Thesis submitted for the award of a PhD from London Metropolitan University.

Title: "Orchestrated stakeholder dialogue: its place in dynamic capability theory and its practical value for business”.

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Abstract

Dynamic capabilities have been widely discussed in the academic literature for over twenty years. Yet there remains a lack of consensus or conceptual clarity on a common definition. The priority for researchers is therefore to pursue further theoretical development of the concept. In addition, most empirical research to date has been based on quantitative research. Qualitative, granular treatment of the topic has been encouraged (see p.44). Accordingly, in this thesis, the data from the main study was collected from in-depth interviews with change consultants, and the emerging theory was tested in a follow-up study using further interviews with case study participants.

The data from both studies was analysed using a grounded theory approach. The emergent and flexible nature of grounded theory complements the use of semi-structured interview questions, because both grounded theory and semi-structured interviews facilitate the drilling down into, and the microscopic exploration of, those data which are of greatest interest.

I identify a phenomenon in the primary data from the main study, which I call ‘orchestrated stakeholder dialogue’– the purposeful orchestration of dialogue amongst the organisation’s stakeholders. Some empirical examples of this phenomenon are presented. The follow-up study further examines the phenomenon of orchestrated stakeholder dialogue in order to explore: 1) the relationship of this phenomenon to dynamic capability theory; 2) the context of the phenomenon; 3) how it is deployed; and 4) its potential for securing sustainable competitive advantage. The thesis uses an instrumental reading of stakeholder theory in order better to depict and locate orchestrated stakeholder dialogue in relation to the organisation’s traditional boundaries.

I conclude that the phenomenon of orchestrated stakeholder dialogue is a foundational, underlying component of the dynamic capabilities concept, which underpins all dynamic capabilities. The identification of orchestrated stakeholder dialogue represents a significant step in developing a conceptual theory of dynamic capability in which dialogue is a consistent component. Further research could build on this advance in dynamic capabilities theory.

The detailed depiction of orchestrated stakeholder dialogue in the thesis also represents a significant empirical contribution for strategy as practice. The thesis offers two steps towards advancing the practical value of the concept of dynamic capabilities to practitioners: (i) the organisation is encouraged to use dialogue to map more fully the sources of value derived by particular stakeholders from their relationship with the organisation and its capability; and (ii) where possible, organisations must reconceive and reconfigure the relationships with stakeholders in order to accommodate and harness heterogeneous perceptions of value.
1. Introduction

This purpose of this thesis is to investigate the nature of dynamic capabilities. This introduction offers some observations on the context in which the idea of dynamic capabilities was conceived and developed, and the place of dynamic capabilities within the broader field of strategic management theory and organisational change theory. By considering dynamic capabilities within this wider context, the introduction serves to focus the subsequent analysis on those theoretical elements which distinguish dynamic capabilities theory from other theories. This clarification is vital. Otherwise, there is a risk that phenomena which can be, or which already have been, adequately explained using other theoretical concepts, become rehashed as examples of dynamic capability; Arend and Bromiley describe this danger as the ‘halo effect of past research’ (2009).

Teece and Pisano (1994) were the first to use the phrase dynamic capabilities. They present dynamic capabilities as a ‘source of competitive advantage’ distinguishing two key aspects: ‘the shifting character of environment’ faced by the firm; and ‘the key role of strategic management ... [in the context of that] changing environment’.

The field of strategic management and organisational change

The ‘inseparability of organisation and environment’ (Chaffee, 1985) has been a recurrent theme of strategy theory. Mintzberg et al. describe the ‘fundamental fit between external opportunity and internal capability’ as ‘the central notion that underlies so much of the prescription in the field of strategic management’ (2005, p.45). Mintzberg et al. (2005) conduct a review of ten ‘schools’ of strategy. Among these ‘schools’ are the ‘design school’ and the ‘planning school’.

Mintzberg et al. (2005) credit the ‘design school’, in which they include Selznick and Andrews, as the first to recognise the importance of the fit between the organisation and its environment. Selznick coined the phrase ‘distinctive competence’ and proposed that the organisation’s internal features needed to match external circumstances (1957). Andrews went on to develop the SWOT analysis grid in the early seventies, plotting an organisation’s ‘strengths’ and ‘weaknesses’ on one axis and setting them against the ‘opportunities’ and ‘threats’ posed by the environment on the other axis. Mintzberg et al. (2005) claim that SWOT analysis forms the basis of many of the subsequent strategic planning models included in the ‘planning school’, which gained momentum as the importance of strategy to organisations became more widely recognised (e.g. Steiner, 1979).

The strategies of the design school and planning school are both ‘linear’, in that they seek to “deal with” the environment, rather than to engage with it, or change with it (Chaffee, 1985). Strategy making, whether in the hands of the CEO or the planning manager, remains an abstract process, which is fundamentally removed from operational realities. Mintzberg et al. (2005) claim that these ‘schools’ automatically impute the CEO or the planning manager with knowledge of the strengths and weaknesses of the organisation, as well as the relevance of its offerings to the market. They assert that this strategy is flawed, since such knowledge would require ‘dilging down in the pit with real products and real customers’ or ‘getting into factories and meeting customers where the real information may have to be dug out’ (Mintzberg et al., 2005, p.38). This extreme view of the autocratic nature of the design and planning schools is challengeable and Mintzberg et al. may adopt it partly in order to throw into relief the contrasting inclusivity of other schools which they later discuss, such as the school of the organisational learning theorists (2005). However, in support of Mintzberg et al.’s position, it is notable that the word “stakeholder” is entirely absent from the Chambers Twentieth Century Dictionary.
(Macdonald, 1974) and that ‘stakeholder theory’ emerged in the eighties, notably in Freeman’s landmark publication (1984). The school of stakeholder theory encouraged organisations to ‘rethink how strategic planning works to take stakeholders into account’ (Freeman et al., 2010, p.60).

In the eighties, theories on organisational strategy make other significant, if fragmentary, steps towards understanding how organisations engage with their environment. Porter’s ‘Competitive Strategy’ (1980) proposes that organisations should rigorously analyse their external marketplace. He describes ‘five forces’ in this external marketplace: two ‘vertical’ forces, which are the bargaining power of the organisation’s suppliers and the buyers (or customers); and three ‘horizontal’ forces, which are the organisation’s competition, new entrants and substitute products or services. Mintzberg et al. (2005) describe Porter’s ‘positioning school of strategy’ as pursuing the ‘systematic empirical search for relationships between external conditions and internal strategies’. Yet they also criticise Porter’s perspective because it focuses exclusively on external factors, ignoring any consideration of internal capabilities (ibid).

Mintzberg et al. further describe how Porter’s over-emphasis in his analysis on external factors triggers the development of ‘a counter-movement’ in strategic thinking, which emphasised achieving a fuller grasp of the ‘internal situation’ (2005). This counter-movement, the “resource based view” of the firm, was based on the organisation building unique bundles of resources (Wernerfelt, 1984) and was given further impetus by the highly influential work of Prahalad and Hamel on the ‘core competences’ of the organisation (1990). Barney added to the resource based view with his idea that, to achieve competitive advantage, a firm’s resources must be valuable, rare, imperfectly imitable and non-substitutable [VRIN] (1991). VRIN resources can be tangible, such as patents, but may also be intangible, comprising for example brands, knowledge or culture. Barney believes culture is the most effective and sustainable barrier to imitation, because it is indecipherable and difficult for outsiders to replicate (1986). However, culture is a double-edged sword for the organisation because, while it serves to differentiate an organisation and its offerings, harnessing its staff towards common goals (Peters and Waterman, 1982), it can also act as an inhibitor to critical organisational change (Mintzberg et al., 2005). In dynamic environments, the same criticism has been levelled more broadly at the resource based view, because the firm’s ‘core capabilities’ may ultimately become its ‘core rigidities’ (Leonard-Barton, 1992) and ‘nothing fails like success’ (Pascale, 1990, p.11).

The destabilising impact of change on organisational strategy

As business environments have become increasingly dynamic, so writers on organisational strategy have increased their focus on how organisations can achieve a strategic fit between their capabilities and their changing marketplace. This trend has been prevalent since the nineties, although it was anticipated much earlier by Toffler, who in ‘Future Shock’ describes a ‘post-industrial’ futurist world in which our relations with things, people, places, organisations and ideas become shorter, ultimately leading to a ‘crisis of adaptation’ (1970). Prescriptive strategies are short-lived in the context of dynamic markets, because organisations are ‘forced to revise their strategies more frequently than in the past’ (Higgins, 2005, p.53). De Geus argues that the only sustainable competitive advantage lies in the ability to learn faster (1988). Brown and Eisenhardt (1997) depict organisations competing in a landscape of ‘continuous change’. They claim that the ability to compete in a landscape of continuous change is itself a core competence in organisations such as 3M, Gillette, Walmart and HP (ibid).

Weick and Quinn believe that one model of the organisation which is compatible with continuous change is that built around learning (1999). Organisational learning theorists see strategy as an
emergent process based on cumulative learning experience (Argyris and Schon, 1978). The evolutionary economists, Nelson and Winter, depict change in the organisation as an interaction between the organisation's established ‘routines’ and experimentation with new routines and novel situations (1982). The two streams of theory, organisational learning and evolutionary economics, are built upon conjointly in Zollo and Winter (2002). Zollo and Winter (2002) propose three steps of organisational learning: experience; articulation (the collective organisational learning which occurs ‘when individuals express their opinions and beliefs, engage in constructive confrontations and challenge each other’s viewpoints’); and codification (into ‘written tools, such as manuals, blueprints, spreadsheets, decision support systems, project management software’). Nonaka and Takeuchi build into their model of organisational learning the additional notions of ‘socialisation’, where tacit knowledge is shared amongst members of the organisation, and ‘combination’, where codified knowledge is disseminated (1995). Mintzberg et al. believe that in organisational learning ‘it is the collective system that learns: there are many potential strategists in the firm’ (2005, p.208) and that the role of senior managers is not so much to decide but to ‘manage the process of strategic learning, whereby novel strategies can emerge’ (ibid). The role of the manager is more implicitly recognised in dynamic capability theory, where ‘the key role of strategic management’ (Teece and Pisano, 1994) is embodied in the ‘entrepreneurial manager’ (Teece, 2000; Teece, 2007; Teece, 2010). The entrepreneurial manager in dynamic capability literature has a more strategic volition than those depicted in organisational learning theory, since Teece’s manager ‘can sense and even help shape the future’ (2007, p.1346).

How then can managers sense and shape the future when ‘change arrives without warning and threatens to eradicate entire companies and industries overnight’ (Pascale et al., 2000, p.20)? Certain writers believe that organisational change is best understood in terms of process, because processes incorporate ‘several different types of effect into their explanations, including critical events and turning points, contextual influence and sequencing of events’ (Poole et al., 2000). Others argue that, unlike history, change cannot be consolidated into neat elements of process. Change corresponds instead to Heraclitus’s notion that ‘all things flow’ and that ‘no man ever steps in the same river twice, for it’s not the same river and he’s not the same man’ (as reported by Plato in Cratylus). Kanter et al. describe organisational change as ‘ubiquitous and multi-directional’ (1992). They depict change as ‘always occurring, though it may not be guided by organisational leaders, nor be consistent with the purposes of the principal stakeholders’ (Kanter et al., 1992, p.13). They dismiss Lewin’s widely cited three-step change process model, which counsels ‘unfreezing, moving and refreezing’ (Lewin, 1947, p.34) as a ‘child’s formula’ (Kanter et al., 1992, p.10). Instead, Kanter et al. view the organisation as a ‘coalition of interests and a network of activities within a momentum-bearing structure’ where some stability can be achieved if there is a ‘coalescence’ of these interests and activities, although, because the interests are so diverse, ‘a change strategy is as much a matter of selling as it is of substance’ (ibid, p.378). Weick and Quinn (1999) also disagree with Lewin, proposing that ‘when change is continuous, the problem is not one of unfreezing’. They reverse Lewin’s logic into ‘a more plausible change sequence [of] freeze, rebalance, unfreeze’. Weick and Quinn believe that this view of continuous change can help manage change in organisational environments by ‘mak[ing] a sequence visible and ... show[ing] patterns in what is happening’ (ibid, p.379). Weick and Quinn’s logic corresponds to the practice of stakeholder mapping in change programmes and might also be valuable to researchers seeking to analyse organisational change and its related phenomena.

**Strategic considerations outside the organisation’s traditional boundaries**

Porter argues that there are only two types of competitive advantage: ‘low cost or market differentiation’ (1985, p.11-12). However, more recent commentators and practitioners, who analyse
the organisation in terms of its *changing* marketplace, propose interactions with a richer set of stakeholders, most notably interactions with the customer, as a source of competitive advantage. Paul Gratton, CEO of egg Financial Services, observes that ‘whatever the business model, it doesn’t matter what anybody else thinks if the customers don’t like it’ (Sunday Times, May 2000). Amazon’s first leadership principle advocates ‘customer obsession’ (Amazon, 2014). The marketing mix encapsulated in McCarthy’s iconic formula of ‘price, product, promotion, and place’ (1964) has finally lost relevance in the digital era, eclipsed by the customer-centric logic of the ‘four C’s’ model (Lauterborn, 1990), which Lauterborn depicts as ‘consumer, cost, communication, convenience’ (ibid). McCarthy’s formula had emphasised the organisation’s profitability in ‘price’ (an orientation further cemented by Porter, 1980). In contrast, Lauterborn’s starting point is the consumer. McCarthy’s one-directional ‘promotion’ is replaced by the interactive possibilities implicit in the word ‘communication’. The word ‘cost’ also goes beyond ‘price’ by bringing into scope social issues outside the firm, such as cost for the environment. Finally, convenience for the customer trumps the importance of ‘place’, which was previously determined by the supplier. On a similar note, Grant says that ‘to understand customer demand and identify potentially profitable avenues to differentiation requires that we analyse not only the product and its characteristics, but also customers and their characteristics’ (1998, p.225). The customer has also become more significant in the processes of developing and refining products and services. Networks of customers and producers now combine in product development and in ‘co-creating value’ (Prahalad and Ramaswamy, 2004).

However, a strategy based on an exclusive orientation on the customer is not practical, since focusing on the customer would entail changing strategy continually. Grant observes that ‘in a world where customer preferences are volatile, the identity of customers is changing, and the technologies for serving customer requirements are continually evolving, an externally focused orientation does not provide a secure foundation for formulating long-term strategy’ (1991, p.116). Grant’s observation also raises questions about the implementability of any version of stakeholder theory which stipulates that all stakeholder perspectives must be accommodated (e.g., Post et al, 2002, p.83-6). Chaffee describes a third, ‘interpretive’ model of strategy, which complements her previously cited ‘linear’ and ‘adaptive’ models (1985). The interpretive model involves ‘orienting metaphors or frames of reference that allow the organisation and its environment to be understood by organizational stakeholders’ (1985). Chaffee compares interpretive strategy to adaptive strategy in that both assume that the organisation and its environment constitute an open system. But in interpretive strategy ‘the organization's leaders shape the attitudes of participants and potential participants toward the organization and its outputs; they do not make physical changes in the outputs’ (1985). Thus, the conversation is no longer about the product or service, but about some more durable characteristic of the organisation. Interpretive strategies occur in internal change programmes where, for example, the existence of trust or the deployment of a charismatic change agent serve to galvanise targets towards supporting ‘a collaborative change process’ (Kotter International, 2014). Yet achieving such coalescence beyond the traditional boundaries of the organisation, where the organisation has less palpable leverage (in the form of pay, for example), may be significantly harder.

**The unfulfilled promise of dynamic capabilities theory**

Each of the perspectives or schools of strategy presented by Mintzberg et al. (2005) and touched upon earlier in this introduction has a different logic. Likewise, the three models described by Chaffee (1985) pursue entirely different logics. However, in the modern era they must all face a common challenge for strategic management practitioners: achieving the ‘fit’ between the organisational capability and the changing external marketplace. The solution to building organisational strategy in the context of change
may reside in the concept of dynamic capabilities, which promises, according to Teece and Pisano, to explain the ‘adaptability of some firms and the intransigence of others’ (1994, p.554). One of the reasons why dynamic capabilities theory holds such currency for academic writers is that it straddles what might be considered as the two poles of strategic orientation: the ‘outside-in’ view, as in the positioning perspective of Porter; and the ‘inside-out’ view, as adopted in resource-based theory (Mintzberg et al., 2005, p.277). Figure 1 (p.11) illustrates these two poles and the position of dynamic capabilities theory between them. The left box in figure 1 features the Resource based view (Wernerfelt, 1984), which focuses on building unique sets of organisational capabilities. These were further specified (as discussed on p.8) by Barney (1991) as valuable, rare, imperfectly imitable and non-substitutable [VRIN]. In contrast, Porter’s ‘Competitive strategy’ (1980), which is in the right hand box of figure 1, places an emphasis on the marketplace. Porter (1980) has been described as typical of the ‘positioning school’ of organisational strategy (Mintzberg et al., 2005). Between these two poles of organisational strategy, in the central box of figure 1, there are what I have termed two-way or multi-directional views such as dynamic capabilities (Teece and Pisano, 1994) and stakeholder theory (Freeman, 1984).

Orientation of some strategic organisational perspectives

<table>
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<th>Two-way or multi-directional views</th>
<th>“Inside-out” view’</th>
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<td>Dynamic capabilities (Teece and Pisano, 1994)</td>
<td>(Mintzberg et al., 2005)</td>
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<tr>
<td>‘Resource based view’</td>
<td>Stakeholder theory (Freeman, 1984)</td>
<td>‘Outside-in’ view’</td>
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<tr>
<td>(Wernerfelt, 1984)</td>
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<td>(Mintzberg et al., 2005)</td>
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<tr>
<td>‘VRIN’ (Barney, 1991)</td>
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<td>‘Competitive strategy’ (Porter, 1980) and the positioning school</td>
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Figure 1
Dynamic capabilities theory also arguably accommodates prescriptive elements of strategy by emphasising the role of strategic management, as well as emergent elements, based on its debt to organisational learning theory. In terms of market change, dynamic capabilities theory contains both responsive, ‘adaptive’ elements and attracting, ‘interpretive’ elements (Chaffee, 1985). In addition, dynamic capabilities theory claims to generate leverage on stakeholders outside the traditional boundaries of the organisation. Teece says that dynamic capabilities ‘not only adapt to business ecosystems, but also shape them through innovation and through collaboration with other enterprises, entities, and institutions’ (2007). Arguably, then, the dynamic capabilities concept embraces valuable elements of all of Chaffee’s three models of strategy (1985): the linear model in its emphasis on strategic management; the adaptive model in its fundamental focus on the changing business environment; and, finally, the interpretive model in its ability to ‘create market change’ (Eisenhardt and Martin, 2000, p.1107). Indeed, the range and breadth of the concept has prompted the claim that ‘the development and exercise of (internal) dynamic capabilities lies at the core of enterprise success (or failure)’ (Teece, 2007, p.1320).

It follows, then, that a general theory of dynamic capabilities which progresses its theoretical development still further and which provides implementable frameworks for practitioners, is a priority. Despite an impressive body of research and substantial progress along the path of theoretical development (e.g. Teece et al., 1997, and Teece, 2007), my subsequent literature review reveals that elements of the theoretical construct and indeed the essential nature of dynamic capabilities are yet to be clarified and fully agreed upon. This manifests itself in the different conceptualisations used by researchers. The next chapter reviews the merits and drawbacks of each of these conceptualisations and evaluates the stage which has been reached regarding theoretical development of the dynamic capabilities construct.
2. Dynamic capabilities literature review

Aims of the literature review

A literature review ‘provides a framework for relating new findings to previous findings’ (Randolph, 2009). This review addresses three distinct aims. First of all, the review assesses the stage of conceptual development which theory on dynamic capabilities has reached. This is a necessary step as it enables researchers to establish a relevant point of departure for further research. To this end, the review begins by evaluating theoretical work on the topic and, in particular, theories which have developed concerning the fundamental nature of dynamic capabilities. Secondly, the review evaluates the empirical literature and assesses the degree to which the concept has been operationalised. Since dynamic capabilities theory is conceptually under-developed, it is arguably premature to look for examples in the extant literature of effective operationalisation of the concept. Yet, certain papers lay claim to such operationalisation and the review evaluates this literature. Thirdly, the review identifies gaps in the literature in a ‘scientific’ way (Tranfield et al., 2003) and thus presents a logical point of departure for my subsequent research.

The next section provides the rationale for how I conducted the review, followed by a section detailing my search criteria. Three further sections then present: (a) a theoretical literature review (see p.19-30); (b) a review of the related empirical literature (see p.30-39); and (c) a digest of gaps and an agenda for further research (see p.39-41).

Rationale for the methods underpinning the review

A range of reviews have previously been conducted on the topic of dynamic capabilities (e.g. Vogel and Guttel, 2013; Di Stefano et al., 2010; Barreto, 2010; Ambrosini and Bowman, 2009; and Wang and Ahmed, 2007). A brief review of the different methods used in these papers helped to inform me in terms of my own approach in reviewing the literature. Ambrosini and Bowman (2009) review the literature thematically. Thematic approaches are inherently subjective approaches, since they leave the researcher to ‘make inferences about the entire population from that sample’ (Randolph, 2009, p.4). The review undertaken by Wang and Ahmed (2007) includes a list of ‘selected’ empirical literature, but the authors do not specify on what basis these articles were selected. Like the thematic approach, the selective approach relies upon the researchers to make certain inferences in terms of their selection. I have referred in the introduction to this thesis to the relative immaturity of theoretical development in the field of dynamic capabilities. By this I mean that the body of research is not integrated or synthesised. It is my view that, because of this lack of synthesis in the literature, the selective and the thematic approaches to conducting a literature review risk omitting significant articles or streams of opinion. In contrast, Di Stefano et al. (2010) use co-citation methods to identify those wider academic domains in which dynamic capabilities are most vigorously discussed. But, because the dynamic capabilities concept is theoretically under-developed, their exploration of the ‘intellectual core’ fragments into what I would describe as an unbounded intellectual landscape. Consequently, the contributions which they discuss in their conclusion include the ‘potential avenues of expansion’ and ‘a greater understanding of differences’ in the field (ibid, p.1200). Similarly, the use of bibliometric methods by Vogel and Guttel serves to identify a portfolio of ‘current trends and future priorities’ in the research, rather than an integrated conceptualisation (2013, p.429).

Tranfield et al. (2003) argue that another form of review, the systematic review, ‘lie[s] at the heart of management research, which aims to serve both academic and practitioner communities’ (2003).
Systematic reviews differ from thematic or narrative reviews by adopting a ‘replicable, scientific and transparent process’ (ibid). They include: an explicit presentation of the aims of the review; a comprehensive search of the literature with an explanation of the search methods used; an evaluation of the findings of each work; and a synthesis of those studies into a framework (ibid). In addition, unlike narrative or thematic reviews, the replicable and transparent ‘technology’ of a systematic review ‘aims to minimize bias’ (Tranfield et al., 2003, p.209). Tranfield et al. (2003) describe how systematic reviews were used to achieve two complementary aims in the field of medical sciences: (a) building upon the existing knowledge base; and (b) informing policy-making and practice. One purpose of a literature review is to distinguish the research which has already been done on a topic from what needs to be done (Hart, 1998). A systematic review is also suited to this objective, since it enables researchers to demonstrate that they have adopted a suitable starting point for the research.

Barreto conducts his review of dynamic capabilities literature (2010) using elements of a systematic approach. His search criteria are replicable and transparent. Barreto searches within a specified set of ‘leading management articles’ between 1997 and 2007, for articles with the terms “dynamic capability” or “dynamic capabilities” in their title or abstract. This replicable search generates what he considers to be ‘the key conceptual and empirical articles on dynamic capabilities’ in order to move on to an ‘an assessment of these research efforts [...] and a corresponding body of suggestions for future research’ (ibid, p.258). Barreto’s approach sets clear markers in the sand and thereby ‘provides a framework for relating new findings to previous findings’ (Randolph, 2009). As for Barreto’s choice of journals, the rationale which he presents for his selection appears sound and avoids unnecessary bias. It can be argued that any “selection” of journals fails to fulfil Tranfield et al.’s principle of ‘comprehensive’ coverage (2003). However, I would argue that it is necessary to focus upon reputable academic journals of good quality, which are subject to the rigours of peer review. In addition, the breadth and volume of articles written on dynamic capabilities renders an exhaustively ‘comprehensive’ systematic review of the topic an impractical challenge for Barreto or any other researcher working alone.

I adopt the same systematic principles as Barreto (2010) in establishing my search criteria and these principles render the review replicable and transparent. In terms of range, I build upon the foundations of Barreto (2010) and Di Stefano et al. (2010) by bringing their selected articles into the scope of my review. In addition, my own review further extends the chronological range of previous reviews (by bringing into scope relevant articles in the same journals written in subsequent years up to 31/12/2014). My review also extends the range of sources, by searching a database with a broader coverage than that used by Barreto (2010). This enables me to explore the fullest possible breadth of coverage of the topic, subject to the practical constraints of time and resource imposed upon me as a solo researcher.

The search criteria used for the literature review

One of Barreto’s specified aims in writing his review is ‘to discern greater clarity on a definition of dynamic capabilities’ (2010, p.257). However, his efforts to achieve this are in my view marred, because he is overly inclusive in his approach and ‘accommodates old and new suggestions within the field’ (ibid). Despite seeking to avoid adding further volume to the “big tent” which the topic already embraces (ibid, p.270), Barreto’s definition ‘accommodates’ multiple interpretations of the concept (enabling it, for example, to be variously characterised as an ability, a process or a routine). This puts him in conflict with another specific aim of his paper, which is to confront criticisms that the concept is ‘vague and elusive’ (Kraatz and Zajak, 2001, reported in Barreto, 2010, p.258). Barreto’s own definition includes the phrase ‘the firm’s potential to’ (ibid). I would argue that, based on Barreto’s definition, which reclassifies dynamic capabilities as a “potential” rather than a palpable capability, the concept
becomes impossible to operationalise. After all, any organisation can claim to possess the latent but untried “potential” of a capability.

Notwithstanding my concerns over Barreto’s derived definition (ibid), I found the underlying rationale for his choice of search parameters to be compatible with my own. Barreto (ibid) determines from the ABI/Inform database that 1,534 articles referred to dynamic capabilities between 1997 and 2007. Barreto finds that these articles embrace not just strategic management but ‘most of the main areas of business administration’ (Barreto, 2010, p.257). His parameters bring into scope a broad set of ‘top-tier management journals’, not limited to those with a strategic management focus. By scrutinising this wider body of research, Barreto can explore a wide range of management research perspectives which might offer a contribution to the concept’s theoretical development. Barreto (2010) presents this as a ‘summary of selected research on dynamic capabilities (1997-2008)’.

To undertake my own review, I conducted a search of the Business Source Complete database. The database is comparable to the ABI/Inform database (Barreto’s choice). In fact a comparative evaluation of ABI Inform and Business Source Complete databases calculated that they had indexed 4331 and 4345 journals respectively (Nolan, 2009). However, Nolan also reviews the ‘Journal Citation Report’ to determine the top 25 journals in business, finance and management according to their five-year impact. In terms of these better ranked journals, Nolan found the Business Source Complete holdings to be more extensive, at 20 versus 16, in some cases with a shorter embargo period. Nolan concludes that ‘among these top tier business, finance, and management journals, Business Source Complete has superior holdings and full-text access over ABI/Inform’ (ibid).

I initially conducted a Boolean search for the phrases “dynamic capability” or “dynamic capabilities” across all of the Business Source Complete holdings between 1st January 1994 and 31st December 2014. The search generated 1785 hits. Of these, 1333 were from journals and 256 from trade publications or magazines. I then reduced these by specifying hits of the phrases appearing in the titles or the abstracts of peer-reviewed journals. This gave 1137 hits. I then set about refining the search results by journal.

All of the articles covered by Barreto’s review were published in one of the following management journals:

- Academy of Management Journal
- Academy of Management Review
- Administrative Science Quarterly
- Journal of Management
- Journal of Management Studies
- Management Science
- Organization Science
- Strategic Management Journal

All of these journals also feature in the Business Source Complete database, except for Academy of Management Journal. I therefore searched this journal separately using my previously defined date and search parameters.

In the course of my own search, I identified three further articles when I performed the search, which were not referenced in Barreto’s (2010) study but which appear to fall within his criteria:
Zahra and George (2002)
Foss (2003)
Moller and Svahn (2006)

I brought these articles into scope. Barreto also included one article which fell outside his own search parameters but inside his chosen date parameters – Oliver and Holzinger (2008), which I retained in scope.

Di Stefano et al. conduct a bibliographic review of the subject of dynamic capabilities (2010). They use co-citation in the review in order to present a table called ‘the intellectual core of dynamic capabilities’. The table lists the 40 most cited articles published in management journals from the Thomson ISI Science Watch database, prior to 2008, which had the phrases “dynamic capability” or “dynamic capabilities” in the title, abstract or key words sections. 32 of these articles are theory-driven and 8 are empirical studies. The use of co-citation in their search method brings into scope ideas from linked domains of study across the ‘breadth of the research community’ encompassed by the topic of dynamic capabilities. Their paper demonstrates that dynamic capabilities are cited predominantly in work which analyses internal organisational issues (27 instances), rather than external market factors (12 instances). The paper also shows an almost even split (19 to 20) between citations depicting dynamic capabilities in terms of individual cognition/skills, as opposed to organisational routines. Another finding is that 18 of the 39 most cited papers inter-relate theory on dynamic capabilities to other theories, such as the resource based view. The paper does not explore how often the papers are cited by writers in the specific fields of strategic management or organisational change, which is unfortunate because these two factors are said to distinguish dynamic capability theory from the much broader body of work on resource based theory (Teece and Pisano, 1994). However, the search mechanics used by Di Stefano et al. (2010) are useful, because they correspond to my wish to conduct a thorough search of domains related to dynamic capabilities. The list was compiled based on the numbers of citations in ‘1700 leading scholarly social sciences journals in more than 50 disciplines’ (Di Stefano et al., 2010, p.1190). I therefore brought into scope the articles in the list. The journal titles in which these articles appeared are as follows:

- Journal of Business Research
- Journal of International Business Studies
- Long Range Planning
- Research Policy
- Industrial and Corporate Change
- Journal of Business Venturing

All of these journals also feature in the coverage provided by Business Source Complete database. The journals were all therefore within the scope of my own search parameters when I conducted my fuller supplementary search, the details of which I describe below.

I agree with Barreto’s logic of widening coverage beyond those purely interested in strategic management (2010), and Di Stefano et al.’s logic (2010) of widening the coverage beyond the immediate research domain of dynamic capabilities. In addition, because of the relative immaturity of the concept, empirical research is only now beginning to emerge. My choice of Business Source Complete database extended the pool of papers under consideration, bringing into scope articles which had the phrases “dynamic capability” or “dynamic capabilities” in the title, abstract or key words sections, but which featured in other journal titles which were given grade 3 or 4 in the Association of Business Schools
(ABS) Academic Journal guide (2010), either within the sub-classification of General Management or Strategic Management. The additional articles which I brought into scope were in one of the following titles:

- Academy of Management Perspectives (previously called Academy of Management Executives)
- British Journal of Management
- Business Strategy and the Environment
- Business Strategy Review
- California Management review
- Foresight
- Harvard Business Review
- International Journal of Management Reviews
- Journal of Economics and Management Strategy
- Journal of Management Inquiry
- Strategic Change

My search parameters and chosen database also brought into scope three further titles which have a particular relevance to organisational change professionals. By including these additional titles, I was able to ensure that any discussions about the topic within that practitioner community were fully explored. The titles were:

- Corporate Governance
- Decision Sciences
- Journal of Change Management

Corporate Governance ‘publishes a diverse range of theoretical, methodological and substantive debates as well as practical developments in the field of corporate governance worldwide. The journal particularly encourages attention to the impact of changes of business/corporate governance forms and practices on people; the sustainability of different governance models; how improvements in performance can be achieved through effective governance; and the legacy that is left for posterity through the continuation of contradicting governance philosophies’.

‘Articles that highlight models and structures that advance the interests, dignity and wellbeing of all stakeholders, in a sustainable manner, are particularly welcome. In so doing, the journal seeks to promote an ethos of meaningful collaboration, reflection, critical review and discussion informed by the results of relevant research and/or praxis’ (Corporate Governance, 2015).

Decision Sciences has published scholarly research since 1970 about ‘decision making within the boundaries of an organisation, as well as decisions involving inter-firm coordination. The journal promotes research advancing decision making at the interfaces of business functions and organisational boundaries. The journal also seeks articles extending established lines of work assuming the results of the research have the potential to substantially impact either decision making theory or industry practice. Ground-breaking research articles that enhance managerial understanding of decision making processes and stimulate further research in multi-disciplinary domains are particularly encouraged. Decision Sciences recognizes that a delicate balance must be maintained between publishing traditional scholarly research and promoting novel, seminal research in new frontiers’ (Decision Sciences, 2015).
The Journal of Change Management has been published since 2000. It is ‘committed to becoming the leading journal in its field by establishing itself as a community centre for all scholars with an interest in the complex and multidisciplinary field of change and its management. *JCM* publishes peer-reviewed case studies, reviews, conceptual contributions and empirical research of the highest quality’.

‘Journal of Change Management is a multidisciplinary and international forum for critical, mainstream and alternative contributions - focusing as much on motivation, ethics, culture and behaviour as on structure and process. *JCM* is a platform for open and challenging dialogue and a thorough critique of established as well as alternative practices’ (Journal of Change Management, 2015).

Taking into account all of the elements described above, my search parameters can be summarised as follows:

- The search was undertaken using Business Source Complete database;
- The search was restricted to articles which include the phrase “dynamic capabilities” or “dynamic capability” in either the title or the abstract of a peer reviewed journal;
- The date parameters used to search the publications were 1st January 1994 to 31st December 2014.

The hits identified using these criteria all featured in one of the following journals:

- Academy of Management Journal
- Academy of Management Perspectives (previously called Academy of Management Executives)
- Academy of Management Review
- Administrative Science Quarterly
- British Journal of Management
- Business Strategy and the Environment
- Business Strategy Review
- California Management Review
- Corporate Governance
- Decision Sciences
- Foresight
- Harvard Business Review
- Industrial and Corporate Change
- International Journal of Management Reviews
- Journal of Business Research
- Journal of Business Venturing
- Journal of Change Management
- Journal of Economics and Management Strategy
- Journal of International Business Studies
- Journal of Management
- Journal of Management Inquiry
- Journal of Management Studies
- Long Range Planning
- Management Science
- Organization Science
- Research Policy
- Strategic Change
- Strategic Management Journal
A total of sixty-five articles are identified either in Barreto (2010) or Di Stefano et al. (2010), some appearing in both reviews. In addition to these 65 articles, my search criteria brought 159 further articles into the scope of my review.

The observations in subsequent sections of this review have also been further informed by a much wider reading of publications within the fields of strategic management and organisational change which fall outside the criteria. These include books on the topic of dynamic capabilities (e.g. Helfat et al., 2007), as well as additional reading in the broader literature on strategy and change (e.g. Nelson and Winter, 1982). Additional material also includes certain articles from other journals falling outside the search criteria but where the authors cover especially pertinent issues (e.g. Arend and Bromiley, 2009).

(a) Theoretical review

Identifying the roots of the concept of dynamic capabilities

In a landmark paper, Teece and Pisano introduced dynamic capabilities as a framework of ‘conceptual and empirical knowledge’ which could target ‘the manner in which competences are renewed to respond to shifts in the business environment’ (Teece and Pisano, 1994). Teece and Pisano refer to the ‘processes, positions and paths’ of the firm as its strategic dimensions. Teece and Pisano elaborate by saying that the processes are the ‘way things are done in the firm, or what might be referred to as its 'routines’, or patterns of current practice and learning’; the positions include ‘current endowment of technology and intellectual property, as well as its customer base and upstream relations with suppliers’. Finally, the paths consist of ‘the strategic alternatives available to the firm’ (ibid, p.541). Teece and Pisano (1994) then state that dynamic capabilities lie ‘embedded within the firm’s processes’ (ibid, p.553). The three elements (paths, processes and positions) arguably correspond to an ‘inside-out’ perspective on the firm (Mintzberg et al., 2005, p.277) and indeed dynamic capabilities is presented in Teece and Pisano, 1994, and by many contributors as an extension to the resource based view (e.g. Teece et al., 1997; Eisenhardt and Martin, 2000; Salvato, 2003; and Ambrosini and Bowman, 2009). However, dynamic capabilities theory was said to answer an important limitation of the resource based view of the firm, namely that the view was ‘essentially static in nature’ (Barreto, 2010, p.259; Priem and Butler, 2001) and that it therefore lost relevance when applied to dynamic markets. Teece is a major contributor to the topic of dynamic capabilities and has also co-authored a paper (Teece et al., 1997) which has been ranked in a bibliographical review of dynamic capabilities as the most extensively cited paper on the topic (Di Stefano et al., 2010). Teece has subsequently presented an analysis of the concept’s ‘micro-foundations for (sustainable) performance’ (2007) and discussed the topic in the context of ‘innovation and growth’ (2009) and ‘technological innovation’ (2010).

Teece claims that ‘dynamic capabilities lies at the core of enterprise success or failure’ (2007, p.1320) and his own output has helped to ensure that dynamic capabilities remains a popular topic of debate in the academic world. Between January 2009 and December 2014, the Strategic Management Journal alone published 21 papers in which the topic features in the abstract. However, there is little material documented thus far within the practitioner community about dynamic capabilities.

Teece and Pisano introduced dynamic capabilities as a paradigm ‘to explain how competitive advantage is gained and held’ in the context of firms adopting the resource based view of strategy, where each player develops ‘firm-specific capabilities’ (1994). The concept was said to address two aspects beyond the traditional scope of resource based view theory:

1) the 'shifting environment’ faced by the firm;
2) the 'key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences toward a changing environment' (ibid).

By addressing the changing nature of the firm and its environment, dynamic capabilities theory builds in part upon the theoretical foundations provided by Schumpeter (1934), whereby 'firms are constantly seeking to create 'new combinations', and rivals are continuously attempting to improve their competences or to imitate the competence of their most qualified competitors' (Teece and Pisano 1994, p.552). In so doing, dynamic capabilities theory responds to one of the main critiques of the resource based view – namely that it is static and does not explain the organisational capabilities of flexibility, innovation and responsiveness which are so critical to dynamic marketplaces such as “high-tech” and e-commerce (ibid). The resource based view’s ‘path-dependent strategic logic of leverage ... lacks a logic of change that is crucial in dynamic markets’ (Eisenhardt and Martin, 2000, p.1118). The dynamic capabilities concept is presented as an extension to the resource based view by many contributors (e.g. Teece and Pisano, 1994; Teece et al., 1997; Eisenhardt and Martin, 2000; Salvato, 2003; and Ambrosini and Bowman, 2009). Therefore, dynamic capabilities theory should be viewed in the light of the extensive body of theory on the resource based view (e.g. Wernerfelt, 1984; Barney, 1991; and Barney and Arikan, 2002). Resource based theory in its turn owes a significant debt to Penrose, who described the firm in the context of a bundle of productive resources, and who deemed the potential growth of the firm to be limited by its corresponding ‘productive opportunities’ (1959, p.31).

The phrase ‘productive opportunities’ pre-empts Teece’s description of a firm’s strategic dimensions as its ‘positions’ (see p.19 of this thesis and discussed further on p.26-27). Penrose can also be acknowledged as the inspiration behind Teece’s concept of the ‘entrepreneurial’ manager (Teece, 2000; Teece, 2007; and Teece, 2010), whom Penrose had previously incarnated and depicted as responsible for taking advantage of the ‘productive opportunities’ (1959).

Many of the other early roots of the dynamic capabilities concept can be found in the literature on change. They include the works of Schumpeter (1934), who emphasised the importance of innovation in constantly reframing the marketplace, and who viewed capitalism as ‘an evolutionary process’ of ‘creative destruction’ (Schumpeter, 1934) and as an ‘engine of progressive change’ (Nelson and Winter, 1982).

Burns and Stalker (1961) correlate a firm’s internal structure to the nature of the environment facing that firm, developing the polar definitions of the ‘mechanistic’ and ‘organic’ structure. This is referred to as ‘contingency theory’. However, despite sharing with dynamic capabilities theory a focus on the importance of the business environment, contingency theory is not overtly recognised as an influence by writers on dynamic capabilities, probably because contingency theory presents organisations as facing a process of evolutionary culling, wherein the role of management is reduced to reacting supinely to external pressures. Teece and Pisano concede that ‘history matters’ (1994, p. 547) and that a firm’s past strategic choices or ‘paths’ dictate its capabilities and, to some extent, its scope of future strategic direction. Yet, in contrast to contingency theorists, the writers on dynamic capabilities claim that there is significant strategic choice open to managers in deciding the firm’s future direction. Indeed, dynamic capabilities theory also owes a debt to organisational learning theory, which emphasises the organisation’s ability to adapt by using its stock of knowledge (Argyris and Shoen, 1978). Kogut and Zander (1992), for example, framed the firm as a type of learning system possessing ‘combinative capabilities’ where ‘the cumulative knowledge of the firm provides options to expand in new but uncertain markets in the future.’
Definitions of competence and capability

The words competence and capability often appear to be used interchangeably in the literature of dynamic capabilities and its theoretical forbears. In this thesis, competence is distinguished from capability as follows:

*Competence/Competency*

Chambers (Macdonald, 1974) states that the words competence and competency describe the same thing.

‘Competence, competency: fitness: efficiency: capacity: sufficiency: enough to live on with comfort: (legal power or capacity)’ (ibid).

Ray and Ramkrishnan (2006) use the Oxford English Dictionary from 1989 for their definition sources but they reach the conclusion that ‘Competence’ gives the feeling of something ‘full’, full of the capacity to deal with the subject at hand’.

The words competence/competency are used interchangeably in this thesis to define a static skill in isolation. In addition, words such as ‘sufficiency’ and ‘enough’ suggest that competence/competency define something which is *no more than* adequate to perform the task, and which at the same time offers none of the additional potential for development implied by ‘capability’. The words competence/competency do not therefore convey the strategic capacity or the dimension of flexibility and responsiveness to change which are characteristics of ‘capability’.

*Capability*

Chambers (Macdonald, 1974) states that a capability is a ‘feature capable of being used or developed: ability for the action indicated, because provision and preparation have been made’.

The use of the words ‘capable of being used’, ‘provision’ and ‘preparation’ all suggest that ‘capability’ has a predefined goal or purpose, neither of which is implicit in the word ‘competence’.

Ray and Ramkrishnan (2006) suggest that the word ‘capability’ gives the feeling of ‘some space still being left’ that can be utilised to achieve the goal of any activity. Ray and Ramkrishnan’s interpretation (2006) corresponds well to the sense of strategic potential implicit in Kogut and Zander’s (1992) framing of ‘combinative capabilities’. The Chambers definition (Macdonald, 1974) also states that ‘provision and preparation’ is required to orchestrate capability. This sense of coordination is also absent from the previously presented definition of ‘competence’ (ibid).

One could use the analogy of a locksmith to explore the difference between ‘competence’ and ‘capability’ in an organisation. An individual lock fitter need only offer competences directly pertinent to fitting a lock such as manual dexterity, carpentry skills and a perhaps an understanding of how a range of locks function. However, an organisation offering locksmith services (even if it comprises only one self-employed individual) requires certain additional abilities, such as the ability to market its services, source parts, provide guarantees to customers and schedule work. This integration of diverse competences can therefore be better described as a capability as defined previously in this section,
because of the coordinative elements of ‘preparation’ and ‘provision’ required (Macdonald, 1974), leading to a defined ‘goal’ (Ray and Ramkrishnan, 2006).

