectives on emergence of new organizational capabilities by analyzing practices involved in launching new services in pursuit of market differentiation. Companies and enterprises can benefit from insights of this study. The possibility of mapping practices, understand them holistically, and separating them into basic enabling practices, provides the company an opportunity to define areas that require change and areas that can be exploited to give competitive advantage. Enabling practices allow managers to develop outcomes and insights into new capabilities. The study empirically examines organizational practices of a Brazilian television and Internet media company in implementation of strategic differentiation and adaptation of organizational activities, skills, and dynamic capabilities to achieve competitive advantage. The research methodology is qualitative using company interviews and official media materials.

Keywords: strategic management, dynamic capabilities, strategic differentiation, competitive advantage

1. Introduction

This research seeks a greater understanding of the relationship between approaches to the development of dynamic capabilities and strategic differentiation practices. It is based on the organizational triumvirate of “people, processes, and technology.” People, because they are the managers/directors who understand, formulate, and execute the strategy; processes, because we must understand what occurs within a company, which processes are well developed, which are helpful, and which are detrimental to development; and, technology because, without this element, any company will become irrelevant. In the case of the company studied, technology is the essential element used to implement capabilities and deliver them to the market. Thus, this study strengthens the theories and practices in the field of strategy.

The study is unique because it demonstrates the outcome of creating a new dynamic capability. It is innovative because it represents a fresh approach to the study of dynamic capabilities: the “strategy as practice” approach.

In analyzing organizational practice, we seek to understand more than simply a process: we closely examine the reality of the organization to understand its behavior and choices. Understanding and mapping practices show how organizations conduct strategic differentiation by reconfiguring their routines and activities, and the formation of these new capabilities can be dynamic in the process of launching new services. The company chosen for this study holds a sustainable competitive advantage in its sector and, at the same time, operates within a highly dynamic environment characterized by the rapid introduction of new information, the use of new technologies, active competitors, and new entrants. The Brazilian Institute of Public Opinion and Statistics (IBOPE) is a Brazilian multinational company with over 70 years of operations in market research, television (TV), and Internet media. The company is ranked 12th among the Honomichl Top 25 Global research organizations.

The company’s strategy for remaining and growing in the market is differentiation. The firm seeks to retain existing customers by expanding its level of service, that is, it seeks to increase the number of contract services in its portfolio limiting the impact of competitors and new entrants. To understand how this strategic differentiation process functions, we selected the company’s media division, which accounts for over 75 percent of its revenues. Within this sector, we selected the launch process of the new *Merchanview* service from the initial concept to the selection of practices, and the ultimate creation of this new service to meet the emerging demands of the broadcast market.

In this context, this research seeks a greater understanding of the factors involved in the organization’s strategy from the perspective of a model of conduct and performance implementation for strategy and decision making following the approach of Johnson (2007). Thus, this study examines the concept of strategy as practice. In this research, the strategy implemented is not limited to the company’s strategy team; instead, it takes place within the context of employees, directors, and managers involved in the company’s

everyday operations. Therefore, to describe the formation of dynamic capabilities created through the process of new product or service launches (the object of this research), we examine the activities, processes, and practices of the company.

This study contributes to the existing dynamic capabilities knowledge by reconfiguring the activities involved in the launch of new services and providing a description of how and where these new dynamic capabilities emerge; gaps in existing research on this subject have been noted by Helfat (2007), Teece (2007), and Salvato (2011). Moreover, this study examines whether dynamic capabilities follow a backward logic or the perspective of strategic choice (Gavetti and Levinthal, 2000).

This research assumes that the practices and processes present in the company accumulate and become extensive knowledge allowing for reconfiguration and a better combination of available resources. Through institutionalized practices, individuals modify resources to adapt the organization to changing market needs. Therefore, this study empirically a) characterizes a company's differentiation strategy, b) describes the changes in practices targeted at the new service, and c) identifies how changes in practices generate new capabilities.

2. Theoretical Framework

The company IBOPE was chosen because it was a national company until 2014 with offices in 14 countries. The company holds a position of credibility and power in the communications research market. In 2015, IBOPE was acquired by WPP, the world's largest communications services group employing 179,000 people working in 3,000 offices in 111 countries. WPP decided to establish a presence in the Brazilian market.

IBOPE, the Brazilian company, has a strong reputation. The company's name and professionals are respected in the market as iconic and legitimate sources of data, metrics, and confidential and open market research. The company is a leader in Internet, TV data, and strategic information for decision makers in the television and media markets. The company works with data from different sources in a rapidly changing data market, and its metrics are used by other companies who cite IBOPE research and data in their documents and studies. The company was selected because it is a dynamic market leader in the Internet and TV communications research field.

Referencing the strategic practice of diversification in Ghemawat's (2002) approach, the development of new products and services represents efforts towards differentiation. Strategic differentiation reflects an organization's expectation of growth and a new market development mission to capture the optimal combination of emerging market opportunities and organizational resources. Additionally, to effectively compete in the market, a company's differentiation strategy must consolidate the brand, reputation, and services offered to the market. In so doing, the company becomes the benchmark for the relevant market segment (Ghemawat, 2002), precluding different competing companies from offering the same product or service and differentiating the company from its competitors. From a practical approach, Regnér (2008) highlights practices as organizational routines or capabilities, global or shared, which provide knowledge on the fundamentals of organizational processes and their origins, that is, the origins of an organization's assets and how they are modified.

From a traditional strategy perspective, Barney (1991) states that the theories propose many reasons for obtaining a competitive advantage and many reasons for the development of competitive strategies. However, according to Regnér (1999), the application of the concept of dynamism to these theories is limited and does not always involve the process of constructing, developing, and changing organizational assets to leverage a competitive advantage. Organizational assets include organizational routines and activities that allow the company to achieve its objectives. The dynamics of the activities and routines, along with the challenges of creativity and competition, are essential to capture the dynamics of the company's strategy (Porter, 1991), which is expressed through the actions of the company in the market.

