

AN ENTREPRENEURIAL WAY: THE DYNAMIC CAPABILITY APPROACH TOWARDS INNOVATION

Sunali Bindra¹, Rohit Bhardwaj² and Saurabh³

“Imagination is not only the uniquely human capacity to envision that which is not, and, therefore, the foundation of all invention and innovation. In it's arguably most transformative and revelatory capacity, it is the power that enables us to empathize with humans whose experiences we have never shared.” – J.K. Rowling

ABSTRACT

This paper gives a theoretical overview of the micro-foundations of dynamic capabilities for innovation. An evaluation of the concept of dynamic capabilities features its contested nature and noteworthy constraints in its application. Remarkably, there is very little comprehension of the components deciding the origin and development of dynamic abilities, while the role of workers has been ignored. With an intention to address this deficiency, the paper draws on literature from both; human resource management as well as innovation management to follow the micro-foundations of dynamic abilities for innovation. This features the significance of consolidating the viewpoints and inspiration of workers as a focal piece of investigation and as a reason for more straightforward administrative intercessions in building dynamic capabilities.

Keywords: Dynamic capabilities; Employees; Managers; HRM; Innovation.

INTRODUCTION

Successful firms in the global market are those which can exhibit appropriate awareness and positive reaction towards the changing business environment. The development of dynamic capacities is investigated by seeing how innovation adds to the reconfiguration of organisational routines and influences dynamic capacities. The issue of how to cultivate innovativeness and advancement in a deliberate, dynamic and feasible way remains a recurrent issue for organisations (Anderson et al., 2014). Understanding of innovation has undoubtedly been advanced by means of the dynamic capability concept. This has attracted attention towards the techniques of upcoming

resource creation. The focus is on the techniques to create new resources and renew current stocks; trying to adjust to the surroundings (Bowman and Ambrosini, 2003; Teece et al., 1997). It is because although there is much clarification on the concept of dynamic capability, yet its relation to the strategies adopted by the top management and the organisational processes is not properly defined (Ambrosini and Bowman, 2009; Cepeda and Vera, 2007; Helfat and Peteraf, 2009). Hence there is less understanding as to how dynamic capabilities are formed (Kraatz and Zajac, 2001).

Questions such as what strategies should be adopted by the top management so as to facilitate innovative workplace behaviour in the dynamic environment still remain unanswered. The present examination depends on a novel conceptualization of dynamic capacities through innovation. This conceptualization propels the hypothesis expanding on the issue of dynamic capacities.

1. Research Scholar, School of Business, Shri Mata Vaishno Devi University, Kakryal, Katra, J&K, India
2. Research Scholar, School of Business, Shri Mata Vaishno Devi University, Kakryal, Katra, J&K, India
3. Associate Professor, School of Business, Shri Mata Vaishno Devi University, Kakryal, Katra, J&K, India. Email: saurabh.sri@smvdu.ac.in

The current research addresses this issue by highlighting the basics of dynamic capability and its adoption by the workforce of the organisation. It is known that employees prefer routines to creative actions, the research focuses on what suitable strategies should be adopted by the top management so as to ensure employee retention and to motivate them to be a part of the change. For this, an in-depth understanding of the concept of dynamic capability and its relation to innovation is required. Dynamic capability is 'the firm's ability to integrate, construct and reconfigure inner and outside competence to cope with constantly varying environments' (Teece et al., 1997: 516). This characterization focuses on the external (rapidly changing) environments and building competencies.

The Hallmark of this definition is that it assumes that the competencies are not purchased or applied, instead, they are native to the organisation (Helfat and Winter, 2011: 1244). As suggested by the resource based view (RBV), every organisation carries a unique profile of tangible and intangible assets embedded in its processes.

The definition highlights two critical aspects. One, that dynamic capabilities are not environment specific and there is a need for continual adaption and integration to the changing environment and two, emphasis on organisation's behavioural orientation is stressed in order to continuously integrate, realign and renew both, the resources as well as the capabilities. This paper attempts to critically analyse the concept of dynamic capability, its contribution to innovation and suggests the necessary strategies to be adopted by the top management to create an environment conducive for innovation and affective behaviours. It also addresses the mutuality of organisational as well as individual needs in building innovative capabilities (Boxall, 2013).

