



Managing asset orchestration: A processual approach to adapting to dynamic environments

Svante Schriber*, Jan Löwstedt

Stockholm Business School, 106 91 Stockholm, Sweden



ARTICLE INFO

Keywords:

Dynamic capabilities
Environmental dynamism
Managerial coordination
Asset orchestration
Sequencing
Balancing

ABSTRACT

The organizational ability to adapt to dynamic environments through asset orchestration is at the core of dynamic capabilities research. However, the theory remains vague regarding how firm assets are orchestrated, and the present study addresses this gap. We develop an asset-level framework distinguishing four modes with which dynamic capabilities influence assets and apply it on longitudinal, in-depth qualitative case data. Revealing managerial considerations regarding how assets are orchestrated over time, we propose the terms sequencing and balancing to denote how similar and different orchestration modes, respectively, are combined in the processes. We relate these concepts to managerial coordination and to achieving timely and appropriate organizational response to environmental dynamism. Avenues for future research and prescriptions to practitioners are suggested.

1. Introduction

Research on dynamic capabilities theory aims to explain how organizations survive or even achieve competitive advantage by adjusting firm assets in response to changing environments (Helfat & Winter, 2011; Makkonen, Pohjola, Olkkonen, & Koponen, 2014; Romme, Zollo, & Berends, 2010; Schilke, 2014a; Teece, 2007; Teece, Pisano, & Shuen, 1997). Thus, dynamic capabilities are generally considered “the capacity of an organization to purposefully create, extend, or modify its resource base” (Helfat et al., 2007: 1), including tangible and intangible assets and ordinary capabilities. Dynamic capabilities appear in a variety of functions, including analytical abilities (Wamba et al., 2017), alliance portfolio (Jiang, Tao, & Santoro, 2010) or network management (Mariotti & Delbridge, 2012), however, research has specifically highlighted dynamic capabilities in the context of product development as a central means of responding to environmental dynamism (Eisenhardt & Martin, 2000; Kindström, Kowalkowski, & Sandberg, 2013; Teece et al., 1997; Teece & Pisano, 1994).

Consider the case of Metso Paper, a division of the global Metso industrial corporation. It faced a period of market transformation, including a combination of interrelated unpredictable economic, technological, and demand shifts. Systemic efforts were initiated to re-establish its ability to develop, produce, and market its products globally. At the center of these efforts were substantial adjustments of the intangible and tangible assets owned by the firm or in its network, requiring coordination by decision-makers at various hierarchical levels

and functions—a process resulting in the development of a timely solution to meet changing technological and commercial demands. Beyond illustrating a case of a successful organizational response to environmental changes, the Metso Paper case allows us to elaborate the process in which dynamic capabilities adjust firm assets, thereby addressing a gap in dynamic capabilities theory.

Much effort has been invested in conceptual development (Barreto, 2010), such as the higher layers of dynamic capabilities (Ambrosini, Bowman, & Collier, 2009; Salvato & Vassolo, 2017; Schilke, 2014b). Relatively less has been invested in how dynamic capabilities are implemented to respond to new circumstances (Barreto, 2010). Still, studies have identified the intersection between dynamic capabilities and assets as an important link for research (Newey & Zahra, 2009), and despite recent advances clarifying the importance of monitoring and orchestrating the width and depth of firm assets (Danneels, 2011; Sirmon, Hitt, Ireland, & Gilbert, 2011), concerns are raised that dynamic capabilities theory remains underdeveloped regarding how firms orchestrate assets (Mulders & Romme, 2009). Specifically, if theory is to explain how some firms manage to orchestrate assets in dynamic environments, the time dimension needs consideration since orchestrating appropriately but too slowly likely reduces competitiveness. Accordingly, dynamic capabilities research has explicitly called for more attention to how asset orchestration plays out over time (Leiblein, 2011).

This study aims to contribute to dynamic capabilities research by elaborating the process of how firm assets are orchestrated in response to environmental dynamism. We consider asset orchestration a process

* Corresponding author.

E-mail addresses: svante.schriber@sbs.su.se (S. Schriber), jan.lowstedt@sbs.su.se (J. Löwstedt).

stretched out in time (Sirmon et al., 2011) depending on managerial action and how it is organized (Teece, 2012, 2014, 2017). We develop an asset-level framework based on established theory (Danneels, 2011) to analyze how dynamic capabilities orchestrate assets. Our case includes longitudinal, qualitative data spanning the entire managerial hierarchy and all major functions of the firm, illustrating asset adjustments in a product-development project designed to meet environmental shifts, reflecting the insight that product development is fruitful for studying dynamic capabilities (Salvato, 2009; Teece & Pisano, 1994). In the tradition of case studies of dynamic capabilities (e.g., Danneels, 2011), the findings illustrate a case of successful restoration of environmental fitness and Metso Paper as a global market leader, thereby demonstrating dynamic capabilities in action.

2. Asset orchestration

Strategic management research emphasizes the need for “fit” between organizations and their competitive environment, and dynamic capabilities research is particularly focused on how organizations remain competitive by adjusting resources, competencies, and ordinary capabilities, collectively referred to as assets (Teece, 2007) in order to meet potentially ever-changing conditions, especially substantial shifts in the competitive environment (Helfat et al., 2007). We regard dynamic capabilities as a learned and recurring pattern of collective activity involving managerial action (Teece, 2012) that gradually evolves by and with the purpose of adjusting firm assets to better fit new environmental conditions, a definition that largely overlaps with the majority of research (Barreto, 2010). Importantly, dynamic capabilities can exist at various levels of the organizational hierarchy (e.g., Pandza, 2011) and may or may not lead to the intended outcomes (Helfat et al., 2007). Despite a variety of definitions of dynamic capabilities (Barreto, 2010), this ability to adjust a focal organization's assets is a central component in the emerging consensus of dynamic capabilities research (Wollersheim & Heimeriks, 2016).