The concept of routines is multidisciplinary and involves heterogeneous elements (Helfat *et al.*, 2007); according to Nelson and Winter (1982), routines are the building blocks of organizational capabilities. That is, routines are the foundations of organizational development and performance in terms of products or services. Thus, they are considered the main company tools and mechanisms available to organize and lead an organization toward the desired outcome. Routines have an element of inertia (Freeman and Hannan, 1983), can be rich in knowledge and behaviors, and can offer an experimental and selective view of what is effective or ineffective for the organization (Teece, 2009). Selected routines are legitimized and implemented, thereby providing the opportunity to evolve, improve processes and practices, and increase efficiency.

In turn, organizational capabilities are collections of routines characterized by the purpose of the organization (Nelson and Winter, 1982). The organization's capabilities are identified by the knowledge (know-how) that enables superior performance and identity expansion in the form of actions and results such as, for example, the creation and delivery of a product or service and/or the development and creation of new products or services (Dosi and Winter, 2000). Capabilities reflect a firm's ability to reliably perform its basic activities (Salvato and Rerup, 2010). Thus, for Zollo and Winter (2002), dynamic capabilities are derived from the adaptation of operational processes, a relatively stable activity, dedicated to process improvement and, according to Wang and Ahmed (2007), one that occurs in the analysis of transformation mechanisms of organizational assets.

2.1. Dynamic Capabilities

While basic or operational capabilities reflect an organization's ability to perform its basic functions (Winter, 2000), there are dynamic capabilities that help the organization's routines and basic operational capabilities adapt to a dynamic environment (Helfat *et al.*, 2007). These capabilities carry out the necessary changes demanded of the organization. It is within this dynamic market context that the concept of dynamic capabilities emerges. For Eisenhardt and Martin (2000), the term was created as a challenge to the original concept of the resource-based view (RBV). According to the author, the RBV is a static and negligent approach to market dynamism,

and the term dynamic capabilities improves the analysis because it addresses the changing nature of resources and capabilities (Eisenhardt and Martin, 2000).

The concept of dynamic capabilities is built on the notion of an organization's core capabilities, the use of its resources, and the concept including theories concerning flexibility, adaptability, integration, and reconfiguration of resources (Teece, 2009). For Helfat *et al.* (2007), a dynamic capability is an organization's ability to deliberately create, extend, or modify its basic resources, which can be tangible, intangible, or human assets as well as other capabilities that the organization commands or controls. The dynamic capability concept is related to the organization's ability to create, extend, modify and adapt to generate and explore resources and the organization's internal and external specific skills (Helfat, 2007). The concept focuses on the role of resources, such as knowledge and technology, and the role of management in the construction and adaptation of skills to prepare the organization for competition in rapidly changing environments and to promote the development of customer resources that are difficult for competitors to imitate.

"As a result, the perspective of dynamic capabilities seeks to explore how changes in the world result in changes in business and how the organizational environment and capabilities should be improved." (Teece, 2009, p. 233).

Thus, this study highlights the importance of understanding how dynamic capabilities are created in organizations. The creation and evolution of capabilities involves selecting the operation's activities and management that, in the approach of Zollo and Winter (2000), includes three learning mechanisms: the accumulation of experience, the articulation of knowledge, and the codification of knowledge. These mechanisms represent organizational practices; routines that are the behavioral patterns characterizing organizational reactions and resulting in the accumulation of experience. The articulation of knowledge is the process by which individuals and groups understand task execution that is effective and ineffective. The codification of knowledge unifies the understanding of the implications of internal routines and the generation of written tools such as manuals, decision support systems, and project management.

The concept of dynamic capabilities is evolving and is not without criticism. For example, current research fails to capture certain aspects of dynamic capabilities. There are no empirical studies that confirm the understanding of where dynamic capabilities are located in the organization; whether they exist in the organization's upper management as suggested by some authors (Helfat *et al.*, 2007) or on the "factory floor," as suggested by others (Salvato, 2009a). Despite this gap, Teece (2009) notes the ways to study the reconfiguration of resources and activities that guide dynamic capabilities, such as the ability to proactively perceive market trends by analyzing asset adjustments and through the company's ability to shape and reconfigure resources and activities that respond to technological and market changes.

However, as a direction for research in this area, the literature includes studies that identify three factors that make up dynamic capabilities: adaptive capability, absorptive capability, and innovative capability. These three factors together explain the configuration of internal resources to respond to the external market in the development of competitive advantage. Adaptive capabilities are defined by the organization's ability to identify and capitalize on emerging market opportunities (Hooley, Lynch, and Jobber, 1992). Absorptive capabilities refer to a firm's ability to recognize the value of something new, that is, the information provided by the market, to assimilate it and apply it for commercial purposes; it is the ability to exploit and use external information (Cohen and Levinthal, 1990). Innovative capability refers to a firm's ability to develop new services and markets through innovation-oriented strategic alignment of behaviors and processes (Wang and Ahmed, 2004).

The empirical evidence presented in these studies indicates that each of these three components plays a significant role in a firm's survival and success in the long term. The evidence includes the work by Gurisatti, Soli, and Tattara (1997), who demonstrate the innovative capacity of firms to enact internal changes and effectively respond to new demands. Based on evidence from studies conducted over the past decade, such as those by Helfat *et al.* (1997), Pisano (2000), Rindova and Kotha (2001), Lampel and Shamsie (2003), Athreye (2005), and Wang and Ahmed (2007), each of these three dynamic capability components (the adaptive, absorptive, and innovative capabilities) play an important role in the organization's survival and success.

Therefore, the few existing empirical studies on dynamic capabilities allow for the characterization of this concept and the understanding of the elements that shape the behavior and processes of an organization striving to achieve a competitive advantage, whether temporary or sustainable. The development of new capabilities emerges as a result. Some examples are studies that support the evidence that dynamic capabilities impact the development of new services, the development of capabilities (Brady and Davies, 2004), technological adaptation, and resource integration capabilities (Woiceshyn and Daellenbach, 2005). For authors such as Wang and Ahmed (2007), the path to building a capability is not universal among organizations and, therefore, capabilities develop differently. The specific understanding of dynamic capabilities developed by Regnér (2008) involves agents which, knowing the organization's structure and capability, perform resource configuration activities, enabling the improvement of organizational assets and their *modus operandi*, thus obtaining a competitive advantage.