Thus, the relationship between the organisation’s competences and capabilities is that organisational capabilities (including dynamic capabilities) consist of sets of simpler capabilities or individual competences. Accordingly, I take the view that ‘capabilities’ imply an element of management capability or strategic potential, whereas competence and competencies do not.

Winter (2003) presents a typology of capabilities operating at three levels. The ‘ordinary or ‘zero-level' capabilities’ are ‘those that permit a firm to ‘make a living’ in the short term’, and conduct day to day, operational business. Overlying these are the dynamic capabilities which ‘operate to extend, modify or create ordinary capabilities’. Finally there are ‘higher order capabilities’, which in turn act upon those dynamic capabilities (ibid, p.991). Collis suggests that this typology extends into an infinite spiral of meta-capabilities and that ‘the capability that wins tomorrow is the capability to develop the capability to develop the capability that innovates faster (or better) and so on... ad infinitem’ (Collis, 1994). Zahra et al. (2006) focus primarily on the first two levels, distinguishing between ‘substantive’ and ‘dynamic capabilities’. They depict the ‘set of abilities and resources that go into solving a problem’ as ‘a substantive capability’, and the ability to change the way the firm solves its problems as a ‘higher-order dynamic capability to alter capabilities’ (ibid, p.921). However, they also make reference to an ‘infinite spiral’ of capabilities to renew capabilities, proposing it as a potential avenue for future research ‘to explore how firms keep their dynamic capability fresh’ (ibid, p.947). I contend that the image of an infinite spiral of capability is premature when the fundamental concept of dynamic capability is yet to be properly unwrapped. In addition, my thesis rests on a definition of capability as having ‘some space still left’ (Ray and Ramkrishnan, 2006). For these reasons, I have chosen to adopt a two-level construct in this thesis, essentially in keeping with Zahra et al. (2006), which depicts dynamic capabilities as the capabilities to change capabilities.

**The basic nature of dynamic capabilities: routines, processes or abilities?**

Since 1994, the topic of dynamic capabilities has garnered contributions from writers across a broad range of disciplines beyond strategic management and organisational change, including entrepreneurship (e.g. Hitt et al., 2001; Ireland et al., 2003), marketing (e.g. Song et al., 2005; Kor and Mahoney, 2005) and HR (e.g. Pablo et al., 2007; Wright et al., 2007). The breadth of interest leads Barreto (2010) to conclude that the development of theory remains in a phase of ‘variation’ and has yet to coalesce. I would argue that this lack of coalescence also undermines one of Barreto’s aims for his paper, which is to review and distil the many definitions of the concept into some common understanding. It can be argued that, until the fundamental nature of dynamic capabilities has been agreed, precise definitions are premature. The fundamental nature of dynamic capabilities has been described by writers diversely: as ‘processes’ (e.g. Eisenhardt and Martin, 2000, p.1107); as an ‘ability’ (e.g. Teece et al., 1997; Teece, 2000; and Zahra et al., 2006); as ‘routinized activity’ (Zollo and Winter, 2002, p.339); and as a capacity (e.g. Teece, 2007; and Helfat et al., 2007). Williamson critiques the ‘obscure and often tautological definition of key terms’ in what he more broadly defines as ‘the competence literature’ (1999, p.1093) and in which he specifically identifies Teece and Pisano’s 1994 work as an example (Williamson, 1999, p.1092). Some explanation for the diversity of vocabulary used to depict dynamic capabilities can be found by reviewing the work of Nelson and Winter (1982) on evolutionary economics. This work is widely cited across the dynamic capability literature (e.g. Helfat et al., 2007; Teece, 2007; Zollo and Winter, 2002; Teece et al., 1997; and Eisenhardt and Martin, 2000) and the next sections chart how Nelson and Winter’s depiction of ‘routine-changing processes’ (1982) has
Dynamic capabilities depicted as learning mechanisms

Nelson and Winter (1982) provide some of the foundations for conceptualising dynamic capabilities as learning mechanisms when they describe ‘routine-guided, routine-changing processes’ within an organisation, which constrain or enable change. The routines are said to operate on three distinct levels. The first level resides in those routines governing ‘short-run behaviour’ or ‘operating characteristics’ (ibid, p.16). The second level of routines guides year on year investment decisions (such as building a new plant). These are ‘predictable patterns of behaviour in the firm’ and are likened to the firm’s ‘genes’ (ibid). Finally, a third level of routines serves to enable change in the firm. This level can be found, for example, in the research and development or the marketing functions of the firm. This third level of routines comprises ‘searches’, which are routine-guided, routine-changing processes. They are the biological equivalent of ‘mutations’ (ibid, p.18).

The depiction of dynamic capabilities in Zollo and Winter (2002) shares the same roots as Nelson and Winter (1982) in evolutionary economics and both works develop evolutionary metaphors to present their ideas. In Nelson and Winter (1982), the response to change is compared to biological characteristics, genes and mutations. Zollo and Winter’s analogy (2002) also reflects the ideas of organisational learning theorists by depicting how organisations use knowledge to adapt (e.g. Argyris and Shoen, 1978). The metaphor used by Zollo and Winter (2002) depicts managers deploying three learning mechanisms: ‘tacit accumulation of past experience, knowledge articulation, and knowledge codification processes’ (ibid, p.348). Zollo and Winter propose that dynamic capabilities are ‘shaped by the coevolution of these [three] learning mechanisms’ (ibid). Certain processes are codified, depending on three factors: their ‘frequency, homogeneity, and degree of causal ambiguity’ (ibid). The distinct role identified for managers in deploying learning mechanisms also demonstrates a clear differentiation in Zollo and Winter’s paper from contingency theory, which portrays managers as supine victims of the process of evolutionary culling (e.g. Burns and Stalker, 1961). Zollo and Winter (2002) present dynamic capabilities as increasingly robust ‘routines’ which will be performed more consistently and reliably if they are codified. The paper identifies some of the risks of not codifying, one of which is that the knowledge, if it remains undocumented, may be lost to the organisation if that member of staff leaves. Following the writers’ logic, those tasks which need to be done more frequently or those which are homogenous or complex, should all be considered for codification. Zollo and Winter recognise that codification can be counter-productive when its advantages are outweighed by the time and costs of implementation. Zollo and Winter (2002) only allude to a distinction made by Adler and Borys (1996) between ‘enabling and coercive’ types of bureaucracy, reporting an ‘increasing willingness’ to ‘see the
formalisation of routines in terms of the former’ (Zollo and Winter, 2002, p.343). Otherwise, the paper does not address a motivational concern about codification, namely that actors who are forced to perform a codified task have no autonomy in terms of that task. A more fundamental difficulty with Zollo and Winter’s depiction of codification is that the notion arguably runs counter to organisational dynamism, strait-jacketing the firm instead into a state of inertia. They state that ‘an organization that adapts in a creative but disjointed way to a succession of crises is not exercising a dynamic capability’ (2002, p.340). Instead, Zollo and Winter claim that ‘[d]ynamic capability is exemplified by an organization that adapts its operating processes through a relatively stable activity dedicated to process improvements’ (2002, p.340). This wording suggests that the changes are subtle refinements, rather than substantial change events. Zollo and Winter offer as an example of dynamic capabilities ‘an organization that develops from its initial experiences with acquisitions or joint ventures a process to manage such projects in a systematic and relatively predictable fashion’ (ibid). The depiction brings to mind practices of excellence, founded on compiling increasingly substantial bodies of essentially static knowledge, rather than creative practices of change. As such, Zollo and Winter’s model for dynamic capabilities may match the steady progression in, for example, law or accountancy firms, where services are rooted in long-established precedents and regulations, but the conception of dynamic capabilities offered by these writers does not imply the logic of change which is central to change in more dynamic environments. In writing the paper, Zollo and Winter state that ‘instead of rejecting knowledge codification processes tout court as producers of inertial forces, our objective is to determine the conditions under which the learning and diffusion advantages attached to codification could more than offset its costs’ (ibid, p.343). Codification is presented in the paper as justified when the efficiencies achieved will outweigh the costs of implementation. However, I take the view that the more critical issue is whether codification is strategically desirable for the organisation at all if such codification leads to greater inertia. Certainly the failure to address this issue of inertia is problematic in a paper where the over-arching topic is dynamic capabilities, rather than routines.

In short, codification, as depicted by Zollo and Winter (2002) does not, in my view, convincingly convey a logic of change because the learning mechanism of codification delivers inflexibility, rather than flexibility, at the point of codification. Further research would be useful which explored a compromise of what Adler and Borys might have termed “enabling” codification (for example training user guides) as opposed to “constraining” codification (for example scripts in call centres). “Enabling” codification could offer efficiencies in performance without sacrificing organisational dynamism and flexibility. In any case, even “enabling” codification is itself a static process and, whilst such codification processes may serve to enable dynamic capability, I believe (for the reasons explained in the next section) that they do not constitute a dynamic capability.

**Dynamic capabilities depicted as processes**

Nelson and Winter’s (2002) depiction of ‘routines’ is also acknowledged by Eisenhardt and Martin (2000) and reflected in their own depiction of dynamic capabilities (2000). Eisenhardt and Martin describe ‘the firm’s processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die’ (ibid, p.1107). Eisenhardt and Martin’s definition also suggests a strong link between resource based view theory and dynamic capabilities theory, whereby the core resources are not replaced, but rather reconfigured. Their evolutionary approach perceives dynamic capabilities as operating ‘more through repeated recombination patterns of stable organizational factors, than through disruption of existing practices’ (Salvato, 2003, p.83).
However, the depiction of dynamic capabilities as processes also presents difficulties. Firstly, Eisenhardt and Martin assert that dynamic capabilities are ‘processes embedded in the firm’, but the authors do not explain how the capabilities come to be embedded in certain firms (and not in others). This leaves Eisenhardt and Martin vulnerable to the critique of Priem and Butler, that dynamic capability literature correlates ‘“valuable” resource’ [...] ‘a posteriori ...to high-performing firms’ (Priem and Butler, 2001, p.33).

Eisenhardt and Martin share the ideas of Zollo and Winter (2002) about the nature of those dynamic capabilities found in moderately dynamic markets. Eisenhardt and Martin (2000) also cite Nelson and Winter (1982) in this context and state that such ‘dynamic capabilities resemble the traditional conception of routines’ and consist of ‘complicated, detailed, analytic processes that rely extensively on existing knowledge and linear execution to produce predictable outcomes’. In contrast, in dynamic environments, the processes are ‘simple, experiential, unstable processes that rely on quickly created new knowledge and iterative execution to produce adaptive, but unpredictable outcomes’ (Eisenhardt and Martin, 2000, p.1116). This logic is counter-intuitive since it implies that, where the element of change in the organisational environment is more significant, the corresponding dynamic capability becomes less detailed, to the point of formulaic simplicity. Eisenhardt and Martin (2000) present some eye-catching empirical examples to support their hypothesis. They credit Intel’s simple production rule of ‘margin-per-wafer-start’ with the firm’s successful transition away from memory chips towards the higher margin micro-processor industry. Eisenhardt and Martin also submit that Yahoo’s success in building alliances can be attributed to the ‘simple’ but valuable ‘two-rule routine… no exclusive alliance deals and the basic service provided by the deal … must be free’. This dynamic capability is said to ‘set the boundary conditions within which Yahoo managers have wide latitude for making a variety of alliancing deals’ (ibid, p.1112). However, in my view, the nature of the construct in this example is so loose as to render it as much an organisational blind spot as a dynamic capability. In support of this view, one can argue that these same boundaries were under-specified and were a factor in Yahoo’s subsequent share-price collapse. As a consequence, Eisenhardt and Martin fall foul of two critiques of dynamic capabilities. Firstly, they selectively attribute dynamic capabilities ‘a posteriori ... to high-performing firms’ (Priem and Butler, 2001, p.33) and secondly they over-simplify the ‘dynamics of strategic change’ (Arend and Bromiley, 2009, p.82). Vital additional data about the nature of dynamic capability might have been generated by in-depth interviews with those same managers at Yahoo and by a granular examination of how the managers used the latitude offered by the simple framework. A research orientation focusing on the granular dialogue of these actors rather than abstract processes might also have shed some light on the bearing of that framework when Yahoo subsequently ‘lost over 99% of its market value during the dotcom bust’ (Arend and Bromiley, 2009, p.79).

Helfat et al. observe that ‘[p]erhaps because the performance of a dynamic capability depends on the performance of the processes used to apply them, dynamic capabilities have sometimes been characterized in the literature as being processes’ (2007, p.31, their italics). Helfat et al. (2007) cite Eisenhardt and Martin (2000) as an example of such characterisation and add that ‘[i]t is difficult to observe a dynamic capability that an organization possesses unless it is put into use and processes are the mechanism that make it happen. When we observe a dynamic capability, we are observing the underlying processes’ (Helfat et al., 2007, p.31). Although certain processes are the ‘mechanisms’ which enable dynamic capability (ibid), these authors stress that dynamic capability itself resides in the actions and interactions of the actors in the change process, whether those actions are regular tactical moves or less frequently enacted strategic initiatives.
Salvato’s work on what he calls ‘core micro-strategies’ (2003) further underlines the distinction which must be maintained between the enablers of dynamic capabilities and the dynamic capabilities themselves. Salvato’s description of the firms’ evolutionary processes aligns closely with the perspectives on dynamic capabilities presented in Eisenhardt and Martin (2000) and Zollo and Winter (2002), and Salvato quotes both of these papers widely in his own analysis (2003). Salvato asserts that ‘[p]rocesses of adaptive strategic evolution are rooted in the company’s core micro-strategy, an established bundle of resources and organizational routines’ (ibid, p.93). Salvato compares his term ‘core micro-strategies’ to Prahalad and Hamel’s (1990) concept of ‘core competences’, in that [both notions] drive new strategic initiatives and ... emanate from senior management. However Salvato claims that ‘core micro-strategies’, unlike Prahalad and Hamel’s conception of core competences, are not examples of core learning but ‘bundles of micro activities and resources’ residing at a lower level in the firm. I question Salvato’s use of the word ‘drive’, and propose instead that the micro-strategies are the constant framework for innovative strategy, rather than its springboard. In addition, Salvato states that ‘core micro-strategies’ differ from dynamic capabilities in that ‘core micro-strategies take shape as the result of lengthy selection processes and remain relatively stable for long periods of time’ (Salvato, 2003). It seems reasonable therefore to interpret Salvato’s ‘micro-activities and resources’ not as strategic in an active sense, but as part of a culturally embedded framework for interactions between the organisation and the marketplace.

**Dynamic capabilities depicted as abilities**

The description of routines in Nelson and Winter (1982) can also be understood as foreshadowing the three strategic dimensions of a firm described in Teece and Pisano (1994). The ‘behaviour’, ‘genes’ and ‘mutations’ depicted by Nelson and Winter (1982) correspond analogically to the ‘managerial and organizational processes, its present position, and the paths available to it [the firm]’ described in Teece and Pisano (1994, p.541). Teece and Pisano explain that ‘by managerial and organizational processes we refer to the way things are done in the firm, or what might be referred to as its 'routines', or patterns of current practice and learning. By position we refer to [the firm’s] current endowment of technology and intellectual property, as well as its customer base and upstream relations with suppliers. By paths we refer to the strategic alternatives available to the firm, and the attractiveness of the opportunities which lie ahead’ (ibid, p. 541). Teece et al. (1997) further explain this framework when describing: ‘distinctive processes (ways of coordinating and combining), shaped by the firm’s (specific) asset positions (such as the firm’s portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited’.

Using Teece et al.’s (1997) elaboration, in conjunction with the analysis in the previous section (dynamic capabilities depicted as processes, p.24-26), which distinguishes dynamic capabilities from their enabling processes, it can be concluded that Nelson and Winter’s third level of routines, the ‘routine-changing processes’ (1982) is the locus of the enabling mechanism in the dynamic capability construct. These enablers are depicted in the empirical literature on dynamic capabilities as simple rules, boundaries or commonly shared mind-sets rather than capabilities. Teece and Pisano’s use of the expression ‘the way things are done in the firm’ (1994, p.541) arguably conveys a cultural dimension to their depiction of the context of dynamic capabilities. As for the dynamic capabilities themselves, Teece and Pisano refer to them as ‘coordinative’ and state that they are ‘rooted in high performance routines operating inside the firm, embedded in the firm’s processes’ (ibid, p.537). This represents a subtle but important distinction from Eisenhardt and Martin’s description of them as actual ‘processes embedded in the firm’ (Eisenhardt and Martin, 2000, p.1106).
The depiction of dynamic capabilities as abilities ‘embedded in processes’, rather than actual processes also demands a different logic for researching them at micro-level. Breaking down an ability into its constituent elements or modes is likely to be more informative than breaking processes into progressively less anchored micro-processes, even when such micro-processes are further described as ‘rules’, ‘boundary conditions’ or ‘priorities’ (Eisenhardt and Martin, 2000, p.1111-2). In contrast, Adner and Helfat assert that ‘[s]trategic decisions at the top of an organization do not emerge from a disembodied decision-making process—managers make these decisions’ (2003, p.1012). Adner and Helfat explore the variable quality of managerial capacity to make decisions. Adner and Helfat disaggregate such ‘dynamic managerial capability’ into three distinct attributes consisting of ‘managerial human capital, managerial social capital, and managerial cognition’ (ibid, p.1023). The findings of Adner and Helfat (2003) relate to competitive heterogeneity, rather than dynamic capabilities. However, by demonstrating that such variations in decision-making exist, the paper offers evidence for depicting dynamic capabilities as abilities or capacities, rather than as processes.

**Dynamic capabilities depicted as capacities**

It can be argued that greater weight should be placed on the conceptualisation presented by Teece (2007), than on any earlier conceptions. Teece’s own credibility as a major contributor to the body of work on dynamic capabilities has been discussed in the brief history section. In addition, by 2007, Teece had had 13 years in which to reflect upon and refine the ideas which he originally presented about dynamic capabilities with Pisano (1994). Teece describes the micro-foundations of dynamic capabilities as ‘the distinct skills, processes, procedures, organizational structures, decision rules, and disciplines—which undergird enterprise-level sensing, seizing, and reconfiguring capacities’ (2007, p.1319). The three capacities serve: ‘(1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets’ (ibid).

Teece’s relatively recent depiction of dynamic capabilities as capacities arguably prioritises the human aspect of dynamic capabilities over some earlier conceptualisations which depict dynamic capabilities as routines or processes. Chambers (Macdonald, 1974) offers the following definition: ‘capacity, n. power of holding, containing, absorbing or grasping: room: ability: power of mind: character in which one does something’. The word capacity also reasserts the central role which Teece perceives for strategic management and the ‘entrepreneurial management function’ (Teece, 2007, p.1346). This contrasts to dynamic capabilities serving as an enabling tool of strategic management, as might be interpreted in a reading of those writers portraying dynamic capabilities as processes (p.24-26). Teece’s terminology also serves to endorse the notion of dynamic capabilities as grounded in the accumulated learning of an organisation (Zollo and Winter, 2002). The three capacities of sensing, seizing and reconfiguration (Teece, 2007) echo the three learning mechanisms of ‘(1) experience accumulation, (2) knowledge articulation, and (3) knowledge codification’ (Zollo and Winter, 2002, p.339). Yet, whilst Zollo and Winter’s vocabulary implies three progressions in amassing organisational learning, Teece’s vocabulary additionally imbibes each of his progressions with an action-based dimension. Furthermore, Teece implies more strategic creativity than is evident in organisational learning theorists. Teece makes regular reference to ‘opportunities’ and ‘threats’ around which the capacities of sensing, seizing and reconfiguration are ‘shaped’ and ‘reshaped’ (2007).

Teece’s capacities (of sensing, seizing and reconfiguration) can be summarised as follows:

- sensing capabilities allow firms to spot opportunities and threats in the market. Sensing capabilities may underpin the development of new products, a sophisticated research and
development capability in industries such as pharmaceuticals, or the conceptualising of customer needs in industries such as technology. Organisations must extend the sensing activity ‘to the periphery of their business ecosystem’ and embrace a range of ‘potential collaborators – customers, suppliers, complementors’ (Teece, 2007);

- seizing activities include the building of new competencies or the implementation of new ‘business models’ which respond to specific opportunities (Teece, 2007). Eisenhardt and Martin depict the integrative capability evident in Toyota’s product design as such a dynamic capability (2000);
- reconfiguration is wider in scope and exercised less frequently than seizing. Reconfiguration seeks to retain the organisation’s ‘evolutionary fitness’. It embraces ‘the ability to recombine and to reconfigure assets and organizational structures as the enterprise grows, and as markets change’ (Teece, 2007). It includes the realignment of the organisation through acquisitions and mergers. Both aspects of the mode are reflected in the example of Cisco, whose decentralised, relatively flat management structure facilitated the acquisition and integration of 136 businesses over a ten year period, without any significant loss of impetus (Helfat et al., 2007).

**The ‘ecosystem’ (Teece, 2007)**

Teece also makes reference to a further creative capacity, ‘the enterprise’s capacity to shape the ecosystem it occupies’ (2007, p.1320). The earlier Chambers definition of “capacity” referred to ‘absorbing and grasping’ characteristics (Macdonald, 1974), which are especially relevant in this context. Teece specifies that ‘the ‘environmental’ context recognized for analytical purposes is not that of the industry, but that of the business ‘ecosystem’ —the community of organizations, institutions, and individuals that impact the enterprise and the enterprise’s customers and suppliers’ (2007, p.1325). On the other hand, the notion of the ecosystem arguably invites researchers to consider dynamic capabilities in the context of a wider range of theories of the firm and not just as an adjunct to the resource based view (e.g. Teece and Pisano, 1994; Teece et al., 1997; Eisenhardt and Martin, 2000; Salvato, 2003; and Ambrosini and Bowman, 2009). In support of this reappraisal, it has been observed that the topics of alliances and networks lie entirely outside the scope of the resource based view (Hoopes et al., 2003). Helfat et al. (2007) includes contributions from twelve writers on the topic of dynamic capabilities (including Teece). The authors of this broad collaboration place new importance on the organisation’s external relations. Indeed, they perceive the issue of external relations so critical to dynamic capabilities theory that their proposed definition is augmented to embrace ‘alliance partners’ (Helfat et al., 2007, p.66). Helfat et al. assert that organisations must be open to the wider investigation and coordination of possibilities in their extended networks ‘outside the boundaries of the firm’ (ibid) and they conclude that further research of this broader ‘scope of the firm’ is warranted (ibid, p.120). In order to advance the theoretical development of dynamic capabilities, it may be necessary to recognise Teece’s ecosystem (2007) and the wider organisational context which it implies, where change is inevitable and ‘ubiquitous’ (Kanter et al., 1992). Little research has focussed on the granular context of the wider ecosystem, but my research will do so by examining the roles of stakeholders both within and beyond the traditional boundaries of the firm.

**Reassessing the primacy of the resource based view in dynamic capabilities theory**

The emergence of the ‘ecosystem’ as a critical plank of dynamic capabilities theory raises questions about the relationship between dynamic capabilities theory and the resource based view. As noted in the last section on the ‘ecosystem’, dynamic capabilities literature has often been presented as an
extension to the resource based view (e.g. Teece and Pisano, 1994; Teece et al., 1997; Eisenhardt and Martin, 2000; Salvato, 2003; and Ambrosini and Bowman, 2009). Yet, in contrast to the ecosystem, the resource based view presents an ‘inside-out’ perspective on strategy (Mintzberg et al., 2005, p.277). This inside-out perspective sits uncomfortably with Teece’s proposal that ‘[e]nterprises must search the core as well as to the periphery of their business ecosystem’ (Teece, 2007, p.1324). Indeed, Teece observes in the same paper that the resource based view is ‘inherently static’ (Teece, 2007). Similarly, the resource based view is critiqued by Eisenhardt and Martin for overemphasizing ‘the strategic logic of leverage’ and reaching a ‘boundary condition’ when applied to high-velocity markets such as e-commerce and technology (Eisenhardt and Martin, 2000). One could argue that the resource based view therefore appears at odds with the ‘ecosystem’ (Teece, 2007), which implies a much broader strategic perspective for the organisation, extending even beyond industry boundaries.

At the same time, in Teece’s refined perspective, the significance of the resource based view appears to have become subordinated to dynamic capabilities theory. He observes that: ‘[w]hile the resource-based approach is inherently static, it is nevertheless relevant to dynamic capabilities’ (2007, p.1344). Teece then cites a working paper in this context, specifying the role of the resource based view as ‘inviting consideration of strategies for developing new capabilities’ (Teece et al., 1990, reported in Teece, 2007, p.1344). Teece continues by citing Zott’s assertion that ‘dynamic capabilities are more than a simple addition to resource based view since they manipulate the resources and capabilities that directly engender rents’ (Zott, 2003, p.120, reported in Teece, 2007, p.1344).

**Ambidexterity**

The resource based view poses a further issue for writers on dynamic capabilities when the debate turns to an older theoretical challenge of accommodating the conflicting demands of the philosophies of change and stability. Teece et al. (1997) identify the need to pursue ‘innovative’ (dynamic) strategies whilst taking into account the relatively static, potentially constraining nature of the firm’s ‘paths’ (its history and previous strategic direction) and ‘positions’ (its assets, both tangible and intangible). Such an approach to dynamic capabilities has been labelled by Schreyogg and Kliesch-Eberl (2007) as ‘integrative’. Teece and Pisano concede that the resource based view ‘lack[s] a logic of change’ (Teece and Pisano, 1994, p.1118) and this observation gives some justification to Schreyogg and Kliesch-Eberl’s rejection of the integrative approach, on the basis that it ‘builds on two contradictory notions of logic at the same time: reliable replication and continuous change—two dimensions that hardly mix’ (Schreyogg and Kliesch-Eberl, 2007, p.922). Yet, in the “real world” beyond seamless theory, ideas are not digested fully and singly. They are cherry-picked or used in combination. President Lyndon Johnson joked disparagingly that Gerald Ford could not chew gum and walk at the same time (Reeves, 1975) but in reality most high-performing individuals demonstrate significant multi-tasking skills. It therefore seems reasonable to expect a modern organisation to achieve an integration of capabilities consistent with Teece’s ideas, where consistent operational performance and effective innovation can be delivered hand in hand. Other writers support the viability of an integrative approach, although opinions diverge when it comes to explaining how such integration can be achieved. O’Reilly and Tushman (2004 and 2008) elaborate on the potential for pursuing the two paths simultaneously in their ‘ambidextrous organization’. Makadok talks of the two aspects as ‘capability-building’ and ‘resource-picking’ (2001) and develops a model to support the fact that they can work in combination. Benner and Tushman describe a similar tension between ‘exploitation’ and ‘exploration’ in their construction of the firm’s ‘productivity dilemma’ (2003). These last two papers refer to the conflicting demands to exploit existing knowledge and to explore new avenues of knowledge, thus connecting theory on dynamic capabilities with theory on organisational learning, as proposed by Mahoney (1995). Eisenhardt et al. argue that ‘environmental
dynamism, rather than being simply stable or dynamic, is a multidimensional construct’ (2010, p.1263). These last three perspectives all arguably lend weight to the adoption of a more detached and eclectic view on the relationships of dynamic capabilities theory to other bodies of research.

Alternative complementary theoretical perspectives

As the primacy and relevance of the resource based view to dynamic capability theory has been called into question, so writers have considered integrating other theoretical perspectives with dynamic capabilities theory. These have included theories of entrepreneurship (Teece, 2014; Wu, 2007; Zahra et al., 2006), marketing (Barrales-Molina et al., 2014) and knowledge management (Easterby-Smith and Prieto, 2009; Cepeda and Vera, 2007). The review of empirical literature later in this chapter also identifies some research papers considering the role of stakeholders in dynamic capabilities. Yet there is a lack of research which integrates elements of stakeholder theory with dynamic capability theory. This is perhaps surprising given the areas of compatibility and of complementarity between the two theoretical perspectives and these areas are discussed below.

Brief history of stakeholder theory

Freeman (1984) states that the term ‘stakeholder’ originally emerged from the Stanford Research Institute (SRI) in 1963 but, at that time, the term was used primarily to differentiate other actors from the notion of the stockholder and broaden the sense of ‘those groups without whose support the organization would cease to exist’ (attributed to the SRI memoranda and quoted by Freeman, 1984, p.31). From this source, Freeman traces the dissolution of discussions about stakeholders into four branches of literature, ‘corporate planning’, ‘systems theory’, ‘corporate social responsibility’ and ‘organizational theory’ (Freeman, p.32). Each of these branches are then said to feed back in to ‘strategic management’ (Freeman, 1984, exhibit 2.1).

Pursuing the ‘organizational theory’ strand, Freeman (1984) cites Eric Rhenman’s work on industrial democracy (1968) as follows: ‘we shall be using the term stakeholders to designate the individuals or groups which depend on the company for realization of their personal goals and on whom the company is dependent. In that sense employees, owners, customers, suppliers, creditors as well as many other groups can all be regarded as stakeholders in the company’ (Rhenman 1968 quoted in Freeman 1984, p.41). Freeman points out that, by using the word ‘and’, Rhenman excludes stakeholders whose significance is unilateral (such as governments).

Open systems approaches of the same era, such as Katz and Kahn (1966), placed organisations as a part of a ‘larger system’ (Freeman 1984, p.42). Freeman cites Chakravarthy (1981) as developing ‘a model for adaptation using in part the stakeholder concept, for both business and public issues’ (Freeman 1984, p.47).

Freeman’s landmark publication on stakeholders (1984) has been criticised as being overly management orientated (e.g. Walsh 2005). Yet, in Freeman’s defence, Friedman and Miles (2006) observe that the Freeman’s 1984 publication is actually entitled ‘Strategic Management’ and only subtitled ‘A Stakeholder Approach’. This makes plain to all that Freeman’s position was transparently ‘from the perspective of the organization’ (Friedman and Miles (2006, p.25).

Freeman adopts a more ethically driven stance in some of his later work (e.g. 1994). However the conflict of focus detected by Walsh (2005) in Freeman’s iconic 1984 publication developed far beyond
Freeman into two distinct camps of literature, the normative and the analytical (or instrumental). Friedman and Miles (2006) review the range of contributions across these two broad fields, explaining that ‘normative stakeholder theory’ describes theories in terms of what the organisation ought to do morally and ‘analytical stakeholder theory’ is concerned primarily with what the organisation should do strategically. I take no position as to the value or workability of more ethical branches of stakeholder theory but, given the breadth of the field, I have left consideration of it outside the scope of the present thesis. I focus instead on the complementary value to my research of the latter branch of stakeholder theory, the instrumental branch.

Compatibility of dynamic capability theory and instrumental stakeholder theory

Harrison et al (2010) observe an ‘overemphasis on society’ in stakeholder theory literature, which has led strategic management scholars to focus on the theory’s societal and CSR implications, rather than on the theory’s potential for ‘managing a firm effectively’ (ibid, p.59). The authors cite Freeman (1984) extensively in this latter context.

Freeman believed that a new conceptual framework was required which reflected the organisational turbulence which characterized the era (Freeman 1984, p.5). The business conditions which he faced might be compared with the context of destabilising change discussed in my introduction and which is faced by organisations in the modern era (p.8-9). Stakeholder theory might also therefore offer a useful lens through which to explore the ‘high-velocity’ markets referred to by Eisenhardt and Martin (2000) and in which these writers claim dynamic capabilities to be particularly valuable.

Stakeholder mapping

Stakeholder theory has been described as a descriptive, content orientated theory, making it a useful complement to a qualitative process orientated research approach (Helfat et al 2007). In terms of exploratory research, this descriptive feature of stakeholder theory contrasts and complements dynamic capability theory, because dynamic capabilities have so far proved ‘vague and elusive’ (Kraatz and Zajak, 2001, reported in Barreto, 2010, p.258), difficult to pin down or to operationalise convincingly.

Arguably, Freeman also preempts aspects of the ecosystem when he describes the ‘emergence of new groups, events and issues which cannot be readily understood within the framework of an existing model or theory’ and which originate in the ‘murky area labelled ‘environment’ and affect ‘our ability to cope with internal changes’ (Freeman 1984, pp.11-13).

He believes the traditional hierarchical organisational structure to be diminishing in relevance, advocating ‘a skeletal “stakeholder structure”’ (ibid, p.234) which might serve to ‘get more closely in touch with the external environment’ (ibid). Freeman’s reference to the organisational context encouraged me to consider how the identification and mapping of such stakeholders in stakeholder theory might inform our understanding of dynamic capabilities theory.

Harrison et al describe the firm on a macro level as a ‘hub’ which can build upon the trust and reciprocity of their stakeholder network to orchestrate greater ‘knowledge mobility’ (Harrison et al., 2010, p.66). The authors adopt the following definition of knowledge mobility: ‘the ease with which knowledge is shared, acquired, and deployed within the network’ (Dhanaraj and Parkhe, 2006, 660).
Freeman proposes, after Allison, 1971, three levels of organisational analysis, “rational”, “process” and “transactional” (Freeman, 1984, p.81). The rational aspect involves the building of maps of stakeholders in a particular organisational setting, the processes are ‘those organizational processes used to either implicitly or explicitly manage the organization’s relationships with its stakeholders’ (ibid, p.53), and the transactions are the ‘bargains’ which are proposed between the parties. Together these levels constitute the organisation’s “Stakeholder Management Capability” (ibid, p.53). There should also be ‘some fit’ between these three elements (ibid, p.73). Freeman also stresses the idea of voluntarism (pp.74-80), in which he adapts the prisoners’ dilemma game into two modes of either negotiation or playing hard ball with stakeholders (ibid, pp.76-77), in order to demonstrate the advantages of a strategy of ‘communication’ to achieve compromise (ibid, p.78). This can be compared to the range of approaches to change management along a dimension with, at one extreme, hierarchical determination of the change outcome and, at the opposite end, full and frank participation with the targets of change management. Organisations which possess a well-developed level of ‘Stakeholder Management Capability’ seek to ‘generalize the marketing approach to serve multiple stakeholders’ (ibid). Freeman offers the examples of P&G “overspending”…on customers’, AT&T’s focus on the regulatory process and that of the oil companies on OPEC. Freeman also talks about ‘fit’, observing that organisations need to worry about enterprise level strategy for the simple fact that corporate survival depends in part on there being some "fit" between the values of the corporation and its managers, the expectation of stakeholders in the firm and the societal issues which will determine the ability of the firm to sell its products (ibid, p.107).

Stakeholders also have intrinsic value to the organisation. Freeman defines stakeholders as participants in the ‘human process of joint value creation’ (ibid, p.415). Friedman and Miles (2006) elaborate on several aspects which more recent writers on stakeholder theory have pursued. They state that ‘the development of a close stakeholder network can provide corporations with valuable information about external events, market conditions, technological advances, or consumer trends, which can help corporations anticipate, understand, and respond to external changes more efficiently and effectively’ (Friedman and Miles 2006, p.150).

In terms of analysing such stakeholders, Mitroff (1983) targets ‘the strict separation between where the inside of the autonomous individual supposedly leaves off and the outside of the collective or society supposedly begins’ (ibid, p.1). He concludes that this point of separation is ‘increasingly blurred’ and that ‘neither the behaviour of individuals (“the inside”) nor of institutions (“the outside”) can be understood independently of one another’ (ibid, p.161). He asserts that stakeholders are many and varied (bringing in to consideration what Freeman and others later defined as ‘secondary’ stakeholders classes), and that no stakeholder can be ‘confined to or understood primarily in economic terms’ (ibid, p.162). Individuals, like other stakeholder groups, have what he terms ‘archetypes’ or ‘symbolic images in the human mind’ which lead them to act in very different ways from what might be assumed from others in the same generic class.

The influences behind Mitroff’s (1983) work are reviewed by Richard O. Mason in the foreword. Mason refers to the ‘Lewinian life space’ which ‘includes the person, the goals which he or she is seeking, the negative states the person is trying to avoid, the barriers that restrict the person’s movements and the paths the person must follow in order to achieve his or her goals’. In Mitroff’s model, these urges or forces would be primarily ‘ego-state stakeholders’ (ibid). According to Mason, Mitroff is also influenced by the pragmatist philosophy of C. West Churchman and the ‘systems approach tradition’ wherein each stakeholder group has ‘a will of its own, pursues its own goals as well as those of the system as a whole’ (ibid).
Further research which generates data about such stakeholder groups would help to illuminate the ‘murky area of the environment’ (Freeman, 1984), build some granular detail of the firm’s ‘ecosystem’ (Teece, 2007) and potentially locate dynamic capabilities more precisely within it. My own research will target this boundary area.

The current stage of conceptual development in dynamic capabilities theory

Before proceeding to an examination of empirical work in the field of dynamic capabilities, we can now summarise the stage of conceptual development by identifying points of general consent amongst the writers on theory. Dynamic capabilities:

- are assembled by the firm internally and cannot be bought, short of purchasing an entire firm;
- contain some pattern and are not spontaneous problem-solving events;
- are deployed intentionally rather than by random good fortune;
- are enabled by cultural and/or structural organisational processes.

In addition, whilst there remains some debate about whether dynamic capabilities are processes or abilities, there is consensus that they serve to bridge the organisation to its changing environment. They are not synonymous with change, but they are ‘about one type of change, the intentional change of the resource base’ (Ambrosini and Bowman, 2009, p.33). This observation is also supported beyond the theoretical realms of the subject, in the empirical body of work on the topic. The empirical depictions of dynamic capabilities within the scope of this thesis are all about intentional change to the resource base. This point of consensus is significant for further research, including my own, because it provides a logical point of departure.

Furthermore, the analysis of theoretical contributions which I have undertaken in this chapter as to the nature of dynamic capabilities leads me to draw the following conclusions. Dynamic capabilities are change abilities which are embedded in organisational processes. Arguably, if dynamic capabilities consisted purely of abilities, then they could be accessed through recruitment activity or developed through training (in contrast to the assertion in the first of the bullet points above). Zahra et al. describe dynamic capabilities as ‘the abilities to reconfigure a firm’s resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker(s)’ (2006, p.918). This definition places particular emphasis on the role of management, whilst rightly objectifying routines. Helfat et al. (2007) make an important distinction that ‘when we observe a dynamic capability, we are observing the underlying processes’ (2007, p.31). Helfat et al. argue against characterisations of dynamic capabilities ‘in the literature as being processes’ (ibid). Again, one can reasonably argue that if dynamic capabilities were simply processes, they could indeed be bought without buying the whole firm.

Teece disaggregates dynamic capabilities into the three modes of sensing, seizing and reconfiguration in the context of the organisation’s ecosystem (2007). Such largely biological phraseology also arguably leans towards the depiction of dynamic capabilities essentially as abilities.

All of the observations summarised in this section feature in relatively recent publications. This fact arguably adds weight to their credibility, because in all cases the authors had over a decade in which to develop and refine their thinking since dynamic capabilities was introduced to us as a concept (Teece and Pisano, 1994). Empirical papers on dynamic capabilities, although comparatively sparse in number, should shed further light on the nature of the concept, and the next section reviews these contributions.
(b) Empirical review

Empirical evidence of dynamic capabilities

When introducing the concept of dynamic capabilities, Teece and Pisano refer to the ‘processes, positions and paths’ of the firm as its strategic dimensions (1994, p.541). Teece and Pisano (1994) then state that dynamic capabilities lie ‘embedded within the firm’s processes’ (ibid, p.553). In a more recent paper, Teece disaggregates dynamic capabilities into three capacities for action: sensing, seizing and reconfiguration (2007). In addition, he identifies the organisation’s need to exercise such capacities to the edges of its ‘ecosystem’ (Teece, 2007). This loose typological framework moves us one conceptual step closer towards the operationalisation of dynamic capabilities, since it at least conceives dynamic capabilities as actions. The disaggregation is also useful for ‘analytical purposes’ (ibid), because it encourages progressively more granular analysis of the component elements of the dynamic capabilities construct. Accordingly, the empirical section of the review begins with three sub-sections with corresponding titles. Each of these sections contains empirical work which relates explicitly to one of these capacities, or empirical work which, although it predates the definitions of Teece (2007), can be constructively reviewed through the lens of the same typology. A fourth section (Empirical evidence of dynamic capability as a relational capability, p.37-39) then reviews empirical papers which explore what organisations do holistically, either structurally or in socio-cultural terms, in the context of the ‘ecosystem’ (Teece, 2007). This fourth section would also be the logical place to discuss any fully integrated empirical examples of dynamic capabilities, in which the modes of sensing, seizing and reconfiguration can all be identified in orchestrated harmony. However, this review has not identified any such examples.

Empirical evidence of dynamic capabilities in the mode of sensing

Sensing capabilities allow firms to spot opportunities and threats in the market. Empirical work by Harreld et al. (2007) demonstrates how organisational learning, as described by Zollo and Winter (2002), can be fashioned into a delivery mechanism (in this case for IBM). However Harreld et al.’s paper contains no actual examples of projects or products being progressed through the systems which the authors describe. Consequently the study stops short of operationalising dynamic capabilities convincingly and it is more valuable as theoretical rather than empirical research.

Daneels (2008) analyses the particular form of dynamic capabilities which add new capabilities, ‘the competence to build new competences’. The specific capabilities under scrutiny in his paper are marketing and research and development. He conceptualises marketing and research and development as ‘second order competences’ and distinguishes them as follows: ‘a first-order competence is a skill at performing a particular task, whereas a second-order competence is a skill at learning new tasks’. Daneels, like Harreld et al. (2007), sets this capability in the context of organisational learning theory (e.g. Levitt and March, 1988) and defines second order competences as organisational processes of exploration rather than exploitation (e.g. March 1991; and Benner and Tushman, 2003). Daneels also asserts, after Benner and Tushman (2003) and March (1991) that, supporting these second order competences, is the first order competence of ‘exploratory learning’. Daneels presents five characteristics of the firm which generate greater exploratory learning. These are ‘the firm’s willingness to cannibalise, the presence of constructive conflict in the organization, a climate of tolerance for failure, the extent to which the firm engages in environmental scanning and the firm’s slack resources’ (2008, p.522). These characteristics are described as the ‘organisational antecedents’ of the dynamic
capabilities under scrutiny and not the dynamic capabilities themselves. This is just as well because, although the first four of the ‘antecedents’ might be collectively defined as cultural features of the organisation, the fifth is an unhappy circumstance of the organisation. Daneels presents scales which rigorously analyse these antecedents empirically in the context of the capabilities of marketing and research and development. However, although Daneels defines marketing, research and development capabilities and dynamic capabilities as ‘second order competences’, which all have the potential to allow firms ‘to learn new domains’ (ibid, p.520), he does not explore the capabilities. Nor does he ground the notion of dynamic capabilities qualitatively in his data. Consequently, whilst the empirical findings may confirm the author’s hypotheses as to the antecedents of notional marketing and research and development capabilities, these are not necessarily the antecedents of dynamic capabilities.

Døving and Gooderham (2008) also use survey methods to explore the (dynamic) capabilities supporting diversification in small accountancy firms servicing small and medium sized enterprises in Norway. Døving and Gooderham analyse the breadth of services provided by each practice in terms of several key variables: 1) the heterogeneity of the staff (since some practices employ people with pure accountancy diplomas and others employ graduates with a broader academic pedigree); 2) specific, identifiable routines and systems aimed at reconfiguration of the competency base; and 3) the range of alliances with external complementary service providers. Døving and Gooderham conclude that the following represent dynamic capabilities: employing staff that possess a breadth of knowledge beyond pure accounting; creating processes in-house to facilitate diversified business advisory services outside the narrow accounting remit; and building alliances with other firms offering complementary services.

