



Contents lists available at ScienceDirect

Journal of Business Research

Dynamic capabilities and routinization[☆]Veit Wohlgemuth^{a,*}, Matthias Wenzel^b^a HTW Berlin, Business School (FB 3), Treskowallee 8, 10318 Berlin, Germany^b European University Viadrina, Chair of Management and Organization, Große Scharnstraße 59, 15230 Frankfurt (Oder), Germany

ARTICLE INFO

Article history:

Received 1 February 2015

Received in revised form 1 August 2015

Accepted 1 September 2015

Available online xxxx

Keywords:

Dynamic capabilities

Routinization

Competing hypotheses

Strategic level

Operational level

ABSTRACT

Whereas some scholars argue that firms with dynamic capabilities rely on routinized processes, others maintain that these firms continuously occupy a fluid and non-routinized state. The purpose of this survey-based regression analysis study is to shed light on this theoretical divide by testing the effect of routinization on dynamic capabilities. The results suggest that firms with dynamic capabilities routinize at the strategic level. However, the findings also indicate that firms with dynamic capabilities do not routinize at the operational level. This study illuminates routinization as an important aspect concerning the nature of dynamic capabilities and identifies the organizational level as a decisive factor that lends partial support to the competing conceptualizations of the effect of routinization on dynamic capabilities. Therefore, these findings promote a better understanding of dynamic capabilities as knowledge-reconfiguring capabilities and offer a potential path toward reconciling the diverging academic discussion on dynamic capabilities.

© 2015 Elsevier Inc. All rights reserved.

1. Introduction

Scholars and practitioners increasingly emphasize knowledge as the key source of competitive advantage (Grant, 1996; Huarng, 2010). However, in today's turbulent market environments, firms are increasingly facing challenges to keep their knowledge base up-to-date (Ambrosini & Bowman, 2009). With no reconfiguration of the knowledge base, a firm's knowledge can become obsolete and advantageous competitive positions can erode (Leonard-Barton, 1992). To sustain the strategic value of knowledge in changing environments, firms require a set of capabilities to alter their knowledge base (Romme, Zollo, & Berends, 2010). A better understanding of these capabilities is a key concern for both scholars and practitioners alike (Huarng, 2010).

The concept of dynamic capabilities emerges as a valuable theoretical approach to promoting a better understanding of the reconfiguration of knowledge (Di Stefano, Peteraf, & Verona, 2014; Li & Liu, 2014). Dynamic capabilities represent a firm's capacity to adapt its base of processes and resources, including knowledge, in response to changes in the environment (Helfat et al., 2007). Although the field of research on dynamic capabilities is increasingly converging toward this common definition (Giudici & Reinmöller, 2012), recent bibliographic reviews reveal that the understandings of the concept of dynamic capabilities strongly diverge among two major sub-streams that hinge upon the

seminal papers by Teece, Pisano, and Shuen (1997) and Eisenhardt and Martin (2000) (Di Stefano et al., 2014; Peteraf, Di Stefano, & Verona, 2013). One of these divergent positions concerns the effect of routinization on dynamic capabilities (Schreyögg & Kliesch-Eberl, 2007). Routinization indicates the extent to which organizational processes are stable and repetitive (Nelson & Winter, 1982) and constitutes an important revelatory access to the nature of dynamic capabilities (Barney & Felin, 2013). The sub-stream around Teece et al.'s (1997) seminal work largely argues that dynamic capabilities rely on *highly routinized* processes, whereas the sub-stream around Eisenhardt and Martin's (2000) conceptualization argues for *reduced routinization* (Peteraf et al., 2013; Schreyögg & Kliesch-Eberl, 2007). Because this divergence of theoretical perspectives hampers the development of the field of research on dynamic capabilities (Peteraf et al., 2013), focusing on these contradictory positions would support a further integration of the scattered field and its contribution to a better understanding of the reconfiguration of knowledge (Di Stefano et al., 2014). Peteraf et al. (2013) suggest reconciling such divergent positions by empirically testing competing hypotheses. Therefore, the purpose of this study is to understand better the effect of routinization on dynamic capabilities by testing competing hypotheses.

2. Hypotheses

Dynamic capability scholars seem to clarify their understanding of the concept by distinguishing ordinary and dynamic capabilities (Ambrosini & Bowman, 2009). Ordinary capabilities refer to "how we earn a living now' capabilities" (Winter, 2003, p. 992), whereas dynamic capabilities are a higher-order construct that governs the change of the ordinary capabilities. Thus, dynamic-capability scholars typically

[☆] The authors thank Monika Biedulska, European University Viadrina, Robert Burisch, European University Viadrina, Martin Eisend, European University Viadrina, Oliver Schilke, University of Arizona, and Markus Vodosek, German Graduate School of Management and Law, for their helpful comments on earlier versions of the manuscript.

* Corresponding author.

E-mail addresses: veit.wohlgemuth@htw-berlin.de (V. Wohlgemuth), mwenzel@europa-uni.de (M. Wenzel).

conceive dynamic capabilities as located at the strategic level, whereas the ordinary capabilities constitute the *object of action* at the operational level (Di Stefano et al., 2014). The nature of the object of action plays an important role for the understanding of dynamic capabilities that both sub-streams promote (Di Stefano et al., 2014). As routinization may differ across organizational levels (Cohendet & Llerena, 2003), this study expects differences with regard to the effect of routinization on dynamic capabilities between both levels.

