

Exploring the Contribution of Dynamic Capabilities to a Firm's Value Creation: The Role of Competitive Strategy

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Abstract : Dynamic capabilities, as the most considerable capabilities of firms in the current fast-moving economy may not be sufficient for performance improvement, but their contribution to performance is undeniable. While much of the extant literature investigates the impact of dynamic capabilities on organisational performance, little attention has been devoted to understand whether and how dynamic capabilities create value. Dynamic capabilities as the mirror of competitive strategies should enable firms to search and seize new ideas, integrate and coordinate the firm's resources and capabilities in order to create value. A careful investigation to the existing knowledge base remains us puzzled regarding the relationship among competitive strategies, dynamic capabilities and value creation. This study thus attempts to fill in this gap by empirically investigating the impact of dynamic capabilities on value creation and the mediating impact of competitive strategy on this relationship. We aim to contribute to dynamic capability view (DCV), in both theoretical and empirical senses, by exploring the impact of dynamic capabilities on firms' value creation and whether competitive strategy can play any role in strengthening/weakening this relationship. Using a sample of 491 firms in the UK telecommunications market, the results demonstrate that dynamic sensing, learning, integrating and coordinating capabilities play a significant role in firm's value creation, and competitive strategy mediates the impact of dynamic capabilities on value creation. Adopting DCV, this study investigates whether the value generating from dynamic capabilities depends on firms' competitive strategy. This study argues a firm's competitive strategy can mediate its ability to derive value from its dynamic capabilities and it explains the extent a firm's competitive strategy may influence its value generation. The results of the dynamic capabilities-value relationships support our expectations and justify the non-financial value added of the four dynamic capability processes in a highly turbulent market, such as UK telecommunications. Our analytical findings of the relationship among dynamic capabilities, competitive strategy and value creation provide further evidence of the undeniable role of competitive strategy in deriving value from dynamic capabilities. The results reinforce the argument for the need to consider the mediating impact of organisational contextual factors, such as firm's competitive strategy to examine how they interact with dynamic capabilities to deliver value. The findings of this study provide significant contributions to theory. Unlike some previous studies which conceptualise dynamic capabilities as a unidimensional construct, this study demonstrates the benefits of understanding the details of the link among the four types of dynamic capabilities, competitive strategy and value creation. In terms of contributions to managerial practices, this research draws attention to the importance of competitive strategy in conjunction with development and deployment of dynamic capabilities to create value. Managers are now equipped with solid empirical evidence which explains why DCV has become essential to firms in today's business world.

Keywords : dynamic capabilities, resource based theory, value creation, competitive strategy

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