The article reflects the potential for dynamic capability theory to embrace both the positioning strategy (in terms of the ‘strategic intent’ for diversification) and resource based view (in terms of the underlying capabilities to enable such diversification). It is successful in offering evidence of ‘enduring routines, systems, and processes that are visible, known, and managerially intended as a means to achieving new resource configurations’ (ibid, p.845). Yet these variables do not amount in themselves to dynamic capabilities. The deployment of the three variables acts to remove certain processes (specifically those processes which constrained operational activity) and to replace them with enabling processes. The dynamic capabilities do not reside in either set of processes but rather in the ability of certain new staff to use their broader skillsets in order to explore new business channels within this looser framework. As with Daneels (2008), the quantitative research method adopted by Døving and Gooderham does not allow these authors to analyse the dynamic capabilities, so much as what the authors believe to be the enabling framework for dynamic capabilities. Both studies might have benefited from a mixture of methods which included some qualitative analysis of particular cases. This would have allowed for phenomena about dynamic capabilities to emerge from the data, rather than for certain assumptions to be imposed on the participants and to flavour the subsequent findings.

**Empirical evidence of dynamic capabilities in the mode of seizing**

Seizing activities include the building of new competencies or the implementation of new ‘business models’ which respond to specific opportunities (Teece, 2007). Kale and Singh (2007) also adopt a learning-based perspective on dynamic capabilities, but their research benefits from a mixture of qualitative and quantitative methods. The authors conduct field research on several firms which undertake extensive alliance activity, to ‘understand the nature of the alliance process in firms’ (ibid, p.988). Depending on the firm, an alliance process serves to identify suitable targets for an alliance, coordinate related tasks such as contract drafting, and build a database of lessons learnt and best practice around successful alliances. Based on this research, together with reading on the topic, the
authors build a ‘theoretical framework and model’ suggesting that, where an ‘alliance learning process’ was embedded within organisations, success in such alliances was more common. They then send out questionnaires to test the validity of their theory. From the 175 replies they receive, they test and verify their notion of the process, which involves articulation, codification, sharing, and finally the internalisation of alliance management know-how. The phrasing throughout Kale and Singh’s paper corresponds to that used by Zollo and Winter (2002).

Kale and Singh’s findings (2007) support their hypothesis that there is a strong correlation between the existence of ‘alliance learning processes’ and an effective alliance function. However, the paper is less convincing in mapping the mechanics of the alliance learning processes to extant dynamic capability theory. Kale and Singh state that the alliance learning process ‘involves articulation, codification, sharing and internalization of alliance management knowhow’ (ibid, p.989). They cite Zollo and Winter (2002) in asserting that articulation and codification may be especially important in the context of building skills to manage tasks or activities that occur repetitively. However Zollo and Winter (2002) chart a cumulative progression toward the consolidation of such knowledge in codification. In contrast, Kale and Singh’s alliance learning process is more elastic and iterative, as their elaboration of the third element demonstrates: ‘[k]nowledge sharing involves exchanging and disseminating individually and organizationally held alliance management knowledge, which is both tacit and/or codified, through interpersonal interaction within the organization’ (2007, p.985). Kale and Singh’s conception of the alliance learning process dances between the three keys of experience, articulation and codification which are depicted by Zollo and Winter (2002). Kale and Singh’s spiral of learning is closer to the model of organisational learning presented by Nonaka and Takeuchi (1995), where the sharing of tacit knowledge (‘socialisation’) and the dissemination of codified knowledge (‘combination’) create an emergent strategy for the organisation, embedded in a progression from socialisation to externalisation to combination to internalisation to socialisation and so on. Kale and Singh (2007) do not include Teece (2007) in their bibliography, possibly because their paper marginally predates Teece (2007). However, one could argue that the additional elements of ‘interpersonal interaction’ described by Kale and Singh correspond to the ‘seizing’ capacity which Teece introduced (2007) and that ‘combination’ and ‘socialisation’ in particular merit further investigation and development using qualitative research. Kale and Singh’s conception of the alliance learning process also relies upon the partial integration of the knowledge based view (Grant, 1998), whereby ‘the development of organizational skills to manage any particular task also rests upon a firm’s ability to share knowledge associated with managing or executing that task with all relevant parts within the organization’ (Kale and Singh, 2007, p.985). Kale and Singh (2007) offer a convincing conception of the alliance learning process, but the authors conclude that future research needs to analyse the related ‘alliance management skills’ more fully, using case-based methods or other research methods which enable a more detailed analysis of relevant firms. The paper also demonstrates that dynamic capability theory may be advanced by harnessing and integrating elements or ideas from other bodies of work. Kale and Singh (2007) use the knowledge-based view to this end, but the integration of any further theories and methods which enable a closer evaluation of the orchestration of ‘combinations’ or of the dialogue underpinning ‘socialisation’ should be considered as a priority.

Pablo et al. (2007) explore dynamic capabilities by harnessing the literature on the learning organisation (Senge, 2006). They use observational longitudinal field research within a regional health authority in Canada and the research methods seem appropriate to delivering a fine-grained analysis of detailed change processes. In addition, the focus of Pablo et al. (2007) is on the management of organisational change programmes. This context is argued by other writers to be apposite to the topic of dynamic capabilities (e.g. Vogel and Guttel, 2013; and Arend and Bromiley, 2009) but has thus far largely been
ignored by other researchers. Pablo et al. (2007) describe the implementation of six programmes which rely upon the dynamic capability of ‘learning through experimenting’. However, although ‘learning through experimenting’ is the guiding principle linking the programmes, the distinct nature of this dynamic capability remains sketchy. Instead, the dynamic capability is described primarily in terms of its enabling factors: trust amongst staff; matrix management; and strong leadership. Of these, trust emerges as the most significant single factor in the paper. Pablo et al. (2007) make a distinction between ‘functional trust’, which implies trust in the other party to do his/her job competently, and ‘relational trust’ which implies an ability to work with others empathetically. These two types of trust come together in an interview excerpt between a physician and a manager in one of the programmes: ‘I think one of the good things about the [Calgary Health Region] managers is their relationship with physicians. So I have a physician department head that I work closely with. And it’s taken us a little while . . . we had to kind of dance around each other to figure out – how do we work together? What it does though, is I start seeing things through the physician’s eyes and she starts seeing things through mine . . . And you have to work at it though. You have to figure out how do you work together, how do you communicate, how do you make sure that you remember the other person? Because it’s not natural to start out with’ (ibid, p.699). Trust and learning are said to have been combined by the organisational leaders who ‘attempted to build a supportive context by providing opportunity and encouragement for inter-play between trust and learning’. The notion of trust may have particular significance and malleability in public sector environments, such as the one chosen for the study, and the authors recognise this question-mark over the generalisability of the findings as a limitation in their conclusion. However, the ability to build environments of trust is an intriguing finding and a closer analysis of the workings of these trust-building skills would have been desirable. Trust-building may be a key enabling factor behind dynamic capabilities more generally and not just behind the dynamic capability of ‘learning by experimentation’.

**Empirical evidence of dynamic capabilities in the mode of reconfiguration**

In the theoretical literature on dynamic capabilities, certain organisations are attributed with strong or weak reconfiguration capability. Eisenhardt and Martin (2000) praise Disney for its ‘shifting synergies’ and Dell for its superior ‘patching’ abilities in matching operating businesses to changing consumer demand. Dell and Johnson & Johnson are also cited by Helfat et al. (2007) as examples of organisations possessing executives with outstanding ‘patching’ capabilities allowing them to move their organisations into and out of different markets. In contrast to these examples, Helfat et al. (2007) present the example of Rubbermaid which, despite the high quality of its products, foundered as a company due to the failure of its senior management team to recognise the growing importance of price within its industry (thereby demonstrating a lack of the dynamic capability of ‘managerial cognition’). At a lower level, those managers who were close to buyers recognised that their firm’s products had become over-priced but they failed for political reasons to flag the problem to their superiors, demonstrating ‘poor managerial opportunity recognition capabilities’ (Helfat et al., 2007, p. 116).

The topic of reconfiguration has had sparse empirical scrutiny in the literature to date. The combined lists of papers reviewed by Di Stefano et al. (2010) and Barreto (2010) feature only five papers which explicitly analyse the reconfiguration process. Rosenbloom (2000) charts the chequered, but generally successful, transformation of NCR from a mechanical to an electronic cash register business. He finds no single theory which consistently supports the success of the firm. For example, on the theme of ‘commitments’, Rosenbloom observes that NCR’s ‘heavy investment in people and equipment would be rendered null by a ‘revolutionary’ (as opposed to ‘evolutionary’) shift to electronics technology’. On the other hand ‘another longstanding commitment—to help customers meet their needs—served the
company well in making the transition to the new era’ (ibid, p.1101). This particular finding demonstrates the risk of adopting one theory in isolation, whether it is a resource based strategy or an ethically founded stakeholder strategy. Instead, Rosenbloom praises a certain instrumentalism adopted by NCR’s senior management. Rosenbloom’s bleak conclusion is that the key to NCR’s dynamic capability resided in the instrumentalist reconfiguration capabilities of managers ‘to break commitments and take risks’.

Three other papers have attempted to deconstruct some of the characteristics of those organisations which are effective at reconfiguration. Common to these papers is the word modularity, although it is interpreted differently in each. In this thesis, I adopt a broader metaphorical definition of the meaning of ‘modularity’, compatible with its use in all three of the papers. I adopt the Chambers definition of modularity as the range of variations achieved from a pattern (such as a given set of musical notes) by ‘passing from one key into another’ (Macdonald, 1974). Galunic and Eisenhardt (2001) perform an 18-month field study of ten divisions of a US Fortune 100 high-technology firm, set in a wide, but related, industry spectrum including electronic instrumentation, IT and computer peripherals. The qualitative approach adopted by Galunic and Eisenhardt (2001) is well-suited to exploring the complex patterns underpinning the dynamic capability of architectural innovation. Galunic and Eisenhardt (2001) explain that architectural innovation occurs within a specific organisational form which they call a ‘dynamic community’. Drilling down through one further layer of analysis, dynamic communities are said to possess, amongst other attributes, ‘a corporate structure that displays modularity (generating vital diversity in the corporate “gene pool”) yet also displays relatedness’. Galunic and Eisenhardt describe how the firm ‘engages in frequent resource recombinations among its divisions’ using ‘charter changes' (ibid, p.1230). A charter, as used by this firm, denotes ‘a statement of purpose’ and ‘includes the task, market, and the customer the division is concerned with’. These charters are moved/changed from time to time. The authors note with interest that new charter opportunities are not given to the best performers (since they might lack either the capacity or the motivation to exploit the opportunity fully), but rather to mediocre performers on a lean run since ‘fallow managerial resources and skills, along with concentrated penchants for expansion ... are powerful drivers of growth’ (ibid, p.1236). ‘Charter wars’ are encouraged when a division has become less suited to market the product (or under-performed) and where other divisions can demonstrate a better fit in terms of their path and position (ibid, p.1240). ‘Charter orphans’ are products that needed a home (either for the first time or where a division is specialising away from the area). Thus, Galunic and Eisenhardt find that a combination of purely economic and more ‘communal’ drivers lead to new charter ownership.

A further aspect of modularity in the firm under study is that charter owners have some flexibility to retain those operational particularities which they believe are more suited to their purpose, for example to emphasise manufacturing sophistication or price as the key driver. At the same time, there is standardisation across divisions in terms of the brand, sales teams, and the financial back-office functions. The authors add that ‘with modularity there is gradual reshuffling of the deck of corporate resources that are available for architectural innovation as individual divisions pursue success in the context of their own evolving charters and in counterpoint to the paths of other divisions’ (ibid, p.1243).

The firm determines the allocation and reallocation of charters based on a loose set of criteria: ‘(1) Ensure that the gaining division has the relevant R&D, marketing, and manufacturing skills needed to manage the charter at issue (that is, has acceptable fitness). (2) Give new charter opportunities to constrained divisions. (3) Reward loyal, up-and-coming divisions with charters in strong, established markets. (4) Help losers regain stability and new vision. And (5) store charter orphans in midperforming divisions’ (2001, p.1245). The authors also stress that the behaviours identified in the case study do not
demonstrate a new organisational form so much as ‘a “new underlying managerial logic” (Lewin and Volberda, 1999: 530)’ which embraces ‘adaptability, modularity, coevolution, and recently, self-organization’ (Galunic and Eisenhardt, 2001, p.1247). Organisational innovation is said to consist of ‘a few simple, often competing, rules that enable highly adaptive behaviour’ (ibid, p.1245). This perspective on dynamic capabilities echoes Eisenhardt and Martin’s reference to ‘simple, highly experiential and fragile processes with unpredictable outcomes’ (2000, p.1105). Galunic and Eisenhardt concede that, whilst the interplay of simple rules is significant in exploring the firm’s ‘adaptive behaviour’, more research should examine the socio-cultural ‘underbelly’ of the organisational form and how this connects and underpins the “harder” rules of complex systems’ (2001, p.1247). I would argue that, in the context of dynamic capabilities theory, Galunic and Eisenhardt (2001) over-emphasise the internal situation and underplay the significance of external change. Their organisation’s ‘charter’ phenomenon privileges less than stellar performers in the organisation and sustains the internal gene pool artificially, since the logic is divorced from both external preferences and from internal performance. This approach also therefore penalises other notable stakeholders in the organisation, including its high-performers, and quite possibly the shareholders and the customers of the business. In addition, the qualifications are not strategically consistent, since managers decide upon changes to charter ownership based on ‘competing’ and often non-economic factors. Specifically, architectural innovation is deficient in responding to two prominent conceptual aspects of dynamic capabilities described by Teece and Pisano (1994): the sense of the ‘shifting environment’ faced by the firm and the ‘key role of strategic management in appropriately adapting, integrating, and re-configuring internal and external organizational skills, resources, and functional competences toward a changing environment’. For this reason it is also unclear whether the dynamic capability of architectural innovation presented by Galunic and Eisenhardt (2001) has strategic value beyond the purely ethical dimension.

Karim (2006) is another contributor to the topic of modularity. He uses secondary archival data from 250 firms in the medical sector and finds that ‘firms are more likely to reconfigure acquired units than internally developed units’ (ibid, p.807). He demonstrates that that ‘acquired and internally developed units serve different roles in the process of change, and that firms perceive reconfiguration to be beneficial’ (ibid, p.799). He also finds that firms are more likely to reorganise acquired units than reconfigure internal units to accommodate the acquired ones. He attributes this inclination to the acquirer’s ‘lack of familiarity with targets’ routines and resources’. One might argue that, in contrast with Karim’s thinking and, in line with the ideas of Galunic and Eisenhardt (2001), the decision to reconfigure acquisitions reflects an inclination by the acquiring firm to preserve and to promote its established socio-cultural identity. Karim’s paper achieves its stated objectives and also offers some evidence to support Teece and Pisano’s observation (1994, p.547), after Leonard-Barton, that ‘an organization’s core capabilities can just as easily create “core rigidities”. Karim also observes that ‘[f]irms with greater reconfiguration experience built a capability with this form of experimentation, and reconfigured units sooner than firms with less experience’ and he concedes that ‘[a] study tracing the evolution of different reconfiguration paths and their consequences could be insightful’ (Karim, 2006, p.821, author’s italics). Such a qualitative analysis might also shed light on the question which lies at the core of modularity: by what means do those firms with more experience of reconfiguration achieve such reconfigurations faster.

King and Tucci (2002) offer one possible answer to this question. They also use secondary archival data analysis to explore modularity, but in their case the method allows them to analyse ‘a sample that is very close to the full population of firms’ (ibid, p. 175). Analysing 174 firms producing rigid hard drives between 1976 and 1995, they find that eight of the top ten revenue-earners in the industry in 1995 had previously entered the market using a different disc format. Thus, the findings of King and Tucci (2002)
conflict with the widely held view in dynamic capabilities literature, ‘that experience leads to constraining inertia in the organization or in its management’ (ibid, p.184). The writers propose that success in the rigid disk drive industry was due, not to the sophistication of the technology, but to the adaptability of the sales teams and to the ‘value’ of such sales teams’ experience. By their own admission, the writers’ assertion is undermined by their use quantitative research methods. Indeed, a qualitative treatment of some of the firms analysed might have demonstrated that the key dynamic capabilities for success in the sector resided, not in their sales adaptability, but in another characteristic of the firms. For example, some firms in the manufacturing sector stay ahead of the competition by possessing more flexible and adaptive manufacturing capabilities (Milgrom and Roberts, 1990, cited in Teece, 2007). An equally plausible explanation might attribute the capacity to stay ahead to (dynamic capabilities embedded in) the firms’ socio-cultural values (Galunic and Eisenhardt, 2001; Pablo et al., 2007). In another interpretation of the quantitative data, the dynamic capabilities leading to success might have been attributed to the cold-hearted, management-borne efficiency ‘to break commitments and take risks’ (Rosenbloom, 2000). These contrasting, partially conflicting but equally plausible, alternative explanations of the findings serve to illustrate the lack of granularity inherent in using quantitative methods.

In Karim (2006) and King and Tucci (2002), modularity appears to be critical in enabling an organisation to reconfigure in step with changes in the external environment, whilst simultaneously exploiting its existing capabilities. The sub-topic has been termed ‘ambidexterity’ by Vogel and Guttel (2013) who regard it as an important and under-researched domain within the field of dynamic capabilities (ibid, p.440). Further empirical examples of such modularity would be highly desirable in order to elaborate and strengthen the supporting theory.

It is clear that a portfolio of empirical, in-depth analyses of the reconfiguration mode of dynamic capabilities would advance the dynamic capability construct, and the under-researched nature of this topic represents a significant gap in the literature. Further development of theory concerning modularity appears to be a priority, although with greater emphasis on the broader context of the ‘ecosystem’ depicted by Teece (2007) and discussed earlier in this chapter (p.28). Using the definition of modularity adopted earlier of ‘passing from one key into another’ (Macdonald, 1974), the context of the ecosystem implies consideration of possible variations achieved from a wider palette of contributors, extending beyond the organisation. This prompts consideration of a closely related sub-topic of dynamic capability, the topic of relational capability.

**Empirical evidence of dynamic capability as relational capability**

The dynamic organisation must be open to all of the myriad possibilities of its ‘ecosystem’ (Teece, 2007; Helfat et al., 2007). Accordingly, empirical research should investigate the intricate workings of this wider context. Some empirical research has already been undertaken which explores relational capability and some papers specifically describe and explore relational capability as a dynamic capability. Jiang et al. (2010) relate ‘alliance portfolio diversity’ to stronger firm performance. The challenges and complexities of working across international borders are simplified by training staff to demonstrate relational capability, up to and including CEO level (Carpenter et al., 2001). Organisations are placing a particular value on staff who demonstrate an ability to bridge the organisational realm with external arenas. The Research and Development practices of some pharmaceutical organisations have sought to harness the benefit of relational capability by favouring for promotion those applicants who have had work published, ahead of unpublished candidates of a similar calibre (Henderson and Cockburn, p.156, reported in Dosi et al., 2000). This also seems a clear example of a dynamic capability process which can
be adopted simply across a broad range of industries (such as Pharmaceuticals, Engineering or even broader functional areas such as HR and Marketing) and become part of a best practice model. One aspect of relational capability which is not emphasised in the extant dynamic capabilities literature is that of leveraging on customer relationships. Srivastava et al. (2001) state that both RBV and marketing research fields need to focus more on ‘generating (as opposed to sustaining) customer value’. In particular, the fields must encourage researchers to ‘come to grips’ with two questions: ‘(1) Where do marketplace opportunities – configurations for consumer needs - come from and (2) Where do the resources – the configuration of assets and capabilities required to generate and capture an opportunity – come from?’ (ibid, p.785). Srivastava et al. see a role for dynamic capabilities in illuminating this wider context (ibid, p.797).

A phenomenon closely linked to relational capability is the concept of ‘continuous morphing’. Rindova and Kotha (2001) use Yahoo! and Excite as case studies to elaborate ‘continuous morphing to describe the comprehensive ongoing transformations through which the focal firms sought to regenerate their transient competitive advantage on the Internet’ (ibid, p.1263). Rindova and Kotha do not offer a detailed definition of dynamic capabilities in the paper, merely proposing, after Teece et al. (1997), that dynamic capabilities are ‘a firm's ability to "achieve new forms of competitive advantage"’. It is left to the reader to infer that these dynamic capabilities facilitate the continuous morphing process.

Rindova and Kotha analyse 40 articles on Yahoo! and Excite, revealing that each firm underwent two transformations during their brief (1994 to 1996) history up to IPO. The authors identify the differences and similarities between the transformations by detailing 171 actions at Yahoo! and 182 actions at Excite, using open coding methods to break down and reinterpret the data.

It becomes evident from Rindova and Kotha’s work (2001) that the transformations at Yahoo! and Excite were facilitated through the initiation of numerous partnerships. These in turn were established by ‘self-organizing through reliance on simple organizational principles’ (ibid, p.1274). In addition, ‘the top management team and its beliefs about organizational evolution may play an important role in developing dynamic capabilities and deploying them in continuous morphing. Indeed, a top management team may serve as a bridge “between the organizational actors who learn, and the organizational structures and routines which both impact upon and are modified by the learning process” (Child, 1997: 66)’ (Rindova and Kotha, 2001, p.1274).

Rindova and Kotha (in common with Galunic and Eisenhardt, 2001), refer to Lewin and Volberda’s (1999) article in describing the ‘co-evolutionary dynamic evolving between the firms and their environments’, saying that ‘relying on continuous morphing to simultaneously attain change and continuity may require significant changes in managerial thinking, a shift in focus from control (over resources, through structures) and toward opportunistic evolution and experimentation’ (Rindova and Kotha, 2001, p.1278). The appropriate management thinking sounds inherently risky, since it requires a complete reshuffling of resources in order to respond efficiently to new market demands. Rindova and Kotha concede that continuous morphing may not be relevant to larger or more established organisations (ibid, p.1277). Nonetheless such dynamism in business models, organisational forms and processes is seen by Rindova and Kotha as typical of organisations competing via the web and the authors conclude by recommending ‘blending existing theories with theoretical insights developed inductively from the new settings in which these firms compete’ (ibid, p.1278). A key aspect of relational capability lies in the organisation’s ability to identify and interact with the widest range of stakeholders and the next section considers empirical research already undertaken in this field.
The unlocked value of the organisation’s stakeholders

In my theoretical review section, I have shown how stakeholder theory can be used to inform the theoretical development of dynamic capabilities theory. Whilst there is little evidence of such an integration being attempted in the extant literature, there are some empirical studies which consider the role of stakeholders (as defined on p.30) in specific dynamic capabilities. Fjeldstad et al. (2012) depict collaborative capabilities as ‘actor-orientated’ mechanisms, rather than hierarchical ones. They describe the use at Accenture of ‘knowledge commons’ (ibid, p.744), where the consultancy operates a ‘people mobilization system’, enabling staff to apply directly to a team being assembled elsewhere in the global organisation for new client projects. Agarwal and Selen describe ‘dynamic capability building through collaboration’ in a case study of one telecoms service provider. They assert that higher order capabilities emerge through the ‘collaboration and learning of the stakeholders’ (2009, p.457). However, whilst they identify the value of such capabilities in exploring new opportunities, they do not explore the significance of collaboration for seizing and reconfiguration purposes or for the achievement of sustainable competitive advantage.

Kindström et al. (2013) conduct a case study of two manufacturing firms which adapt ‘their environment through innovation and collaboration with their customers and other key actors’ (ibid, p.1064). The paper identifies a dynamic capability underpinning ‘service innovation’ and places the customer as a stakeholder firmly in the middle of the process. The authors assert that the ‘service innovation’ approach entails a detailed knowledge of ‘their customers’ entire business processes, including those of the customers' own customers’ (ibid, p.1068). The authors leave the floor open for further research on the role of other stakeholders in the process of innovation. They concede that some observers feel this type of research ‘requires a re-evaluation of a firm's whole network of suppliers, service partners, and customers’ (ibid, p.1069).

The way in which sustainable innovation can be underpinned through stakeholder dialogue and stakeholder knowledge integration has also been discussed by Ayuso et al. in a case study of two Spanish firms (2006). They state that ‘a firm can achieve a higher organisational performance if it is capable of managing collaborative relationships with its diverse stakeholders and at the same time effectively channeling the obtained knowledge assets into its innovation processes’ (ibid). They indicate that one of the aims of their paper was to ‘shed some light on the under-researched issue of linking stakeholder dialogue and sustainable innovation’ but they conclude that ‘an explicit examination of this (dynamic) capability underlying sustainable innovation has not been carried out so far’ (ibid, p.486).

Finally, Hart and Sharma (2004) assert the importance of fringe stakeholders in developing competitive imagination (which they embody in a dynamic capability called ‘Radical Transactiveness’). Their perspective has a strong and overtly ethical bias, encouraging the inclusion into organisational strategy of fringe classes of stakeholders such as the ‘poor’, ‘weak’, ‘isolated’ and even the ‘non-human’ (ibid, p.10).

Most of the articles discussed in this section are relatively recent contributions to the literature on dynamic capabilities. I would argue that Fjeldstad et al. (2012), Kindström et al. (2013) and others have begun to identify some of the stakeholders on the boundaries of the organisation, who populate Teece’s ecosystem (2007). The theoretical review has flagged the importance of the ecosystem as a theoretical progression in the dynamic capability theory. Further analysis of the stakeholders who populate its
boundaries is therefore both logical and warranted. Accordingly, my research will explore how such
stakeholders, as defined on p.30, relate to dynamic capability.

(c) Digest of gaps in dynamic capabilities literature

Agreeing upon the fundamental nature of dynamic capabilities would represent a significant step
towards consolidating the body of theory. The theory must progress beyond the existing general
agreement that dynamic capabilities are about ‘one type of change, the intentional change of the
resource base’ (Ambrosini and Bowman, 2009, p.33). Researchers currently differ as to whether dynamic
capabilities are essentially processes or abilities. Much effort is expended in constructing definitions
which still leave this question unresolved and which accommodate conceptualisations of dynamic
capabilities as both processes and abilities (e.g. Barreto, 2010). These conceptualisations are in my view
incompatible and their conflation may well explain why the construct has thus far eluded efforts at
robust operationalisation. A process is ‘a series of changes with some sort of unity, or unifying principle
to it’ (Honderich, 2005). As such, it is a valuable term by which to understand events or patterns of
behaviour (see chapter 1, p.9 of this thesis). It may also define a range of tools or systems from the
simplest to the most sophisticated. However processes are not truly interactive or dynamic because
they are not human. Nor do processes have strategic potential when divorced from the capabilities of
the people deploying them. Such actors include Teece’s ‘entrepreneurial manager’, discussed on p.20 of
this chapter and the exponents of ‘dynamic managerial capability’, a notion proposed by Adner and
Helfat (2003) and discussed on p.27 of this chapter). In short, processes, unlike abilities, are inanimate.
Arguably, the very fact that researchers use two such distinct conceptions of dynamic capabilities shows
that the concept requires further theoretical development.

Further research is required in order to grasp more clearly the nature of dynamic capabilities and to
explore other fine-grained aspects of dynamic capabilities theory. Given the lack of congruence as to
to their nature, a suitable starting point for such research would be from a point of common agreement –
that dynamic capabilities are ‘about the intentional change of the resource base’ (Ambrosini and
Bowman, 2009), and the choice of this particular point of departure for the research is more fully
discussed on p.33 of this thesis. I further argue that a logical source of data about intentional change to
the resource base would be those actors who are intimate with change to the resource base). Change
managers are well-positioned to illuminate the mechanisms involved in such change (a point upon
which I elaborate in p.51-52 of the research methodology chapter). Yet, in spite of their relevance, there
is a lack of data from these actors in the extant literature. Vogel and Guttell conclude in a recent
bibliographical review of dynamic capabilities (2013) that ‘[a]lthough dynamic capabilities are perceived
as the firm’s capacity to reconfigure its resource base, advanced research on the management of change
has not yet been integrated into the existing literature’. Similarly, Arend and Bromiley (2009) assert that
change management, amongst several other domains of organisational change, has been under-
explored in the literature on dynamic capabilities and that this oversight has in turn hindered conceptual
advances on the topic. Arend and Bromiley critique the dynamic capabilities view [DCV], because it
‘jumps directly to modeling the change–performance relationship without the context, creating a solid
appearance, but one without foundation’. As such the DCV ‘oversimplifies the dynamics of strategic
change’ (2009, p.82). Accordingly, some further scrutiny of those actors involved in the ‘management of
change’ (Vogel and Guttel, 2013) should be high on the research agenda. These actors are well placed
to describe in granular detail not simply the context of organisational change but the mechanisms which
drive that change, whether such mechanisms are lodged in process or in ability. My own research,
notably the choice of participants in the main study, goes some way towards filling this perceived gap.
Much of the empirical literature to date relates to discrete modes of sensing, seizing or reconfiguration (Teece, 2007). Disaggregating dynamic capabilities into distinct modes is helpful for exploring the theoretical dimensions of the concept. However, the modes do not represent either a unified theory or a strategic logic when they are viewed in isolation. The strategic value of dynamic capabilities, like other strategic concepts, must be understood in terms of ‘the whole beast’ rather than as the sum of its individual parts (Mintzberg et al., 2005). More research should therefore seek to examine the way in which all three of these modes are combined, since this may well illuminate the ‘strategic’ dimension of Teece and Pisano’s original formulation of the dynamic capabilities framework (1994). Similarly Adner and Helfat (2003) disaggregate ‘dynamic managerial capability’ into three distinct attributes: ‘managerial human capital, managerial social capital, and managerial cognition’. They conclude that, although research streams have addressed these attributes separately ‘much less research has focused on their interactions and how they affect the ability of corporations to adapt and change’ (ibid, p.1023).

Papers cited in this review on the themes of modularity (e.g. Galunic and Eisenhardt, 2001; and Rindova and Kotha, 2001) and on relational capabilities (e.g. Helfat et al., 2007) depict a loosening of traditional internal and external organisational boundaries. Further, granular studies which describe these developments and the workings of relationships between the parties in the new ‘ecosystem’ (Teece, 2007) would also be desirable, because such studies would explore a greater range of convenience for dynamic capability theory (Kelly, 1955).

A review of the chosen literature on dynamic capabilities suggests that the relationship between the dynamic capabilities concept and the resource based view is somewhat strained. The original formulation of the dynamic capabilities concept was presented in the context of the resource based view strategy, which emphasizes the building of unique sets of capabilities by the firm. These in turn relate to the strategic dimensions of the firm’s ‘processes, positions and paths’ in early dynamic capability theory (Teece and Pisano, 1994). Yet, recent topics emerging in the dynamic capability literature imply a refocus of interest towards external themes such as the ‘ecosystem’ (Teece, 2007), ‘evolutionary fitness’ (Helfat et al., 2007) and alliances (e.g. Døving and Gooderham, 2008: Kale and Singh, 2007). Figure 2 presents some of these themes diagrammatically and distinguishes between them using Mintzberg et al.’s (2005) notions of “inside-out” and “outside-in” views of strategy (see p.10-11 of the introduction to this thesis). The original purpose of this thesis was to establish the ‘nature’ of dynamic capabilities. Yet before we can establish what they are, we may first of all need to establish more clearly where they are. Are they ‘embedded in firms’ (Eisenhardt and Martin, 2000) or are they more widely ‘at work in the business ecosystem’ (Teece, 2007)? To address this question, more research is required into the boundaries of the organisation and a closer analysis and mapping of the roles of its myriad stakeholders.

Further conceptualisation of the dynamic capabilities construct may require researchers conjointly to consider other organisational theories in addition to the resource based view when conducting theoretical research. In short, some eclecticism may serve to progress the theoretical advancement of the dynamic capabilities concept. In recognition of this, my thesis integrates some of the tools from instrumental stakeholder theory. Conversely, empirical research on dynamic capabilities will not benefit from the (further) harnessing of data which is collected empirically to test or explore other bodies of theoretical research. The review indicates that fine-grained and specific empirical research on dynamic capabilities is as yet sparse. Operationalisation of the concept would crucially move us closer towards a model which is of value to practitioners wishing to develop dynamic capabilities. Any empirical evidence at this stage should also be considered as provisional, until the conceptual underpinnings of dynamic capabilities theory have been strengthened.
Conclusion

The theoretical section of this literature review assesses and compares the diverse conceptions of dynamic capabilities as routines, processes or abilities. This comparative analysis of their theoretical nature has not been undertaken in previous literature reviews and represents a contribution to the body of knowledge of the topic. The review has also analysed the relatively sparse empirical evidence thus far collected concerning dynamic capabilities. Critical amongst the issues is the contention that the concept of dynamic capabilities requires further theoretical development. Exploratory research is still needed in order better to understand the fine-grained nature of dynamic capabilities. The logical point of departure for this research would be from the point of consensus reached by writers on the topic, that dynamic capabilities are ‘about one type of change, the intentional change of the resource base’ (Ambrosini and Bowman, 2009, p.33). This point of consensus should also logically influence the choice
of participants to use in order to generate data for the research. Finally, some significant gaps in the research to date are highlighted by the review. These include relating dynamic capabilities theory to ‘theories of change’ (Arend and Bromiley, 2009) and to the ‘management of change’ (Vogel and Guttel, 2013). In conclusion, the review was helpful in guiding and informing my research design, which I present in the next chapter.
3. Research design

The preceding literature review indicated that the concept of dynamic capabilities requires further elucidation and development. An exploration of the nature of dynamic capabilities became the first priority for my research and this is reflected in my research question and in the research framework.

Summary of research framework

Exploratory studies are used in order to ‘seek new insights; to ask questions and to assess phenomena in a new light’ (Robson, 2002, p.39). In considering how to answer my research question, I was influenced by Saunders et al., who propose three principal methods of conducting exploratory research: (i) a search of the literature; (ii) interviewing ‘experts’ in the subject; or (iii) conducting focus group interviews (2009, p.140). Easterby et al. assert that, when using focus groups, it is important that your ‘topic is defined clearly and precisely’ (2009, p.592). The literature review showed that the topic of dynamic capabilities is not defined clearly or precisely and I therefore rejected the use of focus groups.

I decided to interview people individually and in depth, whose expertise I considered relevant to the topic (see p. 47-48). I decided that the interviews should be semi-structured, allowing me to explore the interviewees’ perceptions, if any, of the dynamic capabilities concept and, at the same time, to collect fine-grained data about the mechanisms used to change an organisation’s resource base.

Exploratory research with small sample sizes is subject to a variety of criticisms; including problems relating to the generalisability of the findings, the potential risk of subjectivity in the sample and the degree of robustness that can be claimed for any derived theory (see Chapter 11). In order to address these limitations, I decided to conduct a follow-up study to the preliminary interview study, which aimed to test and validate the phenomenon identified in the first study, as well as, potentially, to develop additional insights about the phenomenon and its relationship to dynamic capabilities. Further information on and explanation of the setting for the follow-up study can be found in Chapter 7 (Follow-up study, p.75-77).

My final step was to integrate the empirical results of the first and second studies and relate these results to the extant literature (see Chapter 9). This step is known as theoretical integration and is the final stage of developing grounded theory. The aim of theoretical integration is to maximise a researcher’s contribution to knowledge by presenting and interpreting one’s findings within the context of previously published literature/research.

Methodological framework: grounded theory

My aim in this thesis was to develop theory. Grounded theory was originally conceived to enable ‘the discovery of theory from data’ (Glaser and Strauss, 1967, p.1). Grounded theory heralded a move away from the primary orientation of research at the time, which was on the testing or verification of existing theories (ibid, p.2).

Glaser and Strauss describe the ‘job’ of theory in sociology as ‘(1) to enable prediction and explanation of behaviour; (2) to be useful in theoretical advance in sociology; (3) to be usable in practical applications – prediction and explanation should be able to give the practitioner understanding and some control of the situations; (4) to provide a perspective on behaviour – a stance to be taken toward data; and (5) to guide and provide a style for research on particular areas of behaviour’ (ibid, p.3).
A key stream of thought which influenced the development of grounded theory came from the Sociology practice at the University of Chicago between the 1920s and 1950s. This department’s modus operandi included the extensive use of in-depth interviews as a data-collection technique. The Chicago Sociology practice emphasised ‘the necessity for grasping the actors’ viewpoints for understanding interaction, process and social change’ (Strauss, 1987, p.6). Thus, the in-depth interview has an extensive history of compatibility with the deployment of grounded theory methods.

Grounded theory combines well with the use of interviews, since both are ‘open-ended yet directed, shaped yet emergent, and paced yet unrestrictive’ (Charmaz, 2006, p.28). In-depth interviews and grounded theory methods both lend themselves to building what Glaser and Strauss called ‘middle-range theories’ of specific social phenomena (1967). The emergent and flexible nature of grounded theory also complemented the use of semi-structured interview questions. Both approaches make it easier to drill down and explore in microscopic detail those data which are of greatest interest. Both methods ensure a precise focus for research since, in common with the use of interviews, ‘a basic idea of grounded theory is to choose research participants who have lived through the phenomenon that you want to learn about’ (Auerbach and Silverstein 2003, p.15).

In addition, the orientation of both approaches is to explore process. The field of grounded theory emerged in part through Anselm Strauss’s notion that ‘process, not structure was fundamental to human existence’ (1987, p.6). For both Glaser and Strauss ‘a finished grounded theory explains the studied process in new theoretical terms, explicates the properties of the theoretical categories, and often demonstrates the causes and conditions under which the process emerges and varies, and delineates its consequences’ (ibid, p.8).

Strauss and Corbin suggest that proponents of grounded theory are ‘much concerned with discovering process – not necessarily in the sense of stages or phases but of reciprocal changes in patterns of action/interaction and in relationship with changes of conditions either internal or external to the process itself’ (Strauss and Corbin, 1994, p.278). This certainly applied in the case of my own research.

**Preliminary methodological considerations**

One critique of dynamic capabilities suggests that they are attributed post hoc to strongly performing organisations (e.g. Priem and Butler, 2001; Arend and Bromiley 2009; and Zahra et al., 2006). Another critique suggests that writers take evidence which was originally compiled to support other specific theories, and use it to argue for the existence of dynamic capabilities (Arend and Bromiley, 2009).

I sought to avoid these pitfalls in the first study through my choice of context and my selection of participants. Firstly, in terms of context, I chose to gather primary data from organisational change programmes, because dynamic capabilities are said to be about ‘intentional change of the resource base’ (Ambrosini and Bowman, 2009). Secondly, in terms of participants, I selected ‘experts’ in the community of organisational change (Kvale, 2009), who had experience across a variety of industry sectors. I interviewed each participant individually; this approach enabled me to identify any patterns or relationships in the data from the individual interviews which might be common across different organisations. Strauss and Corbin state that ‘repeated patterns of happenings, events or actions/interactions’ in the data are significant because they represent what people ‘do or say, alone or together, in response to problems and situations in which they find themselves’ (1998, p.130). Accordingly, the patterns in the data from the first study represented a phenomenon which I was able to
capture and build into a theoretical framework and the emergent theory is both inductively gathered and reliable (subject to the limitations inherent in the sample size, discussed in Chapter 11).

I considered qualitative methods, such as in-depth interviews, to be an appropriate route towards progressing our understanding of the concept of dynamic capabilities. Qualitative methods offer insight into ‘naturally occurring, ordinary events in natural settings’ without any of the context stripped away (Miles and Huberman, 1994, p.10). In the specific context of dynamic capability theory, Ambrosini and Bowman suggest that ‘qualitative, smaller sample studies are likely to be more appropriate for understanding the subtlety of resource creation and regeneration processes’ (Ambrosini and Bowman, 2009). King and Tucci provide further justification for the choice of qualitative research methods, by conceding that their own choice of quantitative methods to explore dynamic capabilities ‘cannot exploit rich sources of data about each firm’ (2002).

My research design is influenced by critical realist philosophy in that the design seeks to identify patterns of experience which are common to diverse participants. Critical realists hold that each individual perceives his own set of personal, ‘transitive’ truths but that, in addition, there are certain commonly held ‘intransitive’ truths (Bhaskar, 1975), which are known or can be knowable to everyone in the same, consistent way.

The lack of progress in the conceptual development of dynamic capabilities to date means that it may be too early to expect robust and credible operationalisation of the concept and, in fact, some have argued operationalisation may not be possible because the concept is fundamentally circular and tautologous (e.g. Williamson, 1999 and Zahra et al., 2006). They critique those who claim that dynamic capabilities offer the potential for high-performance in organisations, whilst simultaneously attributing the success of high-performing firms post hoc to the possession of such capabilities. The circularity and tautology lies in the lack of an operational thread between the two states. If the circularity cannot be overcome, then dynamic capabilities do not exist for practical purposes, because they can neither be developed nor implemented by organisations. In the light of such concerns, I considered that the key aims for my research design should be: (i) to conceptualise the nature of dynamic capabilities more satisfactorily; and (ii) to identify the concept in an empirical setting.

I chose to analyse the data in the first study using a grounded theory methodology, in order to permit the theoretical framework to emerge from, rather than become imposed upon, the data; this seeks to obviate critiques of circularity, since there is no post hoc construction. Phenomena that emerge from the early data are then developed and refined using ‘theoretical sampling’ techniques (Glaser and Strauss, 1967; Strauss and Corbin, 1990; Strauss and Corbin, 1998). In theoretical sampling ‘critical cases are chosen to further the development of concepts and categories and to explore relationships between these to develop a theory’ (Saunders et al., 2009, p.509). The combination of induction and deduction, involving ‘constantly comparing’ new data with previously collected data (Strauss and Corbin, 1998) ensures that the emerging theory is ‘thoroughly grounded in the data’ (Saunders et al., 2009, p.509). Thus, the research design for the first study seeks to establish more clearly the fine-grained nature of dynamic capabilities and then to begin the task of operationalising them by identifying them in an empirical setting.

Practical considerations dictated that I interview a relatively small number of participants in connection with the first study. This inevitably posed some concerns over the reliability of the findings which were generated (see Chapter 11) and was an important factor in my decision to pursue a second study using different research methods.
Tashakkori and Teddlie suggest that multiple research methods are useful in the research process in order to evaluate the reliability of findings (2003). They draw a comparison with the increased reliability generated by a mathematician who reaches the same answer to a sum using two different techniques. The use of multiple methods can also enable researchers to achieve different purposes related to the same research question (Saunders et al., 2009, p.153). Thus, the main focus of the first, exploratory, study is to answer the question “what” are dynamic capabilities, and the follow-up study adopts the case study method, which is more suited to elaborating upon and explaining “how” dynamic capabilities work in one organisational setting (and bringing us closer to the point of operationalising dynamic capabilities).

One way to ensure the empirical rigour and reliability of one’s findings is to adopt a strategy of methodological triangulation. I therefore undertook a follow-up study focusing on examples of the phenomenon identified in the first study. Denzin (1970) distinguishes two types of triangulation: ‘between-method’ triangulation and ‘within-method’ triangulation. Between-method triangulation is demonstrated by the use of two (or more) studies, each with a distinct methodology. Within method triangulation is where different methods are used to collect data within the same study. In this thesis, to achieve ‘between method triangulation’, I used in-depth interviews with ‘experts’ (Kvale, 2009) from different industries for the first study. In contrast, I conducted a case study of one organisation for the follow-up study, because this method would enable me to ‘dig deep, look for explanations and gain understanding of the phenomenon’ and would allow ‘the questions of why and how to be answered with a relatively full understanding of the nature and complexity of the complete phenomenon’ (Farquhar, 2012, p.8). Case studies can be multi-site or single site studies. My supporting rationale for choosing to conduct a single-site case study is set out in Chapter 7, p.74-5. As for within-method triangulation, I combined several different research methods to gather data in the follow-up study. The use of these different methods is said to ‘help ensure that the data are telling you what you think they are telling you’ (Saunders et al., 2009, p.602 and see p.82 of this thesis).