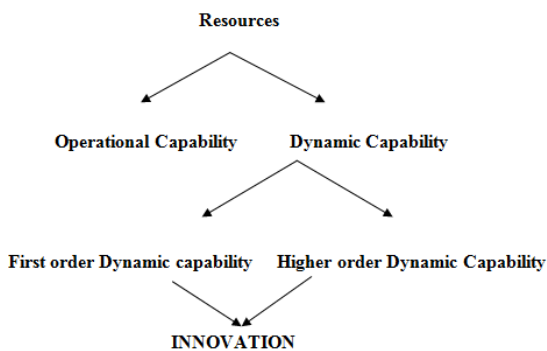
The paper tries to figure out how HRM strategies and organisational environment can lead to building innovative dynamic capabilities.

Innovation: The result of dynamic capability

From the above definitions, it is clear that innovation is a response of an organisation to the changes taking place in the external business environment. It leads to the reengineering of the internal processes to align with the changing market dynamics. Thus it can be concluded that a dynamic environment necessitates the need to innovate and dynamic capabilities helps an organisation to achieve innovation.

Understanding dynamic capabilities for innovation

Because of quick changes in the market situation (rising innovations, changing client needs, rising and contracting markets, and quickened rivalry), conveying and understanding powerful abilities is a key managerial concern. Across a wide range of industries, organisations recognise the need to innovate in order to deliver sporadic leaps in performance. A more coordinated approach to planning and design of business activity is the need of the current competitive environment in order to keep pace with the changes taking place both within and outside the organisation (Ekvall, 1997) Such activities encourage disturbing familiar routines and undertaking risky and uncertain actions which are the key ingredient to innovation (Cavagnou,2011). The concept of dynamic capability considers innovation, knowledge management and organisational learning as the critical ingredients to the success of an organisation in the dynamic environment (Bindra et al., 2020). The very essence of this concept is to embed new routines into practice and replace the existing ones. Thus, it enables an organisation to cautiously ponder upon its existing resource base and frame strategies for change as per the market dynamics.



Source: Based on Literature Review

Innovation is the result of an organisation's synchronisation to the changing environments. It is considered as a higher order dynamic capability (Samson and Lawson, 2001). Fostering creative performance behaviours leading to the achievement of organisational goals is the essence of dynamic capability (Monteg et al., 2012). However, employees hesitate to shift from familiar routines to creative actions according to the tidal pull approach. This calls for the need to motivate and encourage employees and orient them to the newer routines and patterns. Also, a more clear understanding of the linkage of innovation to dynamic capability is required.

Dynamic capability for innovation: A critical inquiry

The dynamic capability theory proposes continual renewal and reconfiguration of the resource base of an organisation. But the question arises, how do firms reconfigure and renew their resource base. This calls for the need of a critical inquiry as to how dynamic capabilities lead to innovation. Here comes the role of top management support. Sensing, seizing and reconfiguration take place at different levels but the pivotal role is played by the managerial level. Their efforts in continuously motivating and encouraging employees are the key to organizational change. The role of management becomes all the more significant when it comes to modifying the collective behaviour of all the employees in the organisation.

Unbendable human action and endeavour on part of both, the management and the employees help in facilitating change thereby leading to innovation. However, mere motivation and encouragement are not enough. Along with this, a deep understanding of employee capabilities, potentials, emotional levels, personality types and human disposition also needs to be kept in mind (Boxall, 2013).

Managerial strategies and the role of employees

“Dreamers are mocked as impractical. The truth is they are the most practical, as their innovations lead to progress and a better way of life for all of us.”

— Robin Sharma

In order to improve business efficiency, it is imperative for the management to innovate by redesigning its key business processes. The greatest motivators behind innovation are the global business and economic trends, past management failures, operational challenges, new learning, and environmental changes. Innovation can be achieved by adopting six basic principles by the management. These include organising around results and not activities, making those people work on the process who shall later use the outcome of the processes, linking parallel activities instead of integrating them, facilitating authority responsibility relationship at the point where work is performed in order to strengthen the processes, treating geographically dispersed resources as centralised and using information into real business processes (Hammer, 1993).

Employee involvement and communication have been considered the most important factors in the study of innovation for organisational growth (Gracia-Morales et al., 2011). This can be achieved by positive social interaction and building relational human capital. Giving rewards and recognition to the employees can be the major facilitator to organisational change as it shall encourage employees to adapt to the

changing techniques and patterns. Relational human capital is considered as one of the most underlying processes leading to innovation in the concept of dynamic capability. It helps in reconfiguring the knowledge created and captured by the organisation (Teece, 2007) and can be strengthened through brainstorming sessions within the organisation, training sessions etc.

