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## **Editorial: Understanding Organizational Renewal from a Multi-level Perspective – Challenges and Advancements**

The dynamic capability view (DCV) explains firms' competitive advantages due to rearranging competences within and outside the organization (Teece, Pisano, and Shuen 1997; Ambrosini and Bowman 2009). This process can be further specified in terms of *sensing* opportunities and threats, *seizing* available resources for turning them in new directions and *transforming* resources to provide new solutions corresponding with customer needs (Teece 2007; Helfat and Winter 2011). Considering competitive advantages as a matter of processes and their underlying dynamics, implies the analysis of certain interactions between fields and actors with responsibility and interest regarding the resource basis. This is the reason *microfoundations* arose as a movement in dynamic capability research (DCR) (Teece 2007; Felin et al. 2012). This research direction specifies the critical underlying factors and shows how they relate to each other to enhance organizational dynamics. Research contributions work within the framework of competitive theory and maintain the focus on explaining competitive advantages, while considering variables, such as human agency, managerial cognition, skills and competences, group interaction and working conditions (Barney and Felin 2013; Eggers and Kaplan 2013). The microfoundation movement treats the firm as an upper-level construct whose development is influenced by lower-level dynamics, such as human agency and team interaction. Microfoundations directed the discourse in DCR towards a multi-level perspective.

Some authors stressing the necessity of multi-level research in the DCV community intuit that there might be further potential. Salvato and Rerup (2011), for example, argue primarily that the organization as a collective upper-level entity is influenced by lower-level dynamics, especially human behavior, but also realize that interaction coming from actors outside the organization might be equally important for organizational renewal. This also seems natural, as Teece, Pisano, and Shuen (1997) mention the reconfiguration of competences within and outside the organization. Organizations are embedded in broader interaction systems. Renewal can result from dynamics within the organization and the surrounding ecosystem (Saxenian 1991).

A multi-level perspective on dynamic capabilities (DCs) has the potential to include both spheres that are critical for allocating resources within the firm: the microfoundation of organizational internal dynamics and the macrofoundation with respect to the organizational external dynamics. Microfoundations find their further theoretical underpinning in thoughts from psychology (see Hodkinson and Healey 2011), whereas macrofoundations are not yet (fully) established. Even the wording needs to overcome existing ambiguities. Most writings address the organization and not its upper-level when using the term *macro*. In these cases, the

intention is only to show the difference with respect to the micro-level (e.g. Abell, Felin, and Foss 2008), but not to deny that there is also a relevant macro-level beyond the organization. So far, writings that address the network (Dyer and Singh 1998), the region (Heidenreich 2005) or the ecosystem (Saxenian 1991; Boschma 2015) are rather unconnected. However, there are components that can be further developed and aligned to each other in future research. While the bridge between competitive theory and psychology becomes increasingly substantial, there is still a high potential for a more sociological-based foundation of the DCV. Jacobides and Winter (2005) step slightly in this direction when reflecting on DCs in the light of institutional settings. This special issue on multi-level research aims at contributing further to microfoundations and macrofoundations as two directions that are considered equally important for understanding DCs from a multi-level perspective.

Why is it worth strengthening the micro and macro view in DCR? Authors working on these fields of foundation are especially interested in drawing a broader picture of organizational competitiveness and advancing the understanding of relevant mechanisms. They often enrich the theoretical basis of the DCV and prepare empirical analyses with a deep understanding of constructs and a rich set of variables. Consequently, the DCV is increasingly better connected to neighboring fields of research. This is also advantageous for overcoming the use of proxy variables, which was typical for early empirical work in DCR (Ambrosini and Bowman 2009). More synthetic approaches allow one to make use of validated constructs from other research areas. Overcoming the use of proxy variables and enhancing the construct development is also helpful for deducing practical implications.

A multi-level perspective is a necessary prerequisite for better understanding and shaping the competitive basis of organizations. Nevertheless, this type of research must cope with some major challenges of multi-level perspectives. So far, the empirical analysis of multi-level research has been falling behind the theoretical achievement with its desire to contribute to a broader picture for understanding DCs. Certain new constructs and complex systems of variables are the result of deeper theoretical foundations, but the probability of finding corresponding empirical settings does not increase in parallel. The specification of the unit of analysis becomes an especially crucial point, as the level of analysis (e.g. the organization) and the level of measurement (e.g. self-reported data from the individual) are not necessarily the same. Moreover, one should distinguish the focal unit for which generalizations are made (e.g. dynamic capabilities) from the unit of analysis (for details, see Rousseau 1985). Addressing multi-levels implies increasing standards for empirical settings. So far, these expectations are often disappointed. Upcoming considerations to find a way out of this methodological force field by giving emphasis to processes and dynamics surrounding certain levels instead of separating them (see Wenzel, Schmidt, and Fuerstenau 2015) is highly convincing for those who are familiar with system dynamics thinking and qualitative research

designs, but probably do not fully satisfy those researchers who expect that levels of measurement and levels of analysis coincide and effect sizes need to be reported. There is a demand for empirical settings that allow one to prove that a multi-level perspective provides further insight if DCs are the focal unit of interest.

