Newcastle Business School

Research Working Papers

Editorial Note

This second volume of the NBS Research Working Papers series continues to highlight the range and quality of current research within Newcastle Business School (NBS). As noted in the introduction to the initial volume, the purpose of the series is to disseminate the results of NBS research across the School as a whole. This is intended to:

- act as a basis for lively and collegiate debate with colleagues
- publicise key research areas internally amongst our different communities of practice
- provide a stimulus for further research
- support the growth of research communities within the School in the context of NBS strategic research objectives
- encourage the sharing of constructive feedback on our research which can help to turn tentative findings and conference presentations into completed papers suitable for publication.

About Volume Two

The second collection of papers is themed around empirical research in the area of business and management practice. Drawing particularly from the work of new researchers within NBS, the richness of current research in NBS is readily apparent. Gregory Ludwig considers the nature of strategic business leadership, drawing from his doctoral work to propose a new paradigm of dynamic leadership capability which questions the rationalist view of strategy formulation and implementation. This critical and research-informed perspective is present also in Kamil Michlewski's analysis of design and organisational culture. Kamil adopts a qualitative grounded theory approach in order to explore the cultural 'footprint' left by designers within four different business organisations. Nonyerem E Davidson widens the focus to look specifically at how to "equip African business organisations with the management skills and strategic information for success in European and US markets. Roman Stepanov et al examine Russian corporate disputes in the context of institutional change in Russian corporate governance. Their paper suggests that there has been a positive change in the regulatory infrastructure and law enforcement practices within Russia which may facilitate further inward investment. Hina Khan and David Bamber's paper is focused on Pakistan and investigates consumer buying behaviour with regard to Country of Origin (COO) effects. Their paper draws upon 250 respondents and one of the findings of their paper is that COO effect is of limited significance on product perception and buyer behaviour which contrasts with some earlier research in that field. Lastly, David Grundy considers the issues of applied research access and associated findings in relation to a sensitive research area, namely Real Money Trade.

As before, we would encourage all colleagues to read the papers and to consider preparing a contribution of their own. If you are currently working on a research or conference paper, or have an idea for a contribution you wish to discuss, please get in touch with either of us. We continue to welcome any feedback on the Working Paper series as a whole.

We would like to thank all of the authors for their papers. We also wish to thank Oonagh McGee for her work in preparing the final copy for Volume Two,

John Fenwick and Richard Slack

On behalf of Research Management Team

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<u>Contents</u>

<u>**Page**</u>

Strategic Leadership in the Light of a New Paradigm of Strategy Research and Practice: A Dynamic Capabilities Approach

Gregory Ludwig

Summary

This paper argues that the basic parameters of many industries are changing. Furthermore, strategic management is in a period of transition toward more practical and "realistic" conceptual developments. The increasing acceptance of dynamic capabilities within research communities acts as a major trend within the subject discipline and simultaneously appears to reflect this wider and contemporary phenomenon. Extended conversations with senior leaders result in the establishment of a framework for "dynamic leadership capabilities". It is hoped that future research into leadership development incorporates insights from dynamic capabilities-based approaches in order to contribute to this theoretical notion.

Introduction

A considerable body of knowledge has accumulated on the conceptual issues associated with the dynamic capabilities view (DCV) and respective analyses. This paper provides an attempt to highlight the main implications for the future of strategic management through a special emphasis on dynamic leadership capabilities. The central argument within this study is the requirement to accept multi-disciplinary approaches to leadership development at the senior level through acknowledgment of recent paradigmatic trends within strategy research and practice. The document reviews and critiques existing literature and suggests a framework for future research. However, it is not a purely theoretical paper. Rather, the main objective is to lay the foundations for a wider, exploratory study which investigates a number of theoretical issues from a DCV lens; informed by the managerial perspective yet detached from the dominant logic in research and practice. This process has resulted in generation of some tentative findings which will be discussed in more detail. The following section provides a critical review of literature in the area, followed by an initial development of a framework for dynamic leadership capabilities.