Briefly, therefore, the concept of dynamic capabilities in this study concerns the understanding of environmental changes and why they result in business change for companies and how a company's environmental and organizational capabilities should be improved (Teece, 2009). The components of dynamic capabilities are adaptive capability, absorptive capability, and innovative capability (Wang and Ahmed, 2007).

2.2. Dynamic Capabilities and Strategy as Practices: A Dynamic Approach to Strategy

Many scholars have encouraged the association between the different approaches to strategy (Peteraf, 2005) and an understanding that the strategy decision-making process and sociological and economical perspectives can complement one another (Baum and Dobbin, 2000). Because the organization is considered a set of resources and capabilities, the perspective of dynamic capabilities traces the transformation process of resources and capabilities to results in the form of products and services that deliver superior value to the

customer (Wang and Ahmed, 2007). This argument, endorsed by Barney (1991), considers the ability to respond rapidly to market changes to hinder competitor imitation of processes because it imitation becomes too costly for competitors. Therefore, it is an ultimate source of competitive advantage.

In competitive strategy, launching new services represents the search for new markets and a differentiation strategy that seeks to find opportunities with existing organizational resources and assets (Ghemawat, 2002). Moreover, the market considers the organization's reputation and history. Thus, strategic differentiation lies in a superior combination of assets to shape a new form of competition, serve an emerging market, or surpass competitors. This ability to reconfigure and create new capabilities to serve the market is considered dynamic capability, which can thus be considered a source of competitive advantage for an organization.

In studies of dynamic capabilities, several different future paths are indicated to strengthen this concept. For Wang and Ahmed (2007), future research should continue to be qualitative with efforts aimed at establishing a relationship between a firm's specific processes and the commonalities of dynamic capabilities (adaptive, absorptive and innovative). This practical approach is particularly used to analyze the mechanisms of organizational capabilities and markets and the relationship between resources and market factors (Regnér, 2008). Therefore, this practical approach can potentially explain what type of mechanisms and practices may enable the organization to analyze and reflect on its routines and structures to drive strategic and asset changes (Regnér, 2008) to meet market demand.

3. Methodology

We used analysis and observation of company practices as the fundamental method to understand how the process of creating a new capability was initiated within the organization. The analysis of practices was chosen as the method of research to ensure the research content was closely aligned with the reality of the organization by fully capturing capability factors and an accurate perspective at the time of the study. To understand how dynamic capabilities are formed and how they evolve, this research prepared a case study describing the launch of a new service from the IBOPE Media (Institute for TV Audience Measurement), a part of the company that operates in the media and advertising market.

This research and investigation process revealed how a dynamic capability emerges. The study of the research is the creation of this new service, and the focus is on the relationship among the practices used in developing a new service that requires the reconfiguration of resources and the emergence of new organizational capabilities. The research strategy chosen was the case study method because it enables the organization of social data preserving the unitary character of the object studied (Goode and Hatt, 1969). The study is both descriptive and exploratory using description and analysis of the resource reconfiguration practices as sources for generating dynamic capabilities. There are few studies in academia that examine an organization's existing practices and their function as guidelines for directing necessary changes, requesting new resources, and recombining these to deliver new services to the market. Therefore, we conducted two levels of analysis. The first, at the strategic level, consisted of a description of the organization's strategic direction and its interaction with the environment that created the need to develop and recombine resources to deliver a new service. The second, at the daily practices level, consisted of an analysis of asset reconfigurations to create the new service. To collect the data, interviews were conducted with two top executives involved in developing the new service. Additionally, we analyzed the launch video for the service, which contains testimonials from customers and employees (Merchanview, 2012) and is available on the company's website. A book published on the Institute ("IBOPE: the voice of the People") was reviewed, and broad research on the organization was conducted.