Through various definitions, the concept of dynamic capability points towards various modes of organisational learning. In the literature of organisational learning, innovation is considered as the central theme that considers innovative organisations as living learning organisations. Learning organisations are innovative organisations and both internal as well as external networks are critical for nourishing the learning theory (Hage, 1999).

It is clear, while far from exhaustive, that innovation literature considers learning, empowering human capital and communication as the most important facilitators of change. However, empowerment does not feature in the concept of dynamic capability. This is supported by the national survey of employers in Ireland which concluded that concepts of relational capital, learning and communication had a significant positive impact on innovation outcomes (Watson et al., 2010). Hence, it must be understood that in order to achieve the organisational objectives, the mediating role of organisational environment is critical to foster and implement change. Also understanding employee experience and perceptions has a major role to play in tracing the pathway to innovation.

Role of organisational innovation environment in employee perception

Effective change management leading to innovation calls for a clear understating of the processes to be undertaken to initiate change. What the staff receives and

experiences in terms of organisational innovation inputs from the employer, acts as a good determinant of the competence of the innovation climate. At the end of the day, a sound innovative atmosphere exhibits that the procedures explained and composed by the seniors are really being implemented or not (Anderson and West, 1998). Human resource strategies impact representative atmosphere observations by emblematically surrounding and conveying key hierarchical qualities and practices (Rousseau, 1995). Organisational climates is therefore an intense social component through which HR frameworks impact employee perceptions, practices and qualities, and it is a vital component in understanding the effect of organisational innovative techniques on the employees (Asmawi and Mohan, 2011; Sundgren et al., 2005). The extent to which organisational innovation strategies have penetrated the minds and experiences of employees to promote innovative work behaviour is reflected by the organisational innovative climate. Wang and Ahmed define dynamic capabilities for innovation as “a firm's capacity to develop new products as well as business sectors (markets), through adjusting vital creative introduction to inventive practices and procedures”. Innovativeness is viewed as an essential means for organisations to flourish in unique conditions, react to unanticipated difficulties and proactively grow new abilities (Zhou and Hoever, 2014).

Though dynamic capacities reflect key large scale procedures, for example, sensing, seizing and reconfiguration (Teece, 2007), innovative strategies lay stress upon the techniques and methodologies adopted by the human resource management that are intended to build up these higher-order abilities. Organisational expectation as reflected in the organisational innovative strategies and the phenomenon in dynamic capacities is manifested through the organisational innovative climate which apprehends the discernments and sentiments of workers (Bindra et al., 2019;

Dawson et al., 2008; King et al., 2007; West and Richter, 2007). Subsuming an employee's capacity gives a comprehension of why and what innovative produce results to and how the practices supporting dynamic capacities can be encouraged in a precise, dynamic and sustainable way.

Conceptual and practical connotation

There is a developing affirmation that the impression of top management in the dynamic capacities framework tends 'at the chivalrous' (Lee and Teece, 2013). Dynamic abilities are viewed as higher-order capacities that are the outcomes of specific complex procedures and exercises. Instead of being embodied in the process itself, it bears a clearer comprehension of the idea of what dynamic abilities are and how they can be created. The micro-foundations of dynamic ability are the innovative strategies, procedures and organisational environment (climate) which are utilized through human resource management meditations. Thus the interconnection between the employees, the need for motivation and the organisational innovative strategies comprise the centre stage of discussion. The organisational climate facilitates the joint impacts of specific methodologies and mediations on the enthusiastic, intellectual and social encounters of workers and at last on how the practices and miens lead to development. This calls for the need to establish a strong dynamically innovative environment enhancing the affective behaviours of employees such as knowledge sharing, co-working and committing (Kogut and Zander, 1992; Shipton et al., 2006; Takeuchi et al., 2009). Building dynamic capacities requires vital human resource management. Investigating the part of workers in advancement and evoking their points of view, inspirations and activities help to build up a comprehension of how to influence collective behaviour and conduct. The review of literature suggests that the dynamic capability framework directly incorporates the role of employees as well

as of the top management. The more the commitment from the top management, the more motivated the employees will be. This motivation enables the employee to go beyond the thought of merely being an employee and he develops a sense of connectivity with the organisation.