DCV: Past and Future

Evolution and purpose
Although the DCV clearly derives from historical studies in other disciplines such as evolutionary economics - as well as from major weaknesses of the resource-based view (RBV), the current context and position of its theoretical legacy is still unclear and subject to academic debate. Eisenhardt and Santos (2002, p. 161), for instance, argue that the "KBV [knowledge-based view] is not yet a theory of strategy that goes beyond the insights provided by the resource-based view and the related dynamic capabilities approach". This statement however follows the assumption that the dynamic capabilities approach is a foundation that underlies knowledge-based thinking (2002, p. 142) and implies that the DCV is simply an extension of the resource-based view (2002, p. 143).

Hahn and Doh (2006) take a similar stance and outline a theoretical evolution mainly deriving from strategic management literature struggling with the application of resource-based perspectives on changing and turbulent environments. According to their view (2006, p. 785), two extensions to the RBV can be identified: the dynamic capabilities view at one end and "conceptual development and empirical testing of co-evolutionary theory" at the other end of the spectrum. The latter field of enquiry is mainly building on the re-examination of traditional approaches to strategy research in the tradition of the original suggestions by Volberda and Lewin (2003). Preceding this, a number of relatively recent studies (e.g. Starkey and Madan, 2001; Pettigrew, 2001; Starkey, 2001) describe a gradual paradigm shift within the subject

discipline towards management research which attempts to bridge the so-called "relevance gap". In other words, practical applicability and acknowledgment of environmental realities is finally accepted as a decisive factor for theoretical investigations in this area. Baldridge *et al.* (2004) assume in this context that academic quality is correlated with practical relevance. However, the two issues might be more related than Hahn and Doh's (2006) paper suggests: due to the observation that both the emergence of the DCV and this possible paradigm shift of wider management theory seem to fall within the same broader and most recent time period, one may view this as more of a logical than a coincidental occurrence. One of the most plausible connections between these two contemporary phenomena may be settled within the foundations and main principles of the DCV which naturally offer more practical value for senior managers than "static" frameworks;

Management consultants and practitioners often criticize the detached nature of theoretical research. They do not feel, for instance, that research is disseminated appropriately, provides value for their managerial role, or is sufficiently relevant (Starkey and Madan, 2001). In particular the lack of applicability of static resource-based thinking may contribute to this unsatisfying situation and is not surprising with regard to its underlying principles and the identified gap to business reality. Still it must be added that any valid identification of this specific correlation is naturally subject to retrospective evaluation based on future research and shall not be further pursued within this particular review. Nevertheless, to complicate the issue, management research requires a certain degree of scholarly quality *and* must meet the hurdles of relevance (Pettigrew, 2001) and accessibility. These particular criteria often contradict each other and therefore imply a certain potential for tensions and challenges. Starkey (2001, p. 78) speaks in this context of the "need to engage researchers in new ways of doing research […] which will require a focus on the distinctiveness of management research and its core identity and on ways of engaging with the world of practice".

Two critical questions materialize with regard to the specific critique of static views on strategy:

First, is the DCV merely an extension to the RBV or will future research reveal crossroads and major differences which will let the existing evolutional pathway appear redundant? And secondly, how will this process influence the historical meaning of resource-based thinking within the field of strategy? As mentioned above, these questions can only be answered through future research over a significant period of time in both particular fields of enquiry and a successful realization of an attempt to clarify the confusion surrounding the theoretical status of such frameworks. Still, their relevance for a critical view on both perspectives shall be acknowledged within academic studies. Tallman (2003, p. 406), however, assumes that "dynamic capabilities or a related model is not the universal theory of the firm, but rather offers some useful insights to models of strategy". According to the definition of Yung-Ching

and Tsui-Hsu (2006, p. 215), dynamic capabilities are "a set of specific and identifiable processes, or a pool of [controllable] resources that firms can integrate, reconfigure, renew and transfer". Eisenhardt and Martin (2000, p. 1107) define them as "organizational and strategic routines by which the companies reach new resource configurations". They are "complex, higher order organizational processes which provide adequate conditions for the modification and renewal of the firm's stock of business assets" (López, 2005, p. 664). On the other hand, Zollo and Winter (1999) warn of the risk of a near-tautology of defining a capability as abilities and emphasise the structured and persistent nature of dynamic capabilities which act as a clear distinction from organisational abilities to adapt creatively to changing environments. Interestingly, Dutta *et al.* (2005, p. 278) developed the term "intermediate transforming abilities", representing an invisible step between transformations of resources into visible products. However, this particular description appears too broad and iterative, given a similar and relatively early statement by Porter (1985) in the context of his value chain framework. All conceptual definitions of the DCV above emphasize the process of re-configuration of existing resources or capabilities. It is very interesting to note that this particular language and the notion of a dynamic capabilities view has emerged and been subject to evaluation by research communities only for approximately one decade, since Teece *et al.* (1997) published their influential paper which seems to build on the early comments of Nelson (1991) on dynamic capabilities.