Subsequent chapters of the thesis present in more detail the methods used and the findings generated from the first study (Chapters 4, 5 and 6), and the methods used for the follow-up study (Chapters 7). The findings from the follow-up study are then presented and compared to those from the first study (Chapter 8). In grounded theory studies, the researcher always returns at the end of the analysis to the extant literature. This stage is of particular importance to those who would critique the reliability of grounded theory methods. Accordingly, in this thesis, I ground both studies back in to the extant literature on dynamic capabilities (Chapter 9) in a process of theoretical integration. This stage is sometimes referred to as ‘grounding’ the emergent theory which has emerged from earlier stages. Finally, three short chapters consider the contributions of the research (Chapter 10), the limitations of the research (Chapter 11) and offer some final thoughts on the thesis (Chapter 12).
4. Research methodology for the first study

Participant profile

I chose my participants for the first study using ‘purposive sampling’ principles (Saunders et al., 2009, p.237), whereby ‘information-rich cases’ are selected which might ‘best enable you to answer your research question(s) and to meet your objectives’ (ibid). One drawback with purposive sampling is that it is ‘not statistically representative of the total population’ (ibid). In addition, purposive sampling introduces subjectivity into the sampling process, because such sampling relies upon the researcher to ‘select cases’ (ibid). These two issues in turn raise questions over the reliability of the study’s findings, unless these are triangulated. Triangulation can be achieved by using additional, different, methods within the same study or by means of a follow-up study where different methods are deployed (Denzin, 1970 and see p.50 and p.82 of this thesis).

In order to ensure the greatest possible ‘thickness of description’ (Miles and Huberman, 1994), I chose to gather data from ‘elite’ participants who were recognised as ‘experts in the community’ (Kvale, 2009). Given the looseness in the definitions of dynamic capabilities (see Chapter 2, p.29-30), I identified participants who were experts in intentional change to the resource base. My choice of participants was guided by reading in connection with the literature review, because one point of agreement about dynamic capabilities is that they are ‘about one type of change, the intentional change of the resource base’ (Ambrosini and Bowman, 2009, p.33). The empirical examples of dynamic capabilities discussed in the empirical section of the literature review all correspond to this description. The implication of this point of agreement is that it represented a suitable point of departure for my own empirical study and signaled to me an appropriate category of ‘expert’ participants (Kvale, 2009). In short, I ensured that my research was logically targeted for exploring dynamic capabilities because I used change managers, participants who were experts in intentional change to the resource base.

The literature review shows that empirical research to date has also predominantly explored the ‘sensing’ mode of dynamic capabilities, with a paucity of studies exploring the modes of ‘reconfiguration’ or ‘seizing’ (Teece and Pisano, 1994). My chosen participants were also in a position to provide data which would help to fill the gap.

Strauss and Corbin state that data analysis can be facilitated if the researcher keeps in mind the questions ‘Who? When? Why? Where? What? How? How much? With what results?’ (1998, p.89-90). Coincidentally, Buchanan and Boddy categorise the process of change in terms of the answers to the five questions: ‘what’, ‘why’, ‘when’, ‘how’ and ‘where’ (1992, p.10). Change implementers are in a position to answer most, and in some cases all, of the five key questions underpinning the change process. They are provided with the stated purpose of the change programme and may perceive some other unstated goals of the strategist (the ‘what’ and ‘why’ questions). Change implementers will also be advised of the scope and timeframes of the change (the ‘when’ and ‘where’ questions). Arguably, the change implementers are uniquely placed to understand ‘how’ the multiple actors involved in the programme experience the change and may also have special understanding of ‘how’ it is implemented (ibid), since they are key players in implementing the ‘action plan’ and possibly even in conceiving that plan. In summary, the change implementer offered the best source of ‘thick’ data – extensive, detailed, broad and granular (Miles and Huberman, 1994).

I therefore concluded that change managers offered the most comprehensive, end to end, perspective of the change process, the fullest grasp of the change ‘tactics’ (Kanter et al., 1992) deployed by the
organisations and the best familiarity with a broad range of stakeholders involved in the mechanics of change.

Choice of research method: in-depth interviews

Qualitative research lends itself well to theory development since it enables ‘analysis which is open to emergent concepts and ideas and which may produce detailed descriptions and classifications, identify patterns of association, or develop typologies and explanations’ (Snape and Spencer, 2003, p.5).

The focus of this research was on the real life processes which deliver change to organisational capabilities and qualitative research methods are also well suited to such analysis. Miles and Huberman state that qualitative research offers insight into ‘naturally occurring, ordinary events in natural settings’ without any of the context stripped away (1994, p.10).

Miles and Huberman further state that the ‘thick descriptions’ generated from qualitative research methods go beyond snapshots and help to answer issues of causality, or what Miles and Huberman call the ‘how’ and ‘why’ questions (ibid). This was entirely pertinent to the current research, which sought to resolve the question of how, why or through what influence capabilities change.

Because of their emphasis on ‘lived experience’, qualitative data are ‘well suited for locating the meanings people place on the events, processes and structures of their lives’ (ibid). The value of using qualitative analysis to assist in establishing causality is discussed further below in the sections on the ‘Interview protocol document’ (p.54) and on ‘Theoretical sampling: focusing on the emerging phenomenon’ (p.61-62).

In contrast, Dey illustrates one of the shortcomings of using quantitative techniques to explore the evolution of capabilities when he states that ‘the more ambiguous and elastic our concepts, the less possible it is to quantify our data in a meaningful way’ (1993, p.28). Correspondingly, in terms of the resultant theory, Dey contrasts the ‘thin’ level of abstraction that results from quantitative research approaches, as opposed to the ‘thick’, more thorough, levels of abstraction that be achieved using qualitative methods.

The above rationale brought into consideration a range of qualitative research options including direct observation, action research, case studies and in-depth interviews. However, the breadth of coverage offered by interviews would not have been possible using direct observation, action research or case studies, where the research targets tend to be small in number. The lack of empirical evidence highlighted in the literature review suggested that identifying and defining dynamic capabilities at all would be a major challenge. This factor held over-riding importance for me in choosing to use in-depth interviews.

In addition, I concluded that, by undertaking in-depth, semi-structured interviews, I would be able to select my preferred focus of analysis and specifically interrogate participants about the processes of interest to me within organisations. This would not have been possible using either action research or direct observation, where the researcher is part of the evolving story.

Interviews also offered the opportunity to explore multiple organisations and diverse industries for indications of the phenomenon of dynamic capabilities and to address the issue of causality by evaluating specific incidents from a greater multiplicity of perspectives. The issue of causality is a key
consideration in developing reliable theory and one which the use of using qualitative methods is well-equipped to manage, since it ‘can identify mechanism... is unrelentingly local, and deals well with complex networks of events and processes in a situation...showing that “stories” are not capricious’ (Miles and Huberman, 1994, p.147).

Overall, the adoption of the interview method, a broadly orientated, yet rigorous, qualitative approach, was the optimal choice of research method in order to gather reliable, fine-grained data about subtle processes.

Cross-site comparisons

The choice of research method, where seventeen change implementers from different industry contexts were interviewed, enabled cross-site comparisons. In addition, eleven of the seventeen participants had worked or were working on an independent basis as consultants. They therefore moved, according to the duration of the programmes, from one client to another, often changing industry sectors. The sample therefore offered the clear benefit that, viewed individually, as well as collectively, the participants had experience of diverse organisations and industries.

This approach has been described as ‘heterogeneous’ sampling (Saunders et al., 2009, p.239) and it enables the researcher to collect patterns cutting across different industries and organisations. One possible drawback with such sampling is that it cannot identify patterns that are limited to particular types of industry (such as dynamic versus moderately dynamic industries). However, heterogeneous sampling can be a strength in research, because the patterns that emerge ‘are likely to be of particular interest and value and represent the key themes’ (Saunders et al., 2009, p.239). To achieve maximum variation in heterogeneous sampling, Patton (2002) proposes that the criteria are established before the field work is undertaken. It has been asserted that the capabilities required for effective organisational change differ depending upon the degree of dynamism in the organisation’s industry (Eisenhardt and Martin, 2000). I therefore sought to interview participants working in both dynamic industry contexts (such as technology) as well as moderately dynamic industry contexts (such as financial services and mining).

Miles (1979) and Miles and Huberman (1994, p.174-7) offer some advice for researchers using qualitative methods for cross-site analysis. The overarching purpose of the project which Miles describes (1979) is to deliver a blueprint system of bureaucracy that would encourage innovation within public school organisations. Miles and Huberman depict ‘variable-orientated strategies’ which use inductive coding to identify ‘themes that cut across cases’ (1994, p.174). They also document the adoption of ‘case-oriented strategies’ (ibid), where successive cases are compared in depth in order to establish patterns. I chose to combine the approaches in a ‘mixed strategy’ which the authors describe as ‘usually desirable’ (Miles and Huberman, 1994, p.176).
Instruments, measurement techniques and data collection tools

Interview protocol document

The general purpose behind the interview structure used in the first study was to facilitate the collection of detailed facts, to ‘mine’ data from the participants (Kvale, 2009). In order to operationalise the research question in my interview structure, I adopted the approach described by Wengraf (2001), which involved: firstly, defining the research question; secondly, linking this to a corresponding technical question (or set of questions); and finally, developing the technical question(s) into a set of interview questions.

The interview protocol document used at the outset of the study is reproduced in Appendix 1 (p.143). To ensure that the participant contributed relevant data, the key themes of interest were established at the outset of the interview. This was achieved by asking participants to ‘describe a change programme which required some adaptation of the existing resources of the organisation’ (Appendix 1). Participants were invited to describe examples from their own direct experience. The intention was to achieve ‘specificity’ rather than just to collect general opinions (Kvale, 2009). Open, “what” and “how” questions were devised for most of the subsequent questions in the protocol. Open questions are well suited to exploratory research because they allow the participant to provide ‘an extensive and developmental answer’ (Saunders et al., 2009, p.337). Open questions also eliminate certain aspects of bias undermining the validity of findings because the researcher does not introduce his own assumptions or ready-made categories into the data. Open questions allow the data to emerge inductively.

As theory emerged, the protocol was developed and refined (Appendices 2, 3 and 4). The use of the protocol facilitated a gradual tightening of focus for the research. In the later versions, the format of the protocol begins with a review of the ‘over-riding theme generated in the data’ from earlier interviews (Appendix 3). This allows new data from later interviews to be constantly compared to previously collected data in a manner consistent with theoretical sampling procedures used in grounded theory (e.g. Glaser and Strauss, 1967; Strauss and Corbin, 1990; and Corbin and Strauss, 2008).

Notebooks

Two notebooks were used in order to organise and to orientate the progression of the research project. I used a loose leaf notebook to record notes gathered from my reading and from the sessions with my supervisor. These notes were then re-sorted and filed into separate topic folders, together with any related email correspondence, papers or other documents. Each hard copy topic folder had a corresponding electronic folder in my computer directory and/or Gmail directory. This constituted an active directory which was used and built upon to progress the research.

During the interviews, I made written notes in a second notebook. Amongst other aspects, the notes describe the following elements of the interview process: the setting for the interview (such as formal or informal); the demeanour of the participant (such as nervous/relaxed/impatient); any themes or points of comparison (in the phenomena described) across the interviews that occurred to me at the time. I also used this notebook to record ideas or insight gathered in dialogue with other third parties about the research (for example in ‘phone conversations).
Recording of interview data

I used a recording device for all interviews and then personally transcribed the interviews verbatim (Bartlett and Payne, 1997). This process protected the data from unnecessary distortion either by me or by third party transcribers. It also offered me the opportunity to begin my own process of familiarisation with the data.

I retained each interview in both voice (i.e. recorded) and written (i.e. transcript) format. I also completed a ‘contact summary sheet’ for each interview (using a template adapted from that of Miles and Huberman, 1994, p.51). The sheet gives details of the main issues or themes that struck me in each contact, the significant themes developed by the participant from each of the target questions, and anything else that that I considered to be particularly salient, interesting, illuminating, or important about each contact. The sheet also prompted me to note any new (or remaining) target questions which still required attention in subsequent conversations either with that same contact or with subsequent participants. For the purposes of anonymity and confidentiality, interview data are all held under coded letter and number combinations, with the corresponding names kept in a separate, handwritten list.
5. Data analysis of the first study

Use of grounded theory in analysis

There is no single grounded theory methodology, since even its two founding fathers (Glaser and Strauss) do not concur on all of its elements. After jointly heralding the ‘discovery’ of grounded theory (1967), Glaser and Strauss subsequently developed contrasting perspectives as to the ‘terminology and specific recommended procedures’ which underpin it (Strauss and Corbin, 1990, p.8). These alternative sets of procedure, no doubt further fuelled by the popularity of the grounded theory methodology and by its diffusion across researchers operating in diverse disciplines, have resulted in what some writers describe as a weakening of the integrity of the methodology (e.g. Stern, as reported in Morse, 1993). Strauss and Corbin observe that some researchers cherry-pick certain procedures, overlooking others and thus use grounded theory incompletely and incorrectly (1990, p.20). However, my view is that the use of an eclectic but rigorous adoption of elements from different writers on grounded theory can increase the integrity of the methodology. In defence of my position, this chapter lays out the main analytical procedures underpinning my grounded theory methodology, identifies the authors responsible for each element, and explains the rationale for using the procedures for this research. I adhere to those elements which are held as critical to both Glaser’s and Strauss’s interpretations of the methodology (Bartlett and Payne, 1997). In addition, I adopted further specific techniques from diverse writers on the subject of grounded theory which I felt would best suit the particular purpose of my research question, which would deliver as much rigour as possible to the research process and which corresponded to my over-arching philosophy.

Approach to existing literature

Glaser and Strauss hold contrasting views as to the amount and type of reading that is optimal for the researcher to bring to the research task. The purist, Glaserian position is to collect substantial data in the field before reviewing the conceptual literature in full detail, lest it ‘contaminate one’s effort to generate concepts from the data with preconceived concepts that may not really fit’ (author’s italics, 1978, p.31). In contrast, Strauss and Corbin observe that the researcher inevitably ‘brings to the inquiry a considerable background in professional and disciplinary literature’ (1998, p.48). They suggest that, amongst other benefits, prior exposure to the literature can offer ‘a stepping off point during initial observations and interviews’ (ibid). Strauss and Corbin (1998) also stress the importance of prior reading into the topic for developing theoretical sensitivity (see p.54). Dunne (2011) offers several other justifications for conducting a literature review before gathering data. The literature review can provide a ‘cogent rationale’ for the study; it can identify gaps in the research field; and it can actually make the researcher ‘aware of, rather than numb to, possible unhelpful preconceptions’. I conducted the literature review before collecting the data but, in deference to Glaser’s concerns, I made a conscious effort to bracket off all of my reading until I had discovered a ‘framework’ of theory in my own data and until this framework had ‘stabilized’ (Glaser, 1978, p.51). After the fifth interview, at the stage of theoretical sampling, I explored related technical and philosophical topics, including organisational change literature, stakeholder theory and further literature on dynamic capabilities. This approach conforms with another principle of grounded theory, advocated by both Glaser and Strauss, to row back and forth between the data and academic literature.
Open coding

Open coding is the process whereby the data gathered is ‘disaggregated into conceptual units and provided with a label’ (Saunders et al., 2009, p.509). I chose to begin my data analysis immediately after the first interview, since ‘data collection and analysis go on simultaneously in Grounded Theory’ (Bartlett and Payne, 1997, p. 185). I used the early data analysis to assist me in selective sampling of subsequent participants and in developing sets of emergent and imposed codes, code notes and memos.

I adopted the ‘concept-indicator model’ (Strauss, 1987, p.25) as the framework for my coding activities. I identified those parts of the data which appeared to be ‘empirical indicators’ of particular phenomena and then attributed codes to each of these. By comparing indicator to indicator, I forced myself through a process of ‘confronting similarities, differences and degrees of consistency of meaning among these indicators’ (ibid). The indicators built gradually into categories and, by similarly comparing and contrasting the categories, I was able to develop and refine them (Glaser, 1978, p.63). The use of the concept indicator model is an example of the ‘constant comparison’ technique, which is a broader feature of grounded theory methods (Glaser and Strauss, 1967 and Glaser, 1978) and which is discussed further below (p.58).

Glaser and Strauss (1967) propose an inductive (grounded) approach to coding whereby codes are encouraged to emerge from the data. In accordance with this approach, I sought to identify emergent codes rather than impose my own codes on the data. I avoided codes that were purely descriptive, because I wanted to analyse, rather than simply describe or summarise, the data. Where possible, the codes retained the authentic ‘in vivo’ language of participants, or what I felt was an appropriate ‘sociological construct’, to convey the richer meaning of the participant’s phrases (Strauss, 1987, p.33-34).

Unit of analysis

The level of analysis undertaken in this thesis corresponds to the procedure described by Glaser as ‘explication de text’, which entails reading transcripts ‘line by line to ascertain what exactly the [participant] is saying without imputing what was said, interpreting it or reifying its meaning’ (Glaser, 1998, p.22). Other than for the identification of in vivo words or phrases, I stopped short of conducting the more extreme level of ‘micro-analysis’, advocated by Strauss and Corbin (1998). Micro-analysis involves considering the transcript word by word and thereby extracting words from their context. The Glaserian approach permits categories to emerge from the data naturally, whereas the word by word procedure arguably encourages researchers to build meaning unilaterally and out of context. I felt that any theory generated using micro-analysis would be ‘forced’ from the data rather than ‘emergent’ in nature (Glaser, 1992). I also adhered to the following dicta:

- the crucial importance of theoretical memos in the grounded theory analysis process (Glaser, 1978, p.83);
- the possibility that theory development might be constrained (Dey, 2004, p.85), by adopting normative procedures such as Strauss and Corbin’s ‘coding paradigm’ (1990, p.99).

Each of these issues is considered separately in this chapter in the sections entitled ‘Approach to existing literature’ (p.56), ‘Theoretical and axial coding’ (p.59) and ‘Memos’ (p.59).
Emergent codes

252 emergent codes were identified in the first six interviews, of which 54 were “in vivo” codes, which were words or phrases spontaneously used by the participants and which had special meaning to them. A number of these words or phrases, described by Rubin and Rubin as ‘red lights’ (1995, p.61), proved valuable in helping to develop the emerging theory.

Imposed codes

Whilst the focus was on identifying emergent codes from the data, I imposed 46 further codes on the data, all of which correspond to themes discussed in the introduction or in the literature review of this thesis. Imposed codes were filed in a separate folder, in an effort to bracket the concepts that I was introducing from extant literature. By distinguishing the two types of code, I sought to avoid any contamination of the emergent theory by ‘preconceived concepts that may not really fit’ (Glaser, 1978, p.31). These imposed codes also diminished in number during the course of the research. When phenomena emerged in the data which corresponded exactly to an imposed code, I moved the data to the emergent code folder.

Constant comparison technique

Glaser describes the constant comparison technique as a way of generating an ‘index of meaning’ (Glaser, 1998, p.24). He further states that this is a more valuable index than that which can be achieved through the use of summing methods. In the first of four stages, ‘the analyst compares incident to incident with the purpose of establishing the underlining uniformity and its varying conditions’ (Glaser, 1978, p.49-50, author’s italics). Then the analyst compares the concept to more incidents ‘generating new theoretical properties of the concept and more hypotheses’ (ibid, p.50). Thus, the comparison of the concept to further incidents ‘has the purpose of theoretical elaboration, saturation, and verification of the concepts, densification of the concepts by developing their properties, and the generation of further concepts’ (ibid). Glaser presents a diagram (ibid, p.63) where this example is mapped to the concept indicator model (see p.52 of this thesis). A third stage involves comparing concept to concept and establishing their relationships to one another. Only once the ‘discovered framework is stabilized’ should the researcher undertake the fourth stage: comparisons called ‘experiential incidents’ such as anecdotes, stories or other ‘outside comparisons’ such as those found in the literature (Glaser, 1998, p.51).

Consideration of coding families

I undertook axial coding in order to relate sub-categories to each other and to over-arching categories, using a ‘coding paradigm’ (Strauss and Corbin, 1990, p.99). The coding paradigm is an analytical stance ‘that helps to systematically gather and order data in such a way that structure and process are integrated’ (Strauss and Corbin, 1998, p.128). Strauss and Corbin stress that this is important because, if a researcher studies only structure, he learns why events occur but not how events occur. Conversely, if a researcher studies only process, then he understands how persons act but not why. The coding paradigm enabled me to examine the ‘conditions’ and the ‘structure, or set of circumstances in which phenomena are embedded’ (ibid). This was achieved in the first study by mapping organisational forms and, in particular, the stakeholder relationships. I analysed the actions and interactions of actors for what Strauss and Corbin call the ‘strategies, routines and responses’ (ibid) made by groups or individuals in response to issues arising under those conditions. These correspond in particular in the study to the
responses of change targets to change initiatives. Strauss and Corbin further propose that the ‘consequences’ or ‘outcomes of actions/interactions’ are analysed (ibid). This involves an examination of what happens as a result of those actions/interactions or the failure of persons or groups to respond to situations by actions/interactions’ (ibid). In my first study, these relate to the subsequent revisions in strategies adopted by the agents or drivers of change and which give rise to, or which undermine, successful change delivery. The conditions are thus said to be mitigated by intervening conditions, such as the attitude of the actors to the proposed change (ibid, p. 131-132).

Causal and intervening conditions are also said to operate at both micro and macro levels and combine to represent the ‘contextual conditions’ of the phenomenon being studied (Strauss and Corbin, 1998, p.130-131). The response to these contextual conditions is defined by the authors of the paradigm as the ‘action/interaction’ of the actors (ibid, p.163-179), which, if assumed to be taken intentionally, can also be described as their ‘strategies’ (ibid, p.133). In addition, these actions/interactions may be taken individually or in alignment with a wider group of actors.

**Theoretical and axial coding**

Strauss and Corbin encourage the researcher to ask ‘abstract questions’ of the data along the lines of ‘who, when, what, what, how, why’ (1998, p.66). Such questioning is said to develop enhanced ‘theoretical sensitivity’ in the researcher, emancipating him from the confines of established literature and enabling a more inductive process of inductive thinking (Bartlett and Payne, 1997, p.186). I documented observations about the properties and dimensions of each code in code notes. The code notes also contained some early observations as to which overarching category a particular code might belong. I applied another comparative procedure known as the ‘flip-flop’ technique to certain codes, where the researcher imagines extremes or opposites and the concept is turned ‘inside out’ or ‘upside down’ (Strauss and Corbin, 1998). I assembled categories until no new information was emerging about them, the point of ‘theoretical saturation’ (Glaser and Strauss, 1967). At the saturation stage, I would write an abstract definition of the category, and change focus toward collecting on other categories.

**Memos**

Memos have a particular significance to Glaser, who states that theoretical memos are an essential step in grounded theory between the phases of coding and writing (Glaser, 1978, p.83). I compiled memos from the start of the data collection process and throughout the research project. This approach is consistent with Strauss and Corbin (1998, p.217), who describe four types of memo: code notes, diagrams, operational notes (for more procedural issues) and theoretical notes (for the development of conceptual ideas). Each memo in the study was dated and referenced to a relevant category. Where the memo related to more than one category, multiple titles were initially created and the memos were cross-referenced. Some of these multiple titles were later collapsed into one memo. During the stages of open and axial coding, I used memos to note those categories which seemed to have a central significance extending across all of the data. These categories were labeled with a marker (‘best fit?’) after Strauss. As the levels of data in these categories accumulated and some became ‘saturated’ (Glaser and Strauss, 1967), the ‘main story’ or ‘the essence of relevance reflected in the data’ (Strauss, 1987, p.35) became clearer and guided the strategy for theoretical sampling.

**Topic folders**

I developed the following topic folders from my reading and from sessions with my supervisor:
• bibliographies;
• change literature;
• competencies;
• conceptual frameworks;
• critical realism;
• data analysis;
• definitions;
• ethics;
• formal progress reports;
• general reading;
• interviews;
• literature review (theory);
• literature review (empirical);
• notes on topics;
• online tools;
• ontology;
• organisational learning;
• papers on dynamic capabilities;
• papers on other topics;
• presentations (to others);
• research methodology;
• routines and patterns;
• searches for articles;
• stakeholder theory;
• SRHE [Society for Research in Higher Education];
• strategic management;
• structure and agency;
• workshops.

I continually used and built upon these folders as a directory during the three years of study. Some of the titles correspond to the focus of chapters in the thesis. Others demonstrate the subject-matter of the study at a general level of reading (change literature, competencies, strategic management), or at a more specialised level (organisational learning, routines and patterns, stakeholder theory).

**Analysis stimulated by the code families**

Using the coding paradigm (Strauss and Corbin, 1990), I tracked the change processes which emerged in the data and identified the ‘causal’ conditions which give rise to, or which undermined, successful change delivery. I carefully considered the ‘process’ family (Glaser, 1978), but the change approaches adopted for different programmes varied enormously, such that no common definable ‘process’ appears as a key category in the data, other than the need to adopt processes of pluralism when managing change targets.

The interactive family encouraged me to consider the differences in the data between ‘mutual trajectory’ and ‘mutual dependency’ (Glaser, 1978). These differences proved critical in developing an emerging theory around the phenomena identified and in populating the key categories of ‘agitating’
(stimulating new insight), ‘what’s in it for me’ (nuanced dialogue), ‘clear framework’ (facilitation of change) and ‘bring them in’ (stakeholder integration).

Finally, the strategy family prompted me to consider the themes of ‘manipulation’ and ‘positioning’ (ibid) and encouraged me to build categories describing the tools (‘systems’) which stakeholders use in order to achieve their respective goals or objectives.

**Empirical findings stimulated by the use of coding families**

The actors who had a personal stake in the change programme were encompassed in the category of ‘stakeholder’.

The incidents which occurred at individual level or in alignment with a wider group of actors are represented in the data by a number of categories, the most significant among them in terms of density being ‘engagement’ and ‘participation’.

These actions/interactions are characterised by the wish of different stakeholders to exert their influence on the direction of the change process. At organisational level, this is often encapsulated in the use of systems (further defined in the Codebook, Appendix 5, p.145-150).

Finally, these actions/interactions were tracked through to a set of ‘consequences’ (Glaser, 1978, p.134-135 and Strauss and Corbin, 1990, p.99). These ‘consequences’ are described in connection with the category of ‘integration’. Integration describes how a clearer understanding of the overall architecture of the work environment is generated by the change programme at both organisational and at personal levels. This clearer understanding provides a more detailed depiction of the diverse benefits (and options) which the change process offers for the actors. It may also lead to the discovery of new elements in the change programme which are of mutual interest to more than one stakeholder group or even provide complete alignment of their interests (see ‘Bring them in’: stakeholder integration’, p.70-71).

**Theoretical sampling: focusing on the emerging phenomenon**

In theoretical sampling, the ‘process of data collection is controlled by the emerging theory’ (Glaser and Strauss, 1967, p.45).

At the start of the study, I used ‘purposive sampling’ methods, where sampling choices were made in an effort to best answer the research question (Saunders et al., 2009, p.237). As the research progresses, subsequent participants were chosen using theoretical sampling, where the sampling decisions are driven by the theory emerging from the data. The purpose of theoretical sampling in building grounded theory is to identify further indicators of concepts which ‘emerged’ in earlier interviews. Theoretical sampling builds consistency and reliability into the research (Strauss and Corbin, 1990). The approach corresponds to what Strauss and Corbin describe as an inter-play between ‘objectivity and sensitivity’ (1990, p.42).

Appendices 1-4 are selected versions of the interview protocol, which were used with participants during the first study and which were progressively refined after each interview. The versions serve to map the significant stages of development of the theory.
Version 2 of the protocol (Appendix 2) has an additional question which does not feature in the first version (Appendix 1): ‘What do you think happened to the capabilities of the organisation during this programme?’ This was included in order to accommodate further data about how perceptions of the proposed change differed from one actor to another on a specific change programme.

By the eighth interview, I had assembled a set of emergent findings relating to the role of dialogue in organisational change. The third version of the interview protocol (Appendix 3) presents provisional findings about dialogue used in both real and virtual modes. This third version of the protocol also uses the word stakeholder in order to describe the range of actors involved in the change process.

The fourth version of the interview protocol (Appendix 4), also includes observations about the orchestral role played by management in dynamic capabilities, noting that, although managers of organisations are not always involved in the dialogue, they decide which stakeholders to privilege in terms of the dialogue (for example when they choose to listen to particular customers or appoint certain employees as change champions). The managers effectively orchestrate the dialogue in order to harness organisational change targets towards achieving certain goals.

Although 17 interview protocol versions were used (one for each participant), only cosmetic corrections were made after each of the last three interviews. During these interviews, positive verification of the points was generated, together with further confirmatory empirical examples. I concluded after the seventeenth interview that the data had reached ‘saturation’ stage (Glaser, 1992) and I stopped the interviewing process.

Selective coding

In the selective coding phase of a grounded theory study, the researcher ‘integrates and refines the theory that has been developed in the open and axial coding stage[s]’ (Oktay, 2012, p.81). This involves identifying a core category. In terms of my research, the identification and elaboration of this core category was fundamental to my thesis, and this is the focus of the next chapter.
6. Findings from the first study

My purpose in using a grounded theory methodology was to develop theory (see Chapter 4, p.42-43). A theory is a ‘set of well-developed categories....that are systematically related through statements of relationship to form a theoretical framework that explains some relevant social or other phenomenon’ (Strauss and Corbin, 1998, p.22). The categories are ‘concepts, derived from data, that stand for phenomena’ (Lofland et al., 2004, p.114). But from this set of categories, the researcher must identify a core category which is ‘central to the theory’ (Oktay, 2012, p.150) and which ‘represents a phenomenon, the main theme of the research’ (Corbin and Strauss, 2008, p.266). Glaser introduces a theoretical construct called ‘basic social process’ or ‘BSP’ (1978) and some researchers may think of core categories only in these terms. The exclusive adoption of BSPs as core categories may suit studies in the fields of sociology or psychology, but adherence to this construct is limiting in the context of management research. Corbin and Strauss offer a resolution when they propose that the core category ‘represents the main theme or phenomenon of the study, while the basic social process is embedded in that main theme’ (Corbin and Strauss, 2008, p.266). This definition applies to the core category described below.

(a) Derivation of the core category

Strauss (1987) offers six criteria for judging which category in the data should serve as the core category.

- The phenomenon represented by the category or ‘indicators’ of that phenomenon must ‘appear frequently in the data’;
- The core category should ‘relate easily to other categories’;
- The category should be ‘central’ to the data;
- The core category should have ‘clear implications for a more general theory’;
- As the details of the core category are distinguished ‘the theory moves forward’;
- The core category allows for ‘building in the maximum variation into the analysis’.

Statistical grounding of the core category

The word ‘dialogue’ occurs 186 times in the first study and features in all of interviews from 8 to 17. Related words included ‘communication’ and ‘communicate’, which featured 37 times in the first seven interviews. Dialogue is also implicit in many in vivo expressions across the data. These included ‘engagement’ in IV04, IV06 and IV07; ‘collaboration’ and ‘consortium’ in IV02; ‘courtship’ in IV07; ‘boundarylessness’ in IV11; and ‘compelling conversations’ in IV16. As I state in the final interview protocol (Appendix 4, p.144), ‘I use the term ‘dialogue’ because of its prominence in the data’.

The word ‘stakeholder’ occurs 40 times in the first seven interviews (and 102 times across all interviews). The word ‘stakeholder’ appears in four of the first seven interviews: IV04 (1), IV05 (3), IV06 (6, including one instance by me) and IV07 (30, including five instances by me).

The increase in density of the use of the word ‘stakeholder’ can partly be attributed to a closer focusing on the category as the interviews progressed and this intensification of the focus explains in part the large number of occurrences in the seventh interview (IV07). However, many of the related subcategories described in the next section (‘sub-categories’) have significant percentages of data from the other interviews. For example ‘Engaging stakeholders in change’ has 676 words distributed as follows: IV02 (5); IV03 (106); IV04 (13); IV06 (275); and IV07 (222).
The word ‘orchestration’ was proposed by me to participants during the theoretical sampling stage and subsequently adopted as an imposed code instead of ‘manage/management’ (which were used by participants 167 times in the first seven interviews). The word ‘manager’ was rejected by four participants in the theoretical sampling stage. One of them said that it ‘felt wrong’ (IV16) and three others preferred the word ‘leader’ (IV14, IV17, IV15). My conclusion was that, whilst words such as ‘manage’, ‘lead’ and ‘orchestrate’ all imply some form of control, the word orchestrate additionally implied the arrangement of different elements harmoniously. This view was endorsed by all of the participants from theoretical stage onwards. The word ‘orchestrate’ also reflects the purposeful and meticulous reassembling of stakeholders into new configurations, which is a key phenomenon in the data.

This statistical analysis led me to coin the phrase ‘orchestrated stakeholder dialogue’, which consolidates the three themes described in this section in a single phenomenon. Indeed, the phrase ‘orchestrated stakeholder dialogue’ emerged as the core category in the data because of its prevalence in the data. It was also central to all of the four main sub-categories distinguished in the data and detailed later in this chapter (see figure 3, p.62). Furthermore, in vivo codes emerged in all of the interviews which had a strong correlation to the category of orchestrated stakeholder dialogue. These codes are listed under the most relevant sub-category.

Dimensions of the core category

In order to analyse the properties of the category of orchestrated stakeholder dialogue more fully, I explored the range of dimensions of the category’s constituent words (i.e. orchestrated, stakeholder and dialogue). Orchestration ranges in the data from an invitation to stakeholders to engage in a project (IV04) through to firmer examples of stakeholder management (such as the notion of the ‘change imperative’ in IV07). Stakeholders may be given the opportunity to lodge their opinions in dialogue (e.g. the pressure groups in IV03), may find it enjoyable having the dialogue (e.g. IV08 online forum), or they may be embedded into the process (e.g. the ‘collaborations’ in IV02). The dialogue may be real and literal (e.g. the customer services dialogue in IV15) or virtual (e.g. the insight into fashion trends gleaned from online conversations in IV08). When initiated by the organisation, the dialogue may also have a strategic element. This can be relatively local (as suggested in expressions such as ‘the meeting before the meeting’ in IV07) or broader in organisational relevance (as in the culture of fairness espoused by the organisation in IV02).

The phrase ‘orchestrated stakeholder dialogue’ amply meets the criteria used by Strauss (1987) to determine suitability for use as a core category (see p.58). The final three criteria will be discussed later in the thesis in Chapter 9. If we assume that the constituent words of the phrase orchestrated stakeholder dialogue are ‘indicators’, then the previous section on statistical grounding shows that these indicators ‘appear frequently’ in the data (Strauss, 1987). Similarly, references coded within a sub-category of orchestrated stakeholder dialogue represented 72% of the data collected, showing that the phenomenon is also ‘central’ to the data (ibid). The core category also ‘relates easily’ (ibid) to all of the sub-categories described below (p.67-75). Furthermore, it was underpinned by a high number of in vivo phrases found in all of the early interviews, which were entirely ‘unforced’ (Glaser, 1992). The following set offers one such in vivo example from each of these interviews: ‘collaboration’ (IV02), ‘cross-pollination’ (IV03), ‘virtuous circle’ (IV04), ‘they lived in my kitchen’ (IV05), ‘honest broker’ (IV06) and ‘meeting before the meeting’ (IV07). These phrases all suggest the two vital elements – dialogue (real or virtual) between concerned parties, and the orchestration of that dialogue.
As well as being central to the data, the core category relates well to other categories. The four main sub-categories, which are discussed in more detail in later sections, are ‘agitating’ ‘what’s in it for me’, ‘clear framework’, and ‘bring them in’. Strauss and Corbin state that: ‘sub-categories answer questions about the phenomenon, such as what, where, why, who, how and with what consequences’ (1998, p.125). The essential relationship between the phenomenon which is encapsulated in the phrase ‘orchestrated stakeholder dialogue’ and its four main sub-categories can be summarised as follows: ‘agitating’ addresses how change is stimulated; ‘what’s in it for me’ explores the significance of nuanced dialogue and interaction in change; ‘clear framework’ explores how the dialogue can be facilitated; and finally, ‘bring them in’ depicts some of the adjustments in stakeholder relations which characterise orchestrated stakeholder dialogue.

Thus, whilst it was not specifically introduced by the participants, I adopted the phrase ‘orchestrated stakeholder dialogue’, having validated it as an appropriate ‘sociological construct’ (Strauss, 1987, p.33-34) by which to describe the core category that emerged from the data.

Properties of the core category

The properties of the category of ‘orchestrated stakeholder dialogue’ can be summarised as follows.

1. Change is stimulated through processes of dialogue between actors inside and outside the organisation. Dialogue for insight is often orchestrated through some form of ‘agitating’ (IV16).
2. Some patterns of dialogue serve to harness the activity of stakeholders across organisational boundaries towards a common organisational objective by: bringing together internal and external stakeholders in mutually beneficial collaborations (such as joint venture ‘collaborations’ in IV02); or advancing the progression of a strategic ‘change imperative’ by tactically acceding to certain employees’ agenda on change (as implied by in vivo expressions such as ‘courtship’ or the ‘meeting before the meeting’ in IV07).
3. The dialogue is sometimes real (for example in the form of conversations between change agents and those employees who are change targets). Alternatively, the dialogue can be virtual (for example where product insight is gathered via feedback from the customer services function or from the industry press).
4. The dialogue can be virtual and symbolic, as in the choice of a certain member of staff to ‘champion’ a change initiative (IV05) or in the espousal of a particular organisational culture.
5. The participants in the dialogue are ‘stakeholders’ in the capability (see p.61).
6. Dialogue with stakeholders generates new knowledge about the capability (such as how it is ‘used’, in the case of customers, or how it is ‘delivered’, in the case of staff).
7. Managers are not always involved in the dialogue, but they arrange the dialogue (such as the online fashion forum provided to customers in IV08), decide which stakeholders to privilege in terms of the dialogue (for example listening to customer service feedback in IV15, or establishing customer user groups in IV02) and may appoint certain employees as change champions (IV04).
8. Managers also decide how to use the knowledge that is generated from the dialogue in their emergent strategy (for example responding to or ignoring customer service feedback in IV15 and customer user groups’ insight in IV02).
Defining the phenomenon of orchestrated stakeholder dialogue

To clarify what I mean by orchestrated stakeholder dialogue, I present below selected illustrative definitions for each word in the construct.

Stakeholders, at an organisational level, are taken in this thesis to be ‘the individuals or groups which depend on the company for realisation of their personal goals and on whom the company is dependent. In that sense employees, owners, customers, suppliers, creditors as well as many other groups can all be regarded as stakeholders in the company’ (Rhenman, 1968, as reported by Freeman, 1984, p.41).

Dialogue is defined in Chambers as ‘a conversation between two or more persons, especially of a formal or imaginary nature: an exchange of views in the hope of ultimately reaching agreement, from the Latin word dialogus and the Greek word dialogos for a conversation’ (Macdonald, 1974). This definition corresponds to the data in three respects. Firstly the reference to ‘formal’ could reflect formal relationships between the organisation and any of its stakeholders, internal or external. Secondly the ‘imaginary nature’ of some dialogue corresponds to examples in the data of virtual dialogue, such as those with competitors or industry bodies. I explain the distinction between real dialogue (conversations) and virtual dialogue on p.56. Virtual dialogue would include the diverse implied or inferred meanings of change which are generated through the interactions between the change agents and the change targets (see also the discussion of symbolic dialogue in the section on agents of change: actual and symbolic roles in change, p.112-114). Thirdly, the references in the Chambers definition of dialogue to ‘hope’ and ‘agreement’ imply a strategic dimension (Macdonald, 1974).

In terms of the word orchestration, this thesis adopts elements of the Chambers’ definition (Macdonald, 1974): ‘(vt.) orchestrate (fig.) to organise so as to achieve the best effect [...] to arrange or control (something) cleverly to achieve the desired outcome’. The data offer examples where the orchestrators reconceive and rebundle aspects of the change for different stakeholders in order to achieve a successful implementation.

A brief example of the integrated phenomenon from the data

One example of ‘orchestrated stakeholder dialogue’ is summarised here in order to convey the essential mechanics of the phenomenon. The example is later depicted in fuller detail in a review of the phenomenon’s sub-categories. In IV02, the software solutions organisation stimulates insight for innovation by means of informal discussions with clients over lunch (see the sub-category of ‘agitating’, p.63-65). The new solution requires banking clients, who are more accustomed to competing with each other, to collaborate in developing a common platform (see the sub-category ‘bring them in’, p.70-71). Each bank would require strong rationale for entering into such a collaboration (see the sub-category of ‘what’s in it for me’, p.65-68). These negotiations are therefore facilitated by the credibility of the software solutions organisation, which is recognised in the industry as fair and trustworthy (see the sub-category of ‘clear framework’, p.68-69). The solution generates benefits for all of the stakeholders. By changing the clients into collaborators, the organisation creates a solution which is cheaper for each client because they all share the same core system behind each client’s distinct user-interface. At the same time, the software house can invest more money on developing a high-quality, robust core system for use across the client portfolio. Finally, because of the embedded, collaborative relationships, the overall solution cannot be replicated by the software solutions firm’s competitors.
(b) Sub-categories of orchestrated stakeholder dialogue

The over-arching key category of orchestrated stakeholder dialogue embraces four main sub-categories (see figure 3). The sub-categories are analysed in the sections below. The sections are headed with relevant in vivo codes and bracketed descriptions of those codes as follows: ‘agitating’ (stimulating new insight), p.63-65; ‘what’s in it for me’ (nuanced dialogue), p.65-68; ‘clear framework’ (facilitation of change), p.68-69; and ‘bring them in’ (stakeholder integration), p.70-71. I compiled 43 further categories which generated over 30 lines of data in the transcripts (400 words or more). A small number of segments of data were inputted into more than one category. The first study generated 318 codes overall (252 emergent and 46 imposed codes), including in vivo codes across the data from all of the 17 interviews. The total word-count of data within the categories embraced by orchestrated stakeholder dialogue is 34400 words out of 47736. In addition, in an effort to identify those metaphors in the data which connect ‘findings to theory’ (Miles and Huberman, 1994, p.252), I have clustered in vivo codes which relate to each sub-category. The four sub-categories are listed with corresponding codes in Appendix 6 (‘Codebook’).

Orchestrated stakeholder dialogue and its four main sub-categories in the research data

Orchestrated stakeholder dialogue

'clear framework' (facilitation of change)

'agitating' (stimulating new insight)

'what's in it for me' (nuanced dialogue)

'bring them in' (stakeholder integration)

Figure 3
i.) ‘Agitating’: stimulating new insight

Organisations in the study stimulate innovation by ‘agitating’ their stakeholders (IV16). In vivo illustrations of related examples are: ‘get the customer debating’ (IV09), ‘agitating’ (IV16), ‘disrupt’ (IV13), ‘cross-pollination’ (IV03), ‘shuffling’ (IV03), ‘frewheel’ (IV15), ‘skunk works’ (IV15), ‘accelerator program’ (IV13) and ‘boundarylessness’ (IV11). Most notable are those examples in the data of organisations which succeed in loosening or changing the roles traditionally played by external stakeholders. These examples are particularly notable because, arguably, an organisation has less leverage over external stakeholders, such as customers, than it has over its paid employees. Nonetheless, there are examples in the data where external stakeholders are harnessed into the process of stimulating organisational insight.