Specifically, we draw on the concept of asset orchestration (Teece, 2007) and explicitly consider this a process, or a series of actions taking place in time (Sirmon et al., 2011). Pitelis and Teece (2010, p. 1254) define asset orchestration as “the process by which managers make, build, acquire, deploy, and redeploy decisions with respect to assets/capabilities.” Being an important dynamic capability, asset orchestration occurs through organizational knowledge-based and collective efforts (Winter, 2003). Orchestration can span the breadth of the assets controlled by a firm and involve the depth of a managerial hierarchy (Sirmon et al., 2011). Recent research has stressed the importance of managers and management for dynamic capabilities in general (Teece, 2014) and for asset orchestration in particular. Chadwick, Super, and Kwon (2015) highlight the role of CEOs for asset orchestration and point to middle managers as being essential for implementing orchestration. Collectively, research shows that asset orchestration represents what is arguably the central aspect of dynamic capabilities theory: how firms adjust their asset base to environmental dynamism.

In this context, we draw on Teece (2007), who uses the term assets to denote the intangible and tangible resources and ordinary capabilities allowing a firm to keep up with the current competition. Overlapping with the term ordinary capabilities (Teece, 2017), these are also labeled substantive (Zahra, Sapienza, & Davidsson, 2006), first-order (Winter, 2003), operating (Newey & Zahra, 2009), ordinary capabilities or assets (Teece, 2017), or simply capabilities (Felin, Foss, Heimeriks, & Madsen, 2012), but they are often collectively summarized as the assets or resources owned by or accessible in the network of a firm (Teece, 2007). Assets thus include the brand names, technology, network contacts, and basic operating routines (Ambrosini et al., 2009) needed for daily work to keep pace with competition but not necessarily offer a firm a lasting competitive advantage (Danneels, 2008; Winter, 2003).

But how do dynamic capabilities orchestrate such assets? Research

has mainly focused on firm-level concepts (Barreto, 2010; Helfat & Martin, 2015) and developed a richness of loosely connected or partly overlapping terms. Beyond Teece's (2014) coordinating and integrating, learning, and reconfiguring, Zahra and George (2002: 186) focus knowledge assets and suggest dynamic capabilities can be equaled to “routines and processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability.” Several concepts are suggested to define the purpose or context of orchestration. For instance, Makkonen et al. (2014: 2709) specify “leveraging” as deploying an asset in a new situation, regardless of how a specific asset is influenced. Similarly, Teece (2014) adopts a firm-level perspective and defines coordination and integration as “combining various resources in an entrepreneurial fashion, such as for the development of new products”, an outcome that could, reasonably, be the result of the terms reconfiguration, or transformation, meaning the “recombining and modifying existing resources” (Teece, 2014, p. 333). In short, there is room for increased conceptual clarity regarding asset orchestration.

For the purpose of the present study, we propose an asset-level framework of four generic modes in which dynamic capabilities influence assets, called orchestration modes. It draws on and develops Danneels's (2011) taxonomy of accessing, integrating, developing, and releasing, in turn building on Eisenhardt and Martin's (2000) well-known concepts. It explicates the ways in which analytically separate assets are orchestrated by dynamic capabilities. Accessing and releasing implies assets entering or exiting the control of an organizational unit (firm, division, or department), while integrating (combining two or more assets) and developing (qualitatively altering one) relates to assets already controlled by the focal unit. Being generic, these modes are not restricted to a specific asset (e.g. knowledge), type of organization (e.g. firm, division, or unit), or function (e.g. R&D) nor intended outcome (product innovation, new market entry, etc.). Importantly, the framework allows us to analyze combinations of orchestration modes over time, or orchestration processes. A summary of our framework and how it relates to prior concepts is offered in Table 1 and is developed more in depth in the following sections.

To be of use to an organization, an asset must be controlled (but not necessarily owned) by it. *Accessing* assets involves adding assets from the outside to those already controlled by an organization or organizational unit in response to environmental shifts. This mode addresses the problems of lacking critical assets (Katila & Shane, 2005). The accessed assets can be similar, new, or different (Karim & Mitchell, 2000) from the assets already controlled by or accessible at the volition of the organization (Helfat et al., 2007, p. 4). In practice, this can take many forms: acquiring assets (Helfat et al., 2007) or capabilities (Pitelis & Teece, 2010) in factor markets such as investing in assets (Aral & Weill, 2007), through alliances (Schreiner, Kale, & Corsten, 2009) or corporate acquisitions (Makri, Hitt, & Lane, 2010).

We use the term *integration* to denote making do with, but changing the relationship between, the assets already controlled by an organization or organizational unit to better match new environmental conditions. In terms of organizational change, integration can take the form of applying controlled assets in new ways, such as applying existing skills to a new set of assets. This orchestrating mode can relate not only to integrating organizational units within the same organization in the short term, such as through modular forms (Galunic & Eisenhardt, 2001), but also extending by integrating across ownership boundaries, such as in networks (Capaldo, 2007) or previous ownership boundaries. For instance, following an acquisition, integration constitutes a separate process from that of acquiring a target benefiting from dynamic capabilities (Heimeriks, Schijven, & Gates, 2012).

In contrast, *developing* assets implies a qualitative change to a particular asset already controlled by an organization or organizational unit. Arguably, compared to the term creating (Danneels, 2011), the term developing emphasizes that assets are developed out of already existing and controlled assets, thus stressing the path-dependent nature

Download English Version:

<https://daneshyari.com/en/article/7424999>

Download Persian Version:

<https://daneshyari.com/article/7424999>

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