Helfat and Peteraf (2003) introduce an attempt to define a "dynamic" resource-based view building on "capability lifecycles" (CLC) with the intention to facilitate a better understanding of one of the major foundations of resource-based thinking: the concept of resource heterogeneity. Thus, illuminating the evolution of resources and capabilities may benefit or enable systematic generation of the latter - simply because both abrupt and gradual changes of the external business environments naturally dictate renewal and reconfiguration to conserve and maintain this possible source of competitive advantage. On the other hand, it is questionable, whether such a descriptive notion offers substantial value for both the academic field of enquiry as a whole and the senior managers of the firm in particular: is it not subject to academic consensus and moreover supported through the examples cited within this literature survey that sustainability of competitive advantages may not only benefit from but also depend on selective processes of rebuilding and renewal of resources and capabilities, particular within certain contexts?

As stated above, in business practice, a CEO might be more interested in a prescriptive solution informing the practical realization of such or similar action. Hence, neither a limited focus on a close examination of the involved progression points nor labelling of different stages of this procedure may eliminate the ongoing confusion attached to the capability building exercises themselves.

Furthermore, it appears paradoxical to elaborate on the emergence of a "dynamic" resource-based view as this is clearly not an accurate description of the current trends within the field. Rather a dynamic view of capabilities may be crucial for comprehension of the resource-bases of the firm in response to both micro- and macro-environmental factors. The role of the latter shall be investigated in the remainder of this paper. To summarise, it becomes clear that the dynamic capabilities view represents an existing and actively evolving attempt to address the challenges as outlined above.

With regard to external stimuli however, the following aspects require special emphasis: they may constitute of competitors' initiatives, normative changes or scientific discoveries and often provide feedback on the effectiveness of the organisations' strategic moves (Zollo and Winter, 1999). Their main association with the exercise is a very distinctive role as input, feedback and evaluation units and indication for correctional, reactive changes. One practical example of a company which is continuously forced to develop new capabilities due to macro-environmental realities is DE BEERS in the diamond industry: in this particular case, the main underlying factors may relate to critical issues mainly in the areas of diamond supply and diamond downstream marketing. As political factors have been subject to massive, cyclical changes and natural resources run out, the company has to adapt to these new conditions. This comes in combination with synthetic threats and decreasing control and influence on existing mining sites. Furthermore, the example demonstrates that a very strong position in an industry through a monopoly-like position can not possibly sustain a competitive advantage over time. Thus, the senior manager's task constitutes of thorough understanding and analysis of both external environments and internal resource bases. Neither of them shall be investigated in isolation. However, it is nevertheless important to note that external factors may inform the dynamic capability building processes but they do not constitute direct elements of the latter. Nonetheless, they shall not be employed as retrospective measures of the degree of appropriateness of dynamic capabilities within the organisation. More logically, the future-based nature of macro-environmental changes may assist the process and provide important insights for the task itself.

Limitations

Despite these efforts to acknowledge the value of the concept of dynamic capabilities, the absence of a unifying framework to date resulted in a generally sceptical view amongst strategy scholars in the recent past, although this seems to be changing currently with an apparently higher degree of acceptance due to both active research being conducted in many institutions and the consecutive accumulation of important contributions. Still, it remains difficult to explain the teething troubles of the dynamic capabilities view in a satisfactory way, because its theoretical development seems to be a highly logical consequence deriving from both major limitations of the RBV and other areas within strategic management. Winter (2003, p. 991, p. 994) sees the origin of this scepticism in the "mystery surrounding both the

terminology and the phenomenon which arises partly from linking the concept too tightly to notions of generalized effectiveness at dealing with change and generic formulas for sustainable competitive advantage".

