

# **Impact of Globalization on Dynamic Capabilities and Transient Advantage**

Tarushi Tyagi

Symbiosis Centre for Management Studies, Noida

Symbiosis International University, Pune

[tarushi.tyagi2025@scmsnoida.ac.in](mailto:tarushi.tyagi2025@scmsnoida.ac.in)

**Abstract:****Purpose**

This research investigates the impact of globalization on dynamic capabilities and transient advantage within organizations, exploring how globalization shapes firms' abilities to sense, seize, and reconfigure resources.

**Design/Methodology/Approach**

Employing a mixed-methods approach, this study uses qualitative case studies of IBM and Netflix, supplemented by literature synthesis, to analyze the interplay between globalization, dynamic capabilities, and transient advantage.

**Findings**

Globalization presents both opportunities and challenges, enhancing organizational learning and resource access while increasing market volatility. Dynamic capabilities are crucial for managing transient advantage cycles, with sensing and reconfiguring capabilities being particularly critical.

**Practical Implications**

The research informs strategic management by highlighting the need for organizations to develop agile sensing mechanisms, strategic decision-making processes, and the capacity for resource reconfiguration to navigate global markets effectively.

**Theoretical Implications**

This study contributes to strategic management theory by refining understanding of how globalization influences dynamic capabilities and affecting how organizations develop meta-competencies, contributing to understanding of continuous adaptation in a high-velocity world.

**Originality/Value**

This research offers nuanced insights into the shifting dynamics of competitive advantage, emphasizing the importance of transient advantage in an era of increasing globalization and rapid change.

**Keywords**

Globalization, Dynamic Capabilities, Transient Advantage, Organizational Learning, Competitive Strategy, Market Interdependence, Strategic Management.

*This research examines the complex relationship between globalization, dynamic capabilities, and transient advantage in contemporary organizations. The findings reveal that globalization creates both opportunities and challenges for firms developing dynamic capabilities. While increased global connectivity enhances organizational learning and resource access, it simultaneously introduces market volatility and competitive pressures that impact the sustainability of competitive advantages. Case studies of companies like IBM and Netflix demonstrate how successful organizations continuously adapt their strategies, sensing environmental shifts and reconfiguring resources to maintain relevance in rapidly changing landscapes. This research contributes valuable insights for strategic management in an era where traditional sustained competitive advantages are increasingly elusive.*

### **1. Introduction**

In the realm of strategic management, the traditional emphasis on building a sustainable competitive advantage has been the cornerstone of business strategy, deeply ingrained in the ethos of corporate decision-making. However, the landscape has shifted, challenging the long-standing notion of enduring competitive superiority. As underscored in the article "Strategy is Stuck," authored by Rita Gunther McGrath, the conventional wisdom of crafting a single, unyielding long-term strategy is increasingly impractical in the face of heightened unpredictability, disruptive technological shifts, and the forces of globalization.

McGrath contends that the once-common scenario of companies maintaining a truly lasting advantage is becoming rare, thanks to the ever-evolving nature of competitors, customers, and industries. The digital revolution, a "flat" world, diminished barriers to entry, and the pervasive effects of globalization are among the formidable forces reshaping the competitive landscape. While certain stalwart entities like GE, IKEA, Unilever, Julius Berger, and Swiss Re have demonstrated the ability to sustain robust positions, the prevailing trend suggests that such enduring advantages are now the exception rather than the norm. The exploration of how multinational corporations navigate external disasters and the moderating role of country governance is fundamentally aligned with this research paper's focus on transient advantage in a rapidly changing business landscape. This research emphasizes the need for businesses to adapt continuously, particularly in the face of unpredictable events such as disasters, which can disrupt economic life, lower profits, and discourage foreign investment.

In turbulent industries marked by rapid change, such as consumer electronics, fast-moving consumer goods, television, publishing, and photography, traditional strategic playbooks often

prove inadequate. The imperative for companies is not merely to develop and defend a single long-term strategy but to simultaneously engage in a continuous cycle of initiating and exploiting numerous transient competitive advantages. The ability to swiftly adapt, innovate, and navigate change becomes paramount in a world where a competitive advantage can evaporate within a year.