Staff in a telecoms firm (IV09) ‘get the customer debating [and] ask them “if you were a shop-front, what would you do differently? What is it you are buying? What is it you would say about us?”’ (IV09). Insight is generated by changing the relationship with the customer as follows: ‘I think a lot of companies and also lots of other parts of the business are getting closer to the customer where actually a lot of the changes, whatever you make, even if it’s product development can be tracked to a customer need [or remark] and you can say this is what the customer said to us. From that we analysed and we have said this is what they need. “Yes”, they say, “I want this”’ (IV09).

Bringing the customer into the design process is a theme found elsewhere in the data. Customers in IV02 provide insight into what new system features might be useful. Such input is generally garnered on a relatively formal basis through debates in user group circles. Discussions about how to use the existing system develop into dialogue about how it could work better, and about features that were lacking or could be added. The discussions further develop into questions about what other systems might be useful. On other occasions, customer input is garnered on an informal basis through social situations such as visits to the pub (IV02). The client actors involved in such discussions are not always endowed with decision-making power, but their enthusiasm for a solution with front end trading functionality prompts the employees to feed the insight back to managers. This in turn informs strategic decision-making. Indeed it stimulates the software solutions firm to undertake a reconceptualisation of the core product and a major refocus of corporate strategy. The software solutions firm in this empirical example (from IV02) does not have a sales force, so these client exchanges form a key role in growing the business.

In the case of the telecoms organisation in IV06, there are many stages of dialogue with the customer after products have been developed but before full launch. ‘Socialisation’ describes the sounding out of potential customers about new products to see if they still respond positively to them. This process is particularly important for organisations which have a long lead time between the conception and the delivery of products. After ‘socialisation’, the product then undergoes a ‘soft launch’ whereby it is ‘out there’. At this juncture the product is available for customers to download, initially free of charge. The technology-oriented nature of the product, and particularly its accessibility via the Apps store, means that feedback is substantial and almost immediate. Based on this feedback, the product will be further enhanced and adapted before an “above the line” investment is considered, involving active marketing of the product and appropriate investment in customer provisioning and customer support systems. Then a decision is reached as to the commercial viability of the product and it goes ‘in life’, when “above the line” marketing resources are committed and stakeholders in that division take primary importance. Finally, it is hoped that the product reaches a ‘growth phase’, as the sales of the product escalate and further operational capacity is deployed for customer provisioning and customer support. Feedback from these various development stages will also influence the evolution of the product’s nuanced
functionality. New features will be identified which make the product more commercially attractive to customers and some features that have proved superfluous can be omitted from new versions in order to make the product cheaper to produce, or easier for the customer to use. These stages are all supported by what could be termed “change frameworks”, orchestrated by the organisation, but the change and flexibility seems to be a function of the actual dialogue and the human interaction that occurs between stakeholders inside and outside the organisation. The patterns of dialogue in IV05 inform the decisions to continue with a product or to ditch it. Similar patterns of dialogue are discernible elsewhere in the data (e.g. IV08 and IV09).

The ability to reorientate the organisation’s relationship with external stakeholders other than customers is also valuable. IV03’s organisation has world renowned expertise as ‘a low cost miner’. However the participant in IV03 believes that they have developed further distinct expertise in the way that they manage external stakeholders: ‘it has been negotiation, negotiation, negotiation. It has been political if you like, rather than technical’. The different external parties have changed over the years from governments who held national mining rights in the late 19th and early 20th century, to corporates, from whom the participant’s firm ‘became experts at purchasing assets’ and finally to ‘pressure groups such as Greenpeace or whoever, Friends of the Earth’ since ‘once you get the thumbs up from these people that you’re working in an ethical way, you have a “licence to mine”, which a lot of companies are still struggling to get’ (ibid). Arguably, this example is as much about managing the threats in the market as it is about identifying them. It is an integrated capability grounded in dialogue.

‘Agitating’ using access to external capability

In the context of flexible organisational boundaries, ‘accelerator programmes’ (IV13) have emerged in recent years in locations such as Tech City, London. They allow for an exchange of ideas and know-how between, on the one hand, experienced technology players, such as Microsoft and new entrants, such as Yammer. Yammer was bought five years after its inception (by Microsoft) for $1.2 billion (IV13). Emerging firms such as Yammer operate outside the organisation altogether and they are a major element in the ‘disruption’ of the market’s equilibrium. In IV13 the words ‘disrupt’, ‘disruptive’ and ‘disruption’ are used 12 times in connection with the topic of innovation within the technology sector. Disruption of the marketplace happens in the absence of, rather than because of processes. In contrast, processes are described as ‘set and rigorous’ and do not allow larger organisations to be as ‘nimble’ as the start-up organisations (IV13).

Similarly, in IV12, a large telecoms firm decides to set up a new entity to launch TV services. The participant explained that ‘you move quickly by taking something completely outside of the standard org., create something and then try and absorb it back in’ (IV12). This participant believed that the organisation’s ‘processes and its people’ comprised a ‘set of capabilities’ but that dynamic environments required ‘more frequent personal contact and less rigid process’ (IV12). There is a sense that the dynamism resides in the dialogue between those involved in the launch.

‘Agitating’ through the suspension of internal processes

The third change programme described in IV03 is an attempt both to generate new sales and marketing initiatives and to propagate best practice across the organisation. The programme entails the ‘cross-pollination’ of ideas (IV03) through an extensive process of reassignments or ‘aggressive shuffling’ of people around the business units to different functions (IV03). In one extreme example, an HR Director is transferred into the team responsible for a furnace. Another is a senior marketing executive who
moves from responsibility for marketing uranium to marketing diamonds. This ‘shuffling’ generates ‘increased communication’ and ultimately stimulates ‘innovative ideas’ (ibid), some of which are fed into the sales pipeline, or built into marketing business processes. At the same time, the organisation is able to ensure that those practices which have proved effective for selling one type of raw material (such as aluminium), are henceforth considered for other divisions (such as those selling copper). Another factor which facilitated this cross fertilisation of ideas was the flat structure of the mining organisation, where ‘people have hard hats on the shelf behind their desk and they’re “jeans and working boots” type people rather than “suits”’ (IV03).

Cross fertilisation of ideas also occurs in the telecoms firm in IV06 as a consequence of the ‘transition centre’, which is populated by those permanent staff within the organisation who have finished a project and are available for reassignment. Managers are obliged to consider applicants for new positions from the transition pool before recruiting externally. Staff members have access through the intranet to all new vacancies that arise for one month ahead of external applicants and they are further assisted in moving on from the transition centre by a manager specifically tasked to find suitable new work for them.

In IV11, the new CEO of a large publishing group launches a programme to change the culture within his organisation. One of the tenets of this is the promotion within the organisation of the concept of ‘boundarylessness’. The idea was ‘that we looked over the fence and took a look at what these guys did and took the best of it and implemented and shared good practice’ (IV11). The clunky verbal construction “boundarylessness”, in an industry whose currency is words, serves to increase the amount of internal discussion and the exchange of ideas between key stakeholders, such as the editors.

‘Skunk works’ (IV15) were created by IT firms (including that discussed in IV15) in the 1970s, as places where organisations would put their ‘troublemakers’. IV16 also describes himself jokingly as a ‘troublemaker’ for trying to agitate the organisation into change. The ‘troublemakers’ in IV15’s ‘skunkworks’ are invited to relocate into their own excluded offices. There they are cut off from standard management responsibilities and interruptions, in order to brainstorm problems and to ‘freewheel’. The participant stresses that, ‘for [skunkworks] to work, you have to be not in the organisation in the first place full time. Otherwise the processes take hold and processes are there to keep stability, not to effect change [...] process - it’s the antithesis of change’ (IV15). The word “process” is depicted by the participant here and by other participants in the data as an obstruction to change or innovation (e.g. IV04, IV12 and IV16).

Similarly a large telecoms and media organisation grows start-up ventures outside the formal structure and processes: ‘you move quickly by taking something completely outside of the standard org., create something and then try and absorb it back in’ (IV12).

ii.) ‘What’s in it for me’: nuanced dialogue

Whilst the category of ‘agitating’ explores how ideas are stimulated, the category of ‘what’s in it for me’ starts to assemble and propagate the reasons why people should collaborate on an idea. Change takes different paths in the data. At one end of the dimension of engagement, there is a sense of coercive inevitability, where ‘the business had determined it was going to do this. [The programme] wasn’t competing with anything else for that space. It was going to happen in that space. It was going to happen and we were going to do it in the best way we possibly could’ (IV06). At the opposite end of the spectrum, and significantly more common in the data, are those programmes where there is a need for
‘slow courtship’ of change targets (IV07). In most environments in the data, new ideas need to generate traction with stakeholders. Otherwise ‘that’s your idea and you’re welcome to it, no matter how senior you are in the organisation, unless you can communicate it and get people to buy into it and enthuse’ (IV15). One element which is critical to the effective propagation of an idea is to identify each target’s perception of the change programme (the ‘what’s in it for me’, IV07 and IV08).

Examples of nuanced dialogue

In industries where staff can find alternative work more easily, such as call centres and retail environments, change targets have more power to move to other organisations, or indeed remain disengaged where they are. However, more damaging than either of these responses by change targets to a change initiative, is the practice of ‘malicious compliance’. In ‘malicious compliance’, change agents are ‘being smiled in and smiled out’ of meetings but the unspoken decision of the change target is ‘to do my damnedest to stop this happening’ (IV07).

In the telecoms firm from IV06, managers note a higher than normal level of absenteeism in customer service teams on days where they have been scheduled for training. Less covert behaviour is demonstrated by the retail staff in IV04, when they decide not to log on to the newly launched procedures manual (IV04). In both of these examples, the employer combats such disengagement by presenting staff with alternative perceptions of control, specifically inviting them to take more control over their careers. Both systems enable staff to develop their skills and their value to the respective organisations. The challenge is that, in these environments, ‘you can’t make people do things. You can influence them to do things. You can’t make them’ (IV04).

Accordingly the point of sale system (IV04) is presented through a variety of perspectives, depending upon which stakeholders are participating in the discussion. The organisation’s senior management perceive the system as a comprehensive set of procedures covering any task that might face a store-based individual, from opening the shop in the morning to permanently closing it down. This perception would be the common basis for conversations between, for example, the programme’s Operations Director and the Finance Officer. Initial dialogue with change targets is encouraged through the use of a charismatic change agent (see also the section on agents of change: actual and symbolic roles in change, p.112-114) and appropriately termed language and visuals. The system is marketed internally, not as a set of processes but as a ‘help guide’. The word “process” is specifically avoided since it ‘conjured up some very negative perceptions and behaviours’ in the target audience (IV04). Instead, the look and feel of the software is aimed to appeal in an ‘era where Facebook and Twitter and all of these things are the order of the day’ (IV04). Acceptance is further encouraged because the guide is modelled on the methods of an existing store (and designed by a colleague in that store) in order to reproduce the good practices delivered by the team at that store.

Management chooses to make adoption of the system voluntary, in keeping with IV04’s assertion that people cannot be made to do things. Take up of the system is nonetheless high, about 70% at launch because of the ‘influence’ brought to bear. In addition, the voluntarist approach does not preclude management from tracking those that hadn’t ‘bothered to log into the system’, who ‘inadvertently became a control group’ (IV04). After a pause to collect further data, the control group is shown figures demonstrating a ‘99% difference in like for like sales between those stores that were using [the new system] as opposed to those that weren’t’. This encourages the change team to focus on a new set of change targets, who are driven by a more hard-nosed financial motivation to adopt the system. Then there is a third phase involving ‘process improvement expertise’. A Six Sigma (process analyst) specialist
is introduced in order to create a ‘centre of excellence’ and form a ‘virtuous cycle’ between the centre of excellence and the stores (IV04). Thus, the programme demonstrates a systematic and phased approach which serves to identify distinct stakeholder groups and to influence them in different ways.

Similarly, in IV08, when introducing a new recruitment system to an online fashion business, the change manager must ‘identify how to get them to buy into it’. The participant also refers to the ‘vision’ of the change which has ‘multiple angles’ (ibid). The challenge for the change agent is deciding how to help each change target perceive the change in meaningful terms and in ways which, in the words of another participant, will ‘enthuse’ (IV15) and ‘mobilise’ that individual (ibid). The process is again multi-layered, as illustrated by IV08’s approach when introducing a new recruitment process:

“If I went to marketing and said “it’s going to be about brand awareness”, our brand will be [conveyed to applicants] better if I [bring the recruitment] “in house”, I will get marketing on board. If I go to the Head of HR and say, “I’m reducing HR costs”, they will be happy with that, if I go to a technology head and say “you will have this person faster and they will be better than an external source identified person because I know the culture of the people”, then he will be happy with it. It can even be a bit bizarrely out there. I can go to sales and say “we are hiring people directly, there might be more people looking at our career site. That might impact our sales eventually because they will say “hang on, the career site is hiring. Whilst I’m on the career site”, which is linked to our sales site “let me see what is on <company name>.” So it can be quite an out there statement but it’s a hook to grab someone and say “hang on, this affects your area also”. So that’s the way I got all my sponsors and my stakeholders agreeing to the vision is by saying how it impacts their area’ (ibid).

In IV02, the software house’s (client) banks each want a ‘bespoke’ system that is different from the systems used by their competitors (who in many cases are also clients of the software house). Meanwhile, the software house wants to deliver a robust, reliable and cost-effective solution that would be easy to support over the long-term. The system which is devised gives each client a unique user-interface. The core system driving the product remains consistent from one client to the next. This fully satisfies all stakeholders in the solution. It is ostensibly unique to each client, but at the same time it is a less expensive solution per unit. It can be maintained for little more than the cost of managing one standard system, whereas managing multiple bespoke systems would have been more expensive to buy and more complex to support. Since the core system is consistent across all clients, greater investment can be directed toward making it robust and reliable. It can also be supported with universal documentation and upgraded more easily across the whole client portfolio. This example is significant in that it embraces external stakeholders (customers) who choose consciously to embed themselves in the reconfigured solution.

In most of the programmes in the data, change happens quickly and effectively where management demonstrates, or where the targets identify for themselves, clear benefits which are personally relevant. These drivers are described independently by two participants as the ‘what’s in it for me’ (IV07 and IV08). Some mutual benefits are not immediately clear. In IV05, a new paperless filing system is conceived and presented to change targets primarily as a driver of efficiency. The key benefit to the change targets is expected to be the consequent reduction in the backlog of work. The key benefit to the organisation is anticipated as an increase in work throughput. Ultimately neither of these was the most significant of the benefits generated by the programme. Electronic filing enables many of the staff to move to remote work arrangements. Other staff can move to new satellite offices out of town, saving them costs and time spent travelling to work and creating a better work/life balance. The company
benefits from reduced staff churn and related training costs. The organisation saves more money by reducing city centre office costs than by the increases in the work throughput.

iii.) ‘Clear framework’: facilitation of change

Frameworks of trust

Cultural environments in the data which encourage effective change frequently appear to be built on notions of trust, as shown in the ‘consortia’ and ‘collaborations’ formed by the software firm in IV02. In ‘consortia’ or ‘collaborations’, clients of the software firm have been persuaded (by the software firm) to set aside competitive positions with one another in order to forge alliances and build common software platforms (developed by IV02). These alliances generate integrated benefits to all parties.

In IV06 the introduction of a ‘performance management [system]’ encourages people to go off sick because it creates a degree of fear that people might be demoted or have their salaries down-graded. The culture of fairness is critical in reassuring them: ‘so it was trying to be fair, trying to be consistent, set a picture so that everybody knew what they needed to do to attain a certain level’ (IV06). For the same reason, HR representatives are introduced into the process: ‘they were to keep us honest, make sure we’re not going to upset anybody’ and ‘so it was seen to be fair. It was firm but fair’ (IV06). In IV07 the existence of trust between the two parties is cited as a specific reason for assigning a particular change agent to an important change target. Similarly, the participant in IV09 says ‘you have to build trust for it [change] to be successful and you have to come across as authentic and believe in the change yourself’.

The development of trust on a project by project basis is deemed effective by the change manager in IV06. She advocates a simple strategy of establishing working relationships in advance with the targets of change. IV06 reports that ‘often your stakeholders can be a little bit distant if you don’t bring them in and a) make them feel valid but also give them something to do to help you as well’. It is not important whether or not the early conversations are slightly spurious, since they serve to develop valuable trust and empathy for the bigger prize. There are no guarantees of commitment, but you are seeking through trust to establish ‘a contract of engagement with your stakeholders’ (IV06). This approach of ‘bringing them in’ softens the attitudes of the change targets and makes them less likely to hamper the subsequent change implementation.

Another example of trust is the investment of time, money and effort in training staff (IV04, IV06 and IV03). However, upskilling staff has inherent risks because it makes it easier for the employee to progress inside or outside the boundaries of the organisation (IV03). Trust therefore relies on reciprocity and needs to be underpinned by a broader culture of fairness (e.g. IV02 and IV06).

Frameworks of fairness

Trust is facilitated in the data by a framework of fairness. One example of such reinforcement is the decision to benchmark all employee salaries against industry standards (IV02). This demonstration of the ‘fairness process’ (ibid) is a valuable device for delivering change at all levels of the organisation. The company considers itself to be fair, both to its staff and to its customers. The ‘fairness process’ represents ‘a clear framework’ (ibid) and also has resonance outside the organisation amongst external stakeholders in the wider banking industry. It delivers a message ‘that we would be perceived both internally and externally as being fair in the way you treat people’ (ibid). Similarly, the work order
agreement is not marketed to the customer as a contractual obligation to pay for a specified product, so much as formalised dialogue around a fair and transparent partnership. The clearer the supplier of the service can be about the nature, characteristics and functionality of the product required, the more likely the product is fully to satisfy the customer. The transparency in deliverables leaves little or no scope for slow, negotiated payment, or for non-payment. This characteristic of the product can be presented to the customer as ‘fair’ or ‘transparent’, but it also offers the practical benefits of avoiding contractual or legal vagueness, which might ultimately cost all parties time and money (for example in debating whether the original product fulfilled the contractual remit and potentially in changing the product to the entire satisfaction of the client). The benchmarking initiative undertaken with respect to internal remuneration policy is also part of the same ‘fairness process’ (IV02). The organisation seeks to pay industry standard wages to their staff. A neutral policy such as this is hard to use as a selling point. Yet, once it is termed ‘fair’, the change process becomes part of the broader, consistent direction of the organisation. The change further helps to underpin the positive image of the firm at community, industry and organisational levels as well as reassuring individual staff. This also leads to other spin-off benefits, including a reduction in the rates of staff churn, according to one of IV02’s HR sources. The fairness process, like the development of trust, makes it easier for the organisation to convince external stakeholder customers to reconfigure their own stakeholder map and come together in ‘consortia’, sharing a common technology platform.

In IV03, the first of two change programmes aimed at delivering a shared service centre fails because of powerful resistance from local employees, who perceive it as a threat to their own livelihood. The second change programme, aimed at the same audience is a standardised IT system. This has the same management goal of delivering cost savings through efficiencies, but it is warmly received by local staff, because it offers mutual benefits. One benefit is the chance to receive training on new SAP systems, building knowledge which is marketable for the individual both internally and externally. Another benefit is the new mobility which the skills give the individual, allowing him/her to relocate internationally (within the firm as well as outside it). So, by standardising towards a best in breed set of IT competencies across the organisation, management is creating new mobility within their organisation where they ‘unlock people geographically’ (IV03). The employees are keen to stay, in order to learn the new skills and they will subsequently be more valuable to the firm, more promotable and more transferable on a global basis. Over the long term, this second programme may also generate the same savings as the first, rejected, proposal since it will render certain skills less rare inside the organisation and will ultimately make staff easier to replace. The approach increases both the organisation’s and the targets’ options. It generates ‘all the gain none of the pain’ (IV03) for the employer and the employees concerned. The risk for the organisation is that the programme also makes staff more valuable in the context of the wider marketplace. When they ‘unlock’ them geographically, they also devolve a degree of autocracy or initiative to them. At the same time the organisation has no way of knowing which and how many of the staff will leave, taking with them their newly acquired skills. If, however, this policy of trust is linked to one of fairness (as in IV02), and the pay-scales applied to these new skillsets are fair by industry standards, then the degree of staff churn should be manageable.

In IV06, the performance management system stops staff from becoming ‘pigeonholed’ (IV06), enabling them to ‘understand where they were in the structure’ (ibid) and to ‘reassess themselves’ (IV06). The system signposts training modules, which give staff the flexibility to ‘move on’ or become viable for ‘a number of roles’ (IV06). As in IV03, such training initiatives make these staff more attractive targets for other organisations, so it is important that the organisation involves HR in order to ‘keep us honest really’, to ensure that the pay rates are commensurate with the demands of each job and to ask: ‘Is that fair? Is that reasonable?’ (IV06).
iv.) ‘Bring them in’: stakeholder integration

The data in the first study offers numerous examples, such as those described in the last section, of “enabling” frameworks. Coercive systems feature less frequently (in isolated examples from IV02 and IV06). The prevalence of a culture of enablement, rather than coercion, corresponds to the following observation: ‘you can’t make people do things. You can influence them to do things. You can’t make them’. There needs to be a sense of mutuality in order for change to be effective. The participant in IV06 observes that ‘your stakeholders can be a little bit distant if you don’t bring them in’. In IV03, a change programme aimed at delivering a shared service centre meets insurmountable barriers at the local level, since staff perceive it essentially as a threat to their own livelihood. The second project has the same management goal of delivering cost savings through efficiencies but it is warmly received by local staff. The difference is that the second programme comprises integrated benefits for both the employer and the employees (see frameworks of fairness, p.68-69).

The retail point of sale procedures manual in IV04 offers similar integrative benefits. To management, the manual is a comprehensive set of procedures for running a shop. For the change targets however, it is presented as a help-guide and a sales tool (see examples of nuanced dialogue, p.66-68).

Other data in the study describe ‘integrative stakeholder benefits’ which embrace stakeholders both inside and outside the organisation. In IV08, the organisation is an online retail business. The website provides a number of tabs. Each of these tabs serves a practical purpose to visitors and generates a particular set of benefits for the organisation. One tab allows visitors to buy fashion items from the organisation. Another tab enables visitors to buy from other sources: ‘it can be a designer. It can be things that you have bought from other people, so literally eBay for fashion’ (IV08). Whilst this does not create immediate revenue for the organisation, the tab attracts visitors to the site. A third tab, called the ‘experience’ tab is an online forum which is ‘a bit like Facebook’ (IV08), where people can interact about fashion. IV08 explains that this is a tab for ‘the experience element, the twittering, the tweeting, the blogging, the Facebooking, so it’s where people discuss what’s in what’s out, what people should be wearing. We want to be, going forward, the first place that people log in in the morning and decide “what am I going to wear today? What’s the weather like? What’s so and so wearing? What’s in, what’s out?” We want to be the first place where [they] decide “this is my outfit for the day. I’m going to share it with my friends”’ (IV08). The experience tab is a popular destination for people interested in fashion and, once they are using the online forum, they are one tab away from becoming a customer. The dialogue between users of the online forum also drives sales: ‘and what will happen is, if we do that social media aspect with our target audience of 20 somethings and they are online, on mobile and they love the social media aspect of things, that will directly increase our sales because they will then come to our site and say “so and so is wearing this. I want that” or “today’s going to be hot. I need to find something to wear”. Or “tomorrow it’s going to be hot”, or “next week I am going on holidays and it’s cold or hot and I need something to complement this”’ (IV08). In addition, the online forum serves as insight for stock management and product development. The fashion choices made by celebrities are discussed online and generate demand for new products or spikes in demand for existing ones: ‘Kate Middleton wore a blue dress when she came out of hospital with her new baby. That dress was sold out within minutes. Samantha Cameron wore a £24 dress with a £140 belt (which wasn't ours), but there was so much publicity on her [...] for us it was free publicity. We didn't have to tweet about it. Other people talked about it and that's where we score our sales from. We don't do it. Others do it for us. So for us, if we have that customer engagement piece and they are happy with what we do, that's all we need to bring our sales up and that's global for us’ (IV08). This orchestration of buyers and sellers obviates any need for the hard sell, because the customers promote the products to each other: ‘we
don’t want to do the hard sell. We don’t advertise. We’re the only company that doesn’t advertise. We don’t advertise shopping anywhere. What we do is we use social media to be our advertisers so our customers do our advertising for us. So they’ll be tweeting about what they have bought or what they saw. Then we have celebrities who have bought our stuff, so that [item] sold out within minutes’ (IV08).

In IV02, the software house builds new stakeholder relationships between its customers through the establishment of ‘collaborations’ and ‘consortia’. Financial institutions, which otherwise work in direct competition with each other, collaborate in such arrangements in order to develop mutually satisfactory user requirements and a common product for all of them to adopt. All parties stand to benefit. In one solution, the partners at IV02 build a clear understanding of what their customers want at a conceptual level – a system which is unique to each customer in look and feel, but which is also reliable and robust. The solution lies in wrapping the mainframe core product in a ‘PC based front-end to look much better’. The front end can then be tailored to suit the particular look required by the client, without affecting the performance or even the intrinsic design of the consistent ‘core’ back office element. The core can be used across the customer portfolio, generating benefits for all stakeholders. The unit cost of the product will be cheaper for customers than multiple bespoke versions. Yet because only one product is required it can be built to a higher specification, using a larger team. It will be more robust and carry less risk for all parties than multiple products. It will be also easier to support to a higher level, because it will only require one set of support engineers across the customer base. Enhancements to the system can also be rolled out more efficiently across the client portfolio. Similar mutual benefits can be obtained in terms of the ongoing maintenance and enhancement costs in years to come.

The concept of clients sharing a core system requires them to accept a change in their relationships with the organisation (and indeed with the capability). For the purpose of the technology, they cease engaging in competition with other financial institutions and engage in dialogue with those same institutions (for example in user group meetings). IV02’s firm subsequently develops certain modules which have commercial value to more than one customer and invites them to work in ‘collaborations’ and ‘consortia’.

The development of internal ‘negotiation’ expertise inside IV03’s mining organisation also requires a reconceptualisation of the nature of the organisation’s capabilities and its stakeholders. Over many decades in this organisation, negotiation with governments for mining rights has turned into negotiation with corporate owners for competitive deals on prices for land. Recently the focus has shifted again towards dialogue with pressure groups in order to jump ethical hurdles: ‘once you get the thumbs up from these people that you’re working in a an ethical way, you have a “licence to mine” which a lot of companies are still struggling to get, so they have developed a competitive advantage by talking to pressure groups which is something they never used to do’. (c) Setting up the follow-up study

Findings from the first study suggest that a follow-up study would be valuable in order to address the following issues.

i.) Testing and validating the phenomenon of orchestrated stakeholder dialogue

The first study generated some valuable examples of a previously undocumented phenomenon, orchestrated stakeholder dialogue. Within the phenomenon, nuanced dialogue influences the perceived roles and the actions of the organisation’s different stakeholders. When it is effectively orchestrated,
such dialogue can stimulate new opportunities (insight), or mutually beneficial solutions (stakeholder integration). Orchestrated stakeholder dialogue can be further enabled by the cultural and structural aspects of the organisation (‘clear framework’, p.68-69).

The data from the first study includes two examples which are particularly significant, because they embrace stakeholders who are external to the organisation and who are therefore arguably harder to influence than internal stakeholders (IV02 and IV08). In IV02, significant orchestrative elements include ‘collaborations’ and ‘consortia’, whilst in IV08, the ‘experience’ tab is critical. The role and context of the customer appear to be pivotal. The customer is deeply involved in sensing (e.g. IV06 and IV09), in seizing (e.g. IV03) or in both of these modes of shaping opportunities (IV02 and IV08).

The key finding (of the phenomenon of orchestrated stakeholder dialogue) requires testing and validation by further research which uncovers additional examples of the phenomenon. Research into customer-orientated environments would be more likely to unearth examples of the phenomenon embracing external stakeholders. By concentrating on a single organisation, the study could also more effectively analyse the four sub-categories of the phenomenon of orchestrated stakeholder dialogue and explore more fully how they inter-relate in a specific organisational setting. The study could, for example, usefully analyse the mechanisms used by the organisation to deliver new insight by profiling some of those responsible for customer insight and the methods deployed to select and train them; the study could also examine at close range empirical examples of the organisation’s response to such opportunities, and how a particular culture or structure facilitates a faster response. In spite of the challenges of identifying a site where all of these components might be simultaneously explored, the research would be valuable evidence in order to properly test and validate the phenomenon.

ii.) Advancing a new theory on dynamic capabilities

It can be argued that the phenomenon of orchestrated stakeholder dialogue has profound significance in terms of progressing dynamic capability theory. Orchestrated stakeholder dialogue conforms to all of the characteristics which are said to define such a capability (see the literature review, p.29-30). It therefore initially occurred to me that the phenomenon represented “a” new, undocumented dynamic capability.

However, using the vocabulary of dynamic capability meta-theory, evidence from the first study shows that orchestrated stakeholder dialogue is active in all of the three modes outlined by Teece (2007) – those of sensing, seizing and reconfiguration. This chapter has presented examples of customer user groups (IV02), the experience tab (IV08) and focus groups (IV09) which all show orchestrated stakeholder dialogue as a sensing capability. The effective juggling of diverse change target motivations (e.g. IV05 and IV07) shows the phenomenon active in the ‘seizing’ mode. Finally, examples such as the ‘fairness process’, ‘collaborations’ and ‘consortia’ (in IV02) are all examples of orchestrated stakeholder dialogue in the context of ‘reconfiguration’ capabilities). In contrast, previously documented dynamic capabilities are less “integrated”, corresponding to one or, at the most, two of Teece’s modes (see p.40). For example, product development capabilities appear to focus on ‘sensing’ opportunities, alliance management emphasises ‘seizing’ capacities and ‘patching’ capabilities appear to emphasise the organisation’s ‘reconfiguration’ capabilities (see p.31-37 for a review of these different modes of dynamic capability). In contrast, evidence from the first study of this thesis identifies ‘orchestrated stakeholder dialogue’ as a component underpinning all modes of dynamic capabilities. As such, the phenomenon may be best understood as part of “a new unifying theory of” dynamic capability. This hypothesis warrants further investigation.
The literature review included an analysis of the contrasting conceptions of the nature of dynamic capabilities in the literature as routines, as processes or as abilities. The identification of orchestrated stakeholder dialogue has particular significance in addressing this more specific debate about the fundamental nature of dynamic capabilities, because orchestrated stakeholder dialogue is distinctly recognisable in the first study as an ability, rather than a routine or process. The testing and verification of the presence of orchestrated stakeholder dialogue by means of a follow-up study would thus allow us to conclude that all dynamic capabilities are at least partially ability-based. Such verification would therefore finally open the door for practitioners to begin to develop such abilities strategically.

iii.) Agents of orchestration

The word orchestration was preferred by participants in the first study over other words such as “management” or “leadership” (see p.59). It serves to convey the way in which change managers orchestrate targets with different motivations towards a common goal. Orchestration is also more appropriate in specific reference to external stakeholders, whom organisations in the study neither manage nor overtly lead, but whose roles and relationships with the organisations are reconfigured. Previous references to orchestration in the extant literature on dynamic capability place emphasis on the role of a small number of managers at the top of the organisation, the ‘entrepreneurial managers’ (Teece, 2007; and Augier and Teece, 2009). These managers ‘must articulate goals, help evaluate opportunities, set culture, build trust, and play a critical role in the key strategic decisions (Augier and Teece, 2009, p.417). Teece also attributes certain shaping capabilities to the highly educated ‘literati and numerati’ within the organisation (Teece, 2010, abstract, p.680 and p.702). However, data from the first study suggests that insight depends crucially on the more widely possessed attributes of empathy, intuition and dialogue. In the data from the first study, change agents inside organisations and staff who work at the ‘coalface’ (IV03) with external stakeholders build the connective tissue between the organisation and its stakeholders. This connective tissue is the platform both to shape innovative solutions and to deliver such solutions. In IV04, a member of the sales force is selected in order to help specify the new point of sale system. He is chosen based on: consistent, although not stellar sales performance; effectiveness in collaborating with other functions in the organisation; the ability to manage colleagues in the store with minimal HR intervention; and, finally, good feedback in terms of his customer service. He was not a senior member of the organisation. Earning less than £20,000 per year, ‘here he was spearheading an investment of not far shy of half a million just in system costs, not even factoring resource costs. Was he completely free to do everything? No. I guess because of his seniority we had to be quite targeted on what we were asking of him and exactly what “good” might look like. Now, that didn’t mean we were asking him the question and then telling him the answer. But it just meant that we needed to be quite guarded in terms of what we were asking and what his role was...’ (IV04).

Additional research in customer-centric environments would be very valuable in order to develop our understanding of the role of such agents of change and to distinguish more clearly between the orchestrators and the orchestrated. Indeed, one specific target for such research might be to determine whether the agents are the orchestrators or are themselves part of a higher level of orchestration. Such research might offer evidence of orchestrated stakeholder dialogue at the individual (change agent) level, at the strategic (board) level or at the broader organisational (cultural) level. If orchestrated stakeholder dialogue were found at all three levels, this would offer further evidence that orchestrated stakeholder dialogue is not one dynamic capability but that it underpins dynamic capabilities in general.
iv.) Breadth of stakeholder orchestration (internal and external to the organisation)

The first study included some analysis of the orchestration methods of the change agent. It was established that orchestration could be situated along a dimension ranging from coercion at one end to light touch persuasion at the other end. Coercion was most evident in the orchestration of internal staff in hierarchical environments (with some examples in IV07). A lighter touch was required when dealing with those internal change targets that were able to find alternative work more easily (for example in IV04). External stakeholders have even more latitude to do as they please, for example the customers in IV06 and the pressure groups in IV03, so they must be ‘courted’ more subtly (IV07). A further study could closely examine the breadth of orchestrated stakeholder dialogue in the context of one organisation. The nature of hierarchical management has been exhaustively documented in other studies (e.g. Burns and Stalker, 1961), but subtler forms of orchestration, particularly that which embraces external stakeholders, requires further research.

v.) Enabling orchestration (through the culture or structure of the organisation)

The follow-up study could further explore how perceptions of an organisation’s culture resonate beyond the firm’s traditional boundaries and, influence the behaviour of external stakeholders as well as internal ones (as in the ‘fairness process’ in IV02).

Closer scrutiny of a ‘customer-centric’ environment (IV09) might also generate useful data as to the ways in which external stakeholders are influenced. Many large organisations claim to be customer-centric, whilst their strategies remain heavily influenced by major shareholders or institutional investors. A further challenge would be to identify an organisational context which was palpably, rather than just notionally, customer-centric. A suitable target organisation would need to demonstrate customer orientation in its underlying values, behaviours and even its structure.

Some evidence in the first study suggests that organisations achieve effective change by empowering their staff and by using relatively flat, goal-centric structures. The first study reviews such mechanisms across businesses (IV02, IV06 and IV16) and also in more localised contexts including committees (IV02, IV04, IV08 and IV12). Such structures give voice to a wider stakeholder pool, including those of customers or of customer-facing staff on the ‘coalface’ (IV03).
7. Follow-up study

Introduction

The main conclusion reached in the literature review (Chapter 2) is that dynamic capabilities require further conceptual development. The identification in the first study of a phenomenon called orchestrated stakeholder dialogue may represent a significant step in further conceptual development, because orchestrated stakeholder dialogue appears to be a component of dynamic capabilities in general. A fuller understanding of the phenomenon of orchestrated stakeholder dialogue may therefore allow us to progress dynamic capabilities theory by distinguishing a unifying theory. In orchestrated stakeholder dialogue, the organisation orchestrates dialogue with internal and external stakeholders, in order to generate opportunities and then to assemble collaborative business models which can respond to these opportunities. The properties of orchestrated stakeholder dialogue were presented in the first study (p.65) and summarised using one example (p.66). Evidence from the first study also suggests that orchestrated stakeholder dialogue is facilitated by certain structural and cultural characteristics of the organisation (see ‘clear framework’, p.73-75), which enable adaptation to occur more quickly and more efficiently.

Aims of the follow-up study and its relationship to the first study

I undertook the follow-up study in order both to specify further and to validate the phenomenon of ‘orchestrated stakeholder dialogue’ using a new research setting and different research methods. As such, the follow-up study is both a field study in its own right (aimed at further specification of the phenomenon of orchestrated stakeholder dialogue) and a triangulating study (validating the existence of the phenomenon). The adoption of new research methods and the targeting of a new research setting in the follow-up study also serve to improve the ecological validity of the emerging theory presented in the first study. An additional aim of the study would be to clarify whether orchestrated stakeholder dialogue was a new, undocumented dynamic capability or whether, as hypothesised on p.77, the phenomenon can be best understood as part of “a new theory of” dynamic capability. Testing and validation requires the identification and rigorous examination of some examples of orchestrated stakeholder dialogue. I argue in the first study that external stakeholders lay at the most challenging end of the dimension of orchestration discussed, because they are not beholden to the organisation in the same way as employees are for a living. External stakeholders can remain unengaged with the firm (contrast figures 5 and 6 on p.103 of the thesis) and, in the case of customers, they may be able to switch easily to another supplier. For this reason, the examples are gathered in the context of external stakeholders such as customers and other stakeholders on the fringes of the stakeholder map - members of the public. The follow-up study aims to analyse: the capabilities of the organisation to gather opportunities; the methods which they use to respond to the opportunities; and any cultural or structural elements which enable effective orchestration of these aspects.

Research methodology

(a) Target site

I adopted an ‘information-oriented’ strategy (Flyvbjerg, 2006), identifying a target site which I expected to be rich in data relating to ‘orchestrated stakeholder dialogue’. My chosen target site was ABC Insurance (ABC), a mutual insurance organisation and one of the largest providers of General and Life Insurance products operating in the UK market (see Appendix 7). ABC demonstrates in its underlying
structure, values and Key Performance Indicators (KPIs), a strong propensity for dialogue between a broad set of stakeholders, including those traditionally deemed external to the organisation (customers) and others on the margins of the stakeholder map (such as the media and the general public).

A key finding of the first study was that certain organisations involve external stakeholders when developing or changing products and services, or in order to build competitive advantage. Examples presented in the data include the harnessing of customers in the product design process (IV02, IV09, and IV14) and in the sales/marketing processes (IV08). ABC’s mutual structure means that it is owned by a broad set of stakeholders, known by the organisation as ‘members’. The ‘members’ include all of those customers and employees who possess qualifying investment policies with ABC. Consequently, many of ABC’s customers and employees are part-owners, and many employees are simultaneously customers of the business. Thus, the boundaries that exist in shareholder-based (or partner-based) structures between external and internal stakeholders are blurred in the mutual structure. In particular, the oft-stated ambitions of shareholder-owned or partner-governed firms to be ‘customer-centric’ (IV12) or to share the ‘customer experience’ (IV04) become implicit in the mutual configuration. In mutual firms such as ABC, the ‘members’ receive annual bonuses according to the performance of the organisation and there are no shareholders.

ABC’s mutual structure also means that it has a wide distribution of small equity holdings and that there are no large institutional shareholders. This may free ABC’s senior management from some of the constraints and lobbying which public listed company boards experience, for example to deliver year on year dividends in line with market expectations. Instead, the mutual structure may offer the management at ABC some flexibility to pursue its non-financial or longer term KPIs.

The mutual structure also has implications for Customer Services General Insurance (CSGI)’s underwriting and claims settlement processes, since ‘members’ feature on both sides of ABC’s benefit/loss equation. When a discretionary payment is made by ABC, such as those later discussed for consequential loss from the Passport Office backlog (see p. 81-82), the parties who benefit directly may be ‘members’. At the same time, however, an accumulation of such claims will affect the annual bonuses paid to all ‘members’, although any negative impact on bonuses brought about by the discretionary payments may be counter-balanced by the upturn in new business or renewals generated by related positive publicity, such that ‘members’ benefit also. This complex rebalancing of interests away from shareholders and towards a broad set of stakeholders may explain in part why ABC has, in recent years, won awards for fairness (such as the Most Trusted Insurer Award) and for the quality of its products (including numerous Defaqto five star awards).

Operationally and structurally, ABC’s customers lie at the core of the configuration. The CSGI call centre occupies a focal, rather than a support, role for ABC Insurance. One participant states that this is because it provides unfettered and broad access to customers: ‘The call centre is very much at the thick of what ABC is about and I have worked for many organisations where the call centre is seen as a cost centre rather than, actually, this is where your real value is, because look how many customers we talk to every day’ (IV21).

ABC’s use of their call centre as a hub, rather than a support unit, also reflects two broader, recent trends in the UK call centre industry. Organisations are reversing the practice of off-shoring their customer service functions (Hucker, 2013). This is driven, according to some observers, by a fear that, when they outsource the customer dialogue, organisations are also discarding the valuable “connective tissue” of customer relationships (Stace and Bhalla, 2008). A new trend in the UK call centre industry is
‘north-shoring’, where organisations have begun to relocate more complex customer service activity back to the North of England or to Scotland (Hucker, 2013).

In the conclusion to the first study, I state that an important criterion for further analysis of the phenomenon of orchestrated stakeholder dialogue would be to find a target site with a customer-centric structure. Unlike in the mutual structure, the customer in most organisational structures is an external stakeholder (see figures 5 and 6 on p.103). He/she is therefore less easy to manipulate or orchestrate than internal stakeholders such as employees (a distinction considered in more detail on p.100 and p.104). I therefore believe that examples of orchestrated stakeholder dialogue which involve customers are particularly powerful evidence to validate the phenomenon. The customer also has pivotal importance in allowing the organisation to make a living, so examples in the context of customers are of particular interest to practitioners. The findings from the follow-up study show that ABC fulfills the criterion of being customer-centric both in its structure and in its culture.

(b) Single site case study

The case study research method allows a researcher to ‘generate an intensive examination of a single case in relation to which [one] can engage in a theoretical analysis’ (Bryman, 2008). Case studies enable researchers to ‘dig deep, look for explanations and gain understanding of the phenomenon’ since ‘the case method allows the questions of why and how to be answered with a relatively full understanding of the nature and complexity of the complete phenomenon’ (Farquhar, 2012, p.8). Case studies can be used either for the generation of theory or for the testing of a hypothesis or theory (Eckstein, 1975; George and Bennett, 2005). Bryman (2008) cites Adler and Adler (1985) as an example of the latter. Adler and Adler used ‘intensive taped interviews’ (ibid) with players from one basketball programme in order to explore the issue of whether participation in athletics in the USA is associated with higher or lower levels of academic achievement.

Case studies can be multi-site or single site studies. I conducted a single-site case study, based on the following rationale:

- Single sites can be ‘information rich because they are unusual or special in some way’ (Patton, 2002, p.233) and ‘the single case design is eminently justifiable when the case represents [...] a rare or unique circumstance’ for generating data (Yin, 2003, p.46);
- The more specific focus chosen for the case study can be a function or department of the organisation, where there are likely to be frequent incidences of the phenomenon;
- A single site may be ‘revelatory’ (Yin, 2003) and provide additional data about the interaction between the phenomena and some of the elements supporting them (such as the organisational structure);
- Time-constraints on the project and the lack of additional resource which were available to me rendered a single site case study more practical.

