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RESEARCH NOTE

Processes, antecedents and outcomes of dynamic capabilities

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KEYWORDS

Dynamic capabilities;
Literature review;
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Summary This study addresses the following research question: *what do we know about dynamic capabilities based on existing empirical research?* The paper is based on a systematic synthesising review of 142 articles. The analysis focuses on three areas: the processes of dynamic capability, its antecedents, and consequences. Through its detailed analysis of factors within each of the three aforementioned domains, the study provides researchers with a stronger basis on which to explicitly position their contributions in the DC literature. With regard to the processes of dynamic capabilities, empirical studies appear to employ a continuum of conceptualisations ranging from the very specific and identifiable to a generic set of knowledge-related processes. Additionally, the antecedents were found to be either internal or external to the firm, whereas the mechanisms by which dynamic capabilities lead to performance outcomes were found to be an unresolved issue in empirical research. The study identifies numerous avenues for further research concerning each of the three focus areas.

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Introduction

Companies in changing environments need to anticipate changes and to react to them (Medina-Garrido, Ruiz-Navarro, & Bruque-Camara, 2005). The ability to do this systematically has been referred to as dynamic capability (DC) (Teece, Pisano, & Shuen, 1997). The ultimate aim of the DC approach is to explain the competitive advantage of firms over time (Teece & Pisano, 1994). The origins of the concept lie in strategic management, but it has been applied in areas as diverse as marketing, entrepreneurship (Barreto, 2010), risk management (Colarelli O'Connor, Ravichandran, et al., 2008), innovation management (Lawson & Samson, 2001) and logistics (Glenn, Genchev, & Daugherty, 2005). Although

this indicates the versatility of the approach, it also highlights the lack of established tradition in its use.

The literature on DC could be more rigorous and more explicit (see Arend & Bromiley, 2009; Schreyögg & Kliesch-Eberl, 2007). Future development in the field requires reviewing the use and content of the concept, and three recent reviews (Ambrosini & Bowman, 2009; Barreto, 2010; Wang & Ahmed, 2007) have started that work. However, they all have a narrow focus in terms of both the topic and the number of publications analysed. Wang and Ahmed (2007) examine *the commonalities between different organisations*; Ambrosini and Bowman (2009) focus on *how dynamic capabilities develop*, and discuss the performance implications; and Barreto (2010) develops his own conceptualisation of the construct based on previous literature and the identification of the various *dimensions* presented in the studies. Additionally, Di Stefano, Peteraf, and Verona (2010) examine the structure of the DC research domain through the 40 most influential articles dedicated to it. Notably, all four studies

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end up with rather different conclusions. In order to shed further light on the phenomenon, this study addresses the following question: *What do we know about dynamic capabilities based on existing empirical research?*

This paper builds on previous reviews and deepens our understanding of the empirical research on DCs. In systematically reviewing 142 empirical articles on DCs the study synthesises the evidence-informed knowledge (Tranfield, Denyer, & Smart, 2003) thus far accumulated, distinguishing between the very concept, its antecedents and outcomes (see Zahra, Sapienza, & Davidson, 2006) and offering one viable way of structuring the discussion. Through its detailed analysis of factors within each of the three aforementioned domains, the study provides researchers with a stronger basis on which to explicitly position their contributions in the DC literature. This is very important in terms of developing the approach because most existing studies are not very clear on this point and hence knowledge is not being accumulated effectively. Furthermore, reviewing empirical studies gives the opportunity to assess the similarities and differences between qualitative and quantitative research on DC, which has not been discussed previously. In focusing on empirical studies, this review also sheds some light on the operationalization of the concept, which is not discussed in earlier reviews either. Moreover, it highlights which areas have been neglected in the empirical research (cf. Needleman, 2002; Petticrew, 2001). All in all, the aim in this study is to offer a better basis on which to conduct future empirical research.

The following section gives a brief overview of the conceptual discussion on DCs, and the third section introduces the methods used in this systematic review. The fourth section discusses the findings in terms of the processes, the antecedents and the outcomes. Finally, the last section draws the conclusions, suggests avenues for future research, and discusses the limitations of the study.