Yet, in particular the latter criticism may similarly apply to strategy research in other fields and is a general risk of management theory which is even further amplified by the nature of the subject of strategy: strategy attempts to link theory with practice and is very complex. Faulkner and Campbell (2003, p. 4), for instance, describe it as a subject "about the future, which is unknown and unknowable". On the other hand, Wiltbank *et al.* (2006) name the phenomenon "non-predictive strategy". Such statements reinforce and clarify the complexity of strategy as a subject of study and research and may represent one possible explanation for the numerous appearances of formula-like approaches to strategy implementation in the literature. In addition, certain contradictions and tensions in the existing body of knowledge (as demonstrated earlier) may only reflect the complexity of the phenomenon.

Future research

To summarise, it can be concluded that the dynamic capabilities research tradition suggests that "a firm can develop superior capabilities through learning mechanisms, including repetition, experimentation, and even the analysis of small mistakes" (Piccoli and Ives, 2005, p. 751). "Companies have to develop new resources, capabilities and activities for the acceptance of the idea of scarcity of natural resources and the co-responsibility between businesses and society for the development of social resources to give rise to persistent competitive advantages" (Rodriguez *et al.*, 2002, p. 140). In terms of the DCV's wider context and meaning within the research communities, in particular with regard to the short-term future, it is interesting to mention the empirical evaluation of Acedo *et al.* (2006, p. 633): hence, "the dynamic capabilities approach appears as a nexus between the classic works from the RBV and the most recent studies from the KBV". In other words, they argue that the knowledge-based view and the resource-based view are characterised by a theoretical distance which mainly derives from the more positivist and economic history of the latter perspective.

According to this and similar arguments the DCV acts as a catalysing force which draws from both sources and filters theoretical contributions through its own characteristics. Yet, as mentioned earlier, the DCV is arguably a very logical, progressive continuation of resource-based thinking, whilst the latter has clearly benefited from more recent frameworks settled within the KBV. In terms of size of research outputs and theoretical impact on a wider scale, however, the DCV is still in its beginnings; therefore direct comparisons and evaluations seem inappropriate at this given point in time. What results from the investigation above, however, is the assumption that understanding how to create new sources of competitive advantage

and in particular "ex ante" (Cockburn *et al.*, 2000) rather than retrospectively or through case-specific deductions, may be the central question for strategy research. As the process-based nature of dynamic capability building naturally relies heavily on a rather high degree of innovative actions, the former may provide substantial insights concerning realisation of competitive advantages. A consensus is emerging that the contribution of DCV-based research incorporating existing knowledge in other areas has a far-reaching and positive effect on further comprehension and explanation of this central yet un-solved problematic issue of strategy research, the quest for competitive advantage. This is confirmed by Buenstorf and Murmann (2005) who particularly relate the importance of investigation of sustainability to accumulation, maintenance and reconfiguration of capabilities within dynamic environments.

In the following, the implications of insights from the dynamic capabilities perspective for the conceptual notion of strategic leadership shall be investigated.

Strategic leadership

For many decades, a rationalist view of strategy has made a clear distinction between strategy formulation and implementation. This has led to the widespread view amongst practitioners and research communities alike that strategy formulation is a relatively easy task for senior managers, mainly constituting of development of vision and mission statements or other future aspirations; the latter actions are closely related to Kotter's (1990) understanding of leadership as the process of setting the future pathway of the organisation through a distinctive set of measures which will be described in more detail within this paper. As a result of this prevalent "classic" view, the term "strategic leadership" has been mainly associated with communication of such accomplishments to employees, customers and stakeholders. Similar approaches are often (e.g. Finlay, 2000) characterised by descriptions of differences between leadership and management, development of vision statements or definitions of leadership styles. Conger (1992, p. 18), for instance, concludes that leaders may be defined as "individuals who establish direction for a working group of individuals, who gain commitment from these group members to this direction, and who then motivate these members to achieve the direction's outcomes". However, apart from appearing somewhat unspecific, such a position does little to grasp business realities and the leadership challenges presented within various contexts. Leadership requires a different, more balanced focus.