### **Dynamic Capabilities Framework**

Dynamic capabilities represent an organization's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. These capabilities enable firms to sense shifts in market dynamics, seize emerging opportunities, and reconfigure their resource base to maintain competitive relevance. In today's globalized context, dynamic capabilities have become increasingly essential as organizations face unprecedented levels of environmental volatility and complexity.

### **Transient Advantage Paradigm**

The concept of transient advantage emerged as a response to the recognition that traditional sustained competitive advantages are increasingly difficult to maintain in modern business environments. Unlike the conventional approach that focuses on building and defending long-term advantages, the transient advantage paradigm emphasizes the importance of continuously developing a portfolio of advantages that can be rapidly built, exploited, and, when necessary, abandoned. This approach acknowledges the ephemeral nature of most competitive positions in today's high-velocity markets.

This research explores the impact of globalization on the strategic imperative of building dynamic capabilities and exploiting transient advantages. Drawing on insights from strategic management literature, we examine how organizations operating in a globalized context can navigate the challenges posed by the fluid and unpredictable nature of the business environment. By investigating these relationships, we aim to contribute to the evolving discourse on strategic management in an environment where sustained competitive advantage is increasingly elusive.

## **2. Literature Review**

The literature on globalization, dynamic capabilities, and transient advantage provides valuable insights into the evolving nature of competitive strategy in contemporary business

environments. This review synthesizes key findings and theoretical frameworks that inform our understanding of these interrelated concepts.

## **2.1 Evolving Nature of Competitive Advantage**

McGrath's work, "Strategy is Stuck," is foundational in understanding the evolving nature of competitive advantage. Her assertion that sustaining lasting advantages is increasingly rare sets the stage for exploring the need for adaptability and continuous strategic renewal. McGrath challenges traditional strategic thinking by highlighting how the acceleration of competitive cycles has fundamentally altered the way firms must approach strategy development.

The literature indicates a significant shift from the resource-based view that emphasized sustainable competitive advantage to more dynamic perspectives that recognize the transient nature of most market positions. This evolution reflects the recognition that in many industries, advantages that once lasted decades now may erode within months or years, necessitating a more agile approach to strategy formulation and implementation.

## **2.2 Dynamic Capabilities and Adaptation**

Existing literature, including the works of Ian MacMillan, Kathleen Eisenhardt, Yves Doz, and others, contributes significantly to the understanding of dynamic capabilities and their role in strategic adaptation. These scholars have highlighted the necessity for organizations to possess the ability to sense, seize, and reconfigure resources to navigate rapidly changing business environments. Research on dynamic capabilities emphasizes their role as meta-competencies that enable firms to adapt their resource base in response to environmental changes. Studies have examined how these capabilities manifest in different organizational contexts and their relationship to firm performance, particularly in turbulent industries. The literature suggests that dynamic capabilities are not merely processes but represent higher-order abilities that facilitate strategic renewal and adaptation.

## **2.3 Impact of Globalization on Strategic Management**

The impact of globalization on strategic management is a critical theme in the literature. Scholars such as George Stalk, Mikko Kosonen, Richard D'Aveni, and Paul Nunes have explored how globalization, a "flat" world, and reduced barriers to entry contribute to the need for a more fluid and customer-centric approach to strategy. These works provide a theoretical framework for understanding the challenges and opportunities posed by a globalized business

environment. The literature highlights how globalization has intensified competition, accelerated the diffusion of innovation, and increased market interdependence. These factors collectively contribute to the compression of advantage cycles and necessitate more responsive strategic approaches. Additionally, research has examined how globalization affects knowledge transfer, resource accessibility, and competitive dynamics, all of which influence the development and deployment of dynamic capabilities.

### **3. Research Objectives**

This research examines the intricate relationship between globalization, dynamic capabilities, and transient advantage through the following objectives:

#### **Assessing the Influence of Globalization on Dynamic Capabilities**

The research investigates how globalization impacts organizations' ability to sense environmental changes and respond effectively. Specifically, this objective explores how increased global connectivity, market interdependence, and cross-border knowledge flows affect firms' capability to detect shifts in customer preferences, technological developments, and competitive landscapes. Additionally, this objective examines how globalization shapes organizations' seizing capabilities, particularly in their ability to mobilize resources rapidly and capitalize on identified opportunities across global markets.

