



## THE DYNAMIC CAPABILITIES OF THE ORGANIZATION IN THE CONTEXT OF CHANGES IN THE MARKET

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### Abstract

Nowadays, it is believed that among the many resources of the organization, it is human resources that give it a competitive advantage. Compared to other resources, these are characterized by pervasive fundamentals related to its psychosocial sensitivity, diversity, variability of behavior and activity. In addition, the transformation of resources within the organization cannot be conducted without the participation of people. This requires management, during which human resources are steered in the direction necessary for the organization to achieve its intended goals. It is worthwhile, therefore, to attempt to recognize the abilities that can serve as tools for the organizations to manipulate existing resources in order to create a new configuration. The purpose of this article is to show the role and importance of the dynamic capability of the organization in the context of environmental variability on the market.

### Introduction

The increasing dynamism of the environment leads to the contemplation of the ability of the organization to respond to changes and neutralize threats. In an unstable environment, the capabilities that allowed organizations to adapt to changes in the past may not be sufficient to allow it to function in the future. Dynamic capabilities include those that allow an organization to confirm or reject the need for change.

Environmental dynamism is reflected in the changes occurring on many markets. These changes affect the nature (range) of competition and how companies respond to customer needs and the situation in the industry. There is no doubt that environmental variability often affects the broad elasticity of the company and the results of the company. For example, ignoring organizational changes in a situation where environmental conditions indicate the need for such changes, can lead to excessive employment and a rise in costs. This situation deteriorates the economic condition of the company.

### Research methodology

Currently, little research and analysis is focused on the problems of dynamic capabilities of the organization. Dynamics of change in the market environment creates the need for organizational changes within the company. Changes in the economy also necessitate changes in the way resources owned by the company are used, and thus force changes in the management system of the company.

In view of this gap in the research and analysis, the author of this publication has set himself a target to fill this gap, at least partially. The purpose of this article is therefore to present the nature and scope of the dynamic capability of modern organizations. The author makes an attempt to identify the most important determinants, and the role and benefits of dynamic capabilities of the organization.

The study method used was descriptive analysis based on extensive literature studies. The theoretical output referenced in this study includes Polish and foreign, mostly English-language literature on capacity building mechanisms in dynamic organizations in the context of rapid changes in the market environment.

### The nature and scope of dynamic capabilities

Dynamic capabilities are made up of the processes of integration, reconfiguration, acquisition and releasing of resources in order to react to changes in the market or to initiate these changes (Blyler & Coff, 2003, pp. 678-680). This ability is used by companies to identify opportunities and threats and respond to them, which entails modifying and/or creating conditions that allow for the adaption to change. It is the dynamic capabilities of organizations that are considered to be the determinants of success or failure (Bratnicki, 2010, pp. 38-39).

Dynamic capability is the ability of an organization to deliberately create, expand or change its resource base (Agarwal & Helfat, 2009, p. 283). Dynamic capabilities enable organizations to use all their skills, allowing for strategic management of internal and external competencies, routines and resources necessary to maintain performance results in the face of a changing business environment. Dynamic capabilities are higher order competencies that determine the ability of the organization to integrate, create and reconfigure internal and external resources / skills aimed at adapting the business to changes in the environment or the formation of these changes (Teece, 2012, pp. 1395-1401).

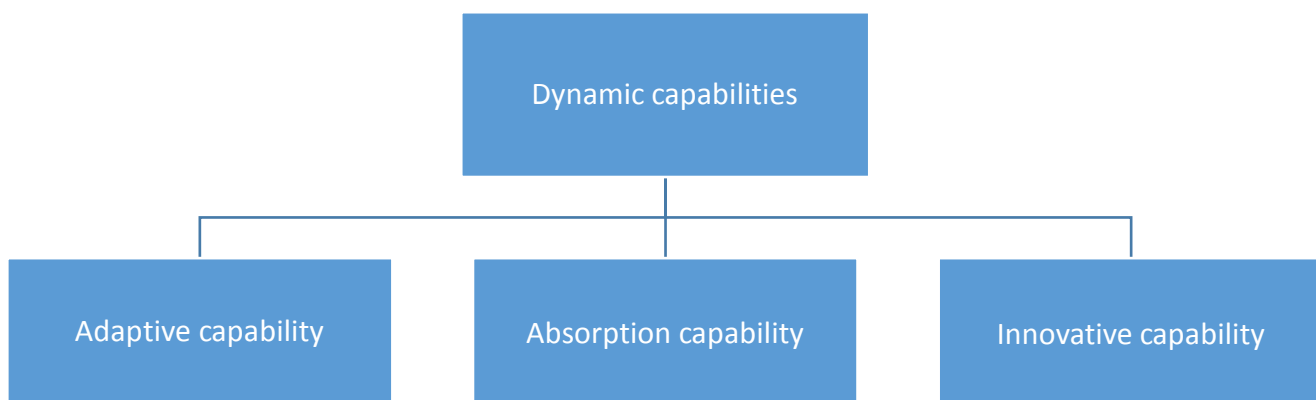


Dynamic capabilities are tools that can be used to manipulate a company's existing resources in order to create new configurations. The aim is to make rational use of existing resources and thus gain a competitive advantage in the market.