Kay *et al.* (2003, p. 39) describe the "traditional" and often implied distinction between strategy and implementation as a "misconception". They add that "in the hands of a skilled strategist formulation and implementation are inextricable", a view supported by Hrebiniak and Joyce (2005). Strategic management is not exclusively about achievement of sustainable

competitive advantages or building of core competencies through application of prescriptive, conceptual tools. It's a subject about the unknown future (Faulkner and Campbell, 2003) and therefore its main purpose is closely linked with the skills of senior managers and their understanding of both strategy content and processes. This is confirmed by Helfat *et al.* (2007, p. 63) and their definition of the central question of current strategic leadership research: "How do executives aid or hinder the creation, extension, and modification of a firm's resource base?" Consider APPLE INC. and Steve Jobs. Within the past five years or so, this business organisation has created an entire industry, emerging from the development of, and revolving around the original IPOD music player and its next generation updates, thus demonstrating a unique ability to respond to strategic challenges; it is important to note, however, that this particular success story is no coincidence. Rather it represents the outcome of both anticipation and responses to macro-environmental, mainly technological and social "zeitgeist"-related changes and incorporation of the latter factors and their continuous mutations into development of business strategies. The particular transformation described above is closely related to the leadership skills of Steve Jobs. Neither industry-specific or tacit knowledge alone nor clarity about existing resources or core competencies within the corporation are sufficient entities in this context. Rather it is the ability to fully comprehend past and present and more importantly the unique position of the organisation in terms of the wider cycles of time *in combination* with resource creation and rebuilding of capabilities. For this reason understanding the impact of unique historical positions and path dependencies is a prerequisite of strategic leadership. Failure to comprehend the former may result in the inability to respond to a variety of demands deriving from environmental uncertainties. The fundamental question arises whether good leadership represents little more than wishful thinking if these basic conditions are not met.

An example is a recent publication by Ancona *et al.* (2007). In appraisal of the "incomplete leader", they present and define four capabilities essential to leadership, such as "sensemaking", "relating", "visioning" and "inventing". In other words, general aspects such as social skills, networking, corporate renewal and vision statements are highlighted as critical success factors. Additionally, they explicitly acknowledge the "sheer complexity and ambiguity or problems […] in the context of radical financial, social, political and technological changes" (p. 94) and describe complete leadership as a myth. Still, it is questionable whether their list of capabilities addresses the leadership challenges as mentioned above. It seems both illogical and inappropriate to describe emerging and accelerating issues facing today's senior managers and corporate leaders but to simultaneously present outdated solutions. Different circumstances require different approaches. Henceforth, the clear link with the concept of dynamic capabilities becomes apparent as reflected through this paper.

Strategic management: a subject discipline at the verge of a paradigm change

In order to achieve the aims and objectives of this paper as outlined above, it is of preliminary importance to introduce the basic terminology and offer disentangled definitions: Strategic management is "a set of theories and frameworks, supported by tools and techniques, designed to assist managers of organisations in thinking, planning and acting strategically" (Stonehouse and Pemberton, 2002, p. 853). Comparison of this particular description with the earlier mentioned understanding of leadership by Kotter (1990) illustrates very clearly why the two are of close theoretical proximity: strategic management originally emerged as a response to the complexity of tasks associated with the highest positions in business organisations. A close examination of the history of strategy as a subject of study and its origins in business policy courses at institutions such as Harvard Business School in the late 1950s and early 1960s of the former century (see Kay *et al.*, 2003) further emphasise this causal and logical occurrence: these were mainly created in order to replace the formerly dominant yet increasingly unfashionable and impractical principles of administration studies[1] with more contemporary leadership approaches.

For this reason, the purpose of the subject discipline is characterised by the intention to provide a link between theoretical knowledge and practical applicability and more specifically with attempts to anticipate future developments within competitive and macro-environments in order to incorporate this knowledge into continuous reconfiguration of internal procedures, structures and processes. To summarise, the most important target audience of knowledge created within the realm of strategic management are senior managers, regardless of distinctions and differences between the private and public sector. The difficulties associated with attempts to link theory with practice in order to create value for the organisation represent both a right for existence of strategic management and its biggest dilemma.