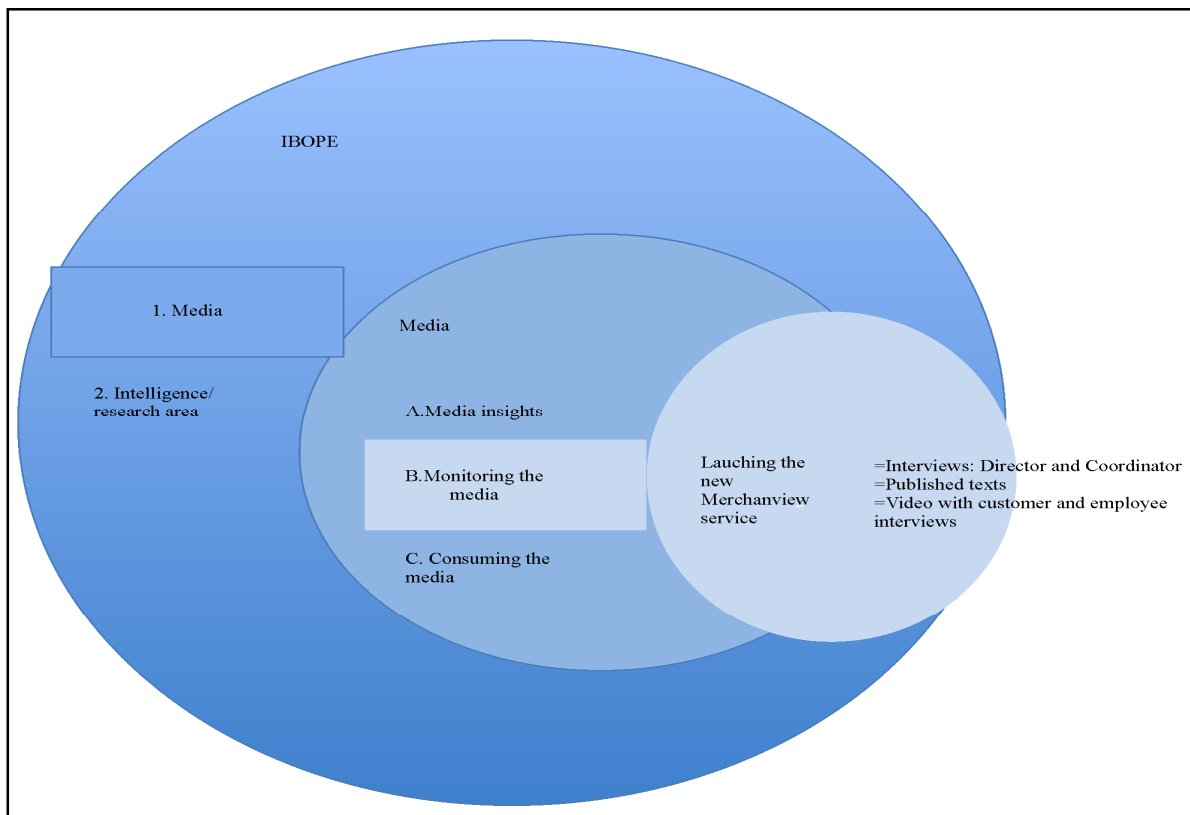


Figure 1: Study focus
Source: Research data

3.1. Data Gathering

To obtain more information and knowledge concerning the environment in which the company operates, exploratory research was initially performed that gathered data from the company's website, informal conversations with employees, public records such as news articles and the book, and the video produced by the company. This was necessary to understand the organization's history, structure, and operation and to identify the key people to be interviewed. In-depth interviews were conducted with the area's director and the coordinator for the new service development; these executives were involved in all stages of the preparation and development of the new service, from initial concept to launch. The respondents were allowed complete freedom in the interviews. Hereafter, these executives are referred to as Respondent 1 and Respondent 2. The interview responses were open interviews, and the respondents were free to discuss anything that they considered important in the process of the new capability's creation.

3.2. Analysis and Observation

Through the exploratory research, the Institute's TV measurement service (Media) was found to be threatened by competition. This service measures two well-known and frequently used means of advertising: traditional commercials and merchandising.

Some of the company's customers were highly satisfied stating that the Institute acted "from the inside out," that is, imposing its metrics and its way of providing services on the market because of an absence of strong competitors in the Brazilian market. Although the Institute does have competitors for some of its services in the domestic market, the Institute relies on its sustainable competitive advantage, and competitors are not strong enough to lure contracts away from the Institute. Seeking to maintain its competitive advantage before the potential onslaught of new competition, the Institute created a new service. The objective was to maintain and enhance current contracts and to showcase a more open and innovative attitude of service development to customers that gave customers a more active role in developing a new service that would better meet their needs. The organization learned collaboratively and quick action was required for service development.

Additionally, merchandising, one type of advertising, had been growing in recent years and interested advertisers who wanted to understand which competitors threatened this strategy. The challenge was to identify the parameters and standards that could be used to allow everyone to follow the market and understand the market movements. Seeking closer customer ties, in 2011, a committee was created composed of the Institute and its main customers who represented a large share of the market. Through this committee, services were evaluated and discussed in terms of the level of service and the identification of new trends. The customers actively participated by noting improvements, suggestions, and identifying trends that could occur in the market at some point. The customers participating in the committee were companies dominant in the TV advertising market in Brazil including TV stations and advertising agencies.

3.3. The Decision-Making Process

There are two well-known and frequently used means of advertising in the TV industry: traditional commercials and merchandising. A traditional commercial is a recorded commercial that appears several times at intervals during TV programs (e.g., TV shows, soap operas, and movies). Because this type of advertising has long been established, the Institute has already standardized the language and display patterns. Additionally, once these patterns were recorded and displayed, they were quickly decoded in the system and available for regulation and measurement. Merchandising is a term used by the market for almost everything other than traditional commercials and has become the typical term for live commercials, testimonials endorsed by celebrities, promotional activities within programs, jingles, and even promotional events with no involvement from the communication media (Veronezzi, 2005). Although not new, having first appeared in 1895, this advertising practice has gained prominence in recent years. TV stations have seen an increase in this category by advertisers seeking to achieve greater prominence for their products and differentiation from the competition.

“This market (merchandising) has gained increasingly more space in all spheres, as companies increasingly wish to differentiate themselves from the rest, approaching the target audience, calling the attention of the potential buyer” (from the advertising planning director of Bandeirantes network – *Merchanview* video – www.ibope.com/merchanview).

The five largest broadcasters in the country (TV Globo, SBT, Record, Band, and RedeTV!) move billions of dollars in the merchandising market, and advertisers are increasingly interested in this approach. Advertisers have a real need to understand the market environment in terms of the competition and the effectiveness of strategies to reach the desired target audiences. Thus, there is a need for a new tool to measure and monitor this market. “Broadcasters were still ‘in the dark’ regarding this merchandising issue. For them, it was important to understand the company’s profile and its values so that they could carry out programs to bring in more and more of this type of advertising” (Respondent 2).

Once in possession of the information from the committee, the company decided that a new service should be created to present the concepts and parameters used for this advertising approach and to provide audience data. Based on the Institute’s accumulated knowledge, the service was designed to surpass the customers original request. The service would provide additional strategic information to build an effective advertising plan, a strategic tool that companies working with the merchandising approach could use. The Institute’s new challenge was capturing and providing information concerning the expenditures of each company, the company activities, and the preferences and activity profiles for merchandising. This would allow TV broadcasters to create targeted programming and to improve their advertising sales. In terms of advertising agencies and advertisers, the challenge was to obtain information on their advertising planning. “The tool is considered strategic because it will provide abundant data together with information intelligence, which will allow companies to understand the return on their investments in advertising” (Respondent 1).

“The tool adds to the strategy of the Institute’s Media Group, bringing a different perspective on merchandising in TV by enabling analysis by product category, advertisers, TV networks, and programs. In addition to the volume of inserts and advertising investment, it is possible, with this new service, to analyze the national GRP (Gross Rating Points) based on the National Television Panel (PNT), also made available by the Institute” (Meio and Mensagem, 2012).

The Institute, at first, was only trained to audit traditional commercials but now also has the ability to audit this merchandising approach and provide complete information such as analysis of product categories, advertisers, TV networks, and programs. This is a new service that provides the advertising market with a tool enabling an analysis of the efficient use of merchandising. Although there is more than one company providing traditional commercial advertising measurement services, the format of regular merchandising measurement, because of its periodicity (time-sensitivity), the information is captured and sent to the client daily – a process that is still unprecedented in the country and, to date, is offered exclusively by the Institute.