REFERENCES:

- Ambrosini Véronique, a. C. (2009). What are dynamic capabilities and are they a useful construct in strategic management? *International journal of management reviews*, 29-49.
- Anderson, N. P. (2014). Innovation and creativity in organizations: A state-of-the-science review, prospective commentary, and guiding framework. *Journal of management*, 1297-1333.
- Anderson, N. R. (1998). Measuring climate for work group innovation: development and validation of the team climate inventory. *Journal of Organizational Behavior: The International Journal of Industrial, Occupational and Organizational Psychology and Behavior*, 235-258.
- Asmawi, A. &. (2011). Unveiling dimensions of organizational culture: an exploratory study in Malaysian R & D organizations. *R&D Management*, 509-523.
- Bindra, S., Parameswar, N., & Dhir, S. (2019). Strategic management: The evolution of the field. *Strategic Change*, 28(6), 469-478.
- Bindra, S., Srivastava, S., Sharma, D., & Ongsakul, V. (2020). Reviewing knowledge-based dynamic capabilities: perspectives through meta-analysis. *Journal for Global Business Advancement*, 13(3), 273-295.
- Bowman, C. &. (2003). How the resource-based and the dynamic capability views of the firm inform corporate-level strategy. *British journal of management*, 289-303.
- Boxall, P. (2013). Mutuality in the management of human resources: assessing the quality of alignment in employment relationships. *Human Resource Management Journal*, 3-17.

- Cavagnoli, D. (2011). A conceptual framework for innovation: An application to human resource management policies in Australia. *Innovation*, 111-125.
- Cepeda, G. &. (2007). Dynamic capabilities and operational capabilities: A knowledge management perspective. *Journal of business research*, 426-437.
- Dawson, J. F.-R. (2008). Organizational climate and climate strength in UK hospitals. *European Journal of Work and Organizational Psychology*, 89-111.
- Easterby-Smith, M. L. (2009). Dynamic capabilities: Current debates and future directions. . *British Journal of Management*, S1-S8.
- Ekvall, G. (1997). Organizational conditions and levels of creativity. *Creativity and Innovation Management*, 195-205.
- García-Morales, V. J.-R.-J. (2011). Influence of internal communication on technological proactivity, organizational learning, and organizational innovation in the pharmaceutical sector. *Journal of Communication*, 150-177.
- Hage, J. T. (1999). Organizational innovation and organizational change. *Annual review of sociology*, 597-622.
- Helfat, C. E. (2009). Understanding dynamic capabilities: progress along a developmental path. *Strategic Organisation*, 91-102.
- Helfat, C. E. (2011). Untangling dynamic and operational capabilities: Strategy for the (N) ever-changing world. *Strategic management journal*, 1243-1250.
- Kogut, B. &. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science* , 383-397.
- Kraatz, M. S. (2001). How organizational resources affect strategic change and performance in turbulent environments: Theory and evidence. *Organization Science*, 632-657.
- Lawson, B. &. (2001). Developing innovation capability in organisations: a dynamic capabilities approach. *International journal of innovation management*, 377-400.
- Lee, S. &. (2013). The functions of middle and top managers in the dynamic capabilities framework. *Kindai Management Review*, 28-40.
- Montag, T. M. (2012). A critical analysis of the workplace creativity criterion space. *Journal of Management*, 1362-1386.
- Rousseau, D. (1995). Psychological contracts in organizations: Understanding written and unwritten agreements. CA: Sage Publications.
- Shipton, H. W. (2006). HRM as a predictor of innovation. *Human resource management journal*, 3-27.
- Sundgren, M. D. (2005). Drivers of organizational creativity: a path model of creative climate in pharmaceutical R&D. *R&D Management*, 359-374.
- Takeuchi, R. C. (2009). Through the looking glass of a social system: cross-level effects of high-performance work systems on employees' attitudes. *Personnel Psychology*, 1-29.
- Teece, D. J. (2007). Explicating dynamic capabilities: the nature and micro foundations of (sustainable) enterprise performance. *Strategic management journal*, 1319-1350.
- Watson, D. G. (2009). *The Changing Workplace: A Survey of Employers' Views and Experiences*. Dublin, Ireland: National Centre for Partnership and Performance.
- West, M. A. (2007). *Climates and cultures for innovation and creativity at work*. Lawrence erlbaum Associates. Inc.: Handbook of Organisational Creativity, Mahwah, NJ.
- Zhou, J. &. (2014). Research on workplace creativity: A review and redirection. *Annual Review of Organisational Psychology and Behaviour*, 333-359.