The authors of this special issue “Approaching Dynamic Capabilities from a Multi-Level Perspective – Macrofoundations and Microfoundations” found their specific way of coping with the challenges outlined in the field of forces, expectations and tensions that characterize multi-level research. There is a considerable advancement as the authors contribute to construct specifications on a theoretical basis and either prepare the next steps for multi-level empirical analyses concisely or even present empirical data. It is interesting to note that three out of five papers contribute to macrofoundations of DCs. It seems to be an issue of current research that has the potential to gain equally high interest in the future as microfoundations have nowadays.

The first paper contributing to macrofoundations is “The Emergence of Responsiveness across Organizations, Networks, and Clusters from a Dynamic Capability Perspective”, written by *Christian Gärtner, Stephan Duschek, Günther Ortman, Elke Schüßler, Gordon Müller-Seitz and Marcel Hülsbeck*. The authors work on a construct specification and theoretical foundation of DCs, as they understand responsiveness as a DC which is nurtured in interorganizational networks and clusters, and, at the same time, enhances the capability of coping with the dynamics of these environmental settings. The authors understand capability development as a process “amongst organizations” and include the “macrocultures.” It becomes obvious that renewal goes beyond the reconfiguration of resources as it is also “geared towards ... taking responsibility and gaining legitimacy.” With these considerations in mind, the authors deduce propositions that specify the development of responsiveness in different macrocultures, the moderating variables in clusters and networks, and assumed effects for renewal.

The specification of “components of macrofoundation” of the DCV are also within the scope of *Uta Wilkens’* contribution “Towards a Regional Dynamic Capability View” (RDCV). She frames the process of renewing the resource basis as an issue of enactment within a regional ecosystem. The author aligns new institutionalism and regional studies to the DCV to explicate impeding and supporting dynamics. Her proposition is that a combination of formerly loosely coupled institutional entrepreneurs and attractive new structures for creative people (“middleground”) allow that sensemaking activities adapt to a new logic or vision as a prerequisite to finding new ways of resource allocation in the ecosystem. The outlined components of an RDCV are exemplified with recent developments in the Ruhr area and completed by a suggestion for a deeper empirical setting.

There is a third contribution on macrofoundations, “Managing Dynamic Capabilities of Cities? From a Firm-based towards an Issue-based View of Dynamic Capabilities”, written by *Stefan Puderbach, Timo Braun, Gordon Müller-Seitz and Anja Danner-Schröder*. The authors outline a multi-actor concept for cities and present empirical findings from case study analysis in the city of Kaiserslautern. Corresponding with the two papers summarized above, the authors argue that “a constellation consisting of multiple actors” is a necessary theoretical component for understanding DCs, especially if one addresses the public sector as the management of cities. By presenting the findings of their explorative qualitative case study, it becomes, moreover, obvious that it is not only an actor or firm constellation, but issues that primarily matter and enhance dynamics within cities. Therefore, the authors plead for an “issue-centered understanding” of the DCV. An implication for future research is to enrich the process perspective of the DCV by addressing the multi-actor constellations and the content for renewal as issues matter for enhancing dynamics.

The following two papers contribute to microfoundations. *Tim Posselt and Angela Roth* address “Microfoundations of Organizational Competence for Servitization”. Their foundation is routed in the Competence-based Theory of the Firm and selects an important field for firm development to substantiate micro variables. The aim is to explain better why servitization increases competitiveness. For this purpose, the authors provide a synthesis of the servitization literature – which is, by the way, of high value in itself – for detecting and integrating critical micro variables. The “structured overview” leads to “conceptually grounded research propositions” with an emphasis on customer interaction, service culture, employees’ cognition, supportive structures, processes, monitoring and incentive systems, leadership style, training, and information systems. The propositions reflect competences and operations from the company and customer side and how they relate to each other.

The final contribution, “Organizational Search, Capability Reconfiguration, and Capability Reorientation: A Framework of Organizational Responses to Perceived Capability Gaps”, written by *Stefan Konlechner* addresses those micro variables that are critical for “the perception of and the reactions to ... capability gaps”. This is, at the same time, a new issue in DCR which is more concerned with capabilities and their outcomes than their lack and necessary development. The author develops a competence-based framework and related propositions where capability renewal depends on the perception of and search for capability gaps. This process is considered as influenced by dominant logics, organizational aspiration, routines for institutional attention and the existence of slack resources.

In sum, the journal articles show us that microfoundations open the door to illuminate new fields of competitive theory, as constructs from organization studies can be related to each other under a broader framework to understand DCs better. Moreover, the articles contributing to macrofoundations set impulses regarding

how the DCV could be further developed in the future as context and configurations come back to competitive theory in a much more mature appearance than in the origins of contingency theory.

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