

# “THE RELATIONSHIP BETWEEN DYNAMIC CAPABILITIES AND FIRM COMPETITIVE ADVANTAGE”

## (1) Article Synopsis Information:

Article Title	The relationship between dynamic capabilities and firm competitive advantage
Authors' Names:	Lolita Jurksiene and Asta Pundziene
Name of Journal:	European Business Review
Year of Publish:	2016
Volume and Issue	Vol. 28 Iss 4 pp. 431 - 448
Objectives of the paper:	A theoretical explanation of the relationship between dynamic capabilities, organizational ambidexterity and firm competitive advantage.

## **(2) Article Critique.**

### **First: An Introductory Critical Review of the Article:**

The article considered for critical review is titled: “The relationship between dynamic capabilities and firm competitive advantage: The mediating role of organizational ambidexterity”, written by “Lolita Jurksiene and Asta Pundziene”, In addition, it was published in "Emerald group" more specifically in the journal of European Business Review in the twenty eighth volume. Basically, the key objective of the paper is to provide theoretical explanation of the relationship between dynamic capabilities and firm competitive advantage and how organizational ambidexterity acts as mediator in this relationship. In the previous studies, this relationship remained unexplored. I particularly selected this article because it focused on a new notion that has not been investigated before. A number of studies (Eisenhardt and Martin, 2000; Helfat, 1997; Li and Liu, 2014; Teece et al., 1997; Teece, 2007), though using different variables, indicates that the relation between dynamic capabilities and firm competitive advantage is indirect. However, there is a need to identify variables that can have a mediating effect on this relation. This is the primary concern which made the authors write this article.

### **Second: Critical Issues in the Article.**

The authors focused on providing the review of the concept of dynamic capabilities in the context of firm competitive advantage. Despite of a decade’s research on this concept, author claimed that there are still many critical and unresolved issues. According to the previous studies, dynamic capabilities were identified as competencies, abilities, capabilities, capacities, processes and routines. Dynamic capabilities were considered to be a firm’s ability to “integrate, build and reconfigure internal and external competencies to address rapidly changing environments” while some researchers perceived dynamic capabilities as specific strategic processes. According to the author, organizational ambidexterity plays a mediator role

in the relationship between dynamic capabilities and firm competitive advantage. The studies on this topic are notably new and one should focus on researchers that analyze organizational ambidexterity within the context of innovation. The author defines organizational ambidexterity as the ability to simultaneously balance between exploratory (i.e. radical) and exploitative (i.e. incremental) innovation and further proves his point of view through the conceptual research. Some researchers see organizational ambidexterity and dynamic capabilities as a capability, while others describe organizational ambidexterity and dynamic capabilities as a process. The authors do not consider these concepts as entirely equal concepts. Therefore, the authors mentioned the three important proposals:

- Dynamic capabilities do not have a direct impact on firm competitive advantage.
- Organizational ambidexterity contributes to firm competitive advantage.
- Organizational ambidexterity is a mediating variable between dynamic capabilities and firm competitive advantage.

These are the three critical points discussed in the paper and have been deduced by comparing various researches.

### **Third: Methodology Used in the Research.**

The authors used the inductive reasoning method in this research. Since inductive research is concerned with the generation of new theory emerging from the data, the authors started by observing various studies about the relationship of dynamic capabilities and firm competitive advantage and various factors that act as mediator in this relationship. They realized that this topic was not searched properly and the innovation plays an important role on this so the paper focused on the ability to implement exploratory and exploitative innovation simultaneously and how it allows firms to meet their environments' and markets' challenges. The authors described the various studies he studied in the form of Table1 through which they proposed that dynamic capabilities do not have direct impact on firm competitive advantage. However, the empirical results were not shared in the paper. The main concern