Triangulation helps to ‘ensure that the data are telling you what you think they are telling you’ (Saunders et al., 2009, p.602). Data was gathered in the case study using several different sources of evidence, in a process known as ‘within-method’ triangulation (Denzin, 1970 and see p.50 of this thesis). These data sources included a range of qualitative elements: one to one interviews with employees; documentation and archives about the organisation on its web-site; artefacts such as adverts produced by the organisation; and archived data about the organisation in the media. Quantitative, secondary data about the organisation and its competitors was also gathered from industry bodies. This triangulation enabled ‘the development of ‘converging lines of inquiry’ (Yin, 2003, p.98).
At the same time, I collect data in the follow-up study from multiple participants in one organisation, who were performing different organisational roles both from each other and from the participants in the first study. This contrasts to the first study, where my participants were change agents with experience across multiple organisations and industries. One of my aims in selecting participants who had contrasting background to those in the first study, was to strengthen the credibility of the validation process.

(c) Use of interviews

A similar interview approach was used to that deployed in the first study (see p. 46-47). I used semi-structured interviews with carefully selected members of the target organisation. I wished to avoid unnecessary contamination of the data by ‘preconceived concepts that may not really fit’ (Glaser, 1978, p.31). I therefore did not introduce the phrases ‘dynamic capability’ or ‘orchestrated stakeholder dialogue’ in the interviews. Instead, the intended points of focus for the interviews with each participant were presented in an email sent to the site-visit coordinator before the visit, as summarised below:

- Operations Manager (IV21): ABC’s customer interaction processes, including the methods used to engage new customers and to retain the loyalty of existing customers;
- HR representative (IV22): ABC’s recruitment selection and assessment processes;
- Customer Service Representatives (CSRs) (IV23 and IV24): ‘do you like working for ABC?’; and ‘why do you like working for ABC?’.

In addition, all participants were encouraged to discuss those cultural or structural elements of the organisation which enabled effective orchestration. In an effort to distinguish elements contributing to competitive advantage, rather than best practice, all of the participants were asked: ‘what is different or special about ABC?’

I recorded all of the interviews in order to ensure that the primary data was collected accurately. I then transcribed the interviews personally, partly as a means of familiarising myself better with the data. The first two (one to one) interviews lasted around 40 minutes each. The third interview, in which both CSRs were present throughout, lasted 30 minutes.

I acquired some knowledge of ABC’s broader organisational activities using archive data available on the organisation’s website. This included primary data, such as business-related webcasts from the CEO of ABC and the General Manager of their General Lines business division, and day-in-the-life biography webcasts from staff working in diverse roles across the different geographical locations of the organisation. I was able to access further useful data on the organisation’s website, including a list of ABC’s KPIs (Appendix 8), its espoused ‘values’ (Appendix 9) and its 2013 annual report. Within the annual report, it is notable that ABC included two non-financial KPIs amongst its list. These related to the goals of being ‘Britain’s best-loved insurer’ and achieving exceptional levels of ‘staff engagement’ (see Appendix 8). Where two data sources (in this case the archived website data and the data collected from the interviews) corroborate the same findings, the reliability of the findings is strengthened (Tashakkori and Teddlie, 2003). I found that evidence gathered using the archived sources matched the evidence collected from interviews about the same phenomenon (see for example the section on Alignment, p. 86-87).
Further secondary data served to contextualise the target organisation amongst some of its competitors. These data were freely accessible from the ABI (Association of British Insurers) website. Extracts of this data are attached (Appendix 7, p.153-155). The data show that ABC Insurance is one of only two mutuals amongst the ten largest insurance firms by gross motor underwriting premium operating in the UK.

The follow-up study was critical in validating the findings from the first study. Furthermore it revealed additional, valuable insights about orchestrated stakeholder dialogue. These findings and the further insights are described in the next chapter.
8. Findings from the follow-up study and how they relate to study one

The specific focus of analysis within ABC was the Customer Services General Insurance (CSGI) call centre. This centre handles a large volume of calls embracing a wide range of stakeholders. The Customer Service Representatives (CSRs) who work in the CSGI call centre are the initial point of contact for any issue related to new or existing General Insurance products. In consequence the CSRs are in regular dialogue with external stakeholders (including customers, the general public and the media). The CSRs are also in constant dialogue with internal stakeholders both within their division and from other internal General Insurance functions (such as underwriting, compliance and claim liability). In short, the CSGI call centre manages multiple touch points with a large number of the organisation’s stakeholders. Because it handles a large volume of calls with such a broad range of stakeholders, the CSGI call centre proved a well-suited target-site for me to explore how such an organisation identifies new opportunities in the market and reacts to such opportunities. The chapter begins with some examples of orchestrated stakeholder dialogue found in the data generated in the follow-up study. The chapter then relates themes found in the follow-up study to the sub-categories identified in the first study. Similarities between the themes identified in the follow-up and those emerging from the first study help to validate the key finding from the first study as to the existence of the phenomenon of orchestrated stakeholder dialogue. Finally the chapter explores some themes in the follow-up study which extend the theory already developed in the first study.

Examples of orchestrated stakeholder dialogue: the case of extraordinary customer service

The following four examples of extraordinary customer service emerged in the interview process. A short analysis of each incident is undertaken, to show how each exemplifies the phenomenon of orchestrated stakeholder dialogue.

1. Participant 21 related the following story. ‘We had a group of veterans [who] were all going to the Normandy Landings and they were all in their late 80s, early 90s … and they came through to one of the ladies on the frontline and we wouldn’t insure them because of their age and they said “we are having this problem with every insurance company. Nobody wants to touch us!” [It was] because they were a group, rather just one individual. So, rather than just letting that business go away, the lady spoke to our travel underwriters.’

[Researcher]: ‘the lady, i.e. your customer service representative?’

[Participant]: ‘The woman on the front line, someone who works on the ‘phone. She spoke to the underwriters and we have built that culture where people can talk directly to the underwriters rather than have to jump through hoops to get there and we agreed to insure them, basically. So she was able to go back to them and we were able to insure them. They [the veterans] then invited her on […] the launch day […] so she went up to London’ (IV21).

The original source of insight for this initiative is the dialogue between the CSR and one of the veterans. The CSR’s insightful customer service abilities are essential in order to recognise the opportunity. The collaborative ABC culture enables the CSR to interact quickly with colleagues in the underwriting division. Their response does not constitute a change in the underlying business model, because ABC does not change its standard terms subsequently to insure any group of old drivers. However the underwriters demonstrate adaptive flexibility on standard terms in accepting the risk. In a final stage, ABC seizes the full commercial and emotional value of the opportunity, when the CSR attends the D-Day
commemoration service with the insured group of veterans. This creates a wider dialogue with stakeholders outside the organisation (such as the press, and members of the public). This wider dialogue also contributes to a strategic goal described in KPIs and targets (Appendix 8) to: ‘make further progress towards our goal to be Britain’s best loved insurer’.

2. A specialist claims handling unit in the CSGI, known as FNOL (first notification of loss), received a call about an elderly insured couple who had crashed their car: ‘they managed to flag down a passing motorist to borrow a mobile ‘phone, they didn’t have a mobile phone and they had rung ABC so the [CSR] had said “can I speak to the person whose phone this is, put this person back on the phone” and said “how long will you be there with them, because I need to make some calls to try and get someone out to you or find out where you are? Can I call you back in 10 minutes?” He said “yes. I’ll be here”. [The CSR] rang back in 10 minutes and the person whose ‘phone it was, was halfway down the motorway. He’d left them! So in the call [the CSR] remembered them describing a landmark so he googled it, saw there was a pub [nearby], took a gamble, rang the pub, spoke to the landlord, and said “there is an elderly couple, I think they are about 500 yards from your pub. Would you mind awfully sending someone to just go and get them, bring them into the pub and call me back?” and that’s what happened and we managed to find them’ (IV21).

The CSR delivers ‘special’ customer service by ensuring the safety of these customers. This corresponds to two of ABC’s stated values: to ‘make it feel special’ and to ‘treat people like family’ (Appendix 9). As with the veterans’ story, this incident builds a dialogue with a much wider audience (of secondary stakeholders). The decision to involve a member of the public (the pub landlord) in the rescue operation is a particularly bold move (stakeholder integration) and adds further resonance to the story.

3. In the floods of 2013, the car park at the Dover ferry terminal became flooded. Many holiday makers were ‘having a lovely time on their cruise completely oblivious to the fact that their car is underwater when they return. So [a CSR emailed] an idea and just said “I have rung Dover, the ferry terminal, and I have got a list of all the registration numbers of the vehicles that are insured with ABC. I think what we should do is start things moving along so that, when they get off their cruise ship, we have already got it sorted!” I am sure there was quite a lot of media coverage on that because there were lots of companies which obviously didn’t do anything so the people coming back from their cruise just had to face it all when they returned and deal with it, whereas [for ABC] customers we had already sorted it before they got off the ship’ (IV21).

The proactive decision to solve their insured parties’ problem corresponds to another of ABC’s stated values: ‘don’t wait to be asked’ (Appendix 9). The action creates dialogue on several levels. In terms of the insured parties, proactive service such as this may contribute significantly to ABC achieving one of the highest retention rates in the industry (at 80% for the first year of a customer being insured). In this example, ABC’s customer service team is also in virtual dialogue with those holiday-makers whose cars were insured with another firm return. They return to find their cars lying wrecked in Dover. It seems reasonable to conclude that the memory of this incident would influence members of this group at least to consider moving their business to ABC at renewal. Finally ABC’s customer service is in virtual dialogue with any car-owners who happen to follow the news coverage of the incident and note ABC’s response to it, adding incrementally to the brand’s image and value.

4. One further example in the data illustrates ABC’s readiness to make changes to their terms which have wider ramifications for the organisation and possibly even for the industry. The recent backlog in handling renewal applications at the Passport Office in 2014 resulted in a number of ABC’s travel policy
holders missing their holidays. ABC was not liable under the standard terms of its policy for such losses but decided that it would pay out on the claims anyway. I consider this to be an instance of reconfiguration, rather than seizing. There is a change of policy required (which would impact on any future claims made as a consequence of similar Passport Office backlogs). In contrast, the previous examples require a flexing of the existing policy to accommodate specific, known, customers. The reconfiguration is a further alignment towards the organisation’s KPI ‘to be Britain’s best loved insurer’ (Appendix 8) and the over-arching principle which drives its set of values: ‘Everything we do is for the benefit of our customers and members’ (Appendix 9).

The next sections relate the data from the follow-up study to the four sub-categories identified in the first study.

Further theoretical development

The data from the follow-up study generated codes and phrases which complement the sub-category of ‘agitating’ described in the first study. In ABC, the onus is to recruit and nurture staff who can ‘think slightly differently’ (IV21) and who will ask “is there a different way we could do this?” (IV22). These can be compared with the metaphorical ‘troublemakers’ of the first study (IV15 and IV16), and can be linked with the notions of ‘agitating’ (IV16) and ‘disruptions’ (IV13).

Once they are trained and working in the call centre, CSRs are encouraged to use the ability to think differently in order to generate ‘ideas’. This in vivo expression describes those opportunities which can be shaped into examples of extraordinary and resonant customer service, such as those depicted in the previous section (Examples of orchestrated stakeholder dialogue: the case of extraordinary customer service, p.80-82).

When CSRs think of ideas, they involve relevant colleagues almost as a sounding board. For example, in the first extraordinary customer service story ‘the [CSR] spoke to our travel underwriters’ to check if they would cover the risk. In common with the change agent in IV04, the CSR retains ownership of the idea and takes it forward. As in the first study, this is enabled by the removal of constraining internal processes: ‘we have built that culture where people can talk directly to the underwriters rather than have to jump through hoops to get there’ (IV21).

These stories all begin as ‘ideas’ in the heads of CSRs. The CSR frames ‘ideas’ from live customer service situations. He/she then ‘involves’ other members of ABC in designing and implementing a customer solution The examples of customer service are so exceptional that they subsequently create a dialogue with a much wider external stakeholder audience, beyond the immediate customer. This propagation is achieved anecdotally or through the media (or through both means). At that point, the stories go beyond customer service and match the phenomenon of ‘orchestrated stakeholder dialogue’. The propagated messages are consistent with the KPIs and targets (Appendix 8) and with the values of the firm (appendix 9), which suggests that this orchestration is strategic.

Nuanced dialogue

CSRs need to make a ‘connection’ with customers (IV24) and be good listeners: ‘it is all about…listening to what people have to say’ (IV21) and ‘we are checking that [CSRs] are listening to the information and able to understand what information is useful and retain that information’ (IV22). The depth of this ‘connection’ with the customer is highly valued at ABC. One CSR contrasted ABC’s customer service
approach to that deployed by a competitor, where he had previously worked, observing that: ‘you could have been on a call for say 20 minutes and you could be really helping that customer but the manager at XY was more about “hurry up on that call, we have got another one”, whereas here it’s just “do what you’re doing for the customer and it doesn’t matter how long it takes’” (IV23). These skills relate convincingly to the sub-category of ‘what’s in it for me’ developed in the first study. There is a clear effort at ABC to build a nuanced, substantial relationship with each customer. In this sense the ‘connection’ can be compared to notions from the first study where ‘different angles’ are pursued (IV08) in proposing ‘authentic’ change (IV09) where the agent can ‘get people to buy into it’ (IV15) and make targets feel as if you are ‘one of them’ (IV04).

**Stakeholder Integration**

In addition to the use of the word ‘connection’, participants in the ABC interviews used the word ‘involved’ ten times. This word corresponds with the sense of the in vivo expression ‘bring them in’ from the first study. One participant from ABC makes a cultural distinction between his old firm and ABC as follows: ‘if you got involved in a conversation [at the other firm], you would be told to speed up and that can annoy the customer if you sound like you are in a rush, whereas here [at ABC] it’s just take your time and deal with it how the customer wants’ (IV23). Another distinction is made between the way things work in another insurance company where CSRs may get in trouble ‘because they made a decision on their own initiative, for the good of the customer’. In contrast, the culture at ABC invites staff to challenge the standard policies through dialogue with co-workers and to get ‘someone else involved to help them make it happen […] that’s the kind of thinking that we encourage [at ABC]’ (IV21). The most vivid example of ABC bringing in even the most peripheral of stakeholders relates to the landlord who is orchestrated into the rescue operation for an elderly insured couple (p.86).

The word ‘involved’ features five times in connection with orchestrated stakeholder dialogue inside the organisation, within and between teams: ‘[in my role in operations] I work really closely with our pricing teams, our underwriting teams, our product development teams, our e-comm. [e-commerce] team and our marketing teams to try to make sure that when we are making change happen. Everywhere is involved’ (IV21). A change programme is undertaken in order to reduce call-handling times in the call centre. The change manager adopts an inclusive approach, inviting ‘representatives from around the business: so I had compliance, underwriting, pricing, people from operations, people from our quality team, people from our business improvement team and from e-commerce to look at the online journey’ (IV21). The purpose was presented in clear and unambiguous terms: ‘I said “I am locking us in a room for two days until we can find 30 seconds off our process. That’s the objective”’. The solution was agreed in the two days and implementation had been achieved a few weeks later. The change manager presented the reasons for the effectiveness of this ‘lock-in’ as follows: ‘because everybody knew exactly what was happening, because everybody was involved and, when everyone walked out of that room 2 days later, no one was unclear about whether we had reached the objective or not. Everyone knew exactly what decisions had been made’ (IV21). The inclusivity and transparency of the process ensures that ideas and concerns can be: discussed from around the business in one forum; challenged by any concerned parties; and, finally, accommodated or rejected collectively. In order for the (change) forum to be effective in delivering the solution, the accountability of the representatives is also critical: ‘the sign-off of getting things moving and embedded was easy because all the right people were in the room to make that change happen’ (ibid).

The ‘lock-in’ matches the definition of the ‘committee’ provided in the Codebook (Appendix 5, p.145): ‘a portion selected from a more numerous body (or the whole body) to which some special business is
committed’ (Macdonald, 1974). The effectiveness of the ‘lock-in’ or of the committee in seizing the ‘special business’ depends on three criteria: whether the committee has a clear agenda (e.g. IV21, IV02 and IV16); the accountability of its members (IV21, IV02 and IV12); and the sufficiency of those selected to implement the decisions reached (IV21 and IV02).

**ABC’s cultural and structural frameworks**

Setting aside the example of the ‘lock-in’ from the previous section, the frameworks at ABC do not have quite the same purpose as those found in study one (facilitation of change). This is not surprising given the different orientation of the participants from the follow-up study (customer service). At ABC, the frameworks enable other desired outcomes: responsiveness, innovation and adaptability. One common denominator across both studies is dialogue.

Trust, empowerment and collaboration are three key characteristics of the culture at ABC. Dialogue and collaboration are actively stimulated at ABC between teams: ‘we have built that culture where people can talk directly to the underwriters rather than have to jump through hoops to get there’ (IV21) and ‘my role [in operations] has been trying to bring people together almost in a collaborative way [...] with our pricing teams, our underwriting teams, our product development teams, our e-commerce [e-commerce] team and our marketing teams’ (IV21).

The sense of support is instilled in ABC’s staff from their induction stage. Training lasts for 8 weeks at ABC, as opposed to 3 to 4 weeks for many other call centres (Hucker, 2013). As with the recruitment process, ABC’s training programmes are competency based, so trainers are ‘usually people who have been in that role before so they are people who have been with us for a number of years and have got various internal promotions and have been a trainer, so they are very used to the type of work that they are training people on’ (IV22).

The culture encourages supportive behaviour: ‘when I first started at ABC, I could, no matter who I was sitting next to, turn to them and say “could you help me with this?” and people would drop everything and come and help you if you felt you needed it. So it’s far more of a supportive environment here than I have ever experienced anywhere else’ (ibid).

There is also a practice called ‘buddying’ (mentioned seven times in the interviews), which embeds supportive behaviour at the team level. A new CSR is paired up with a ‘buddy’ who will be ‘really experienced, very comfortable with what they are doing’ (ibid). Both are patched into the same customer calls and they take turns to talk to the customer whilst the other writes notes or inputs data related to the call. All of these elements help to build a collaborative and cooperative culture within ABC, encouraging constructive dialogue within and across functions and creating useful formal internal networks (‘buddying’, IV22 and IV23) and informal internal networks (‘we had been drip-feeding it everywhere in every meeting and forum and team-meetings’, IV21). These networks in turn enable ABC to respond quickly and effectively to the need for change, or to seize collectively upon opportunities.

The culture of trust is combined with the process of empowering people in the business. CSRs are strongly encouraged to show initiative (a word which features 13 times in the interviews). Linked to this empowerment is another strand to the cultural context: ‘so we very much have created a culture to say to our people out there “if something doesn’t feel right it probably isn’t, so let’s challenge that”’ (IV21). Taken holistically, ABC’s culture encourages open dialogue and the voicing of ideas which may challenge the status quo. These themes can therefore be compared to the cultivation of ‘disruption’ (IV13) and
‘agitating’ (IV16) in the first study and the advice of one change participant to: ‘always look for a troublemaker’ when searching for innovative solutions (IV15).

As in IV02, the culture of trust at ABC is also used beyond the traditional organisational boundaries to strengthen ‘the relationship with the customer’ (IV24). One participant observed that there was less of a divide at ABC between the CSRs and the customers. In contrast she reflects that, when she was working as a CSR for a previous employer ‘it felt very much like I was almost talking down to them [the customers] and there was always that kind of well you should know this kind of attitude that I didn’t portray but it felt like the process portrayed that’ (ibid). The ‘fairness process’ has an industry level significance to the firm in IV02, which endeavours to be ‘perceived both internally and externally as being fair in the way you treat people. Likewise ABC’s standing is enhanced by winning awards for fairness (such as the Most Trusted Insurer Award), as well as for the quality of its products (including numerous Defaqto five star awards).

In contrast to ‘many organisations where the call centre is seen as a cost centre’, the CSGI call centre generates ‘real value’ through its myriad touch points with customers (IV21). The choice of metrics to assess the performance of ABC’s CSRs further nurtures the generation of insight: ‘you get a score to say you were “best loved” on that call’ (IV23). The recruitment processes are also aligned to the generation of such insight, because the processes serve to identify candidates who have a ‘passion for customer service’ (IV22), who can ‘think slightly differently’ (IV21) and who can respond to ABC’s first ‘value’ by making the customer’s experience feel ‘special’ (see Appendix 9).

The CSRs (IV23 and IV24) believe that one reason for the special rapport between ABC and its customers is the use of call guides, rather than the call scripts, which are favoured by some other firms. Call guides are supportive tools. They ‘will tell you [CSRs] the things that you have to say because we are regulated on the ‘phone’ (IV21). Yet call guides still leave the CSR with some flexibility in shaping the conversation with the customer. In contrast, there are ‘huge long scripts which we had to read at [previous employer] and [customers] used to sit there and be like “I am reading, I am reading what you’re telling me! I know this!” And I am like “I have to read it. Sorry”, which is terrible and it […] makes that a more unfriendly, dominating conversation’ (IV24). By using the more flexible guides, the CSR is free to ‘make it personal. If a customer […] asks you a random question, which isn’t to do with what they are ringing up for, so they might say something along the lines of “where are you from?” and you might go “[client location]” and they might say “oh I have got a grandson that lives there!”, and you are encouraged to have a conversation’ (IV23).

**Orchestrating dialogue outside the firm**

Examples presented in the data from the first study include the harnessing of customers in the product design process (e.g. IV02, IV09, and IV14) and in the sales/marketing processes (IV08). ABC takes this approach further. The customer is at the centre of its operation: ‘the call centre is very much at the thick of what ABC is about … this is where your real value is, because look how many customers we talk to every day’ (IV21). This sentiment is also reflected in ABC’s values (Appendix 9). ABC also places strong emphasis on bringing in more peripheral stakeholders. One example was the accessibility and the generous commitment of time and resources afforded to me in conducting the research for this study. Another example of ABC’s effective dialogue with peripheral stakeholders is the meticulous way in which unsuccessful applicants for roles in the call centre are managed. The recruitment process for the call centre is analysed in detail on p.87-88, but those applicants who are unsuccessful in stages 1 or 2 of the process receive a tailored email from a named contact: ‘We always put the recruiter’s name at the
bottom of every email so you are not calling in on a hotline or automated number. You are given somebody’s personal name and telephone number’ (IV22). In this way the applicant can access ‘specific feedback and [...] can give us a call and we are able to talk them through exactly what the reasons are for not progressing further’ (IV22). Applicants who fail at the third stage are, in addition, discussed amongst the interviewers in a formal wrap-up session where ‘we would go through each exercise that they had done. The way we like to do it here at ABC is to also think about what they did [...] well, so it’s not just about a really negative story’ (IV22). The process demonstrates a rigorous commitment to the values of the organisation (Appendix 9), even when dealing with ‘secondary’ stakeholders (Donaldson and Preston, 1995), those categories of stakeholders who are external to the organisation and who, in addition, are neither customers nor members,

The organisation’s strategic logic is to orchestrate, rather than to leave itself at the mercy of social media mechanisms, which are both delicate and powerful: ‘the second you put something on Facebook, it is seen by however many hundreds of people, so we know that we want people to be really positive about the experience that they have here, even if they are not successful’ (IV22). The word ‘orchestration’ captures the way in which ABC consistently lives up to their values in all of its dealings with stakeholders. Positive dialogue in the social media is a powerful force and ABC harness it to their advantage in a similar way to the retail fashion firm in the first study (IV08). Neither organisation can control or even manage such external market forces but, to use a phrase from the first study, ‘you can influence them to do things’ (IV04).

Alignment

One finding in the follow-up study, which was only fully distinct in one particular case in the first study (IV02), is the clearer integration of the elements of orchestrated stakeholder dialogue into a broader organisational strategy (and the distinction is illustrated if one compares figures 5 and 6 on p.103 of the thesis). There is alignment across ABC’s methods of stimulating insight, responding to such insight and also in the broader mechanisms used to enable both of these capabilities, for example in ABC’s recruitment processes. This finding does not mean that such alignment was absent in the organisations in the first study. But the chosen research method of the follow-up study, where one organisation is analysed in greater detail, renders such patterns of alignment easier to observe and report upon.

I take the strategy of the organisation to be implicit both in the organisation’s list of KPIs (Appendix 8) and in its espoused values (Appendix 9). ‘Best Loved’ insurer is articulated in the KPIs (Appendix 8) and in the values (Appendix 9). Moreover, these are not just static documents on the corporate website. Key ambitions to be ‘Britain’s best loved insurer’ and ‘make it feel special’ for customers are reflected in ABC’s culture and systems. The phrase ‘best loved’ appears six times in the CSR interview (IV23 and IV24). It is also commonly used in marketing for the firm, such as television advertising. Both phrases are adopted by and resonate in the behaviours of the CSRs, as demonstrated in the examples of extraordinary customer service. Indeed, the phrases feature in the participants’ interviews (‘best loved’ seven times and ‘special’ three times). The aim of the firm to make customers feel ‘special’ (ibid) is also reinforced by the importance attributed in the CSGI call centre to achieving a ‘connection’ (IV24) with the customer.

In ABC, supporting procedures are also appropriately aligned. To continue on the theme of ‘best loved’, one operational performance target for CSR calls is: ‘a score to say you were best loved on that call’ (IV23). ABC clearly places an emphasis on the richness of dialogue with customers, rather than just the volume of calls. The metrics are set in stark contrast to those of a previous employer which targeted its
staff more explicitly on sales. ‘Previously [at another firm] it was how many calls you take an hour and things like that but they [ABC] are ... on to the “best loved” side, so your behaviour on the call and how you are, that’s what they are looking at now’ (IV23). Similarly ‘that was the same at [competitor firm] as well - really keen on sales targets and I have by my own admission never wanted to be in sales so when I got there and they said ok you have to sell so many units on top, add-ons and stuff, so there is a lot of pressure on that and I have signed up for customer services, to help people, so I was like “oh by the way you know how you called about something completely irrelevant. Buy this!” When there are a lot of targets like that, you can’t help but get demotivated if you’re not hitting them. Whereas, the targets here are really lovely targets to have. It’s “be lovely to people, help people, treat them like family” and that’s such a friendly atmosphere to walk in on’ (IV24).

Senior management at ABC promotes a supportive, collaborative culture throughout the organisation. This is represented explicitly in two of the four values: ‘treat people like family’ and ‘don’t wait to be asked’. Correspondingly, references to help (22), family (3) and support (2) feature in the transcripts from the participant interviews when they describe their interactions internally and with customers. This creates a non-hierarchical environment with ‘loads of people that say “hi” to everyone’ (IV23). As noted in the sections on insight and frameworks, inter-functional dialogue is encouraged by the kind of culture where CSRs ‘can talk directly to the underwriters’ or other parts of the organisation (IV21). This fluidity between the different functions at ABC allows operational decisions to be made more quickly, decisions such as underwriting a non-standard risk or accepting liability on a claim not strictly covered by the standard terms. There is a seamless interaction between the identification of opportunities by CSRs and grasping those opportunities (as described in the section entitled ‘Examples of orchestrated stakeholder dialogue: the case of extraordinary customer service’, p.80-82).

ABC avoids overly hierarchical processes in favour of open dialogue. The collaborative change programme demonstrates the effectiveness of this approach inside the organisation. The extensive nature of the training programme, the policy of buddying and the accessible, supportive work environment all help to build a culture of mutual trust, in which the CSRs are able to discuss ‘ideas’ for customer service and to implement them. In addition there is a profound effort at ABC to engage with peripheral stakeholders. The meticulous and careful management of unsuccessful applicants for roles at the company (p.85-86) can be compared to elements of the ‘fairness process’ described in a software solutions business in the first study (IV02), where the organisation’s culture conveys something positive about its brand to peripheral stakeholders.

The data analysed in this chapter help to validate the findings of the first study, by showing that certain structural and cultural frameworks serve to underpin orchestrated stakeholder dialogue. But the more detailed nature of the analysis conducted on ABC reveals a coherent strategy than is evident in the firms from study one. The sub-categories of orchestrated stakeholder dialogue which emerged in the first study are shown to have been aligned by ABC into a coherent strategy. This coherent strategy can in turn serve as the basic model for implementation, as the next section shows.

The recruitment process at ABC

The recruitment process at ABC offers a distinct example as to how the elements of orchestrated stakeholder dialogue are aligned and integrated into a coherent strategy. In ABC, the onus is to recruit and nurture staff who can ‘think slightly differently’ (IV21) and who will ask “is there a different way we could do this?” (IV22). ABC Insurance seeks to recruit staff that ‘have a passion for CS’ (IV22). The organisation uses carefully constructed processes (such as the competency based framework for selection and assessment) in order consistently to identify applicants who demonstrate such passion.
The passion enables staff in the call centre to build rapport with customers, which was reflected in phrases used by all four of the participants who were interviewed in the study: ‘try and do the right thing’ (IV21 and IV22), ‘go above and beyond’ for customers (IV21), get ‘the right outcome for the customer’ (IV23), ‘make it personal’ (IV23) and ‘achieve a friendly connection’ with the customer (IV24). The connotations of these expressions are similar to the phrase ‘dancing with the customer’ used by IV16 and they also echo the desire to create customer rapport which was a significant theme in IV06 and IV07.

The recruitment process at ABC is comprised of three stages, as follows:

Stage 1: the applicant’s CV and cover letter are reviewed, to identify good levels of ‘attention to detail’ and ‘passion for CS’ (IV22). Actual experience of CS [customer service] is not a pre-requisite for progression in the recruitment process;

Stage 2: a 20 minute telephone interview explores the applicant’s knowledge of the organisation, the job and why they want to work for ABC Insurance. This interview concludes with ‘a competency based question… around customer service’, such as “could you tell me about a time when you have given a customer excellent customer service, gone over and above your job to deliver that?” (IV22). The question can also be tailored for those applicants who do not have CS experience: ‘something like “have you ever had an experience where you had excellent customer service? Could you tell me why that was good for you, or what you really enjoyed about that experience?”’ (ibid);

Stage 3: applicants who pass stage 2 are invited to an assessment centre, typically in groups of 8, where they will engage in individual exercises, one to one interviews with line managers, and team exercises (in groups of 4). Two goals of the individual exercises are to assess the applicants’ ‘caller listening skills’ and to establish whether they are ‘able to understand what information is useful and retain that information’ (IV22). In the one to one interviews, the managers use competency based questions, which will differ from role to role, but will be uniform for all applicants for a role. The team exercises are intended to identify ‘how they interact in their team’ (ibid) and to select those applicants who ‘when they do talk, what they are saying is valid, of value’ (ibid). This part of the process also identifies ‘somebody taking some initiative and saying “Oh, is there a different way we could do this?” It’s not about being the loudest’ (ibid).

In the third (assessment centre) stage of ABC’s recruitment process, candidates must also show clear, action-orientated ‘initiative’: they need to show an ‘understanding [of] what the issue was and then […] take the initiative to own that themselves and resolve that’ (IV22).

The recruitment processes serve to identify several key skills sought by the employer, which the operations manager states are: ‘to think slightly differently, put the customer first’ and be prepared to make decisions ‘on their own initiative, for the good of the customer’ (IV21).

Conclusion

The primary purpose of the follow-up study is to test and validate the findings from the first study. The follow-up study achieves this first of all by identifying and analysing four examples of orchestrated stakeholder dialogue found in the target organisation (see Examples of orchestrated stakeholder dialogue: the case of extraordinary customer service, p.80-82). The chapter then analyses themes of orchestrated stakeholder dialogue which are found in the follow-up study, comparing these with
evidence which emerged in the first study. Each aspect of the phenomenon described in the first study is also evident in the follow-up study. The validation of the phenomenon is further strengthened because I adopted a different research approach and a contrasting research target from the first study. The data generated in the follow-up study comes from participants from different job functions who all work in one organisation. This contrasts to the first study, where participants were all change agents, but working in different organisations and industries.

The validation process is further strengthened in the follow-up study by virtue of ‘within-method’ triangulation (Denzin, 1970) of the data sources (see p.50 and p.82 of the thesis). Evidence about the values, the KPIs, the culture and the behaviours of staff in the organisation all combine to build ‘converging lines of inquiry’ (Yin, 2003, p.98).

The follow-up study also extends the findings from the first study. Examples such as the recruitment process (p.90-91) show how the sub-categories which make up orchestrated stakeholder dialogue are used by the target firm in strategic alignment. The recruitment process reveals an integrated, coherent strategy for identifying and developing capabilities consistent with the abilities underlying orchestrated stakeholder dialogue.

The two studies described in Chapters 4 to 8 therefore combine to depict and then elaborate a valuable and previously undocumented phenomenon called orchestrated stakeholder dialogue. The next chapter considers the significance of orchestrated phenomenon at a more abstract level, by relating the findings about orchestrated stakeholder dialogue to the extant literature on dynamic capabilities and to the literature review (Chapter 2).
9. Theoretical integration: grounding the emergent theory and relating it to the previously published literature

Theoretical integration is the final stage of developing grounded theory. Its broad aim is to explain the researcher’s contribution to knowledge by presenting and interpreting the researcher’s findings within the context of previously published literature/research. In this chapter, I undertake the theoretical integration of the phenomenon of orchestrated stakeholder dialogue into the extant literature on dynamic capabilities. The next section reviews the techniques which I used to achieve theoretical integration.

Techniques

Birks and Mills (2011) propose that there are three factors necessary for the theoretical integration of a grounded theory:

1. An identified core category;
2. Theoretical saturation of major categories; and
3. An accumulated bank of analytical memos.

Accordingly, orchestrated stakeholder dialogue has been presented as the core category in this thesis (see Chapter 6). Secondly, whilst some writers argue that theoretical saturation can never be fully reached (see Birks and Mills, 2011), I assert, after Morse (2007), that saturation must be viewed in abstract terms, as being a pattern that makes sense to the researcher. Finally, 51 memos were accumulated during this research process.

I adopted three techniques to help me in the theoretical integration stage.

1) Strauss and Corbin (1990) propose the use of ‘storyline’, in which the researcher asks: ‘what seems to be going on here?’ The answer is developed into a few key sentences and then ‘a story emerges’ (ibid). Glaser warns that the storyline technique risks undermining a basic principle of grounded theory by imposing a framework on the data. The adoption of this technique was not problematic in my research, because the answer to what was ‘going on’ emerged emphatically from the data. Dialogue featured 149 times in the first study and, as I state in the fourth interview protocol, ‘I use the term dialogue because of its prominence in the data’ (Appendix 4). The centrality of this ‘basic social process’ (Glaser, 1978) is discussed further in the next section (on the importance of dialogue in the ontology of organisational change).

2) I re-evaluated and ‘sorted’ my ‘memo fund’ (Glaser, 1978) in order to assemble a coherent set of ideas for the story.

3) Theoretical codes also proved valuable to me in order to ‘weave a fractured story back together again’ (Glaser, 1978, p.72). This is because, in contrast to substantive codes, theoretical codes relate concept to concept. Glaser presents 18 theoretical coding families (1978). One of these, the coding family of ‘dimensions’, helped me to build variations into the theory. One such variation is the distinction between internally focused orchestrated stakeholder dialogue, which I describe as ‘internal cohesion’ and broader orchestrated stakeholder dialogue, which embraces external stakeholders, which I describe as ‘market cohesion’. The contrast between the two dimensions of orchestrated stakeholder dialogue is illustrated on p.103 of the thesis. This important variation is discussed further in three sections: ‘internal organizational integration (‘internal cohesion’), (p.97), ‘integration embracing stakeholders external to the firm (‘market cohesion’), (p.98); and relating ‘internal cohesion’ to ‘market cohesion’), (p.100). Some theoretical codes are adopted in this chapter, after Glaser (2005), from other theoretical
perspectives. Notably, I have included the abstract concepts of ‘sensing’, ‘seizing’ and ‘reconfiguration’, which are said to be distinct ‘modes’ of dynamic capability (Teece, 2007). These are compared to the sub-categories of orchestrated stakeholder dialogue which emerged in the study.

The importance of dialogue in the ontology of organisational change

The point of departure for this thesis was to explore the dynamics of change to the resource base. As was noted in the literature review, it has been argued that dynamic capabilities theory has previously ‘oversimplified the dynamics of change’ (Arend and Bromiley, 2009). The analysis of the dynamics of change in this thesis identifies dialogue as the basic social process involved. As stated in the interview protocol (Appendix 4), ‘I use the term ‘dialogue’ because of its prominence in the data’, in which it used by participants 149 times. One participant observed that ‘everything is first created in language [...] dialogue is almost taking [organisational activity] back to its most basic DNA’ (IV16). At an even more abstract level, dialogue might indeed be construed as one ‘intransitive truth’ (Bhaskar, 1975) of change of the resource base.

Examples of the role of dialogue feature across the data. When considering how to present its change programme to targets, the change team in IV04 consciously avoided couching it as a “process” initiative. IV04 explains that ‘the word ‘process’ conjured up some very negative perceptions and behaviours [for employees] so we [...] had to end up avoiding the word process. If people were playing a word association with it, it was boring, it was a precursor to redundancies it was all of the negative things and none of the positive things that it can be’. Instead, the team contextualised the change programme in terms of dialogue, orchestrated through an empathetic change agent: ‘So here is someone who is “one of you” not “one of us”. He’s going to speak to you, he’s going to speak to us and we are going to design a way that you guys can work’ (IV04). Other participants in the first study were equally robust in rejecting the word “process” when it is used to convey organisational dynamism. In contrast, consistent with Leonard-Barton’s observation (1992), participants stated that processes pose problems of constraint and inflexibility (IV16, IV12 and IV13). Thus, processes feature in the data as a means of ‘stabilising’ organisational capability, rather than as a means of changing it (IV15). Organisations bypass processes in order to achieve greater organisational dynamism (IV13, IV12). Otherwise, there is a concern that the processes ‘will kill it’ (IV16).

Similarly, innovation requires dialogue since, without the dialogue, ‘it’s just an idea you have got and that’s your idea and you’re welcome to it, no matter how senior you are in the org., unless you can communicate it and get people to buy into it and enthuse and make it feel as if it’s their own idea’ (IV15). One participant described the process of innovation in an online financial services organisation. It is initially triggered by ‘compelling conversations’ wherein innovators ‘would have the dialogue internally, and they would have the dialogue in their head. They would have the dialogue with each other... that then would become a bigger dialogue and that might then include partners and affiliates and associates and allies in the org... And to me everything is first created in language so dialogue is absolutely the right conversation’ (IV16).

The dialogue behind change and innovation are shown to be pluralist and fluid in the first study. Change agents talk to stakeholders separately in forums such as ‘the meeting before the meeting’ (IV07), in order to discuss what might be ‘in it’ for them (IV07 and IV08). Once this has been established, processes of negotiation (IV05 and IV03) or reconceptualisation (IV04) take place, in order to harness stakeholders around a common ‘change imperative’ (IV07). A similar logic applies to changes involving
customers. In IV02, there are certain benefits which are common to all members of the ‘consortium’ and other benefits which are particular to specific stakeholders (such as the greater ease of support for the software supplier or the unique look and feel on a robust platform for the customer). In IV08, the online forum entertains customers, whilst generating new business for the organisation. Similarly in the follow-up study, innovative service is achieved by emailing ‘ideas’ around the organisation. Collaborative dialogue is nurtured amongst a broad pool of stakeholders, including existing and potential customers, who are all ‘involved to help [make ideas] happen’ (IV21).

Processes offer stability (IV15) but, as observed in IV04, ‘you can’t make people do things. You can influence them to do things. You can’t make them’. As described in the literature on negotiation (e.g. Menkel-Meadow, 2011), dialogue can lead to a combination of distributive and integrative benefits. Distributive benefits are those which only benefit one party. Integrative benefits, on the other hand, benefit more than one party at the same time. The same logic is evident in the data, which shows that, where practical, the orchestration of disparate stakeholder positions can lead to what I describe as ‘integrative stakeholder benefits’. Orchestrated stakeholder dialogue, as described in the next section, is coded as ‘internal cohesion’, because its scope is internal to the organisation. A further section, entitled ‘integration embracing stakeholders external to the organisation (‘market cohesion’), (p.98), depicts orchestrated stakeholder dialogue embracing external stakeholders. Some of the examples in these two sections appear elsewhere in the study, but they are reproduced again here, in order to present a digestible ‘comprehensive explanation’ of the phenomenon, including its ‘variations’ (Birks and Mills, 2011, p.12). In addition the contrast between the two dimensions is illustrated on p.103 of the thesis.

**Internal organisational integration (‘internal cohesion’)**

In IV03, a change programme aimed at delivering a shared service centre meets insurmountable barriers at the local office level, because the change targets perceive it as a threat to their livelihoods. A second attempt at change in the same organisation, which involves the rolling out of a standardised IT system, is warmly received by local staff. The second programme has the same management goal of delivering cost savings through efficiencies. However it also comprises integrated benefits for both the employer and the employees. One benefit is the training in new SAP systems knowledge, which is marketable for the individual both internally and externally. Another benefit is the new mobility which the skills give the individual, allowing him/her to relocate internationally (within the firm as well as outside it). So, by standardising towards a best in breed set of IT competencies across the organisation, management is creating new mobility within their organisation, where they ‘unlock people geographically’ (IV03). The employees are keen to stay in order to learn the new skills and they will subsequently be more valuable to the firm, more promotable and transferable on a global basis. Over the long term this second programme may also generate the same savings as the first, rejected, proposal, because it will also render the skill-sets required of staff less idiosyncratic inside the organisation and make them easier to replace. The approach increases both the organisation’s and the targets’ options. It offers integrative stakeholder benefits, generating ‘all the gain none of the pain’ for both employer and employees.

The retail point of sale procedures manual in IV04 offers similar integrative benefits, addressing a range of problems of dysfunctional behaviour across the organisation. The participant explained that: ‘part of the problem was poor customer experience, colleagues being bossed around and not knowing what to do. Can we find some exceptions to the rule where somehow, even with the same resources at their disposal, some of these guys have found a way to run a store that is compliant? [A store where] it seems to lose less, there is less fraud, there are fewer dismissals for gross misconduct there are all these sorts of things? Because if we can find examples of stores that have found ways of interpreting this deluge of
information and putting it into some kind of logical format that they can work with and that delivers the kind of result that people are after’ (IV04).

The system appealed to management as a common set of organisational retail procedures, or ‘everything that you could ever need to do in order to successfully run one of the 800 stores’. However the system had to ‘display the process in a way that didn’t look like process’ in order to appeal to retail change targets. Its internal authenticity for staff was enhanced by a design in keeping with ‘an era where Facebook and Twitter and all of these things are the order of the day’. The system needed to be consensual rather than coercive in a sector where targets could easily find alternative work. Trust was engendered by the choice of a change agent who was ‘one of you’. In a second temporal phase, those who had chosen not to log in at launch were presented with sales figures from those who had logged in (and adopted the systems early): “given that you have always been and will always be measured on performance measured in the context of customer satisfaction, sales figures, cost to serve, all of this kind of stuff, what we’ve noticed and we’d like to draw your attention to is a correlation between people that use this system and how effectively their stores run”’ (IV04). A subsequent phase returned the focus more explicitly to management concerns, using a Six Sigma Black Belt process consultant ‘to bring in process improvement expertise and create what they called a centre of excellence … rather than it just being potential which was up to operational teams to realise, without perhaps the capabilities to know how to do that’ (ibid).