4. Results

Part of this study’s results includes a description of six enabling practices. With the creation of this new service that provided strategic differentiation and characterized the company competitively by virtue of its innovative, trend-setting, collaborative, and dynamic behavior,

“The company had a clear objective with the new service, which was to once again become the benchmark in the media market, but now for the merchandising format, in order to meet an emerging market demand” (Media Director).

“Staying close to its customers through an active feedback loop, the company could create this new service using a different format, shifting from the “inside out” approach to a collaborative one. The external information (customer input) is brought in and worked on in order to generate ideas and tests for creating new services. Internally, executives and the professionals responsible for the operation are brought together to assess the commercial and operational feasibility of the suggestions (Respondent 1).

“By creating the quality and feedback committee, the Institute was able to capture, enhance, and meet the new emerging market demand. We managed to secure the lead position as a data and information provider for the media sector in Brazil, serving our customers and not letting other companies lure them from us” (Respondent 2).

In addition to identifying and devising this service, the Institute relied on the committee for support and a means of validation. Because this involved addressing an unknown, the valuation of the space in live programs, the Institute relied on its customers to legitimize the metrics structured for this new service. This collaborative approach was new for the Institute as Respondent 1 affirms: “The differential of this service is that it was developed collaboratively, not from the inside out, which commercially speaking is already valuable and pays for itself” (Respondent 1).

The company and its customers together validated what should or should not be included to meet the needs of the new demand. This approach added value to the market because the company validated the whole process with customers. The company’s ultimate goal

was to provide a service that would be the benchmark in the merchandising market through its constant use and becoming the reference for values and nomenclature for all customers in the industry.

This capturing of a new market highlights the company's adaptive and absorptive capabilities in which opportunities that can be exploited are identified by capturing and valuing new, external information (from customers) and using this data for commercial purposes. The company was open to receiving this information and assimilated and adapted it to develop a market differential. An innovation capability was also present in the development of the new service using the new collaborative approach.

These capabilities were permeated by practices that maintained proximity between the company and its customers at all times. Respondents stated that the entire process was guided by documents shared by the media director and the quality team. The Institute's market reputation can be seen through the participation of these large companies in the service committees. These customers believed in the company's ability to develop something that could accelerate new business in the dynamic world of media,

"It is very important that through this union of broadcasters and through the IBOPE, we can show the market who's who (among advertisers) through a standardization that will help us accelerate the promotion of big business" (Director of Rede Record, from the transcript of *Merchanview* video, www.ibope.com/merchanview).

The Institute required knowledge of all broadcaster and advertising agency activity in the new merchandising market and the ability to translate this knowledge into processes, nomenclatures, and technology. The ultimate goal was to develop new metrics and patterns that could be used as references for the entire medium:

"IBOPE had to understand everything that the other stations were doing, whether everything fit within the same classification, whether what Band was doing fit that same nomenclature, how we were going to create a reference value for that [merchandising] action" (Commercial Planning Director of Bandeirantes, quote from the *Merchanview* video, www.ibope.com/merchanview).

"Our challenge was to understand whether five seconds of a video insert is worth the same as an integrated action" (both video insert and integrated action are different kinds of merchandising advertising) IBOPE Director, quote from the *Merchanview* video, www.ibope.com/merchanview)).

With the creation of the new *Merchanview* service, the Institute acquired a new capability to meet emerging market demand. The differentiation strategy was characterized by proximity to customers to produce a service that was not offered on the market and one that was unique, could meet the expectations and needs of customers, and be considered of value. Based on practices and inherent knowledge, the Institute was able to identify how it could direct the necessary changes and how it could obtain the new resources needed to provide the service. Based on previous practices, the Institute recognized the type of resources, people, and technology investment that was required for improvement and adaptation without being susceptible to great risk in the development of the new service.

Having achieved the goal of developing this new service, customers understood that their need to have information concerning the merchandising format, the demand for which was soaring, was important to leverage new business and generate data on the competition. This information could allow the Institute to be the benchmark in the merchandising measurement market by providing market standards and metrics "in the credits of some shows on Rede Globo, we are already seeing nomenclature that we are using today to define the formats as well as in the price table of RedeTV! And in the classifications according to the concepts that were agreed upon in developing this new service" (Respondent 2).

5. Enabling Practices

The problem of enabling an organization to execute a certain activity has many solutions. The advantage in creating or leveraging a capability can originate from an insight or special capabilities already acquired. To develop the new service, the Institute chooses to utilize existing resources and knowledge to stay ahead of the competition. A main pillar for developing the new service, which was essential to approving investments, was identifying the factors that would be effective and the factors that would need to be adapted as well as potential new hires and the development of technological resources that could serve the new concept. The key was to identify the activities and routines that would be used for the new project that were not already encompassed by activities underway. As demonstrated by the professionals interviewed, although the Institute possessed substantial knowledge concerning the market for traditional commercials, metrics, captured media, and the technology to share these results, little was known about merchandising. The respondents listed the practices involved in developing the new service as well as their existing resources in terms of people, technology, physical space, and knowledge formalized in manuals and project management. The practices were analyzed resulting in a set of six practices. Figure 2 shows these enabling practices.

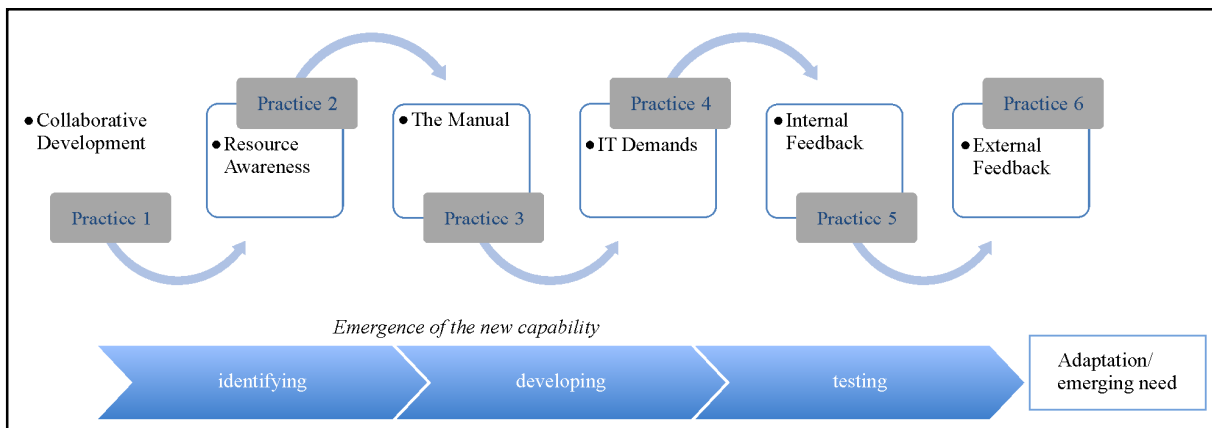


Figure 2: Enabling practices

Source: Research data

- Practice #1. Focus on collaboration: find out how the customer wants and expects to use the service.