#### **Analyzing the Relationship Between Dynamic Capabilities and Transient Advantage**

This objective focuses on understanding how dynamic capabilities contribute to creating and extending transient advantages in globalized contexts. The research examines how organizations with well-developed sensing, seizing, and reconfiguring capabilities navigate the challenge of continuous adaptation in rapidly changing environments. This includes investigating how dynamic capabilities enable firms to build a portfolio of advantages rather than relying on a single sustainable position, and how these capabilities facilitate the timely disengagement from declining advantages and redeployment toward emerging opportunities.

#### **Identifying Key Factors Influencing the Duration of Transient Advantage**

The research identifies internal and external factors that affect how long organizations can maintain transient advantages in globalized markets. This objective involves categorizing organizational characteristics, market conditions, and environmental factors that either extend

or compress the duration of competitive advantages. The investigation explores how organizational learning capacity, strategic agility, and decision-making processes influence a firm's ability to prolong the value-creation period of transient advantages despite intensified global competition.

#### **4. Research Methodology**

This research employed a mixed-methods approach to investigate the impact of globalization on dynamic capabilities and transient advantage. The methodology was designed to capture both the breadth and depth of this complex relationship through complementary research techniques.

##### **Qualitative Case Study Analysis**

The research utilized in-depth case studies of organizations that have successfully navigated the challenges of globalization while developing and deploying dynamic capabilities. These case studies were selected from diverse industries including technology, entertainment, manufacturing, and services to ensure comprehensive coverage of different market dynamics. The case selection process prioritized organizations that had demonstrated both success and failure in maintaining advantages in globalized contexts, providing valuable insights into the factors influencing transient advantage<sup>1</sup>.

For each case, data was collected from multiple sources including company documents, industry reports, executive interviews published in business periodicals, and academic case studies. This approach enabled triangulation of findings and enhanced the reliability of the qualitative analysis. The case analysis focused on identifying patterns in how organizations developed sensing, seizing, and reconfiguring capabilities in response to globalization pressures.

##### **Literature Synthesis**

A comprehensive synthesis of relevant literature was integrated throughout the research process. This involved analyzing theoretical frameworks and empirical findings related to dynamic capabilities, transient advantage, and globalization from strategic management journals, books, and conference proceedings. The literature synthesis provided a theoretical foundation for interpreting the empirical findings and contributed to the development of a conceptual framework linking globalization to dynamic capabilities and transient advantage<sup>1</sup>.

The methodology enabled a robust exploration of the research objectives through multiple analytical lenses. By combining qualitative case analysis with literature synthesis, the research was able to generate rich insights into how globalization influences the development of dynamic capabilities and shapes the duration and nature of transient advantages in contemporary organizations.

## **5. Findings and Discussion**

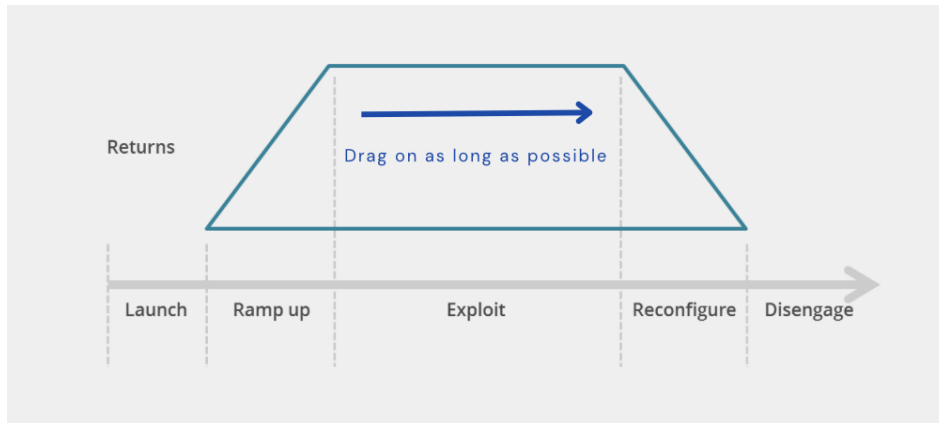
The research findings reveal nuanced relationships between globalization, dynamic capabilities, and transient advantage, illustrated through compelling case examples that demonstrate these concepts in action.