Integration embracing stakeholders external to the organisation (‘market cohesion’)

In the following examples, effective orchestration of dialogue leads to integrative stakeholder benefits for certain stakeholders both inside and outside the organisation. The organisation’s capabilities have been rebundled such that the stakeholders find themselves in a more embedded relationship with the new configuration. This rebundling endows the capability with sustainable competitive advantage, because the stakeholders (including, in these examples, customers and pressure groups) are less inclined and/or less able to find alternative sources.

In IV08, the organisation is an online retail business. The website provides a number of tabs. Each of these tabs serves a practical purpose to visitors and generates a particular set of benefits for the organisation. One tab allows visitors to buy fashion items from the organisation. Another tab enables visitors to buy from other sources: ‘it can be a designer. It can be things that you have bought from other people, so literally eBay for fashion’ (IV08). Whilst this does not create immediate revenue for the organisation, it generates visitors to the site. A third tab, called the ‘experience’ tab is an online forum which is ‘a bit like Facebook’ (IV08), where people can interact about fashion. IV08 explains that this is a tab for ‘the experience element, the twittering, the tweeting, the blogging, the Facebooking, so it’s where people discuss what’s in what’s out, what people should be wearing. We want to be, going forward, the first place that people log in in the morning and decide “what am I going to wear today? What’s the weather like? What’s so and so wearing? What’s in, what’s out?” We want to be the first place where I decide “this is my outfit for the day. I’m going to share it with my friends”’ (IV08). This experience tab is a popular destination for people interested in fashion and, once they are using the online forum, visitors are one tab away from becoming a customer. The dialogue between users of the online forum also drives sales: ‘and what will happen is, if we do that social media aspect, with our target audience of 20 somethings and they are online, on mobile and they love the social media aspect of things, that will directly increase our sales because they will then come to our site and say “so and so is wearing this. I want that” or “today’s going to be hot. I need to find something to wear”. Or “tomorrow it’s going to be hot”, or “next week I am going on holidays and it’s cold or hot and I need
something to complement this”’ (IV08). In addition, the online forum serves as insight for stock management and product development, because the fashion choices made by celebrities are discussed online and generate demand for new products or spikes in demand for existing ones: ‘Kate Middleton wore a blue dress when she came out of hospital with her new baby. That dress was sold out within minutes. Samantha Cameron wore a £24 dress with a £140 belt (which wasn’t ours), but there was so much publicity on her [...] for us it was free publicity. We didn’t have to tweet about it. Other people talked about it and that’s where we score our sales from. We don’t do it. Others do it for us. So for us, if we had that customer engagement piece and they are happy with what we do, that’s all we need to bring our sales up and that’s global for us’ (IV08). This orchestration of buyers and sellers obviates the need for a sales function: ‘we don’t want to do the hard sell. We don’t advertise. We’re the only company that doesn’t advertise. We don’t advertise shopping anywhere. What we do is we use social media to be our advertisers, so our customers do our advertising for us. So they’ll be tweeting about what they have bought or what they saw. Then we have celebrities who have bought our stuff so...that [item] sold out within minutes’ (IV08).

In IV02, the software house builds informal associations between its customers through the establishment of ‘collaborations’ and ‘consortia’. These associations are comprised of financial institutions (which are otherwise in direct competition with each other) who agree to form an alliance, in order to develop mutually satisfactory user requirements and a common product for all of them to adopt. All parties to the association stand to benefit, but the striking aspect is that the parties to the ‘consortia’ start talking to one another at all. This may be attributable in part to the culture of trust evident in the software house (see ‘clear framework’, p.68-69). The partners at IV02 build a clear understanding of what their customers want at a conceptual level – a system which is unique to each customer in look and feel, but which is also reliable and robust. The solution lies in wrapping the mainframe core product in a ‘PC based front-end to look much better’. The front end can then be tailored to suit the particular look required by each individual client, without affecting the performance or even the intrinsic design of the consistent ‘core’ back office element. The core can be used across the customer portfolio, generating benefits for all stakeholders. The unit cost of the product will be cheaper for customers than multiple bespoke versions. Yet, because only one product is required it can be built to a higher specification, using a larger team. It will be more robust and carry less risk for all parties than multiple products. It will be also easier to support to a higher level since it will only require one set of support engineers across the customer base. Enhancements to the system can also be rolled out more efficiently across the client portfolio. Similar mutual benefits can be obtained in terms of the ongoing maintenance and enhancement costs in years to come.

The concept of clients sharing a core system requires them to accept a change in their relationships with the organisation (and indeed with the capability). For the purpose of the technology, they cease engaging in competition with other financial institutions and engage in dialogue with those same institutions (for example in user group meetings). IV02’s firm subsequently develops certain modules which have commercial value to more than one customer and invite them to work in ‘collaborations’ and ‘consortia’.

The development of internal ‘negotiation’ expertise inside IV03’s mining organisation also requires a reconceptualisation of the nature of the organisation’s capabilities and its stakeholders. Over many decades in this organisation, negotiation with governments for licences to mining rights has turned into negotiation with corporate owners for competitive deals on prices for land. Recently the focus has shifted again towards dialogue with pressure groups to jump ethical hurdles: ‘once you get the thumbs up from these people that you’re working in an ethical way, you have a “licence to mine”, which a lot of
companies are still struggling to get, so they have developed a competitive advantage by talking to pressure groups which is something they never used to do’.

Data from ABC contains many examples of CSRs who involve external stakeholders in the crafting of innovative solutions. These include the involvement of a pub landlord in a rescue operation (p.86), the discussions with the ferry terminal operatives in Dover (p.86) and the CSR attendance at a D-Day memorial, alongside recently insured war veterans (p.85-6).

Relating ‘internal cohesion’ to ‘market cohesion’

Grounded theory is ‘comprehensive because it includes variation rather than assuming there is a one-size-fits-all answer to a research question’ (Birks and Mills, 2011). Similarly internal cohesion and market cohesion depict variation in the broader phenomenon of orchestrated stakeholder dialogue. This variation is illustrated on p.103 of the thesis in figures 5 and 6.

Internal cohesion comprises all of the sub-categories of orchestrated stakeholder dialogue. The initiation of the change programme is a kind of internal agitating. Nuanced dialogue takes place with discrete stakeholder groups in order to identify and integrate the perspectives of stakeholders with different sets of motivations. The clear framework is embodied in the change agent (see also the later section entitled agents of change: actual and symbolic roles in change, p.112-114). The change agent uses trust (e.g. IV06), empathy (e.g. IV07) and authenticity (e.g. IV09) in order to gain traction with targets. In IV04, all three characteristics are evident in the same change agent. He is selected to design and spearhead the programme, and his previous performance is the template for the change targets. Market cohesion also contains the four sub-categories of orchestrated stakeholder dialogue. However in each sub-category there is less certainty and control over eventual outcomes than exists in internal cohesion. Agitation stimulates new, unpredictable paths to pursue, often involving the customer. Dialogue is no longer driven by the organisation but often potentially by other stakeholders. Collaborative solutions must be orchestrated which generate palpable mutual value. The framework is now the culture and character of the organisation.

These theoretical codes of internal and market cohesion are now explored by relating them to some abstract concepts in the extant literature on dynamic capabilities: modularity and the ecosystem. Figure 4 (p.101) maps the codes of ‘internal cohesion’ and ‘market cohesion’, as well as orchestrated stakeholder dialogue, alongside some prominent concepts from the extant literature on dynamic capabilities.

Comparing orchestrated stakeholder dialogue with modularity

The examples of orchestrated stakeholder dialogue which are grouped together in the section ‘internal cohesion’ can be compared to the concept described in extant dynamic capability literature as modularity (p.38-40). Internal cohesion is achieved by redefining the change proposition (e.g. IV04, IV07, and IV08). Innovation is achieved by a ‘cross-pollination’ or ‘aggressive shuffling’ of staff (IV03). Similarly, change and innovation are stimulated in the notion of modularity by the ‘reshuffling of the deck of corporate resources’ (Galunic and Eisenhardt, 2001, p.1243). In contrast, the examples of orchestrated stakeholder dialogue grouped together in the section on ‘market cohesion’ all go well beyond the scope of modularity, involving and integrating stakeholders outside the firm. This can be further explored by relating the findings to the concept in the extant literature of the ‘ecosystem’ (Teece, 2007).
The ‘ecosystem’

Teece describes the ‘“environmental” context’ of the dynamic capabilities framework ‘not [as] that of the industry, but that of the business ‘ecosystem’—the community of organizations, institutions, and individuals that impact the enterprise and the enterprise’s customers and supplies’ (2007, p.1325). This ecosystem is loose and amorphous, particularly in the ‘high-velocity’ environments depicted by Eisenhardt and Martin (2000, p.1111), where ‘market boundaries are blurred, successful business
models are unclear, and market players (i.e. buyers, suppliers, competitors, complementers) are ambiguous and shifting’. Teece proposes that: ‘[s]earch [for new opportunities] must embrace potential collaborators—customers, suppliers, complementors—that are active in innovative activity’ (2007, p.1324). Such search activities have been identified in ‘more productive product development projects’ which were ‘characterized by extensive communication links outside of the group’ or which had ‘heavyweight leaders who engaged in significant external communication’ (Eisenhardt and Martin, 2000, p.1009). Elaborating on Teece’s ‘ecosystem’ (2007), one study deems relational capability so critical to success that the authors extend their definition of dynamic capabilities to embrace ‘alliance partners’ (Helfat et al., 2007) and, whilst the contemporary value of relational capability may seem obvious, Hoopes et al. (2003) point out that the topic of alliances and networks lies entirely outside the scope of the resource based view.

The empirical data in this thesis fits the concept of ecosystem, described by Teece (2007). In addition, this thesis further builds on Teece’s concept by defining the actors within the ecosystem as stakeholders. This additional theoretical perspective is informed by an instrumental interpretation of the literature on stakeholder theory, which offers a complementary lens conjointly to explore and link the ‘process and content’ perspectives on dynamic capabilities (Helfat et al., 2007, p.33-35). Stakeholder mapping was useful in order to ‘freeze’ interactions between stakeholders, to ‘make a sequence visible and … show patterns in what is happening’ (Weick and Quinn, 1999, p.379). The approach in this thesis also responds to an observation made by Teece in connection with firm structure that: ‘the boundaries of the firm can no longer be defined with reference to equity stakes. Networks that do not involve equity are likely to be an integral part of the firm as a functioning entity’ (Teece, 2000, p.52).

Dynamic capabilities are deemed to interact with external actors in modes other than innovative ‘search’ patterns, since they are also said to represent ‘the firm’s ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments ’ (Teece et al., 1997, p.516, researcher’s italics). In certain circumstances, organisations use dynamic capabilities to ‘create market change’ (Eisenhardt and Martin, 2000, p.1107) and ‘help shape their environments’ (Augier and Teece, 2009). However, the extant literature on dynamic capability is less lucid on how organisations actually effect such change within the ecosystem. The depiction in this thesis of orchestrated stakeholder dialogue shows market change occurring within the more fluid context of the ‘ecosystem’ (Teece, 2007). The next sections address the question of how this market change is achieved by analysing the mechanics of the sub-categories of the phenomenon of orchestrated stakeholder dialogue in relation to three core concepts found in extant dynamic capability theory.
Orchestrated stakeholder dialogue within the traditional boundaries of the firm

Orchestrated stakeholder dialogue extending beyond the traditional boundaries of the firm
Comparing the core category to meta-theory on dynamic capabilities

There are significant parallels between the main categories which emerged in the first study of this thesis (recurring in the follow-up study) and the disaggregated ‘modes’ of dynamic capability depicted by Teece (2007). The four main sub-categories of ‘orchestrated stakeholder dialogue’ were reviewed in chapter 6(b) of this thesis. They were: ‘agitating’ (stimulating insight), p.63-65; ‘what’s in it for me’ (nuanced dialogue), p.65-68; ‘a clear framework’ (facilitation of change), p.68-69; and ‘bring them in’ (stakeholder integration), p.70-71. The category of ‘agitating’ shares characteristics with the mode of ‘sensing’ (Teece, 2007). The categories of ‘what’s in it for me’ and ‘bring them in’ relate convincingly to the mode of seizing (ibid). Finally, the fourth category, ‘clear framework’, can be understood as a range of enablers which improve the capacity of the organisation to change quickly and effectively. Hence, this category relates to Teece’s mode of ‘reconfiguration’. These parallels are discussed below in separate sub-sections, but the fact that orchestrated stakeholder dialogue can be identified in all of Teece’s modes in both of my studies lends weight to the earlier hypothesis (p.77) that orchestrated stakeholder dialogue represents a new, unifying theory of dynamic capabilities, rather than simply a new, undocumented but isolated dynamic capability.

(a) Relating ‘sensing’ to the concept of stimulating insight

The mechanics of stimulating insight, as described in the first section of the emergent theory document, have much in common with the thinking of Schumpeter (1934). Schumpeter, as discussed in the literature review, is identified as a seminal influence on dynamic capability theory (e.g. Teece and Pisano, 1994; Galunic and Eisenhardt, 2001; and Teece, 2007). The job of Schumpeter’s entrepreneur is ‘to destroy all equilibria’ (Baumol, as reported in Teece, 2007, p.1322) and the ‘Schumpeterian world’ is one of ‘creative destruction’ (as reported in Teece and Pisano, 1994, p.551). This world corresponds to the notion of ‘accelerator programmes’ in the data, which serve to ‘disrupt’ the marketplace (IV13). In the extant literature, Teece (2007) cautions that ‘new insights about markets—particularly those that challenge the conventional wisdom—will likely encounter negative responses. The promoters/visionaries must somehow defeat the naysayers, transform internal views, and facilitate necessary investment’ (2007, p.1327). Similarly in the data, such innovators risk being labelled as trouble-makers: ‘I keep saying to my boss, it’ll not be long before they are coming down the corridor and pointing out how I’m a trouble-maker […] I am a trouble maker because I am […] agitating the “org” and that’s not ok’ (IV16). Similarly in IV15 the participant advises us to ‘always look for a troublemaker [to] come out with this wonderful invention, as often as not […] to freewheel […] these people are pulled out of their jobs and told just go and think over there and cause some trouble’ (IV15).

Another ‘class of factor’ (Teece, 2007, p.1322) in the detection of opportunities, attributed by Teece to Kirzner, is where ‘entrepreneurs have differential access to existing information’ and use it as a mechanism to move back ‘towards equilibrium’ (Teece, 2007, p.1322). This brings into scope other data described in the insight section of the emergent theory document where ‘reshuffling’, ‘aggressive shuffling’, and ‘cross-pollination’ (IV03) of staff is orchestrated in order to disseminate and integrate efficiencies, or to ‘generate best practice’ (IV03). The same purpose is achieved by the CEO in promoting the notion of ‘boundarylessness’ (IV11). Colleagues in different parts of an international publishing business ‘looked over the fence and took a look at what these guys did and took the best of it and implemented and shared good practice’. This type of activity is more integrative in nature than the earlier examples of agitating. The search is for examples of best practice that already exist elsewhere inside the organisation, which can then be disseminated. In vivo expressions such as ‘shuffling’ and ‘cross-pollination’ (IV03) relate closely to the theme of modularity, as described in the literature review
(p.38-40), where there is a ‘reshuffling of the deck of corporate resources’ (Galunic and Eisenhardt, 2001, p.1243). The ‘aggressive shuffling’ in IV03 describes how different managers are transferred across functions of a global mining firm in an effort to stimulate and propagate new ideas.

The category of stimulating insight therefore has two important dimensions. Contained and integrative stimulation depicted in ‘shuffling’ and ‘cross-pollination’ is closer to the extant notion of modularity, because they imply boundaries within which reconfiguration occurs. Examples of ‘agitating’ ignore (or indeed break) such boundaries. The ‘accelerator program’ (IV13) and the notion of getting ‘the customer debating’ (IV09) embrace external stakeholders as well as internal stakeholders in the strategic generation of insight. ABC’s customer-centric configuration delivers two elements which Teece deems desirable in business models seeking to ‘sense’ opportunities: ‘[…] have a deep understanding of user needs, […] analyse the value chain thoroughly so as to understand just how to deliver what the customer wants in a cost-effective and timely fashion’ (Teece, 2007, p.1330). These empirical examples also correspond to Teece’s assertion that ‘enterprises must search the core as well as to the periphery of their business ecosystem. Search must embrace potential collaborators—customers, suppliers, complementors—that are active in innovative activity’ (2007, p.1324). Teece places special emphasis on the input of the customer, using the word customer eight times in one section when describing the mechanisms of sensing (2007, p.1322-4). Teece states that the organisation must build a detailed sense of customers’ needs, analysing their actions, their frustrations and how customers respond to products. Empirical examples of how this can be achieved using orchestrated stakeholder dialogue emerge in the data from the first study (for example in the use of an experience tab in IV08 to glean customer fashions, and in the collection of both negative and positive customer feedback in the call centre in IV15). In addition, Teece (2007) suggests that certain ‘visionary members of customer organizations are often able to anticipate the potential for new technology and possibly even begin rudimentary development activities’ (ibid, p.1324). The data from IV02 shows how the ideas of some such visionaries are harnessed by the software solutions firm in order to visualise and then create new products, and in IV09 the product designers innovate by ‘getting the customer debating’. The emphasis on tapping into customer insight is even more pronounced in the follow-up study, where ‘the [customer service] call centre is very much at the thick of what ABC is about and … actually this is where your real value is because look how many customers we talk to every day’ (IV21).

The notion of stakeholder dialogue is explored in extant literature in Ayuso et al. (2006). However, in their paper, stakeholder dialogue is orientated around the theme of sustainable development and ‘stakeholder needs’. This privileges the ethical dimension. In contrast, the phenomenon of ‘orchestrated stakeholder dialogue’ depicted in this thesis is essentially instrumental in nature, practical in purpose and focuses on strategic efficacy rather than, purely, sustainability. In addition, Ayuso et al. (2006) present stakeholder dialogue purely as a source of insight. ‘Orchestrated stakeholder dialogue’ is shown in this thesis to apply to other modes of dynamic capability, as the subsequent sections will show. Indeed, in the follow-up study, ‘orchestrated stakeholder dialogue’ is present in all three of Teece’s modes of sensing, seizing and reconfiguration and the modes operate in strategic alignment, as for example in ABC’s recruitment process (p.92-93).

(b) Relating ‘seizing’ to the concepts of nuanced dialogue and stakeholder integration

Teece also suggests that ‘the impact of exploration is highest when exploration spans organizational (but not technological) boundaries’ (2007, p.1324), implying that an exhaustive exploration of the possibilities available in the existing area of technological capability may be more constructive than an exploration of new technologies. The in vivo expression, ‘what’s in it for me?’ is used by two different
participants in the first study (IV07 and IV08) in order to depict how change agents consider ‘different angles’ with change targets in order to engage them (IV08). Another in vivo expression which depicts this type of nuanced dialogue is the ‘meeting before the meeting’, where the change agent talks to key stakeholders separately in order to distinguish and address particular agendas and sets of motivation (IV07). Other data in this thesis show successful change programmes harnessing stakeholders who possess different motivations (e.g. IV04, IV05 and IV03). This is achieved through methods including ‘courtship’ (IV07), ‘communication’ (IV06) and ‘maps’ (IV15), all of which move programmes towards a common ‘change imperative’ (IV07). In IV04, the programme of change progresses through temporal phases, where different sets of perceived stakeholder motivations are targeted. One challenge for a change agent is deciding how to help each change target perceive the change in meaningful terms and in ways which will ‘enthuse’ (IV15) and ‘mobilise’ that individual (IV12). When the participant in IV08 introduces a new recruitment process, he refers to the ‘vision’ of the change having ‘multiple angles’, according to which stakeholder group he is addressing. The ‘seizing’ process is multi-layered and a common pattern in the data from both studies is the ability to recognise multiple perspectives. The data in the follow-up study validates the findings about the practical value of nuanced dialogue. Freeman describes stakeholder management as the act of ‘putting oneself in the shoes of somebody else’ (1984). Freeman’s has been depicted as an ‘intensely business-first, manager-friendly, strategic management text’ (Walsh, 2005, p.429, reviewing Freeman, 1984). Similarly, this thesis focuses on the strategic dimension and recognises that ultimately ‘it isn’t necessary to sympathize or express a genuine liking for a point of view, but to play the role of a particular group’ (Freeman et al., 2007, p.112). I consider that ABC’s combination of ethical and strategic motivation is more powerful because the strategy is reinforced by the culture (see p.84-85). CSRs at ABC are encouraged to put themselves into other people’s shoes in order to ‘get the right outcome’ for the customer (IV23 and IV24). At the same time the CSRs identify solutions which have an emotional appeal for a wider stakeholder audience. This can be seen in ABC’s virtual dialogue with the general public about covering the veterans and the Passport Office conundrum, and the way in which the media channels pick up and run the flood story at Dover docks (see p.81). The symbolic value of such stories, where the CSRs are the champions of the customer, echoes the totemic, as well as real, roles played by change agents in the first study (for example in IV03 and IV04) and these themes are discussed in more detail in a later section (Agents of change: actual and symbolic roles in change, p.112-114).

The sub-category of ‘bring them in’ can also be recognised in Teece’s mode of seizing (2007). Whereas, ‘what’s in it for me’ is the process of identifying nuanced motivations, ‘bring them in’ is the process of harnessing these motivations around a mutually desirable ‘change imperative’ (IV07). Bringing clients into ‘consortia’ and ‘collaborations’ (IV02) entails a reinvention of the roles and relationships played by the clients in the business model. These business models are empirical examples of orchestrated stakeholder dialogue which demonstrate Teece’s construct of a ‘differentiated (and hard-to-imitate) yet effective and efficient ‘strategic architecture’’. The models pose the additional benefit of being ‘hard for competitors to replicate’ (Teece, 2007, p.1330). Competitors of the software house in IV02 may be able to develop products which offer the same functionality, but, unless they can identify a new set of willing collaborators in order to form a consortium, the competing product will not offer the same customer value proposition of relatively low unit cost, linked to good support standards and low maintenance costs. In IV02, the competitive advantage lies above all in the configuration of the stakeholders, where customers are embedded in the solution once it is implemented.

Central then to the examples in the data and to Teece’s notion of seizing is the importance of designing a suitable business model and appropriate ‘enterprise boundary choices’. An organisation’s ‘product architectures’ and business models ‘define the manner by which the enterprise delivers value to
customers’. They also ‘reflect management’s hypothesis about what customers want and how an enterprise can best meet those needs’ (Teece, 2007, p.1329). Kindström et al. (2013) reflect this in the empirical setting of two manufacturing firms which adapt ‘their environment through innovation and collaboration with their customers and other key actors’ (ibid, p.1064). Some data from the first study (IV02 and IV08) and the customer-centric structure of ABC each take this approach further by embedding customers and other stakeholders into innovative business models. The ‘consortia’ and ‘collaborations’ described in IV02 and the online retail site in IV08 bring stakeholders together in new combinations, which in turn generate new sources of value for them. These last two examples show ‘orchestrated stakeholder dialogue’ which embraces external as well as internal stakeholders. I argue that these examples are situated at the more challenging end of the dimension of ‘orchestrated stakeholder dialogue’, because external stakeholders such as customers are not beholden to the organisation in the same way as employees. Customers can churn if they don’t like the idea or direction being pursued by an organisation. The general public can remain disengaged. In contrast, employees may be obliged to adapt, at least in the short term. These last two examples, where the customer is strategically orchestrated are also of particular significance because of the customer’s overarching importance to the organisation. As noted in the introduction ‘whatever the business model, it doesn’t matter what anybody else thinks if the customers don’t like it’ (Paul Gratton, CEO of egg, quoted in The Sunday Times, May 2000). The next question to consider is how organisations influence external stakeholders who are not beholden to the organisation. This brings us to another sub-category of orchestrated stakeholder dialogue, that of frameworks.

(c) Relating frameworks to ‘reconfiguration’

Teece uses the word reconfiguration, rather than configuration. The phraseology may be chosen by Teece to imply that there is a need to repeatedly ensure the ‘fundamental fit between external opportunity and internal capability’ (Mintzberg et al., 2005). In this thesis, I propose that establishing that ‘fundamental fit’ is a collaborative arrangement amongst stakeholders, which may depend on more ephemeral, mutually desirable cultural frameworks such as trust, fairness (see p.68-69) or empowerment (see p.84-85). These frameworks can be used repeatedly in order to enable the design or conception of different products or services. As such they are enablers of dynamic capability. These frameworks may also reflect and support ‘the way things are done in the firm’ (Teece and Pisano 1994). Teece refers to a ‘collaborative non-hierarchical management style’ (2007) which can to some extent accommodate the conflicting drivers of decentralisation for flexibility and integration for efficiency (2007, p.1336). From a structural perspective, Teece observes that ‘hierarchically organized enterprises involve bureaucratic features that […] may muzzle innovation proclivities’ (2007, p.1327). The answer to this in the data may lie in ‘taking something completely outside of the standard org,’ to ‘create something and then try and absorb it back in’ (IV12). The culture of such dynamic environments implies ‘more frequent personal contact and less rigid process’ (IV12). It is also reflected in the notions described in other data such as the informal brainstorming groups called ‘skunkworks’ (IV15), the ‘cross-pollination’ of ideas between the functions of the global mining firm, or the attempts to propagate best practice in a publishing firm through the notion of ‘boundarylessness’ (IV11). ABC avoids overly hierarchical processes in favour of open dialogue. The collaborative change programme (see p.83-84) demonstrates the effectiveness of this approach inside the organisation. The extensive nature of the training programme, the policy of buddying and the accessible, supportive work environment all help to build a culture of mutual trust, in which the CSRs are able to discuss ‘ideas’ for customer service and to implement them. In addition there is a profound effort at ABC to engage with peripheral stakeholders. The meticulous and careful management of unsuccessful applicants for roles at the company, (p.90-91), can be compared to elements of the ‘fairness process’ described in a software solutions business in the
first study (IV02). In both cases, the organisation’s culture conveys something positive about its brand to peripheral stakeholders in the wider ‘ecosystem’ (Teece, 2007).

Trust and fairness

Exploring the enablers of dynamic capabilities, Pablo et al. (2007) describe how ‘relational trust’ enables the clinical and administrative functions of a hospital to work together more effectively (see literature review, p.33-34). Similarly, the data in the first study show that trust is valuable in achieving change (e.g. IV03, IV04, and IV06) and that a sense of unfairness can impede change (IV03). In the follow-up study, ABC builds ‘a culture to say to our people out there “if something doesn’t feel right it probably isn’t, so let’s challenge that”’ (IV21) and this culture encourages staff to voice new ideas.

This thesis offers relevant empirical evidence to support Pablo et al.’s conclusions, since it includes (in IV02 and ABC) examples of trust enabling dynamic capabilities related to the generation of insight.

In both studies in this thesis, the culture of trust is used beyond the traditional organisational boundaries to strengthen ‘the relationship with the customer’ (IV24). One CSR observes that there is less of a divide at ABC between the CSRs and the customers. In contrast, at a previous employer ‘it felt very much like I was almost talking down to them [the customers] and there was always that kind of well you should know this kind of attitude that I didn’t portray but it felt like the process portrayed that’ (ibid). The ‘fairness process’ has an industry level significance to the firm in IV02, which endeavours to be ‘perceived both internally and externally as being fair in the way you treat people’. Arguably it this sense of fairness which enables the firm in IV02 to credibly promote consortia and collaborations to its clients. Likewise, ABC’s standing is enhanced in the market by winning awards for fairness (such as the Most Trusted Insurer Award) as well as for the quality of its products (including numerous Defaqto five star awards).

At the software house in IV02, the existence of the culture of trust is linked to what is described as ‘the fairness process’. This underpins such initiatives as benchmarked salary scales, calibrated to industry standards, where all staff ‘get the going rate’. Inside the organisation, ‘the fairness process’ is credited with helping to keep staff-churn low. In the firm’s ecosystem, a sense of trust is engendered amongst the firm’s clients. The example demonstrates empirically that in such situations, ‘[e]ffective value creation from alliances requires the firm to coordinate across organizational boundaries […] and use effective governance mechanisms including contract and trust based relationships’ (Helfat et al., 2007, p.79).

A culture of trust also offers a bridging point between the two distinct modes of dynamic capability which Schreyogg and Kliesch-Eberl identify as the ‘learning and transformation processes’ (2007). These modes are said to reside together uncomfortably in Teece’s ‘integrative approach’ to dynamic capabilities (ibid), and the same authors reject Teece’s approach on the basis that it ‘builds on two contradictory notions of logic at the same time: reliable replication and continuous change—two dimensions that hardly mix’ (ibid, p.922).

However, innovation and integration do mix in that they can share the same enabler. IV02 demonstrates that trust enables innovative ideas to take root. There is further evidence of this in IV06, when new roles and pay-scales are legitimised by staff from HR, who are there to ‘keep us honest’. Elsewhere, a prevailing culture of trust within an organisation ‘makes it more able to change’ (IV15) since ‘there’s a chemistry there, he trusts you’ (IV07).
The follow-up study presents a more holistic framework where a supportive, trusting culture encourages the building of informal relationships across different parts of the organisation, allowing individuals to collaborate more effectively. Candidates are recruited based partly on evidence that ‘they will have initiative in the job’ (IV22). Staff members are encouraged to ‘make a decision on their own initiative, for the good of the customer ... that’s the sort of thing we do all the time’ (IV21).

Trust and fairness are enablers of dynamic capability, but they are fundamentally different from the dynamic capabilities which they support. These enablers are depicted in the theoretical literature as ‘the way things are done in the firm’ (Teece and Pisano 1994) and so they constitute commonly shared mind-sets rather than capabilities. In extant empirical literature on dynamic capabilities they are simple rules or boundaries (Eisenhardt and Martin, 2000). Whilst they may serve as valuable enablers to performance, these enablers are essentially static in nature. As such, I would argue that they are similar to the notion of the ‘values’ that undergird integrated organisational performance for those theorists embracing a cultural view of organisational strategy (Peters and Waterman 1982).

**Empowerment**

ABC are said to ‘have built that culture where people can talk directly to the underwriters rather than have to jump through hoops to get there’ (IV21). When linked to notions of collaboration and trust, this framework encourages staff at ABC to engage in constructive and open dialogue. Similarly, in extant literature on dynamic capabilities, Kale and Singh describe the benefits to ‘alliance know-how’ of knowledge sharing through ‘communities of personal interaction within the organisation’ (2007, p.985).

In IV06, the telecoms firm stimulates another form of ‘interpersonal interaction within the organization’ (Kale and Singh, 2007, p.985). A performance management framework is introduced that makes it easier for staff to know what skills they have. The framework also therefore signposts what skills to acquire in order to reach higher levels in the organisation. The system includes job descriptions for all roles within the division and training modules enabling staff to acquire the skills necessary to move from one job set to a new job set. The performance management framework stops staff from becoming ‘pigeonholed’ (IV06), enables them to ‘understand where they were in the structure’ (ibid) and to ‘reassess themselves’ (IV06), and consider how to have flexibility to ‘move on’ or become viable for ‘a number of roles’ (IV06). The system corresponds to the ‘actor-orientated’ mechanisms described by Fjeldstad et al. (2012). Fjeldstad et al. describe the use at Accenture of ‘knowledge commons’ (2012, p.744), where the consultancy operates a ‘people mobilization system’, enabling staff to apply directly to a team being assembled elsewhere in the global organisation for new client projects.

The performance management system (IV06) has a stronger orchestrative dimension than the ‘knowledge commons’ (Fjeldstad et al., 2012) in that the performance management system also gives managers in the organisation an overview of manpower profile: ‘how many people we had accredited at the level and how that was spread across the base’ (IV06). The ‘metrics’ also allow managers to assess whether someone is performing to a specific level and helps managers to identify training needs for individuals, providing a kaleidoscopic perspective for competency analysis. Decision makers are able to ‘expose’ and ‘scrutinise’ under-performers or ‘pinpoint’ exactly where the problem lies, be it the incapacity of the individual or of the team leader to do the required job effectively (IV06). Furthermore, the performance management system offers benefits to the customer base. IV06 describes how the performance management system and linked accreditations build into a broader understanding of the organisational capability sets, which can then be more precisely mapped towards relevant external
customer groups. Certain customer service agents took longer to handle customer calls on average, because they were more ‘chatty’ with customers. Within the customer base, certain customers were identified who called the customer services department not because they had a service issue, but rather because they wanted to talk to someone. These two parties were then aligned to create integrative benefits for all of the stakeholders. The benefit of this realignment for the agents was that they were assigned to work for which they were most suited. The benefits for the customers who wanted simply to chat was that they could do so with less pressure on the agent to close the call. The organisation was able to achieve an additional benefit of assigning its more task-minded service agents exclusively to calls of a more technical nature.

Orchestration, not management

Adner and Helfat develop the notion of ‘dynamic managerial capability’ (2003), which I discuss on p.27 and p.40 of the literature review. Such capability has been described as an ‘element’ of dynamic capabilities, in which a key function of managers is ‘asset orchestration’ (Helfat et al., 2007). Adner and Helfat describe how ‘managerial human capital, managerial social capital, and managerial cognition shape the resource and capability base of the corporation’ (2003, p.1022). Adner and Helfat’s orchestration is essentially an internal human process where managerial capital, social capital and human cognition are harnessed into a more complex capability at individual level. In contrast, the orchestration described in this thesis is an orchestration of other people, notably the change targets in the first study (as one might expect from a study of change managers) and the wider community of external stakeholders in the follow-up study. Consequently the orchestration in this thesis emphasises dialogue, in order to ‘refashion organisational capability to realign it with the evolving marketplace’ (Appendix 4). Kindström et al. (2013) identifies a dynamic capability underpinning ‘service innovation’ and places the customer as a stakeholder firmly in the middle of this process. This thesis provides further empirical examples of the use of customers in the sensing mode (e.g. IV02, IV06, of IV09), complementing the work of Kindström et al. (2013). This thesis adds additional dimensions in terms of the use of external stakeholder dialogue by showing how customers and other external stakeholders occupy central roles in the seizing and reconfiguration modes of dynamic capability (in IV02, IV08 and ABC).

Managers are not obviously involved in the dialogue at ABC, but they orchestrate it (see Appendix 4, point 5, p.140-141). The same applies to certain data in the first study, for example in the use of empathetic change agents in IV03 and IV04. At ABC, the role of management is light-touch, in the context of empowered, collaborative employees. Yet ‘asset orchestration’ (Adner and Helfat, 2003) is clearly evident in the alignment which exists between ABC’s KPI’s and values (Appendices 8 and 9), and the organisation’s processes, structure and culture. There is a consistent and over-arching strategy in place (see p.86-87). The strategic alignment at ABC also extends to actions on the ‘front line’ (IV21), because the behaviours and choices made by CSRs conform to ABC’s KPIs and values. The findings of the follow-up study fully support the progression made in the first study away from the use of the words “manager” or “leader” in favour of the key category of “orchestrator” and “orchestration” (see p.59).

If the dynamics of change are perceived in terms of dialogue, rather than process, this illuminates another finding from the first study, about the people who direct change. The word ‘manager’ was rejected by four participants in the theoretical sampling stage. One of them said that it ‘felt wrong’ (IV16) and three others preferred the word ‘leader’ (IV14, IV17, IV15). I proposed the word ‘orchestration’ during the theoretical sampling stage and this was adopted positively by participants in the later interviews of study one. Whilst ‘manage’, ‘lead’ and ‘orchestrate’ might all imply some form of
control, orchestrate alone additionally implied the more consensual “arrangement” which characterises organisational change in the data. The word orchestrate is also more appropriate in cases embracing external stakeholders. For example the independent collaborators (IV02), pressure groups (IV03), or customers (IV21) cannot be “managed” or “led” in paths which do not appeal to them. Instead these stakeholders require more subtle orchestration.

**Individuals as orchestrators**

Orchestrators are ‘purposefully’ engaged in what has been defined in dynamic capability literature as ‘asset alignment’ (Helfat et al., 2007, p.21) and ‘asset orchestration’ (ibid, p.121). However, the role of the orchestrator is a topic which has only been sparsely explored in extant dynamic capabilities literature. It has been ‘analogically’ converted into the term ‘dynamic managerial capability’ by Adner and Helfat (2003), who further segment dynamic managerial capabilities into the three internally orientated attributes of ‘human capital, social capital and management cognition’ (see p.27 and p.40). ‘Dynamic managerial capabilities’ have also been described as an ‘element’ of dynamic capabilities by Helfat et al. (2007), who observe that managerial activity in dynamic markets involves ‘orchestrating complementary and co-specialized assets, inventing and implementing new business models, and making astute investment choices (including with regard to research and development, and mergers and acquisitions) in situations of uncertainty and ambiguity’ (Helfat et al., 2007, p.25). Teece, meanwhile, develops the notion of the ‘entrepreneurial manager’ who ‘is strategic in nature and achieves the value-enhancing orchestration of assets inside, between, and amongst enterprises and other institutions within the business ecosystem’ (2007, p.1344). The prefix ‘entrepreneurial’ distinguishes these managers from operational managers since ‘[d]ynamic capability is a meta-competence that transcends operational competence. It enables firms not just to invent but to innovate profitably’ (Teece, 2007).

This thesis explores customer service representatives, change managers and, indirectly, senior managers as orchestrators of dialogue. Orchestration occurs in three modes, each of them corresponding to one of the three ‘activities’ of dynamic capability defined by Teece: those engaged in sensing, seizing and reconfiguration (2007). The orchestrators arrange, select and/or reconfigure certain internal or external stakeholders in patterns of dialogue in order to:

- Generate new knowledge (e.g. industry insight in IV13, customer insight in IV09 and IV14, and the ability to ‘think slightly differently’ at ABC or to formulate customer service ‘ideas’ (IV21). These activities are comparable with the ‘sensing’ mode of dynamic capability (Teece, 2007; Harreld et al., 2007; and Augier and Teece, 2009);
- Shape a solution (choice of strategic path, e.g. ‘collaborations’ in IV02, ‘meeting before the meeting’ in IV07 and IV08; select a change ‘champion’ in IV05; make a ‘connection’ with customers at ABC (IV23) and recognise how to ‘deliver great customer service’ (IV22). These activities are comparable with the mode of dynamic capability of ‘seizing’ (Teece, 2007; Harreld et al., 2007; and Augier and Teece, 2009);
- Remodel the capability (by conceiving new roles and configurations for stakeholders), e.g. the ‘consortia’ in IV02, the customer e-hub in IV08, or putting customer service ‘at the thick of what ABC is about’ (IV21). These examples relate to the mode of dynamic capability of ‘reconfiguration’ (Teece, 2007; Harreld et al., 2007; and Augier and Teece, 2009);
- Present or reaffirm the ‘frameworks’ which facilitate change, such as the ‘honest broker’ (IV06) of trust and fairness.
Teece (2010) describes dynamic capabilities as being deployed by ‘virtuoso teams’ comprising an ‘entrepreneurial manager’ coordinating the efforts of ‘literati’ (typically arts graduates) or ‘numerati’ (typically maths or engineering graduates). In contrast, the data from the two studies and the specific examples listed above all indicate that sensing and seizing can be achieved by actors who are neither managers nor overtly technical. Evidence from these two studies shows sensing and seizing to be more instinctive talents, but talents which can nevertheless be identified in the recruitment process, as demonstrated by ABC.

**Agents of change: actual and symbolic roles in change**

Chambers defines an agent as ‘a person who acts or exerts power’ (Macdonald, 1974). Organisations use change agents to perform a practical implementation role. Consciously or otherwise, the change agent exerts power in a more totemic role. CSRs are also more generally called “customer service agents” and the interventions of these agents can also have totemic significance. The findings section of the follow-up study contains four examples of extraordinary customer service (p.85-87), which resonate in the manner of stories.

The use of a change agent or change agents for achieving engagement is common to the data in the first study (occurring in all 17 interviews). These actors can lend the change programme credibility by virtue of their own standing in the organisation or what IV03 terms their ‘kudos’. Other actors can be enthusiastic ‘champions’ (IV05, IV15 and IV17), who need not be charismatic, but are flying the flag of change. Perhaps the most compelling change agent is the empathetic type described in IV04 as ‘someone who is “one of you” not “one of us”’ (IV04). The change targets can relate to this agent in terms of financial status, because he is extracted from a role comparable to theirs, in a branch of the retail organisation, which pays less than £20,000. In addition, his branch has been carefully selected as one of those ‘that delivers the kind of result that people are after’ (IV04). As the programme is rolled out, the change agent embodies one of the ‘people that use this system and how effectively their stores run’ (IV04).

Participation by stakeholders belongs at one extreme of the dimension of dialogue. It demonstrates greater levels of trust by the organisation in the stakeholders. The change agent in IV04 participates in the design of the point of sale [POS] solution and then in the implementation process. Because he has worked in a shop himself, he is given full remit to offer his insight as to the way things are done in the organisation’s retail environment (ibid). In addition, he has credibility amongst his colleagues (the targets of the programme). His role is direct. Whilst he does not make the final decisions on the implementation, his influence is high in terms of the nature of the solution. Further authenticity is given to the change proposal because it is not an idea plucked out of the air and imposed on the employees by management. The change “destination” exists already within the organisation in the ways in which this change agent’s team has been running its store. The team ‘has found a way to run a store that is compliant. It seems to lose less, there is less fraud, there are fewer dismissals for gross misconduct’ and it has ‘found ways of interpreting this deluge of information [from head office and divisional managers] and putting it into some kind of logical format that they can work with and that delivers the kind of result that people are after’. The change proposal is subsequently developed, with this change agent focally involved, as a sequence of discussions between stakeholders: ‘so here is someone who is ‘one of you’ not ‘one of us’. He’s going to speak to you. He’s going to speak to us and we are going to design a way that you guys can work’ (IV04).
This process of building empathy across the internal stakeholder community features across the data from the first study (e.g. IV06, IV07, IV08), but empathy is also valuable in relation to peripheral stakeholders, such as the environmental stakeholders in IV05. Such empathy is also a strong feature in the case study. Examples are the positive media coverage garnered from events at Dover Ferry terminal (p.86), where ABC arranges for its customers’ cars to be fixed before they arrive home from their holidays. Another customer services story describes how a publican is involved in the efforts to ensure the safety of an (insured) elderly couple stranded on a nearby roadside (p.86).

In IV03, the change agents are ‘well-thought of by employees who would command the respect of their peers’ and who give the programme ‘kudos’. Their role is ambivalent since they give the project credibility but also act as reassurance to the change targets that the outcome of discussions around the change process is not ‘a done deal’. In IV05, the change agents are the ‘early adopters’, and they become the ‘champions’ of the change. The rationale behind the choice of change agent in IV04 is complex. It is partly because he is “one of you” not “one of us”’. It is also partly because his shop is one of those ‘that delivers the kind of result that people are after’ (IV04).

The participant in IV08 is a relatively new hire within a large, fast-moving retail business. He is attempting to implement a new recruitment service but wants the long established line managers to be supportive of the programme. He therefore decides: ‘I wanted them to come up with the solutions’ (IV08). When a list of preferred suppliers needs to be agreed, he includes all of the suppliers recommended by the line managers alongside his own choices. In this way, he accommodates all stakeholders, both inside and outside the organisation, whilst simultaneously creating a control group where the performance of all of the suppliers can be compared, in the pursuit of best practice and best value.