was that the researchers did not agree about the importance of other related concepts, such as innovation, change management, recourse management, entrepreneurship and organizational learning while the author agreed on the relation between dynamic capabilities and competitive advantage which will be focused on innovation, specifically on organizational ambidexterity as a simultaneous balance between radical and incremental innovation. In Table2, the author explained the concept of organizational ambidexterity through a number of theoretical perspectives including organizational learning, organizational behavior and change management, innovation management and marketing management. The authors expressed organizational ambidexterity as the ability to simultaneously balance between exploratory (i.e. radical) and exploitative (i.e. incremental) innovation. According to them, exploratory innovation focuses on new information, unexplored knowledge sources and undeveloped skills while exploitative innovation builds upon existing knowledge, abilities and processes. In the table3, there is data about the empirical results which were found by researchers to prove that concept of organizational ambidexterity contribute to competitive advantage. In the third section, the authors address the relationship between organizational ambidexterity and dynamic capabilities, particularly with regards to firm competitive advantage. The comparative analysis of dynamic capabilities and organizational ambidexterity concepts, which is aligned with two different viewpoints, is provided in Table IV. The author explained the two processes exploration and exploitation through figure 1. In this he explained Exploration implies steps such as recognizing opportunities, managing uncertainty and ambiguity, optimizing the organizational processes, evaluating risk, acquiring recourses while exploitation is simpler, usually of low risk and a short-term process, which includes the use of existing capacities and recourses. The best thing which I found was that the author tried to put his results in a form of table. This is usually missing in the conceptual type of research. Hence, it makes the article interesting. In addition, I noticed that the results were not proved empirically and sufficed on other researcher's content and studies. However, overall the proposals stated by author are totally consistent with research objectives and the used methodology.

#### **Fourth: Evaluating Authors' Findings.**

I tend to agree with the authors in the research contribution. The authors contributed significantly to the research literature. Firstly, through the existing studies, they confirm that this supports the need to further explore indicators that influence the relationship between dynamic capabilities and firm competitive advantage. Second, it was found that organizational ambidexterity, meaning implementation of exploration and exploitation activities, is considered to reduce the length of time required and contribute to firm competitive advantage and the sustainability of a firm. Finally, the author clarifies the relationship between dynamic capabilities and organizational ambidexterity. Authors tried to interpret the results from the various studies and did not rewrite what was already introduced in the previous sections. All interpreted results flow from the research objectives and are well structured in the form of tables and figures. More importantly, the authors introduce some limitations stating that this was the theoretical research and results are just interpreted based on the previous studies. Therefore, the major drawback is the need to empirically test the relationship between dynamic capabilities and firm competitive advantage, considering organizational ambidexterity as a mediator.

#### **Fifth: Supporting Authors' Point of View by Using References.**

Since this was a conceptual paper, therefore references played an important role. There are about 50 references in this article. The majority of them is contemporary (From 2008 to 2014). The others are not very old between 1998 to 2007. The oldest was 1996. However, this doesn't represent a long timeline. For example, he compared various studies in the form of tables and proved his point through that. Though the topic is a new of its kind, the used references did a good job in term of covering literature review contents. This research represents a basic foundation for the future studies in the long term. All the references are relevant to the study and provide excellent advocacy on the subject. Some did mention the contradictory points which were well explained by the authors. In my opinion, the authors cited various statements

from the references and it is apparent through this that the authors perform a thorough literature search before commencing their study.

### **Sixth: Critical Review of Overall Topic.**

The title “The relationship between dynamic capabilities and firm competitive advantage: The mediating role of organizational ambidexterity” of the article is completely reflective and parallel to the content of the research paper. It is neither too long nor short. The only concern which I found in the article is that it is too theoretical. As it known, the topic has not been investigated before which motivates authors to write about it and examine the relationship. The authors are just explaining all the theories by comparing various studies. These studies were proved through empirical tests but the authors just explained the theoretical part and did not mention about the variables used during those studies. The further research should include the research done in the historic times, say 1950-1980s. Though at the end, the authors stated some limitations that there is a need to test this relationship between dynamic capabilities and firm competitive advantage empirically. Additionally, empirical research should explore various types of organizational ambidexterity and their potentially varied effects in mediating the relationship between dynamic capabilities and firm competitive advantage. The structure of the article is well organized. And the way authors have portrayed their views through examples keeps the readers’ intact and develops interest in the area of research. On the whole, the article was well written conceptual approach.

### **BIBLIOGRAPHY**

Lolita Jurksiene Asta Pundziene , (2016), "The relationship between dynamic capabilities and firm competitive advantage", European Business Review, Vol. 28 Iss 4 pp. 431 – 448