Releasing and acquiring resources is a process connected with responding to changes in the environment, or creating such change. The organization's resources can be modified by increasing the amount of resources the company possesses, or decreasing it. Both these activities are performed in order to obtain a resource base that is optimal for effectively achieving the company's objectives. The integration of resources is an organizational operation, consisting of arranging and allocating resources to the right organizational units, and developing them appropriately in order to utilize them in a way that leads to the achievement of expected results. This is an internal procedure, reflecting the need for the allocation of resources and the suitability of static and dynamic elements to achieve synergies. Reconfiguration is an activity that reflects the dynamic character of capability. It involves proactive and reactive adaptation to changing environmental conditions and the conditions within the organization. Reconfiguration may result in the modification of the accepted modes of integrating resources within the organization or their exchange with the environment. The key concept here is that reconfiguration is the engine of change.

Not every change in the enterprise can be considered a dynamic capability. Only changes that are reproducible and serve a concrete purpose can be considered as such. Therefore, a single, random change, such as the structure of employment, does not imply the existence of dynamic capabilities. This change may have been unintended, and bring the opposite effect than what is necessary for the company. Hence, dynamic capability does not only mean change or learning as a mechanism of change, but most of all a repetitive pattern in making organizational change that is systemized for a concrete purpose.

*Figure 1 Components of dynamic capabilities*



*Source: own research*

Repetitive activities within the organization related to the adaptation of the structure of employment to changing conditions in the environment can be considered as a sign of adaptive capability, which is one of components of the dynamic capabilities of the organization. Various dynamic capabilities are shown in Figure 1.

Dynamic capabilities include:

- adaptive capability- the ability to respond in a timely manner to changes in the environment and the matching of resources to the external requirements;
- absorption capability- the ability to recognize the value of new, external knowledge and take it up through existing internal knowledge, and in the end, utilize it.



- innovative capability- the ability to search for unusual, innovative solutions, which is manifested in the development of new products, services, methods of manufacture or provision of services, as well as in the elaboration of new organizational forms or the creation of new markets (Wang & Pervaiz, 2007, pp. 31–51).

Dynamic capabilities can positively affect the performance of the company, and help to identify opportunities and respond to them with the development of new processes, products and services that have the potential to increase revenue (Makadok, 2010, pp. 356-370).

Dynamic capabilities can improve the speed, efficiency and effectiveness with which the company responds to changes in the environment, which in turn can have a positive impact on the performance of the company and contribute to an increase in revenue by reducing the costs of operating activities (Wojcik-Karpacz, 2012, pp. 187–199).

Dynamic capabilities allow for the expansion of the set of operational variants in the company, allowing them to perform activities that were previously not viable, indirectly contributing to an increase in performance and hence an increase in revenue or profit (Drnevich & Kriauciunas, 2011, pp. 254–278).

### **Human capital in the context of the dynamic capabilities of the organization**

The quality of human capital is largely derivative of the education and skills of the employees of the company. The higher the quality of human capital in the company, the richer the ideas and concepts to enhance its innovation, and thus increased competitiveness of the organization. The formation of a company based on increasingly efficient creation, absorption, transmission and use of knowledge requires stimulation and continuous development of human capital.

Creativity is the most important of all the characteristics of human capital in the context of dynamic capabilities of the organization. Creativity is seen in such characteristics as openness to change, flexibility, lack of prejudice, willingness to learn, readiness to improve qualifications, the ability to critically assess reality, the tendency to share knowledge and experience (Godziszewski, Haffer, Stankiewicz, 2005, pp. 313-314).

Creative people are of great value to the company because they directly contribute to the creation of innovative solutions. Humans show their creative ability not only through their personal qualities, but also through cognitive flexibility. The specific qualities of creative people include: talent, intelligence, cognitive propensity to deal with complex issues and phenomena, commitment to work and willingness to take risks. The cognitive flexibility of a creative individual is seen through: their understanding of complex phenomena, their ability to restrain from issuing an opinion, multi-faceted thinking, accurate memory, breaking of paradigms (West, 2000, p. 27).