Within the sub-stream around Teece et al.'s (1997) seminal work, scholars largely conceptualize dynamic capabilities as routines to monitor and change routines (Winter, 2003). Accordingly, the operational level relies on routines and effectively exploits the current resource base. At the strategic level, the scholars in this sub-stream conceptualize another routine to monitor the operational level and implement necessary adjustments (Winter, 2003). These scholars assume that routines are stable entities that are susceptible to deliberate reconfigurations and that using higher-level routines can therefore mold lower-level routines (Parmigiani & Howard-Grenville, 2011); that is, both the operational and the strategic level would present high routinization.

H1a. Following the sub-stream around Teece et al. (1997), increasing routinization at the operational level associates with dynamic capabilities.

H2a. Following the sub-stream around Teece et al. (1997), increasing routinization at the strategic level associates with dynamic capabilities.

In contrast, the sub-stream around Eisenhardt and Martin (2000) draws a more malleable picture of dynamic capabilities. These scholars argue that firms with dynamic capabilities maintain only a few simple rules and routines at the strategic level to reproduce a minimum structure that is necessary to persist (Schilke, 2014). In rapidly changing environments, the sub-stream around Eisenhardt and Martin (2000) regards organizational adaption through dynamic capabilities as ad-hoc adjustments. Accordingly, this sub-stream of the field promotes the idea that firms with dynamic capabilities maintain processes at the operational level in a rather fluid state to enable quick adjustments (Schreyögg & Kliesch-Eberl, 2007). At the strategic level, this sub-stream argues that the structure must be simple, experiential, iterative, and only assures certain behavioral coherence (Eisenhardt & Martin, 2000). Thus, this conception of the operational and strategic level emphasizes low levels of routinization to facilitate agile responses.

H1b. Following the sub-stream around Eisenhardt and Martin (2000), reducing routinization at the operational level associates with dynamic capabilities.

H2b. Following the sub-stream around Eisenhardt and Martin (2000), reducing routinization at the strategic level associates with dynamic capabilities.

3. Method

3.1. Measures

This study tests the competing hypotheses by conducting a survey-based regression analysis. All multi-item scales applied for this study belong to published articles, and the responses range from “strongly disagree” (1) to “strongly agree” (7). The scale that measures dynamic capabilities builds on Li and Liu's (2014) operationalization. The scale divides dynamic capabilities into the sub-dimensions: strategic sense-making capacity, timely decision-making capacity, and change implementation capacity. The items measuring routinization at the operational level stem from Becker's (2005) recommended adjustment of Withey, Daft, and Cooper (1983) scale. The items measuring routinization at the strategic level derive from Arend's (2013) scale. The data analysis includes firm age (years since the foundation), firm size (number of employees), and environmental dynamism as control variables.

The items capturing environmental dynamism derive from Tan and Litschert's (1994) scale. To avoid single informant bias, the study also captures respondents' experience in the firm and industry to measure their competence in answering the questions (Danneels, 2008). Table 1 displays item details together with their Cronbach's alphas (α), composite reliabilities (CR), and average variances extracted (AVE).

3.2. Research subjects and sampling design

The sampling frame for this study consists of 7821 small (5–40 employees) German manufacturing firms (SIC 3000–3999) that appear in the Hoppenstedt database. Such a restriction to a specific firm size, country, and industry reduces the influence of institutional variations (Brouthers & Brouthers, 2003). The selection of small firms seems particularly insightful for this study on dynamic capabilities because small firms are likely to be highly agile (Arend, 2013). Furthermore, the CEOs of such firms are particularly knowledgeable about the degree of

Table 1

Measurement items, Cronbach's alphas, composite reliability, and average variances extracted.

Construct and scale items	α	CR	AVE
Dynamic capabilities			
Strategic sense-making capacity	0.82	0.87	0.57
1. We can perceive environmental change before competitors			
2. We often have meetings to discuss the market demand			
3. We can feel the major potential opportunities and threats			
4. We have a perfect information management system			
5. We have a good observation and judgment ability			
Timely decision-making capacity	0.73	0.84	0.57
6. We can quickly deal with conflicts in the strategic decision-making process			
7. Under many circumstances we can make timely decisions to deal with strategic problems			
8. We can remedy quickly to unsatisfied customers			
9. We can reconfigure resources in time to address environmental change.			
Change implementation capacity	0.88	0.91	0.74
10. Our strategic changes can be efficiently carried out			
11. Good cooperation exists among different functions			
12. We help each other with strategic change implementation			
13. We can efficiently improve strategic change implementation			
Routinization of the operational level	0.80	0.89	0.72
14. Tasks in this department are the same from day to day			
15. We do the same job in the same way most of the time			
16. We perform repetitive activities			
Routinization of the strategic level	0.88	0.95	0.90
17. My firm has had a routine method for changing the main operating capability			
18. My firm had a repeatable method it used that produced intended results regarding the changing of the main operating capability			
Environmental dynamism	0.74	0.86	0.68
19. The legal, technological, economic etc. demands imposed on the organization by its environment are changing constantly			
20. The main agents in our organization's environment (government, providers, customers etc.) change their demands unpredictably			
21. Our firm's environment requires to react rapidly to the changes that occur			
22. Normally, we have advance knowledge of the changes that will occur in the environment			
Further control variables	n/a	n/a	n/a
23. How many employees work in your organization?			
24. How long has your organization existed (in years)?			
25. How long have you worked in your organization (in years)?			
26. How long have you worked in the industry (in years)?			

Download English Version:

<https://daneshyari.com/en/article/10492808>

Download Persian Version:

<https://daneshyari.com/article/10492808>

[Daneshyari.com](https://daneshyari.com)