For the Institute, the creation of its Customer Relations Committee maintained the focus on contact with customers as well as the practice of capturing and exploiting new data.

The Institute found that it was able to act in a way that prioritized the management of its business rather than focusing on customers' expectations concerning the use of market resources and services. For the Institute, proximity to customers implied strengthening services and, thereby, customer relations. The objectives of the Client Relations Committee were to raise grievances concerning service gaps, to identify new trends, and to bring new insights to the organization.

The Institute's two area managers and key clients met once a month. At the beginning of each meeting, the agenda for the day was reviewed. Discussion ensued and determined the next steps and agenda for the following meeting. One year after the committee's initiation, a much-discussed topic was the return of merchandising as an advertising focus for companies, an item noted by the TV broadcasters. Companies seeking differentiation were veering toward a different type of commercial, and broadcasters did not know how to provide the market information on the value of this advertising space. This new focus on merchandising raised questions of which the market was unaware, and there was thus a need for greater knowledge. This practice provided a significant learning experience for the Institute. Although the Institute possessed a broad knowledge of the traditional commercials market including its metrics, capture means, and results-sharing technologies, little was known about this new type of advertising: merchandising. The Institute did not know how to collect the data and metrics, and the technology should be adapted and improved.

"We wanted a service that did not come from the inside out (imposed by the company on its customers), we wanted something that would really work and that, commercially speaking, already had paying customers" (Respondent 1).

- Practice #2. Mapping and analysis of the resources involved.

The Institute initiated the project using existing resources. All existing activities were listed along with the activities that should exist for the new service. This mapping revealed the divergent relationship between existing activities and those that should exist, producing a comparative table identifying the needs that should be met to launch the new service. In the case of the Institute, these needs could be summarized by three factors: training employees, defining new processes, and developing new technology.

The resources involved in developing the new service were: obtaining employees capable of handling the specific jobs, defining quick and thorough processes that allow for quality control of the information, and developing technology that could consolidate information delivery to customers.

- Practice #3. Every new service has a manual.

Prior to any action, the Institute believed that a manual should be developed by experienced professionals and disseminated throughout the organization to prevent confusion among employees when faced with daily activities and to quickly resolve any problems. The professionals responsible for the tasks gained autonomy and speed in performing their work. An identity and a standard were crucial for this new service; therefore, for this new service to maintain the appropriate level of quality, a manual was drafted that contained information to assist data collection professionals with general guidelines for the concept of the advertising, descriptions, and frequently asked questions. Moreover, an assigned professional consistently monitored the collection process until a new professional was trained to perform and guide the work accurately.

- Practice #4 . Relationship with technology.

Many companies are hindered by simple processes because they are unable to accurately or efficiently communicate business needs in the area of technology. In the case of the Institute, all technology was developed in-house by professionals who joined the organization. Thus, the company created a dossier methodology where every need of the service-providing areas was listed and sent to IT engineers and technicians who then analyzed the needs and sought a solution to address or improve them. In the case of *Merchanview*, a dossier was created with these needs, which was then discussed with the technology professionals with a view to further development.

- Practice #5. Internal feedback

After the technology development, the team responsible for the new service began the testing phase. An internal feedback loop was initiated. The areas involved simulated service provision and constant feedback on problems and possible improvements, which were then discussed and subsequently changed or maintained.

After the internal test phase, the Institute began the external feedback loop. This process was crucial to ensure consistency with each customer’s business, raise issues that had not been previously identified and, most importantly, identify how the customer wanted to use the service.

The six enabling practices identified in Figure 2 provide an understanding of the main differences between the two types of advertising, traditional and merchandising, and their routines, shown in Figure 3. The practices allowed the organization to separate the two types of commercials, identify their differences, similarities, and the potential for the new service. The main changes captured by the managers between the two types of advertising, traditional and merchandising, were the following: the individual responsible for the merchandising format, who already worked with the traditional format, now watches TV every day, seven days a week, 24 hours a day and, in possession of the manual, classifies all activities in the new format that occurs on broadcast TV. This information was communicated to the technology system, which captured the information according to the newly developed technological parameters and informed customers daily about ongoing activities, their estimated value and time, and information about the competition.