However, the latter may similarly apply to the wider field of management research. In particular thorough understanding of the role of the boundaries of the firm may represent a prerequisite for recognition of the conceptual limitations of strategic leadership as represented through academic publications to date. For this reason, an "outside-in" approach to the theoretical issue is suggested in order to avoid an exclusive focus on micro-level aspects of leadership. An example for the latter is a recent study by Spreier *et al.* (2006). They describe six styles of leadership deriving from individual motives at the executive level: these are "directive", "visionary", "affiliative", "participative", "pacesetting" and "coaching". According to their study, "the most effective leaders are adept at all six leadership styles and use each when appropriate" (p. 77). Although this action may allow for company profiling and improvement of firm-specific work climates, it is questionable whether selection or building of an "effective" leader according to this particular definition enables an organisation to address

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[1] These notions are often associated with the early organisational theorists such as Fayol (1949), for instance, and have their origin in industrial settings which are not transferable to today's business environments.

two critical issues: purpose as outlined in a company vision and constraints associated with survival. Naturally, this leads to a simple yet critical question: What is the definition of successful leadership? The development of a holistic framework for leadership requires a genuine attempt to answer this question, both across research communities and subject disciplines. To summarise, and from a rather strategic perspective, Spreier *et al.* (2006) do not sufficiently acknowledge the wider contexts of the roles of individual leaders, a step which could easily result in diminishment of the practical value requested by the target audience as defined above.

For the reasons aforementioned, it is not advisable to analyse strategic leadership in complete isolation from the wider context of the complexity of tasks associated with these functions and a thorough understanding of the contemporary issues facing business organisations. It is important to allow the latter a central position within a revised future model of skills required at the senior level of the organisation. The terminology of "dynamic leadership capabilities" is suggested as a new conceptual framework and described in more detail in the remainder of this paper:

Strategic leadership: a dynamic capabilities approach
Dynamic leadership capabilities represent an extension of strategic leadership through addition of an emerging discourse within strategy research about factors facilitating survival within unstable and unpredictable environments. In other words, strategic leadership and strategic management are linked and complement each other on a causal level. This is confirmed by current research by Abdell (2006, p. 310), for instance, who states that "change is redefining both strategy and leadership, with the result that the two are looking increasingly the same". In terms of an analogy, strategy and leadership are two sides of the same coin. The following observation may provide an explanation for this phenomenon: in an increasingly dynamic and changing world, leadership challenges become more complex, mainly because of the requirement to align business strategy simultaneously with external changes and effective internal leadership. Relatively recent paradigmatic changes within strategy research appear to reflect this theoretical position and shall be further explored in the following; this step may facilitate a holistic understanding of the concept and allow development of a framework which explains the notion of dynamic leadership capabilities through links of general strategy research with contemporary notions of strategic leadership and as such increases awareness of the abstract conceptual issues associated with leadership at the highest level of business organisations.

There are three major criticisms of current strategy research in general and resource-based approaches in particular (Sirmon *et al.*, 2007). These are characterised by the following elements or oversight thereof:

- dynamism
- environmental contingencies
- role and perspective of business leaders

In turn, any attempt to approach the issue of strategic leadership should acknowledge the existence and scope of the former two aspects in order to avoid generation of relevance-loss as described earlier. This is in line with the argument that leadership is best analysed within the wider context of contingency theory (e.g. Lynch, 2003). In other words, strategic leadership is dependent on the strategic issues facing the organisation at a specific point in time. Nevertheless, although leadership is case- or industry-specific, a trend towards more complexity becomes apparent within a variety of environments (Ancona *et al.*, 2007) and naturally represents a fundamental leadership challenge of a relatively general nature.

Helfat *et al.* (2007) stress that the nature of managerial action may vary with context and for this reason leadership studies should acknowledge the importance of history and routines, organisational resources and capabilities, and competitive dynamics. In other words, these factors shall not be ignored in the course of studies of the role of executives as their relevance does not diminish through the exercise of conducting "traditional" leadership research itself.

The Research Approach

Due to idiosyncratic and logical characteristics as described above, actions and processes associated with dynamic capabilities building are case- or industry specific. It is of preliminary importance to emphasise that certain difficulties exist with regard to clear distinctions between process and contents levels in the specific context of the DCV: explanation and exploration of such phenomena cannot always be clearly separated. This results mainly from the nature and theoretical definitions of dynamic capabilities.

