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New applications of dynamic capability research

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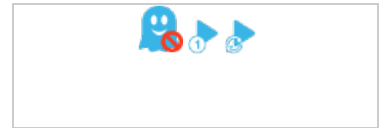
New applications of dynamic capability research

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The ongoing search for an explanatory account of firm-level competitive advantage has driven scholars to rethink frameworks, theories, and commonly held views. As neither the "five forces" nor the resource-based theory of business strategy sufficiently explains the durability of the competitive advantage of firms in the rapidly evolving innovation-driven economy, a new perspective was needed. The dynamic capabilities framework was the response and it helps us understand how and why certain firms gain and sustain a competitive advantage in rapidly changing markets. It focuses on the ability of a firm to create, renew, and orchestrate its resources/specialised assets in a manner that supports evolutionary fitness.

The dynamic capabilities framework allows scholars and practitioners to better understand firm-level competitive advantage under strong innovation-driven competition and associated uncertainty. Such environments are laced with opportunities and threats. Dynamic capabilities govern those organisational capabilities that allow firms to generate greater profits by developing (at the right time) and producing differentiated products and services which address new and existing market demands. Dynamic capabilities determine the speed and degree to which a firm's difficult-to-imitate resources can be deployed and re-deployed in line with the firm's strategy and marketplace requirements. Strong dynamic capabilities enable firms to produce not only the best of their product type or service but something that is unique and exceptional in the value created.



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Since the publication of Teece *et al.* (1997), the dynamic capabilities framework has attracted a great deal of interest among strategic management scholars. The framework also offers practical guidelines for practicing managers. The primary reason for the emergence of the dynamic capabilities framework was the inadequacy of orthodox views (Teece *et al.*, 1997; Eisenhardt and Martin, 2000; Mintzberg *et al.*, 2003, etc.). Teece (2014) draws attention to the entrepreneurial nature of dynamic capabilities, and the role of the entrepreneurial manager in the framework. Recently, Breznik and Hisrich highlighted the relationship between dynamic capabilities and innovation capabilities, and Jurksiene and Pundziene (2016) discussed the relationship of dynamic capabilities and ambidexterity. Such papers embed dynamic capabilities in a multidisciplinary framework. However, after more than two decades and considerable research on dynamic capabilities, Arend and Bromiley (2009) and Giudici and Reinmoeller (2012) acknowledge that there is still much room for further operationalisation and empirical validation of key propositions. There is still insufficient evidence and conceptual development of the links between corporate entrepreneurship, innovation management, and dynamic capabilities.

This special issue of the *Baltic Journal of Management* brings together scholars from different disciplines and from across the world, all of whom provide significant conceptual and empirical insights into the operationalization of the dynamic capability concept. Their work suggests new directions for dynamic capability research.

The issue is composed of five conceptual and empirical research papers that discuss new applications of or offer new perspectives on dynamic capabilities research. They address: contexts of change management theory, when and how a firm might allocate relevant resources in order to gain sustainable competitive advantage via quantitative modelling, the ways in which dynamic capabilities are manifested in the fast-moving fashionwear industry, knowledge networks and clusters, and whether dynamic capabilities can be developed through the exercise of deliberate learning.

The papers constitute a good balance of theoretical and empirical discourse on the nature, composition, and manifestation of dynamic capabilities within specific industries and clusters.

"In search for generic sources of capability dynamism: reconceptualising dynamic capabilities from the perspective of organisational change"

The first paper provides a well-grounded interpretation of the relationship between dynamic capabilities and organisational change, claiming that "generic" dynamic capabilities depend upon organisational change capabilities. (It is interesting to note that the paper on the fast-moving fashionwear industry illustrates what domain-specific dynamic capabilities, analysed in the first paper, might look like.) The paper aims to build a bridge between dynamic capabilities and change management literature through an extensive research review. The authors note that though the dynamic capabilities concept is very popular and impactful, it is in need of further elaboration. The paper focuses on the question of "where these [dynamic] capabilities originate and how their dynamism can be sustained in the long run". The authors offer an original distinction between domain-specific and generic dynamic capabilities and propose an interpretation of generic dynamic capabilities as "organisation change capabilities". These generic dynamic capabilities as organisational change capabilities are discussed in the light of organisational change theory. The authors, in a very elegant manner, differentiate between domain-specific dynamic capabilities and generic dynamic capabilities, presenting a model that describes the relationships between organisational change capabilities, generic dynamic capabilities, domain-specific capabilities, ordinary capabilities, and sustainable competitive advantage.

"Achieving a firm's competitive advantage through dynamic capability"

The second paper of this special aims to provide the reader with a quantitative model that will help managers identify the need for dynamic capabilities in a rapidly changing environment. The proposed model is based on Barney's VRIO framework while taking into account not only internal but external competences. The paper presents three resource allocation strategies: the first is oriented towards synergy of resources, the second towards acquisition of knowledge and experience (resulting in the uniqueness of deep knowledge and specific technologies), and the third is a combination of the preceding strategies. The authors hold that the model enables managers of a firm to identify possible changes in the environment and take appropriate action.

"Dynamic capabilities in fast fashion apparel industry: emergent conceptual framework"

The paper provides a case study of the fashionwear industry based on interviews with industry experts and trade association executives. The authors aim to show dynamic capabilities at work in this industry. Harnessing the results of interviews, the authors formulate eight propositions for the development of dynamic capabilities in the fashionwear industry. The paper illustrates the ideas discussed in the first paper of this issue regarding the domain-specific and generic nature of dynamic capabilities. The authors conclude that dynamic capabilities are very much industry specific and propose the term "moving capabilities".

"Knowledge network dynamics in clusters: past performance and absorptive capacity"

This is another case study of the Xixona cluster in the Valencian Community in Spain. The paper focuses on absorptive capacity as a significant element of dynamic capabilities and their impact on the dynamics of knowledge networks. The authors aim to assess the degree to which absorptive capacity and previous innovative performance contribute to inter-business relationships. The paper confirms that absorptive capacity and previous innovative performance are predictors of inter-business relationships.

"Developing dynamic capabilities for learning and internationalization: a case study of diversification in an SME"

The goal of the final paper is to assess the development process of dynamic capabilities. The paper is based on qualitative longitudinal empirical research of an SME that allowed the authors to observe the development of dynamic capabilities throughout a ten year period. Observation across this time period also allows the authors to assess the context and conditions that facilitate change and trace the evolution of dynamic capabilities. With the results of the case study, the authors provide valuable insights into the possibilities for future research into dynamic capabilities. They point in two major directions: to the effect of the behavioural and cognitive characteristics of decision-makers and individuals on the dynamic capabilities of a firm, and to a more holistic approach to developing a firm's capabilities.

Before concluding this editorial, it is important to note that the papers published in this special issue offer insightful answers to the questions such as: "how do dynamic capabilities contribute to enterprise competitiveness?", "how do enterprises scan their environment and embrace new knowledge?", "how does opportunity identification and the decision to change take place?", "how do opportunity exploitation and change management contribute to enterprise performance?", and "how does new knowledge development contribute to the improved scanning of an enterprise's environment?". However, the papers also raise some new questions for the future research of dynamic capabilities: "what is the role of human factors for dynamic capabilities, particularly the cognitive and emotional involvement of the decision-makers?", "what is the taxonomy of knowledge underlying dynamic capabilities?", and "is it possible to grasp a holistic picture of the organisational capabilities that lead to sustainable competitive advantage?".

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