### **Globalization's Dual Impact on Dynamic Capabilities**

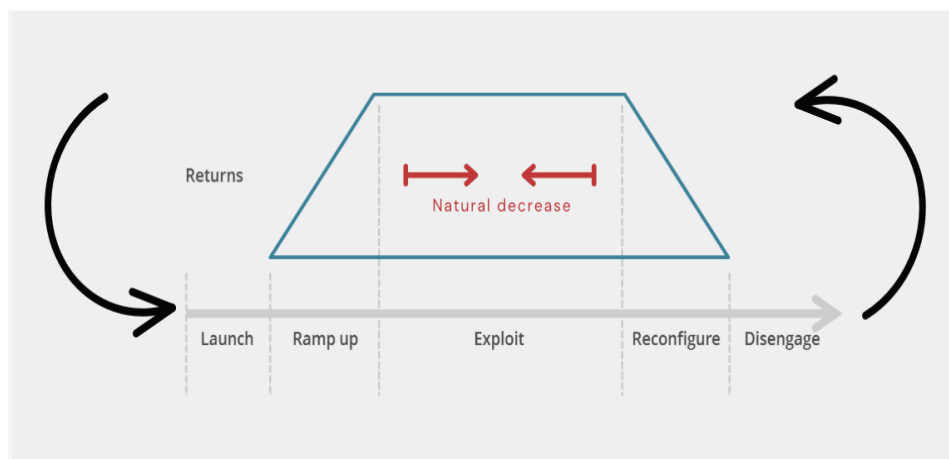
The research indicates that globalization has a dual impact on the development of dynamic capabilities. On one hand, increased global connectivity enhances organizations' sensing capabilities by exposing them to diverse markets, technologies, and competitive practices. This expanded exposure facilitates greater organizational learning and knowledge acquisition, strengthening firms' ability to detect emerging trends and opportunities. On the other hand, globalization introduces complexity and volatility that can overwhelm sensing mechanisms, creating challenges in distinguishing signal from noise in rapidly changing environments<sup>1</sup>.

Similarly, globalization both facilitates and complicates seizing capabilities. Access to global resource pools, talent markets, and collaborative networks enhances organizations' ability to mobilize resources and capitalize on opportunities. However, the intensified competition characteristic of globalized markets compresses decision windows and increases the stakes of strategic moves, creating pressure that can lead to suboptimal resource allocation decisions.





### **Traditional Competitive Cycle**



### **Competitive Cycle with Transient Advantage**

#### **Dynamic Capabilities and the Management of Transient Advantage**

The findings demonstrate a strong relationship between well-developed dynamic capabilities and effective management of transient advantage cycles. Organizations with robust sensing capabilities identify both emerging opportunities and declining advantages earlier, enabling them to initiate new advantage cycles before existing ones erode completely. Those with strong seizing capabilities more efficiently redirect resources from declining to emerging opportunities, minimizing the performance dips typically experienced during transitions between advantage cycles.

The research reveals that reconfiguring capabilities—particularly the ability to disengage from fading advantages—is often the most challenging aspect of managing transient advantage in globalized contexts. Cultural attachments to past success formulas, organizational inertia, and

complex global operations all create resistance to the timely abandonment of declining advantages.

### **Case Study: IBM's Strategic Adaptation**

IBM's transformation provides a compelling illustration of strategic adaptation in response to transient advantage challenges. Historically dominant in mainframe computing, IBM faced significant disruption with the emergence of personal computers and cloud computing. Rather than clinging to fading mainframe advantages, IBM demonstrated remarkable dynamic capabilities in navigating multiple transitions.

In the early 1990s, IBM recognized its mainframe dominance was rapidly declining with the rise of client-server architecture and PCs. The company initiated strategic disengagement from traditional hardware-centric businesses, gradually divesting from certain hardware lines while reinvesting in enterprise software and services. IBM strategically redirected resources toward emerging technologies including cloud computing, artificial intelligence, and data analytics.

IBM's success in the transient-advantage economy stems from its commitment to continuous iteration and the development of strong dynamic capabilities. The company embraced the principle that success no longer resides in a unique and static competitive position but in a portfolio of advantages that can be built and abandoned rapidly as market conditions change.