The approach towards the research questions under investigation is characterised by the underlying paradigm of the researcher. According to Mink (1992), a paradigm broadly characterises a world view. This is confirmed by Jackson and Carter (2000) who broadly describe the term as a conceptual framework within which knowledge is generated. The research was informed by a broad understanding of reality as a dimension which is complex and subject to individual values and interpretations. Burrell and Morgan (1979, p.260) term this subjectivist approach towards the analysis of the social world an "interpretive" paradigm and further distinguish between subsets of interpretive worldviews. In this context, the so-called "phenomenological approach" (Schutz, 1967) is associated with "social contexts in which inter-acting individuals employ a variety of practices to create and sustain particular definitions of the world" (Burrell and Morgan, 1979) and represents the paradigmatic stance of

the researcher. Consequently, this observation affected the research strategy in general and development of units of analysis in particular; this shall be explained in more detail in the following.

A single-case study with multiple units of analysis (Yin, 2003) has been chosen as the research design. The process of dynamic capabilities building represented the overarching unit of analysis with a clear focus on one particular industry setting and draws from an incomplete list of different sources of evidence or a combination thereof (Patton, 1987); dependent on their individual characteristics and with the objective to present a converging line of enquiry. These are namely data base documentation, archival records and personal, semi-structured interviews with senior managers. The latter group of individuals are key employees of one of the largest business organisations within the industry under investigation. Both the semi-structured nature of the interviews and the specific roles and positions of interviewees facilitated a clear focus on the managerial perspective of dynamic capabilities analysis and building and an outlook on required leadership skills in unpredictable environments. Interviewees were managers and senior managers. The main selection criterion was their direct involvement with strategic decision-making at the top of the organisation. To date, seven extended, semi-structured interviews have been conducted and as such contributed to this preliminary study. As all tape-recorded conversations took place in February and March 2007, not all findings are currently available for presentation. The senior leaders were active members of, and directly involved with strategic planning and decision-making in their organisation and knowledgeable about the business realities of the industry setting under investigation.

Discussion

Deriving from the literature survey above and initial analysis of the semi-structured interviews, the following definition is suggested as an appropriate description of the conceptual core of the DCV: dynamic capabilities are the ability of the organisation to develop, apply and monitor constant alignment or re-launching of the processes outlined above; not in response to dynamic realities but capable of the challenges presented by the latter. Thus, dynamic capability building is a consistent, continuous and demanding procedure which, due to its complexity, principally provides barriers to observation and imitation. In this context, the DCV appears to fill the position of threshold capabilities within individual industries, resulting in the following notable consequence: achievement of sustained competitive advantages can no longer remain the main task of strategic management within unstable environments. Dynamic capabilities and analysis present no "secret formula" for success. They are the minimum requirement to continue to exist and to avoid partial or even complete withdrawal from the industry. In other words, many companies do not deliberately choose to manage such processes, rather they are forced into them for survival purposes alone. Naturally, the former

are directed from the senior level of business organisations; for this reason, leadership studies need to address the recent period of paradigm changes within strategy and incorporate them into respective frameworks. In turn, it is of similar importance that research communities within strategic management come to terms with the fact that strategic leadership represents one of the most central and urgent current issues within the subject discipline.

Conclusion

Existing definitions of dynamic capabilities have been reviewed, a particular underlying definition for this framework has been presented and the theoretical roots of and more recent external forces leading towards dynamic capabilities-based thinking have been explored. Furthermore, this paper suggests that identification and understanding of potential for dynamic capabilities building provides an important contribution toward practical understanding of combination of external and future-based factors with more contemporary resource-based thinking. These processes are a prerequisite for successful leadership rather than elements of the exercise itself. Moreover, further research is required which represents attempts to link dynamic capabilities analysis and building with leadership responsibilities and purpose; this may result in a wide range of contributions to the framework of dynamic leadership capabilities; a theoretical focus on associated building processes, the current "black box" of the DCV, is strongly encouraged.

To summarise, accelerated changes result in the requirement of revised approaches to key conceptual issues within strategy and management theory; this process shall incorporate current DCV knowledge and link it with more traditional, people-focussed approaches as reflected through research outputs of other areas within business and management. Still, the main rationale of this exercise shall be determination of executive behaviour in dynamic environments, a task which is relevant for both research communities and practitioners and might fill existing gaps and unresolved issues of leadership studies. Additionally, this may result in a further step toward a retrospective evaluation of resource-based theories of the firm and clarification of their specific role and position within strategy evolution and pedigree.

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