DYNAMIC CAPABILITIES AND BUSINESS PERFORMANCE - A LONGITUDINAL STUDY (SUMMARY)

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SUMMARY

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Principal Topic

Studies of dynamic capabilities (DC) are attracting increased research attention as DC may be the main explanation for the success of the firm through change and development, and acquire a long-term competitive advantage. In the DC-literature, particular argument is made whereby those firms which are better able to integrate build/expand and combine internal and external resources, achieve better returns than their competitors. This has resulted in research beginning to identify empirical factors which can result in such changes in the firms. However, before encouraging wholesale adoption of DCs, it is a need for empirical evidence on the link between DCs and firm performance. One of the major issues in such an assessment is the sustainability of the DC – performance relationship. Currently, we do not know if DC affects performance temporarily and/or over an extended period of time. This is an important gap in the literature because DC can be suggested to be resource-consuming, requiring extensive investments by the firm. Therefore, firms will benefit from knowing whether DC leads to sustained high performance or only has a short-term effect.

Method

This study examines the sustainability of the DC–performance relationship. The hypotheses are tested utilizing a sample of 179 Norwegian SMEs. Information concerning DC was collected in 2005 and follow-up data relating to business growth (in the period from 2005 to 2008) was collected from the official Norwegian firm register. Multiple regression analysis is used to formally test the hypotheses. Relevant control variables such as company age, size and industry type are included. Reliability and validity tests concerning individual measures have been performed.

Results and Implications

A key contribution relating to this study is the analysis of the relationship between the firms’ reported DCs and subsequent financial data collected from a firm register. Based on the literature and using principal component analysis, five dimensions of DC have been identified (External integrative capability, strategic decision making, internal resource integration capability, external acquisition network capability and learning network capability). Regression results suggest that external integrative capability is significantly associated with subsequent business growth. Practical implications are discussed.

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