



## Dynamic capability: Impact of process alignment and organizational learning culture on performance

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### ABSTRACT

Although there is much emphasis on the importance of process alignment, organizational learning culture, and dynamic capability, little attention has been paid to their interactions and joint effects on performance. While the concept of dynamic capability has received increasing attention and numerous conceptual frameworks and propositions have been suggested, few empirical studies have been conducted to examine its antecedents and outcomes. Some maintain that dynamic capability is created via organizational learning. Others contend that dynamic capability is resident in organizational processes.

This empirical study utilizes a survey data from a Taiwan high-tech industry to test an integrative model of dynamic capability. The results of this study demonstrated that although organizational learning culture significantly affected performance, its influence was mediated by dynamic capability. Furthermore, this study provides supporting evidence for the hypothesis that process alignment influences performance directly and indirectly through dynamic capabilities.

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### 1. Introduction

The intensity of business competition has significantly increased, forcing business organizations to adopt non-traditional management techniques and tools. Maintaining competitive advantage is a dynamic and infinite activity. Scholars have proposed that to maintain competitive advantage, organizations should develop capabilities for improving business core processes and continuous learning (Argyris & Schon, 1978; Hammer, 2001; Jashapara, 1993; Senge, 1990; Zott, 2003). A primary interest in management research is to identify relationships between organizational variables. Dynamic capability, as an emerging concept, needs to be examined in an integrated framework incorporating its antecedents and consequences (Wang & Ahmed, 2007). According to the resource-based view (RBV) of the firm,

firms in the same industry perform differently because they possess different resources and capabilities (Barney, 1986, 1991; Peretaf, 1993). This perspective holds that dynamic capabilities are a set of specific and identifiable processes and abilities to improve business core processes involves the integration of business core operational processes and organizational strategic goals (Eisenhardt & Martin, 2000). Although some strategic management scholars are skeptical regarding the value of the concept of “dynamic capabilities” (see, for example, Winter, 2003), others advocate this concept and provide supporting evidences (Teece, Pisano, & Shuen, 1997; Zott, 2003). Teece et al. (1997) define dynamic capability as the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapid environmental change. The theory of dynamic capabilities suggests that knowledge is a fundamental resource for organizations to build sustainable competitive advantages.

The RBV theory stresses that firm growth and competitive advantage are functions of the unique bundle of resources possessed and deployed by individual firms (Barney, 1986, 1991). More recently, this perspective has been extended to consider a dynamic capability which is defined as the unique ability of firms “to integrate, build and reconfigure internal and external competencies to address rapidly changing environments” (Teece et al., 1997: 516). From an economic perspective, Carpenter,

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Sanders, and Gregersen (2001) noted that the RBV stresses rents rising from scarcity (Ricardian rents) and the capabilities perspective emphasizes rents resulting from market discontinuities (Schumpeterian rents).

While the concept of dynamic capability has received increasing attention in the literature (Danneels, 2002; Eisenhardt & Martin, 2000; Winter, 2003; Zollo & Winter, 2002; Zott, 2003), only recently have some attempts been made to look deeper into the process that links its antecedents and to firm performance. There is a paucity of theoretical frameworks and empirical studies on the mechanisms through which firms develop their dynamic capabilities and subsequently enhance the performance. Augier and Teece (2007) argued that dynamic capabilities are resident in a firm's processes and routines. Zollo and Winter (2002) have advanced our understanding by proposing a conceptual framework that posits an organization with continually learning culture namely organizational learning is a key foundation for building dynamic capability. The increasing attention to organizational learning represents a knowledge-based view (KBV) of the firm which emphasizes that knowledge provides the sustainable competitive advantage. According to Zollo and Winter (2002): "A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness" (p. 340). However, there is relatively little close empirical study exploring the relationship between dynamic capability and organizational learning culture. Zahra, Sapienza, and Davidsson (2006) contended that there are considerable ambiguities in the literature about the concept of dynamic capability and such ambiguities can only be resolved by examining its relation to antecedents and outcomes. Unfortunately, there is a dearth of empirical evidence on the relationship between dynamic capabilities and its key antecedent variables such as organizational learning culture and organizational process alignment. Therefore, there remain unresolved questions: (1) how does organizational learning culture influence dynamic capability? and (2) does dynamic capability mediate the impacts of organizational learning culture on performance?