### **Case Study: Netflix's Adaptation to Entertainment Industry Disruption**

Netflix exemplifies dynamic capabilities in action within the rapidly evolving entertainment industry. Originally a DVD rental-by-mail service, Netflix demonstrated exceptional sensing capabilities by recognizing early the potential of digital streaming to disrupt traditional content distribution models. Rather than defending its established DVD rental business, Netflix proactively invested in streaming technology, effectively cannibalizing its own successful business model to position itself for the future of entertainment consumption.

The company's dynamic capabilities were further evidenced by its strategic pivot to original content production when it sensed increasing challenges in content licensing as traditional media companies recognized the value of their libraries. Netflix leveraged its data-driven insights into viewer preferences to inform content development decisions, creating a new advantage based on proprietary content rather than distribution technology alone.

Netflix's continued success in managing transient advantage cycles illustrates how globalization can both challenge and enhance dynamic capabilities. While facing intensified

competition from global streaming platforms, Netflix has leveraged its global presence to diversify content production and distribution, creating region-specific original programming that appeals to local audiences while potentially finding global audiences.

These case studies demonstrate how successful organizations have developed the dynamic capabilities necessary to navigate transient advantage cycles in the context of globalization. They highlight the importance of sensing emerging opportunities, strategically disengaging from fading advantages, and reconfiguring resources to sustain performance despite the increasingly temporary nature of competitive positions.

## **6. Conclusion and Implications**

This research has explored the complex interplay between globalization, dynamic capabilities, and transient advantage, yielding several significant implications for both theory and practice in strategic management.

### **6.1 Theoretical Contributions**

The findings make important contributions to strategic management theory by extending our understanding of how globalization influences the development and deployment of dynamic capabilities. The research clarifies the mechanisms through which increased global connectivity, competitive intensity, and market interdependence affect organizations' abilities to sense environmental changes, seize emerging opportunities, and reconfigure resources in response to shifting competitive landscapes.

Additionally, this work advances the transient advantage perspective by identifying factors that influence the duration of advantage cycles in globalized contexts. It highlights how the compression of advantage cycles due to globalization necessitates more dynamic approaches to strategy formulation and implementation. The research also contributes to theory by illustrating how dynamic capabilities function as meta-competencies that enable organizations to orchestrate continuous transitions between advantage cycles rather than defending static positions.

### **6.2 Managerial Implications**

For practitioners, this research offers valuable guidance on navigating the challenges of strategy development in globalized, high-velocity environments. First, it emphasizes the importance of developing robust sensing mechanisms that extend beyond traditional market research to

include diverse sources of insight from global markets. Organizations should establish systematic processes for scanning emerging technologies, competitive moves, and changing customer preferences across geographical boundaries.

Second, the findings underscore the need for strategic agility—the ability to make decisive resource allocation decisions despite incomplete information. In globalized contexts where advantage cycles compress, waiting for complete certainty before acting often results in missed opportunities. Leaders must cultivate decision-making processes that balance thorough analysis with timely action. Third, the research highlights the critical importance of disengagement capabilities—the ability to recognize when advantages are eroding and to redirect resources toward more promising opportunities. Organizations should develop explicit processes for evaluating existing advantages and establish metrics that signal when disengagement should begin. This often requires overcoming psychological attachments to past successes and creating cultures that celebrate strategic pivots rather than viewing them as failures.

### **6.3 Limitations and Future Research Directions**

While this research provides valuable insights, it has limitations that suggest directions for future inquiry. The case-based approach, while offering rich contextual understanding, limits generalizability across industries and organizational types. Future research should employ larger-scale empirical studies to test the relationships identified in this work across diverse organizational contexts.

Additionally, this research focused primarily on large, established organizations. Future studies should investigate how entrepreneurial ventures and small to medium enterprises develop dynamic capabilities and manage transient advantage cycles in globalized environments, potentially identifying different patterns and practices relevant to these organizational contexts. In conclusion, as globalization continues to accelerate the pace of change and compress advantage cycles, the ability to develop and deploy dynamic capabilities becomes increasingly central to organizational success. Rather than pursuing elusive sustainable advantages, organizations must master the continuous process of sensing new opportunities, seizing them effectively, and reconfiguring resources to maintain relevance in an ever-changing competitive landscape.

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