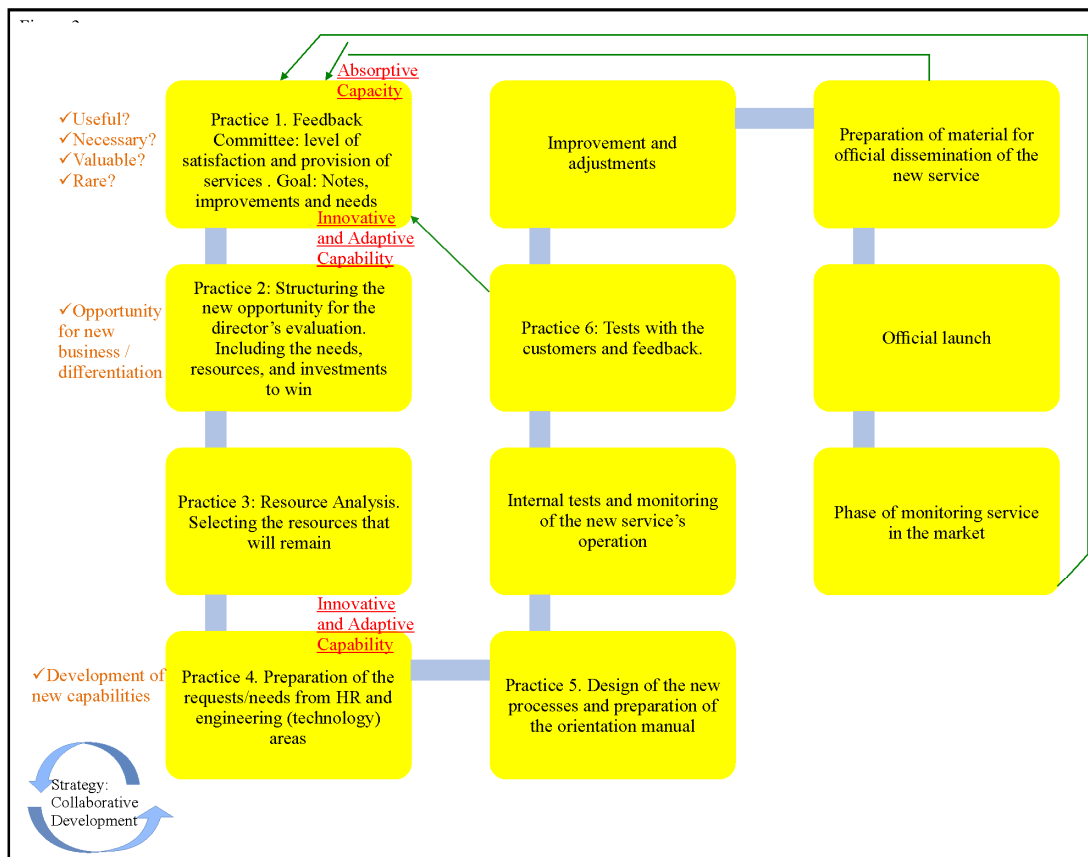


Figure 3: Comparative table between the practices executed in the traditional commercial and merchandising service
 Source: Research data

With respect to the automatic format (traditional commercial), a methodology was created during the time when the Institute worked with traditional commercials using its extensive knowledge. Every piece of information conveyed in the commercials was identified, resembling DNA, and every time this information was reproduced it was identified as part of that advertising material. This information was processed, consolidated, and made available to customers (agencies and stations) throughout the day using a data transmission panel, minute by minute. This was the technological differential of the process: providing real-time data. For the new service, the professionals assigned require at least the knowledge to master the practices of the traditional commercial and the skills to identify and capture merchandising aspects such as setting, presentation, image, and events, thus characterizing the activities the moment they occur. To standardize this effort, professionals with more knowledge of the area drafted a manual containing information to assist other professionals with data collection. General guidelines, descriptions, and frequently asked questions were part of the manual, which was always accessible. One of the professionals would always monitor the collection process until new professionals were trained to carry out the task of supervising/supporting others. Moreover, the data collection process for merchandising was manual, and the data analysis team would then have this information processed before it was sent and made available to customers. In the merchandising format, the information captured provided differentiated data and intelligence for broadcasters. Beyond providing

the new service, however, one of the manager’s main concerns was the quality of the transferred information. Thus, the expert in the area, also the project coordinator, Respondent 2, drafted a complete manual. Employees working in operations were instructed to utilize the manual as a guide for the implementation of any process or project for the collection and processing of information for the merchandising format.

The company reviewed their routines and found that these provided great potential for the creation of a new methodology; the current routines offered parameters for the Institute to develop the new service without the need for substantial investment. Consequently, the Institute had the foundation to implement the new capability (service) with a high level of quality because the activities could be derived from existing routines yet as a new concept and shape. The challenge was, in addition to training employees, guiding the use of data capture tools, software, computers, and the process of sending information to customers (Figure 4).

The Institute stated that, through the initiative of developing the new service, it once again sought to be the benchmark in the media market, forming opinions, setting standards and, finally, becoming the reference model in the measurement and regulation of the merchandising market.

“In IBOPE, companies saw a way to get help from the recognition it already had in the market. The data represent real information that can help companies form a market vision, set goals, and make plans. The entire development of the new service was done in a feedback process: the new service that was developed or enhanced by the Institute was subsequently validated and discussed with the customers” (Respondent 1).