Human capital, in the context of economic activity, can be considered as a combination of the following factors:

- qualities brought in by the employee: intelligence, commitment, energy, positive attitude to life, integrity, honesty, credibility;
- the employee's ability to learn: receptivity, imagination, ability to think analytically, creativity;
- the employee's motivation to share information and knowledge: the ability to work in a team in pursuit of achieving the team's objectives.

An organization's human capital is created with only that part of the competence, knowledge, energy and skills of employees that the company is able to acquire and use to meet its needs and attain its objectives in the course of the contract with the owner. Managers of the organization must be aware of the individual's competence to make decisions about their future and self-determination of their future, which means that human capital cannot be classified as an absolute and permanent company resource, because it is inherently incorporated with humans (employees), their knowledge, experience, presence and ability to operate in the company. The ability to solve problems, to lead, and to manage, are also qualities of human capital (Dziewulski, 2012, pp. 69-70).

Organizational (corporate) competence is particularly important in a competitive economy. These are the core abilities that supports implementation of the mission and strategy of the company. These abilities reflect the company's mission through specific behaviors, values, attitudes, advice given, so that employees know what is expected of them. Identifying and using key abilities can be a way for the company to overcome competition. The main competence of the organization is the competence of its employees, because it is the people that, through their knowledge, skills, creativity, commitment and ability to collaborate shape and evolve the company, products, technologies, affecting the dynamic capabilities of the organization.

By making the right decisions, the manager is able to use and make the appropriate allocation of human capital through a suitable combination of competence, knowledge, energy, skill, and other values of individual employees. In the digital economy, the fusion of skills, behaviors, energy of all people (employees) setting up the company becomes in many cases even easier. It often forms the basis of the dynamic capabilities of the organization.

### **Dynamics of changes in the economy as a determinant of transformation in the company**

The dynamics of change are specific characteristics of the global economy, and occur in all spheres of economic activity.



The company, which operates in an ever-changing economy, must be flexible (have dynamic capabilities) to adapt to new and unexpected events taking place in its immediate vicinity (Łobejko, 2012, p. 24). To this end, the company must change itself, its strategic structure, and often its form of operating. Nowadays, there are often economic crises, competition is growing rapidly, and manufacturing and sourcing processes are becoming more demanding and complex. It is difficult to change the form of operating of individual companies, each providing comprehensive customer service; therefore there has been an increasing tendency to form company networks (Czarniewski, 2014, pp. 79-87).

A new challenge that the economy has placed on companies is characterized by the fact that time has become one of the factors affecting the success of companies. Increasingly shortened product life cycles have made entering the market with a new product or substitution quite easy, with new entries encountering no major obstacles. To win the competitive struggle, enterprises must surprise their customers with innovation and dynamic capabilities.

In the modern economy, it is increasingly difficult to achieve a sustainable competitive advantage. Only companies highly developed in terms of technology can hope for such an honor. If companies cannot rely on the long-term benefits of the product, winners in the market will be those who are able to create a series of short-term competitive advantages (Hesselbein, 1998, pp. 109-110).

Companies must make a lot of effort to keep their high market position, and in spite of all their work, the dynamic changes in the economy do not give certainty that this position will be maintained. In order to meet this challenge, the company must find a place for flexibility in its long-term strategy that allows it to modify the operation of the company according to market dynamics. The ability to manage change in the enterprise, and thus gain a competitive advantage, is made possible through new dynamic capabilities.

## Conclusion

1. Dynamic capabilities are used by companies in order to identify opportunities and risks and to respond to them, which is reflected in the ability to adapt the employment structure to changing conditions in the internal and external environment of the organization. This is therefore a tool that can be used to manipulate existing enterprise resources to create new configurations.
2. The essence of business activity in the new economy is information management, including knowledge management. People are the main carriers of this knowledge in the company, which means that the development of human capital determines the development of knowledge and has influence on the level of innovation in any organization and thus, the dynamic capabilities of the organization. Innovations formed through creative thinking and activity are the basis for building enterprise value.
3. The improvement of human capital is an ongoing process that requires paying attention to the condition and structure of personnel, as well as attracting and retaining an adequate number of specialists who have the appropriate qualifications and skills. The use of modern information technology should allow for the improvement of the employee selection process in the long term. This should be an important part of creating the dynamic capabilities of the organization.
4. Success in the market means having: the skills to meet customer needs; knowledge of the market; the ability to predict in which direction change will occur; and the use of this information in the management of the company.

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