The dynamic capabilities approach

The DC literature has its roots in the resource-based view of the firm (RBV), going all the way back to the works of Penrose (1959). However, other streams of literature have also influenced the discussion, specifically the evolutionary theory of economic change (Nelson & Winter, 1982), Schumpeter's views on creative destruction, the behavioural aspects of the firm (Cyert & March, 1963), and Williamson's (1975) views on markets and hierarchies (Ambrosini & Bowman, 2009; Teece, 2007). The conceptual discussion is therefore very rich.

Many authors perceive DCs as higher-order capabilities that influence the development of operational capabilities (Cepeda & Vera, 2007; Collis, 1994; Winter, 2003). They are often combinations of simpler capabilities and the routines related to them (Eisenhardt & Martin, 2000). Thus, DC is defined here as the capacity of the organisation to purposefully create, extend, or modify its resource and capability bases to address changes in its environment (Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece & Pisano, 1994; Winter, 2003).

DCs are described as processes (Ambrosini & Bowman, 2009), or as comprising processes (Teece et al., 1997; Verona & Ravasi, 2003). Thus, they are dynamic by implication as they operate in time and develop over time. Although scarce,

there is some conceptual discussion related to these constituent processes: they are assumed to include both organisational and managerial processes aimed at identifying needs or opportunities for change, and at accomplishing that change (Helfat et al., 2007). Processes therefore constitute the elements of DC. It is argued on the one hand that DC is a function of three generic learning processes: experience accumulation, knowledge articulation and knowledge codification (Zollo & Winter, 2002). Other authors, on the other hand (Eisenhardt & Martin, 2000), refer to specific and identifiable processes that may integrate or reconfigure resources, or focus on their acquisition and release. Product development and alliancing are mentioned as examples. According to the former approach, DCs may be unique and hence difficult to imitate (Teece et al., 1997), whereas the latter view implies commonalities among organisations, meaning that only the resource and capability configurations DCs create can be unique (Eisenhardt & Martin, 2000). This remains an on-going conceptual debate.

In an attempt to enhance conceptual coherence and clarity, Zahra et al. (2006) suggest separating DCs from their antecedents and outcomes. Considering antecedents as inputs and outcomes as outputs is a good starting point from which to analyse the accumulated knowledge.¹

Teece (2007) offers a focal contribution with regard to the antecedents of DCs in writing about the micro-foundations that are contributory factors. For the sake of analytical clarity, he distinguishes between the micro-foundations for each of the three dimensions: sensing, seizing and reconfiguration. Sensing capability builds on individuals' capacities and organisational processes linked to discovering opportunities, whereas the antecedents of seizing capability reflect the selection of product architectures and business models, organisational boundaries, decision-making protocols, and the building of loyalty among employees. Lastly, the factors contributing to reconfiguration capability concern decentralisation, co-specialisation, governance and knowledge management. Although the antecedents of each dimension differ, Teece (2007) argues that they all include an entrepreneurial and "right brain" component. However, all of the ones mentioned above are internal to the organisation, and it is argued that external factors may also act as enablers (or inhibitors) of DCs: the pace of industry changes, for example (Ambrosini & Bowman, 2009; Winter, 2003).

Finally, in terms of outcomes there is agreement that DCs are linked to the competitive advantage of the firm, or to its performance (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Winter, 2003), although there is some debate about the mechanisms of this linkage (Ambrosini & Bowman, 2009). Early on it was suggested to be direct (e.g., Teece & Pisano, 1994), but more recently it has been described as indirect, meaning that DCs influence performance through the unique resource and capability configurations they develop (Helfat & Peteraf, 2003; e.g., Zollo & Winter, 2002).

DCs thus comprise various processes, arguably influenced by many different factors called antecedents. All in all, the

¹ Ambrosini and Bowman (2009) utilise a similar division in their review of the usefulness of the DC construct. See also Keupp and Gassmann's (2009) review in the field of international entrepreneurship.

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