Although extensive studies have been conducted on the outcomes of organizational learning culture (Egan, Yang, & Bartlett, 2004; Ellinger, Ellinger, Yang, & Howton, 2002; Wang, Yang, & McLean, 2007) and organizational process alignment (Gresov, 1989; Lee & Dale, 1998; Powell & Dent-Micallef, 1997), most management literature stresses the benefits of organizational learning culture and organizational process alignment separately. Few studies have been conducted to investigate the relationship between organizational learning culture and process alignment and their joint effects on organizational performance. This study focuses on examining an organization adept at managing core processes in the area of organizational learning culture and process alignment and, particularly, their potential to generate superior performance through the dynamic capability approach. It is reasoned that enhanced organizational performance results primarily from the effective handling, sharing, application and management of knowledge. Thus, distinctive methods of doing business that produce a competitive edge are heavily dependent on integrating the results of process alignment and organizational learning culture with dynamic capability.

The purpose of this study is to examine the inter-relationship between organizational learning culture and process alignment and their joint influence on organizational performance. This study aims to develop and empirically test a model for examining the relationship among organizational process alignment, organizational learning culture and organizational performance from a dynamic capability perspective. This study has implications for both management theory and practice. Based on the dynamic

capability perspective, this research significantly contributes to the current knowledge on organizational process alignment, organizational learning culture and organizational performance. This study benefits management practice by demonstrating how organizations can adopt better methods of improving their performance and profitability via organizational process alignment and organizational learning culture based on the dynamic capability approach. In sum, this study attempts to explicate the nature of dynamic capability by clarifying its dimensions, measures, antecedents and impact on organizational performance.

## 2. The theoretical framework and hypotheses

Based on an extensive literature review and synthesis, we propose a basic conceptual model shown in Fig. 1 that illustrates the inter-relationship between dynamic capability and its antecedent and outcome variables. This model includes organizational performance as the endogenous variable, two exogenous variables (organizational process alignment and organizational learning culture, representing RBV and KBV respectively), and one mediating variable (dynamic capability). The model proposes several relationships among these constructs which are explicitly stated in the section in the form of hypotheses to be tested. The proposed model posits that organizational process alignment and organizational learning culture are inter-related, and are the antecedents of dynamic capability and organizational performance. It implies that organization dynamic capability partially mediates the influence of organizational process alignment and fully mediates the effect of organizational learning culture on performance. The constructs included in the model and their relationships will be discussed in the following paragraphs.

### 2.1. Dynamic capability

Teece et al. (1997) emphasized that firm dynamic capabilities reflect how organizations first develop firm-specific capabilities and competencies in a changing business environment. These capabilities and competences are highly related to the firm's business process, market position and expansion path. Managerial and organizational processes refer to firm methods for decision completion. Market position refers to the current specific endowment of an organization in terms of technology, intellectual property, complementary assets, and so on. "Path" provides the strategic alternative available to a firm and the presence or absence of increasing returns and related path dependencies.

Many empirical studies have demonstrated a positive relationship between dynamic capabilities and organizational performance. For example, Danneels (2002) studied five high-tech firms. It was concluded that product innovation capabilities improve firm competencies and renewal performance. Zott's (2003) study explored how the dynamic capabilities of firms may affect different firm performances within an industry. It was found that even a small initial difference between firms' dynamic capabilities

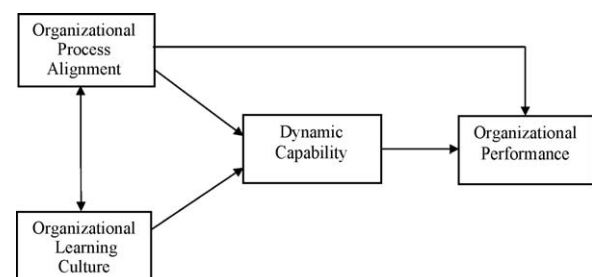


Fig. 1. Conceptual framework.

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