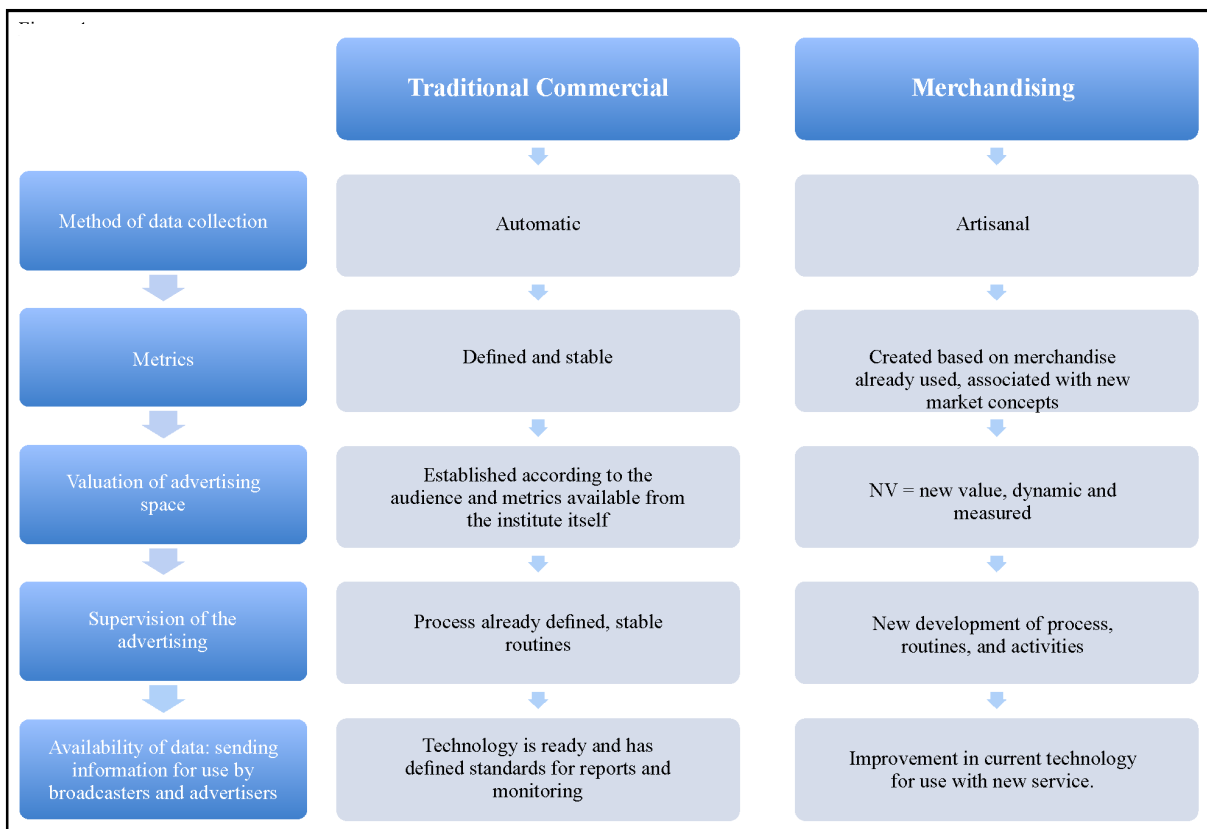


Figure 4: Practices: the path to creating a new dynamic capability
Source: Research data

6. Conclusion

We conclude that organizational practices drive the development of a new service and a new capability, identify the sphere in which the company can provide a new capability, and which aspects require investment in improvements and new development. Moreover, practices reflect the organization’s dynamism and market responsiveness. Practices that are well established within a dynamic context strengthen a company’s ability to reinvent itself and adapt to the market. In any environment or global region where a company wishes to adapt its strategy, practices reflect actual capacity with limitless vision and dynamism while highlighting local and contextual specificities. Practices “told” managers what the strong and weak areas were in the new service and its related processes (Figure 5).

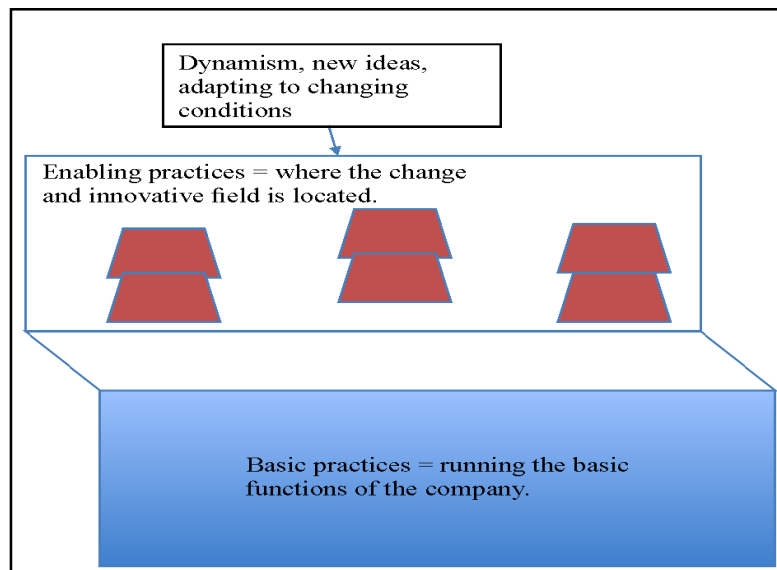


Figure 5: The two level of practices: basic and enabling practices

The possibility of mapping the practices, understanding them holistically, and separating them into basic and enabling practices provides the company with an opportunity to define where changes can be affected and the areas that can provide competitive advantage through a new dynamic capability.

Enabling practices allows managers to develop outcomes and insights, at the right time, and to transform the market demand into a new capability that can provide a competitive advantage. An analogy is a company with two floors where each floor corresponds to a different level of practice. The first-floor practices the basic routine operations of the company. The second-floor practices changes and adaptations to create dynamic capability. This second level represents the enabling practices. On the second floor, the company can identify how to gain a competitive advantage and how to develop a new capability that fits the market demand depending on the factors that differentiate the company from competitors.

To understand what needs to change in any situation, particularly in a highly dynamic environment, practices indicate the strongest areas and the areas where errors are most likely to occur. The knowledge involved in practices facilitates a company's capability to adapt to a new reality, to understand a new need, and to innovate in the way that it develops a new project adding value to internal and external information. An organization that does not observe or analyze its practices risks failure when confronted by challenges.

The Institute's legitimate practices for deploying services, improving processes, and selecting ideas for investment allowed the company to optimize its resources, exploiting existing knowledge and focusing only on the acquisition of new resources and knowledge. In this project, it was possible to identify that because the company had formalized practices that were well-known to all who worked in the field, the demand indicated by the market was quickly satiated, achieving the company's main objective.

Established practices facilitate new service preparation through hindsight and creating innovation to meet emerging market demand and adapting and reconfiguring activities and technology. Succeeding in becoming a benchmark in the sector in which it operated, the company's efforts resulted in strategic differentiation. Thus, the practices described in this study allowed the company to reorganize and reconfigure its activities and to shape itself to align with market needs and trends. The practices provided the individuals involved, managers and employees, the assurance that changes had support, direction, and guidance. In the future, if anything unexpected occurs, employees will know where to obtain solutions because the information is documented, agreed upon, pre-established, and qualified. Similar to a case of trial and error, mistakes are minimized by mapping activities described in the practices. Practices identify legitimate knowledge, activities, and effective routines.

The practices in this case study functioned as a path to identify new demand, managing the new project internally with the ability to operationalize the new service. The practices brought new knowledge to the organization by leveraging credibility, income generation, and market positioning. The leveraging of new capability construction originated from a practice conducted by industry managers concerned with the quality of the service provided by the company, a process that follows the strategic perspective of the company. The manager concerned with the quality and market share was the driving force in developing the organization's new capability and in supporting their superior. This process was encouraged and attributed to high and middle management following a perspective of strategic choice of the organization.

6.1. Recommendations for Future Research

As future research to be developed in the field, we recommend applying the vision and mapping of practices to organizations that provide professional services internationally to discover how these practices help solve contextual problems, local specificities, adaptation issues, the improvement and creation of new services, and new capabilities in different countries.

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