Propagation, like insight, is facilitated by recognising and, where possible, accommodating different stakeholder perspectives. In IV07, the change agent attempts to put himself into each change target’s shoes (Freeman et al., 2007). A financial services sector firm is seeking to use a change programme to rationalise support functions across certain market segments. The programme is presented as ‘rebalancing’, rather than ‘cost-cutting’ (IV07). The choice of words prompts the more senior change targets to consider how they can respond to the change process, what might be the ‘least worst alternative’, and what they can do the help steer the change programme towards this alternative. In IV04, the word “process” is entirely avoided since ‘the word “process” conjured up some very negative perceptions and behaviours… It was “boring”. It was a precursor to redundancies. It was all of the negative things and none of the positive things that it can be, so we had to end up avoiding the word’ (IV04). Instead, they call the system a “how to” guide’. The choice of vocabulary successfully appeals to what IV04 calls ‘hearts and minds’. In the same vein, the solution’s look and feel are designed to appeal to an audience for whom ‘Facebook and Twitter and all of these things are the order of the day’. These are incremental elements in a broader strategy which might address the question ‘what’s in it for me?’, a refrain that is considered central to successful change implementation by the participant in IV07 (who uses the phrase eight times) and which is also used by the participant in IV08.

Careful orchestration is required to harness parties around a common change goal, whilst simultaneously discussing diverse, more nuanced, benefits or, at the very least, proposals that are acceptable to all parties to the change. This leads sometimes to a phased approach to change, through which different groups of change targets are ‘courted’ (IV07) in different temporal phases (e.g. IV04, IV05 and IV07). Such an approach benefits from systems which can both map the targets that adopt or resist the change, and also detail their particular motivations. This more personalised approach allows
the change managers better to orchestrate the targets of change. In IV07, for example, change targets are assigned to particular individuals within the change team with whom they get along. In IV07 the change specialist arranges a ‘meeting before the meeting’ with each of the key targets of change, firstly in order to gain a clear impression of their perspectives (what must be ‘in it’ for each of them) and secondly in order to convey to them the ‘change imperative’ (IV07), the unmovable element of the change programme that is, in the words of another participant, simply ‘going to happen’ (IV06). Subsequent dialogue, presentations and negotiations can all then revolve more efficiently around these two essential poles. The change agent has a relatively local bearing on strategy, but the culture of many organisations in the data creates dialogue with stakeholders across and even beyond the traditional boundaries of the firm.

Facilitating orchestration through structure

In increasingly dynamic and ‘hypercompetitive’ business environments, ‘stability of organizational form may have limited applicability’. Yet ‘the question of how firms organize to achieve dynamic fit with these environments merits further attention’ (Rindova and Kotha, 2001, p.1263-4). Flexibility is required at the levels both of management and structure: ‘in a fundamentally unpredictable environment, which may also be dynamic and complex (hypercompetitive) the optimal form employs a broad flexibility mix dominated by structural and strategic flexibility and has a nonroutine technology, an organic structure, and an innovative culture’ (Volberda, 1996, p.366-367). Correspondingly, “[d]ynamic capabilities theory recognizes [...] more flexible organizational structures that are needed today’ (Augier and Teece, 2009) and it has been argued that such internal flexibility is itself a dynamic capability (Karim, 2006).

In the data, smaller companies are said to be more dynamic than larger ones, partly ‘because there is a very small number of real decision-makers at the very top’ (IV12) and ‘fast dynamic environments tend to be relatively small, tight knit units’ (IV12). A small company, by its very nature, has a flat structure with decision-making close to where the tyre hits the road. Likewise, companies that specialise in launching new services consist of ‘a relatively small core of people ready to make decisions, make mistakes, move fast, confident that they would be nimble enough that, whatever mistakes they made, they would fix along the way’ (ibid). In addition ‘small companies are willing to stop things much more readily than big companies’ whereas, in big organisations, ‘by the time you actually stop something, you may have invested many multiples of millions of pounds’ (IV12). This allows small companies more latitude than large ones to ‘fail fast, learn quickly, fail fast, learn quickly. Fail now while you have got money left. Fail now while you have got time left, but test and test and test and fail now’ [sic] (IV16).

Despite its great size, the mining organisation in IV03 has retained a relatively flat structure due to the nature of its industry. In one sense, accountability must be as decentralised as the mines themselves. The structure enables important local decisions to happen more quickly. Significant power rests with the local managers responsible for generating ‘big dollars’ from ‘digging holes’. The culture described in IV03 is one where managers have ‘hard hats on the shelf behind their desk and they’re “jeans and working boots” type people rather than “suits”, so quite a flat system and in terms of interpersonal relationships. It’s much less formal than you would get in a typical white collar environment’. Flat, informal structures allow non-production related decisions such as change programmes to be made quickly, because the implementer is more closely connected to the source of the decision.

Yet flat structures have their own problems. An example of this power and its potential for producing unintended consequences occurs in IV03 when Head Office seeks to establish a centralised shared service centre, in an effort to reduce manpower and administrative costs. Local managers see this as
unacceptable. The reasons for the resistance are unclear, but it may well have been in order to protect the jobs of their own local staff. In any case, head office recognise that the administrative savings which might be possible through a shared service centre are negligible compared to the ‘big dollars’ which local managers deliver by ‘digging holes’. The proposal is therefore ditched.

The above data may offer some reasons why more hierarchical models of management create difficulties in change contexts. There is some evidence in the data of hierarchical models being effective in industries where the employees have less mobility (such as financial services in IV07), but hierarchies are problematic in contexts where staff can change jobs more easily (such as retail environments in IV04 or call centre operations in IV06). Excessive layering through hierarchies and committees appears to diminish the organisation’s ability to act, change or respond to external stimuli. Hierarchies which are unconnected to real power also generate other problems, as can be seen by an analysis in the data of the divergent attitudes to the meaning of committees. In one large telecoms organisation (IV12), the committee seems to have lost any context, purpose or relational value. It is in dialogue with itself. ‘First of all accountability is really difficult to pin down, because you have a series of overlapping committees making decisions and you work more slowly, because there is a lot more stakeholder management required within that type of environment’ (IV12). Consequently this causes inertia because ‘there are overlapping committees who want to understand and debate them, overlay them with recommendations of their own’ (ibid). The committee in this context corresponds to a broader culture where ‘quite often a decision [is] made by the group CEO, [which] people regard not as a decision but as the start of a debate so what does that decision mean? Does it apply to us? How do we interpret it? Whereas in a smaller or a less hierarchical org., a decision is a decision and it remains a decision until you find a reason why it’s wrong’ (IV12, my italics). Committees are also presented in the data as talking shops, best treated with ‘a lack of tolerance’ and where nothing is achieved. The speaker arrives to ‘present that PowerPoint at a committee and have lots of people go brr brr and then you go to the next committee meeting’ (IV16).

In contrast, the ‘committee’ in IV02 performs a strategically vital role in deciding which projects to undertake and on what basis. The committee decides whether the development process should be adapted, in order to build a better solution which offers more flexibility for subsequent enhancement. The committee also identifies those projects which might deliver efficiencies by creating a ‘consortium’ or ‘collaboration’ amongst clients. ‘This committee would know much more because they operated at a higher level. So they not only had to be signed off by the employee and by the client. They also had to be signed off by the committee’ (IV02). The value of this committee seems to reside in its clarity of purpose and in complete control of the decision-making dialogue between the customer and the organisation. The input to the discussion is a statement of the customer need and the output from the discussion is the decision about whether or not to progress with the work and how to do so. The committee in IV02 has a macro perspective over the work and ‘how it affects the whole system’, as opposed to the disconnected, ‘microcosm’ perspective of the programmers working on it. This committee has a clearer understanding of all customer requirements and all internal development activity. This enables certain streams of work to be merged together to create internal efficiencies. The committee also offers some strategic foresight and is better positioned to ‘foresee another benefit’ (ibid). Thus the organisation may to choose to pursue projects which are not immediately commercially profitable, or it may choose to avoid commercially viable projects which do not align to the organisation’s strategy. This committee is effective in connecting with customer needs and responding flexibly to them. It is accountable, relatively flat, in structure and has clear visibility both of the relevant internal stakeholders (the staff) and the external stakeholders (the customers). Achieving this type of committee function in larger organisations than the 200 strong entity in IV02 must be more complex,
which may explain why large organisations in this data sample use methods such as ‘skunkworks’ (IV15), ‘disruption’ (IV13) and ‘agitating’ (IV16) in order to achieve the same goals of shaping or responding to customer opportunities.

Dialogue versus process

Dynamic capabilities have been variously described in the extant literature as ‘organizational and strategic routines’ (Eisenhardt and Martin, 2000, p.1107); as ‘routinized activity’ (Zollo and Winter 2002, p.339); as ‘processes’ (e.g. Eisenhardt and Martin, 2000); and, somewhat disappointingly in the context of a paper reviewing the dynamic capabilities literature, as ‘organizational processes in the most general sense’ (Ambrosini and Bowman, 2009, p.33).

Such descriptions invite the inference that dynamic capabilities are mechanical or systemised phenomena. However, Eisenhardt and Martin suggest that, in ‘high velocity’ organisational environments, dynamic capabilities become ‘simple, highly experiential and fragile processes’ (2000, p.1105). They suggest that in such environments, dynamic capabilities are not complex processes but ‘simple routines’ which ‘consist of a few rules that specify boundary conditions on the actions of managers or indicate priorities’ (ibid, p.1111). It seems implicit in this assertion that, the more volatile the environment, the less substantial or significant are the (dynamic capability) processes. Eisenhardt and Martin add that such dynamic capabilities ‘rely more on real-time information, crossfunctional relationships and intensive communication among those involved in the process and with the external market’ (ibid, p.1112).

Eisenhardt and Martin also seem to concede that complex processes are too rigid a means to navigate dynamic environment effectively (2000). They cite another study (Brown and Eisenhardt, 1997) showing that ‘firms with highly structured processes such as extensive gating procedures produced new products quickly, but that those products often were not well adapted to market conditions’. This evidence invites the concern that more complex processes can lead to ‘core rigidities’ (Leonard-Barton, 1992).

In contrast, this thesis offers evidence which supports writers who frame dynamic capabilities in terms of ‘ability’ (e.g. Teece et al., 1997; Teece, 2000; and Zahra et al., 2006). Unlike ‘process’, the word ‘ability’ implies the presence of a purposeful agent or agents. This point is ontologically crucial, since the existence of such agents distinguishes dynamic capabilities theory from contingency theory, which (at least before Child, 1972) perceives the manager’s role as secondary to more dominant evolutionary forces. The word capabilities in the dynamic capabilities construct ‘emphasizes the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organizational skills, resources, and functional competences’ (Teece et al., 1997, p.515, my italics). Such strategic management may have been present in the organisations which feature in the first study, but the case study method adopted in the follow-up study brings these strategic elements in the target organisation into clearer perspective. Strong alignment exists at ABC between the KPIs, the values, the organisational processes (e.g. those used for recruitment) and finally the behaviours of the CSRs (as shown in the stories of extraordinary customer service, p.80-82). Teece (2014a) reflects (after Rumelt 2011) on three fundamental elements of a good strategy. These are ‘diagnosis’, ‘a guiding policy’ and ‘coherent action’. ABC’s ability to diagnose opportunities springs from the centrality of customers to the organisation and the importance placed on the role of customer services. The KPIs and values of ABC correspond to the ‘guiding policy’, which is connected to ‘coherent action’ from the CSRs, and is notably enabled through the culture of the organisation.
Both of the studies in this thesis show that orchestrated stakeholder dialogue can be identified in all of the disaggregated modes of dynamic capability defined by Teece of sensing, seizing and reconfiguration (2007). In addition, orchestrated stakeholder dialogue operates on different dimensions of the firm: at individual level (as demonstrated by the change agents and CSRs); at strategic level (as demonstrated by the partners of IV02 or the board of ABC); and finally at a cultural level (enabled, for example, by principles of fairness or trust in IV02, IV06 and ABC). For these reasons, I argue that the phenomenon of orchestrated stakeholder dialogue represents a new theory of dynamic capabilities, rather than simply a new, undocumented dynamic capability. Given the nature of the phenomenon, this thesis also offers evidence that dialogue, rather than processes, lie at the core of changes in the resource base and of dynamic capabilities theory.

**Sustainable competitive advantage**

The digest of gaps presented in the literature review proposes that some eclecticism in the use of theoretical frameworks might serve to progress the theoretical development of dynamic capabilities (p.44). This section draws upon three main streams of research: the resource based view, stakeholder theory and strategy as practice. The resource based view (Wernerfelt, 1984) stimulated debate over the concept of competitive advantage, which is said to describe a resource which generates more value than the comparable resource allocated by a competitor (Peteraf and Barney, 2003). The VRIN framework (Barney, 1991) stipulates that, to achieve competitive advantage, resources must be valuable, rare, imperfectly imitable and non-substitutable. However, in fast-moving environments ‘sustainable’ advantage requires more than the ownership of difficult-to-replicate (knowledge) assets. It also requires unique and difficult-to-replicate dynamic capabilities’ (Teece, 2007, p.1319). Sustainable competitive advantage has also been described as ‘the holy grail of strategy’ (Helfat et al., 2007, p.101).

This section also draws upon an instrumental reading of stakeholder theory (e.g. Freeman, 1984; Post et al., 2002 and Freeman et al., 2007). For these writers, the issues of stakeholders and stakeholder management take precedent over ownership. Organisations need to identify solutions which satisfy multiple stakeholders (Freeman et al., 2007). Intensive communication and dialogue is required across a broad range of stakeholders, not just those who are ‘friendly’ (ibid, p.60). It is the ‘dynamic interaction with customers, employees, suppliers, investors and other stakeholders’ which builds the ‘organizational capacity to generate wealth over time’ (Post et al., 2002, p.53).

This dynamic interaction amongst stakeholders also brings to mind the ‘strategic interactions’ described by Regnér (2008) in an article in which he seeks at a theoretical level to integrate aspects of strategy as practice with dynamic capability theory. Regnér predicts that ‘ultimately, it may be possible to determine how specific actors, structures, and activities in combination, rather than individually, complement each other in particular activity configurations and provide for competitive advantage’ (ibid, p.581). Regnér asserts that these ‘activity configurations...involve specific combinations of certain actors, socio-cultural contexts, cognitive frames, artifacts and structural properties’ (ibid, p.574). I would argue that orchestrated stakeholder dialogue is one mechanism which enables the organisation to build such ‘activity configurations’ and, by building such configurations, delivers competitive advantage.

The examples in the data also illustrate the importance of decoupling ‘technical fitness’ from ‘evolutionary fitness’ (Helfat et al., 2007) when evaluating dynamic capabilities. The technical fitness pertains to the ‘quality per unit cost’, whilst evolutionary fitness introduces issues such as ‘survival, growth, value creation, competitive and sustained advantage, profits’ (ibid). The findings of this thesis relate to evolutionary fitness. The examples of integrative stakeholder benefits (as described in p.70 and
Survival is underpinned because stakeholders (including customers) choose to a significant extent (IV08 and IV02) to be embedded into the solution. Growth and value creation are underpinned because the stakeholders (including the customers or pressure groups in IV03) have had considerable input in the design aspects. Finally, competitive and sustained advantage are underpinned because these more complex bundles of capability are heterogeneously composed in part from the insights and participation of unique stakeholder communities which are ‘valuable’, ‘rare’, ‘non-substitutable’ and ‘imperfectly imitable’ [VRIN] (Barney, 1991). Nor can these bundles be replicated, because of the unique configurations of stakeholders involved, which feature external stakeholders. These external stakeholders operate outside traditional organisational boundaries and are not therefore constrained by spheres of organisational control (such as pay).

A measurement of the technical fitness of the IV02 and IV08 business models is outside the scope of this study. However the importance of the reconfiguration of these business models is central. The reconfiguration of the IV02 model, in which customers invest in and benefit from an intellectual and financial ‘collaboration’, raises the customers’ stakes in the product. The collaborative aspects underpin all aspects of the capability’s VRIN positioning. Similarly in IV08, the bundling of functionality and service in the business model constitutes a strengthening of VRIN conditions. The ambition for the experience tab feature at IV08 is that it should become ‘the first place that people log in in the morning and decide “what am I going to wear today”’. If this goal is achieved, it serves to establish an additional defence to replication by those competitors attempting to sell fashion, but who do not have an embedded online fashion forum on their website. In these cases, the ‘complex bundles of complementary processes’ (Helfat et al., 2007, p.45) embed and commit the customer more effectively as a stakeholder. As for sustainability, the “idea” of the forum can be copied over time, but its constituent stakeholders cannot be reassembled so easily, nor engaged in a new forum without any track-record or momentum.

The question of competitive advantage may revolve around a relationship with stakeholders other than the customer. In IV03, the mining firm combines its production capability with the seemingly unrelated capability of negotiation. ‘In the 19th Century, early 20th Century [the mining firm’s] expertise was in negotiating with governments to acquire cheaper assets and their expertise changed in that, as governments, as industries became less nationalised and those assets were divested to corporates, they became experts at purchasing assets from other corporates but I would say their expertise now is really in dealing with another type of person [...] pressure groups such as Greenpeace or whoever, Friends of the Earth, which allows them to gain advantage in that, once you get the thumbs up from these people that you’re working in a an ethical way, you have a “licence to mine”, which a lot of companies are still struggling to get, so they have developed a competitive advantage by talking to pressure groups which is something they never used to do’. The competitive advantage does not come simply from the mining capability or from the negotiating capabilities. Competitive advantage arises when these two elements are bundled with key external stakeholder interests.

Conclusion

This chapter on theoretical integration presents a ‘storyline’ (Corbin and Strauss, 1990) about orchestrated stakeholder dialogue. It is composed with the help of memos and theoretical codes, so as to avoid imposing new frameworks (Glaser, 1978). The chapter offers a ‘condensed and abstract view’ (ibid) of the theory relating to orchestrated stakeholder dialogue. The chapter also establishes the significance of the phenomenon of orchestrated stakeholder dialogue in the broader context of extant literature on dynamic capabilities, a process which leads me to conclude that ‘orchestrated stakeholder
dialogue’ represents a new theory of dynamic capability. This new theory confronts the slippery issue of whether dynamic capabilities are abilities or processes. Because it is grounded in qualitative data generated from change experts, the theory also illuminates certain fine-grained aspects of dynamic capabilities which have hitherto been hurdles by authors who have ‘over-simplified the dynamics of strategic change’ (Arend and Bromiley, 2009, p.82).
10. Contributions to theory and practice

Orchestrated stakeholder dialogue

The main contribution of the thesis is in the identification and elaboration of a new phenomenon which I have called orchestrated stakeholder dialogue. The phenomenon emerged in an unforced way (Glaser, 1992) and is logically grounded in qualitative data. The phenomenon is central to the data and relates clearly and consistently to the many in vivo expressions found throughout the data. Orchestrated stakeholder dialogue is defined on p.66 and further detailed in terms of its theoretical sub-categories on p.67-75 of the thesis. I summarise orchestrated stakeholder dialogue as the way in which strategy is delivered through the orchestration of processes of dialogue between ‘stakeholders’ in the capability (see p.61) inside and outside the organisation’s traditional boundaries. In orchestrated stakeholder dialogue, actors from within the organisation are not always directly involved, but they do always orchestrate it in order to achieve strategic goals. The dialogue is sometimes real (for example in the form of conversations between change agents and those employees who are change targets). Alternatively, the dialogue can be virtual (for example where product insight is gathered via feedback from the customer services function or from the industry press). The dialogue can also be both virtual and symbolic, as in the choice of a certain member of staff to ‘champion’ a change initiative (IV05) or in the espousal of a particular organisational culture embodying fairness or trust, which influences the behaviours of certain stakeholders. The interactions generated through orchestrated stakeholder dialogue can deliver useful knowledge about the capability (such as how a capability is ‘used’, in the case of customers, or how it is ‘delivered’, in the case of staff).

Contributions to theory

The identification of the phenomenon of orchestrated stakeholder dialogue represents a significant contribution to the theoretical development of dynamic capability theory. Chapter 9 deals with the theoretical integration of my finding of orchestrated stakeholder dialogue, presenting the phenomenon in the context of dynamic capability theory and relating it to the extant literature. Specific comparisons are drawn between the sub-categories of ‘orchestrated stakeholder dialogue’ and the disaggregated modes of sensing, seizing and reconfiguration, which are presented by Teece in ‘explicating dynamic capabilities’ (2007). These points of comparison lead me to conclude that the identification of orchestrated stakeholder dialogue represents a significant step in developing a conceptual theory of dynamic capability in which dialogue is a consistent component. Further research could build on this new theory.

The follow-up study presents a more detailed depiction of orchestrated stakeholder dialogue. This second study triangulates the theory developed in the first study by testing and validating the phenomenon of orchestrated stakeholder dialogue. At the same time, the follow-up study is a field study, because it explores at granular level a set of detailed examples of the phenomenon. These examples bring into relief the roles played in the phenomenon by multiple stakeholders inside and outside the traditional boundaries of the organisation. The follow-up study also uses a range of research methods in order to explore how orchestrated stakeholder dialogue is used by one organisation in an aligned, strategic manner. This represents a further significant contribution by offering empirical evidence which supports those seeking to show the value of integrating dynamic capabilities theory with the research field of strategy as practice (e.g. Regnér, 2008).
The literature review offers a further contribution to theory by assessing the diverse conceptions of the nature of dynamic capabilities in extant dynamic capabilities literature. Although this thesis is not the first to present dynamic capabilities in terms of ‘ability’ (e.g. Teece et al., 1997; Teece, 2000; and Zahra et al., 2006), the more specific depiction of dynamic capabilities as underpinned by dialogue, supported and enabled by processes, represents a new theoretical finding. The presentation of dynamic capabilities as grounded in dialogue also saves them from the risks associated with other capabilities, such as those described by Leonard-Barton (1992), where ‘core capabilities’ become ‘core rigidities’.

In contrast, dialogue is not a rigid medium and is shown in the empirical data to be a uniquely flexible mechanism for change, since ‘everything is first created in language’ [...] dialogue is almost taking it [organisational activity] back to its most basic DNA (IV16). Examples of dialogue with stakeholders in the literal sense are abundant in the data from the first study. In the follow-up study the examples of dialogue have greater breadth. Authentic ‘connections’ with customers are actively targeted by the organisation. Virtual dialogue is also shown to be valuable, as in the four stories of extraordinary customer service. These stories have a “mythical” status, resonating amongst the wider organisational ‘ecosystem’ (Teece, 2007) and contributing to ABC’s competitive advantage by reflecting service which is valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991).

This thesis offers a further contribution in terms of the nature of the orchestrators. In contrast to previous conceptions, the abilities to sense and seize are not found to be exclusively possessed by ‘virtuoso teams’ (Teece, 2010), but can be developed widely within the organisation, provided that appropriate supporting systems are in place (as in IV04, IV08, and ABC). The thesis contributes to the body of knowledge about some of the other actors involved in sensing opportunities. Neither the change agents in study one, nor the CSRs in the follow-up study correspond to the labels of ‘entrepreneurial managers’, ‘literati’ and ‘numerati’, who were the actors previously identified as deploying dynamic capabilities (Teece, 2010).

As for the supporting processes, the ‘creative mechanisms’ (Zollo and Winter, 2002) are stimulated through what I have described as enabling structural or cultural frameworks. At the same time, the data persuade me that systems or processes which constrain individuals towards specific actions may deliver efficiencies and stability or reduce risks, but they do not deliver creativity and may hamper flexibility.

**Contributions to practice**

A previous case study of one telecoms service provider asserts that higher order capabilities emerge through the ‘collaboration and learning of the stakeholders’ (Agarwal and Selen, 2009, p.457). Agarwal and Selen identify the value of higher order capabilities in exploring new opportunities, but they do not explore the significance of collaboration for seizing and reconfiguration purposes (see the literature review, p.38). Thus, the findings presented in this thesis on the phenomenon of orchestrated stakeholder dialogue build on Agarwal and Selen’s work (2009) by presenting empirical evidence of the role of collaboration in other modes of dynamic capability, what Teece would term the modes of seizing and reconfiguration (2007).

Kindström et al. (2013) have previously empirically identified stakeholder dialogue as a source for sensing ‘customer service innovation’ and Ayuso et al. (2006) have empirically identified stakeholder dialogue as underpinning the capacity to sense ‘sustainable innovation’. This thesis builds on these empirical papers but presents orchestrated stakeholder dialogue as a component of all dynamic capabilities.

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Previous studies have identified the importance of ‘modularity’ and the ‘dynamic community’ (see the literature review, p.38-40) but, in the extant literature, these terms depict activity inside the organisation, somewhat divorced from the context of external stakeholders. In contrast, this thesis views modularity in terms of the organisation’s wider ‘ecosystem’ (Teece, 2007). There are also specific examples discussed in the thesis where stakeholders outside the organisation are embedded in a reconfigured version of the capability, creating new business models for more sustainable competitive advantage. The most notable examples are the change in roles performed by external stakeholders in the business models of the organisations in IV02, IV08 and ABC. The modularity described in this thesis resides in the different perceptions and relationships which customers (and other stakeholders) have in connection with a given capability. Each client in a ‘consortium’ established by the organisation in IV02 will have a distinct view of the value of that arrangement. Each visitor to the experience tab in IV08 will be there for unique reasons, and each insured ABC member will have a distinct version of the value that he/she derives from the insurer. In the data, the suppliers of the solution recognise and accommodate some of these nuances in order better to exploit them. The modularity depicted in this thesis, unlike the conceptions of modularity in extant literature, uses orchestrated stakeholder dialogue to ‘create market change’ (Eisenhardt and Martin, 2000, p.1107) in the context of the wider ecosystem (Teece, 2007) and not simply in the context of the traditional boundaries of the organisation. This thesis presents examples of orchestrated stakeholder dialogue which, when used effectively, orchestrates the behaviour of a range of stakeholders, notably the customer. In one example, customers and competitors willingly participate within new business models known as ‘collaborations’ and ‘consortia’ (IV02). These models create cost-efficiencies or benefits (or both) for a wider set of stakeholders. In another example, an organisation creates a social platform for external stakeholders to use, in order to chat with each other. Simultaneously, this platform (the experience tab in IV08) generates new ideas for products and fuels the sales of those products. In a further empirical example, customer service stories evolve into a kind of virtual dialogue, which powerfully reinforces messages about the organisation’s integrity and uniqueness (ABC). These examples do not constitute a blueprint by which orchestrated stakeholder dialogue might be “implemented”. But they do offer certain “management takeaways”. Other organisations can usefully consider these models of orchestrated stakeholder dialogue in order to reassess their own stakeholder relationships and to harness them for the creation and capture of new opportunities.

The thesis also focuses on bridging the divide which exists between theoretical debate on dynamic capabilities and the practical application of dynamic capabilities amongst the practitioner communities. In an effort to achieve this bridging, the thesis adopts certain themes from instrumental stakeholder theory (p.30-33). Strategy is explored in terms of combinations of activity amongst myriad stakeholders. In the course of the thesis, the view of strategy which is revealed is a combinative, rather than a hierarchical, organisational activity. This conception has significance for both dynamic capabilities theory and for strategy as practice. In terms of dynamic capabilities, the thesis shows that the role of stakeholders on the boundaries of the organisation has been under-researched and under-emphasised. In terms of both dynamic capabilities and strategy as practice, the thesis offers some points of departure for building the configurations which might provide an organisation with new forms of competitive advantage.

The thesis also offers practical insight as to how the sensing, seizing and reconfiguration modes of dynamic capabilities can be constituted and developed. The follow-up study further shows that the ability to sense can be identified in the recruitment process using competency-based techniques.
Sensing and seizing capabilities can be further nurtured using flat, collaborative organisational structure and supportive, empowering cultures.

The thesis also encourages practitioners to consider the value-creating possibilities of using customer facing staff in order to generate market insight. ABC’s customer service operation goes far beyond the basic remit of serving its customers. ABC’s CSRs build organisational value by connecting with a broad range of stakeholders beyond the immediate customer base. The logic of engaging in this way is particularly compelling since, on the basis of the evidence gathered in this thesis, those staff actively engaged in dialogue with a range of stakeholders may generate rich insight into the market. They can “punch above their weight” in terms of the value which they bring, compared to their cost to the business.
11. Limitations of the research and future directions

The main limitation of this thesis might be perceived as the sample size used in the first study. This, combined with the use of a single-site case study in the follow-up study, means that the sample is not generalisable across the population. Yet ‘the purpose of qualitative research is to generalise to theory rather than to population’ (Bryman, 2008). In case studies, it is ‘the cogency of theoretical reasoning’ that is decisive in determining issues of generalisability (ibid). My sample of participants in the first study were change consultants, whom I selected in part because of their breadth of experience across different industries. I would argue that this sample of participants offer a richer and more generalisable data sample than a similar number of participants who have worked only within one organisation or industry.

Some critics would suggest that the data set of 17 participants (in the first study) is not sufficient in order to achieve a robust theory. For example, Warren (2002) observes that ‘for a qualitative interview study to be published, the minimum number of interviews seems to be between 20 and 30’. However Guest et al. (2006) undertakes ‘an experiment with data saturation’, which they interpret as the number of interviews ‘needed to get a reliable sense of thematic exhaustion and variability within [the] data set’. They conclude that this point is achieved after approximately 12 interviews. Guest et al identify two key variables are identified: the narrowness in focus firstly of the participants and secondly of the research question. My methodology, which entailed revisiting the interview protocol after each interview ensured that the input of my participants was addressed an ever-narrowing area of focus.

My use of a small interview sample (of four participants) in the follow-up study can also be seen as a limitation. However there is always a trade-off between the sample-size used in the research project and the depth of analysis which can be achieved. The literature review refers to the lack of consolidation in the fundamental depictions of the concept of dynamic capabilities by writers in extant literature (p.43). I also argue that this state of ‘variation’ (Barreto, 2010) leads inevitably to an inability to operationalise them convincingly in extant studies (p.43). In an effort to address these issues, I made a conscious decision to opt for depth of analysis over breadth. I examined the data from all of my interviews line by line.

One particular risk was that the small sample of participants in the follow-up study could have been “coached” or that they might have felt obliged to “toe the party line”. But the question as to whether their contributions were spontaneous or influenced is, in my view, irrelevant to the findings in this thesis because, either way, orchestrated stakeholder dialogue is still taking place. The only question is who exactly is orchestrating that dialogue. In addition, the data from these participants was further triangulated internally by means of other research methods. These included archived interviews on the organisation’s website, organisational KPIs and targets (Appendix 8) and its values (Appendix 9). All of these sources helped to validate the findings in relation to orchestrated stakeholder dialogue.

Another critique of qualitative methods is that they are not transparent, because it would be impossible to accurately replicate the data generated in this thesis in the way that a quantitative approach might allow. The findings may therefore be perceived as too subjective (Bryman, 2008). However remaining faithful to the data is a core principle of grounded theory and I adhered to some of guidance offered in the literature. I carefully set aside my professional experience and the knowledge gained from my literature review, bracketing these and any inherent assumptions, whilst undertaking my research in the field. In this bracketing process, I maintained ‘an attitude of scepticism towards anything which is not directly suggested by the data themselves’ (Bartlett and Payne, 1997, p.186). I adopted some of the
techniques proposed by Strauss and Corbin, which are said to enhance the researcher’s theoretical sensitivity and simultaneously to avoid bias. Strauss and Corbin suggest continually asking ‘who, when, what, what, how, why’ questions about the phenomena in the data (1998, p.66). This focusses the researcher on the data, rather than on one’s assumptions and serves to establish ‘who does [the data] relate to, who is it about, who else is involved, what it is about, what is going on, how and why is it occurring’ (Bartlett and Payne, 1997, p.186). I also adopted the technique of constant comparison of concepts or categories to one another. This technique ‘assists the researcher to guard against bias and produce valid and reliable analyses because as each category is being developed, it is constantly being verified and refined or else rejected according to whether or not it is present in the data, how pervasive it is and what different forms it may take’ (Bartlett and Payne, 1997, p.186). I further describe my use of these and some other techniques related to theoretical sensitivity, such as the use of code notes, memos and flip-flop techniques, on p.50-52. I also devised some of my own procedures to bracket off my experience and knowledge of the literature. The early interview protocols (e.g. Appendices 1 and 2) show that I avoided imposing my own (or any adopted) definition of dynamic capabilities upon interviewees. Instead, I encouraged them to venture their own raw interpretations. Only in subsequent interviews (from interview 7 onwards), once the emerging theory has ‘stabilized’ (Glaser, 1978, p.51), do I introduce ideas about dynamic capabilities into the interview process. I also sought to avoid bias in the research by adopting techniques to ensure concurrent procedural validity. These included the careful use of follow-up questions and probing in order to verify the participants understanding and validate directly with them the meanings that came forth from then during the interviews. After each interview, I reflectively revisited and edited the interview protocol, in order allow the theory to emerge ‘unforced’ (Glaser, 1992) and without contamination. Finally, my selection of an information rich case study target for the purposes of validation strengthens, rather than diminishes the credibility of the underlying theory.

Whilst the relationship between orchestrated stakeholder dialogue and dynamic capabilities requires further investigation, this thesis shows that orchestrated stakeholder dialogue is a component of all three of the classes of dynamic capability defined by Teece (2007), namely ‘sensing’, ‘seizing’ and ‘reconfiguration’. The qualitative methods of the first study, together with my choice of change managers as participants, generated a preponderance of data about seizing opportunities. In the follow-up study, the participants chosen for qualitative interviews worked within a single organisational setting and this setting generated data largely relating to sensing and seizing capabilities. Cultural and structural aspects which relate to reconfiguration are also discussed in relation to in both studies. These data and the related findings are insufficient to convincingly prove the emergence of “the” general theory of dynamic capabilities, but they do provide the foundations for developing a unifying theory of dynamic capabilities, one which also offers some palpable value to practitioners. Further case study research would be valuable that embraces different functions of the same organisation. This could generate new findings about the ways in which orchestrated stakeholder dialogue is aligned and used strategically.

Another limitation of this thesis might be perceived as its particular focus on the insights and experience of people working at the coalface, either in terms of organisational change (in study one) or in terms of the organisation’s relationship with the customer (in the follow-up study). It was my firm intention at the start of the study to move analysis of the topic of dynamic capabilities beyond abstract discussion and towards the practical concerns of organisations. To achieve this, I consciously chose to gather data from participants who are used to ‘digging down in the pit with real products and real customers’ (Mintzberg et al., 2005, p.38). Nonetheless, the inclusion of more senior level decision-makers in the research process could enrich future research on the topic, provided that this does not distract entirely
from the insight of those actors who work closer to the operational realities of real products and services, or real customers.
12. Conclusion and final thoughts

This thesis began with two premises: that the nature of dynamic capabilities was unclear in the extant literature and that the related theory required further conceptual development. The subsequent contributions of the thesis can be summarised as follows:

1) An assessment is made for the first time (in chapter 2) of three distinct conceptions of dynamic capabilities in the extant literature: as routines, as processes and as abilities.

2) The main exploratory study identifies a significant new phenomenon called orchestrated stakeholder dialogue.

3) The phenomenon of orchestrated stakeholder dialogue features in all of the three ‘modes’ of dynamic capabilities presented by Teece (2007). This finding serves as the basis for a new theory of dynamic capabilities (hypothesised in chapter 6, p.77).

The follow-up study tests and validates the phenomenon of orchestrated stakeholder dialogue and offers further evidence supporting its centrality and generating further contributions to the conceptual development of dynamic capability theory.

4) In terms of their nature, the thesis shows that all dynamic capabilities are in part ability-based and more specifically that all dynamic capabilities contain an element of orchestrated stakeholder dialogue.

5) In contrast to previous literature, the thesis offers evidence that dynamic capabilities are orchestrated more widely than suggested in the extant literature (e.g. Teece, 2007).

6) The thesis maps orchestrated stakeholder dialogue in empirical settings, showing how the phenomenon embraces external stakeholders to create new capability configurations, which have sustainable competitive advantage.

7) The empirical examples presented in this thesis also shed light on how practitioners can build and develop the ability-based component of dynamic capability which I call orchestrated stakeholder dialogue, both at individual level and at organisational levels.

The wider context for this thesis is a marketplace where customers and the other stakeholders in an organisation have greater choice and freedom. As one participant observed, ‘you can’t make people do things. You can influence them to do things. You can’t make them’ (IV04). However, organisational capability cannot remain sufficiently malleable to meet every customer’s demand or accommodate myriad stakeholder ambitions.

Orchestrated stakeholder dialogue entails the identification and instrumental management of different stakeholder perspectives. To this extent, dynamic capabilities theory, as presented in this thesis, is as much about changing people’s perceptions of the resource base as it is about actual change of the resource base. In examples of orchestrated stakeholder dialogue, organisational actors play a crucial role in orchestrating stakeholders and create new business models of mutual value.

Empirical examples of orchestrated stakeholder dialogue are presented in this thesis, which show organisations influencing and successfully reconfiguring the relationships and roles of actors/stakeholders within a firm’s ecosystem in order to generate enhanced value. Critical to such influencing is the use and orchestration of dialogue in all of its forms. The thesis shows that orchestrated dialogue with the organisation’s most vital stakeholder, the customer, is particularly important, at all stages of the conception or delivery of a product or service.
The thesis identifies how orchestrated stakeholder dialogue can be further facilitated using structural or cultural mechanisms. Organisational cultures of trust and fairness are shown to facilitate such dialogue, as are non-hierarchical structures.

The identification of orchestrated stakeholder dialogue represents a significant step in developing a conceptual theory of dynamic capability in which dialogue is a consistent component. Further research could build on this new theory.

The qualitative method of this research has been well-suited to generating rich data about capabilities. It follows that qualitative case-studies with a broad range of participants in the same organisation would generate fine-grained data about orchestrated stakeholder dialogue, as well as its relationship to the three modes of sensing, seizing and reconfiguration (Teece, 2007). Such a study should embrace in-depth input from participants closely involved in reconfiguration (the senior management), as well as those oriented towards sensing or seizing. It would take us closer to realising the strategic potential which lies at the core of the dynamic capabilities construct (Teece and Pisano, 1994) and which for the present remains tantalisingly out of reach.
Bibliography


[Accessed 07/05/15]


Appendices

Appendix 1: Interview protocol version 1

Date of use: 05/09/2012

Participant number: 1

Interview Question [IQ]-1a:

Describe a change programme which required some adaptation of the existing resources of the organisation.

IQ-1b:

What were the purpose and (human and structural) scope of that programme?

IQ-1c:

How did the organisation seek to achieve this adaptation?

IQ-2a:

Were the resources successfully adapted?

IQ2b:

In what sense might the programme be deemed a success (and go to 2c) or failure (and go to 2d)?

IQ-2c:

What were the key factors contributing to the success of the programme?

IQ-2d:

What were the key factors contributing to the failure of the programme?

IQ-3a:

What do you understand by the phrase ‘dynamic capabilities’? (If this phrase is unfamiliar to the participant move to 3b.)

IQ3b:

What do you think is meant by the phrase ‘dynamic capabilities’?

IQ3c

Can you offer examples of dynamic capabilities, as you have defined them, deployed within change programmes on which you have worked?
IQ-3d:

Would anything which you have described in this interview correspond with your definition as presented in IQ3a or IQ3b?
Appendix 2: Interview protocol version 2

Date of use: 05/01/2013

Participant number: 4

Interview Question [IQ]-1a:

Please could you describe a change programme which required some adaptation of the existing resources of the organisation.

(Guidance here would be to set aside programmes aimed at improved performance of same relatively low level routines)

IQ-1b:

What were the purpose and (human and structural) scope of that programme?

IQ-1c:

How did the organisation seek to achieve this adaptation?

(Who led the programme, who was involved in implementation, both internal and external?)

IQ2a:

In what sense might the programme be deemed a success (and go to 2b) or failure (and go to 2c)?

IQ-2b:

What were the key factors contributing to the success of the programme?

IQ-2c:

What were the key factors contributing to the failure of the programme?

(Prompts for answers to questions 2b and 2c might include: HR in its capacity to retrain staff; benefits of new technology to existing capabilities; market or customer awareness in driving suitable goals and products; human or organisational adaptability; organisational alignment between relevant divisions; the creation of new or retention of old organisational processes; and visionary leadership or effective team management)

(Repeat above questioning for any other programmes with which the interviewee is familiar)

IQ-3

What do you think happened to the capabilities of the organisation during this programme?
(Prompts for this question might include: suggestions selection; emphasis; investment; discarding; replacement; issues to do with inertia; and viability of retraining)

IQ-4a:

What do you understand by the phrase ‘dynamic capabilities’? (If this phrase is unfamiliar to the participant move on to 4c.)

IQ4b:

Can you offer examples of dynamic capabilities as you have defined them, deployed within change programmes on which you have worked? (Now move to 5.)

IQ4c:

Do you think that the phrase ‘dynamic capabilities’ suitably describes the nature of certain capabilities found in successful change programmes and if so why?

IQ5:

If you do not think that the phrase ‘dynamic capabilities’ suitably describes the nature of capabilities found in any of the successful change programmes that you have described, can you please explain why. Please try to offer an alternative description or even a definition for those capabilities.
Appendix 3: Interview protocol version 3

Date of use: 11/10/2013
Participant number: 8

Introduction to second stage interviews (and rationale for theoretical sampling)

My original research agenda was to investigate ‘dynamic capabilities’, a topic which has been discussed extensively in academic circles for over 20 years, but which is still less well-known in practitioner circles.

Indeed one finding from the early interviews with change specialists was that few of them recognised the term and none of them were aware of dynamic capabilities being used in any way in a practical setting.

I began by gathering evidence from change specialists as to how existing capabilities are adapted.

The over-riding theme generated in the data was that capabilities are adapted through complex patterns of (orchestrated) dialogue between different sets of people, all of whom interact with the capability at some level (and whom I label ‘stakeholders’). These stakeholders can be inside or outside the organisation (and notably include employees and customers). Management is another stakeholder class and whilst it is not always involved in the dialogue, management always orchestrates the dialogue. This leads me toward a provisional technical definition of one type of dynamic capability as:

‘the ability of an organisation to orchestrate dialogue and insight from stakeholders in a capability, to reconceive it and to reconfigure it in ways which deliver incremental overall stakeholder value’.

The following themes have emerged strongly from my data.

1) Actual dialogue between the organisation and stakeholders

The progression from an existing capability to a new one depends extensively on dialogue between people who interact with the existing capability from different perspectives (customers, employees, managers and others).
The dialogue emerging in the data was orchestrated by the organisation’s management and took several forms.

a) Forums or meetings, mainly involving customers or customer facing employees, which generated new ideas about a product/service. Examples in the data included: feedback generated from customer user group sessions (IV02); informal conversations with customers in bars (IV02); feedback on customer behaviour from retail and customer service managers (IV04 and IV06). These ideas offer a range of new possibilities for the organisation to improve the product/service (strategic options). They also contribute to organisational understanding of the product/service.

b) Dialogue with employees during implementation for the purpose of improving the quality of the solution. Such dialogue helps to ensure that the solution will be more effective for the customer (alignment).

c) Meetings with change targets in order to orchestrate their support in achieving the organisation’s change imperative.

These modes of dialogue all have benefits for the organisation. In addition they have potential benefits for the other parties in the change process.

a) If proposals for improving products are deemed viable by the organisation, it will invest in the development of a better product/service for the customer.

b) Dialogue with stakeholders during implementation may serve the purpose of improving the quality of the solution. Such dialogue benefits the customers but may also make it easier (and so less stressful and more satisfying) to serve the customer (alignment, e.g. IV06).

c) Meetings with change targets also help them identify personal benefits which they can derive from the changes, or negotiate.

2) Virtual dialogue between the organisation and stakeholders

Here the organisation is not active in the dialogue (but has stimulated it). The dialogue takes place between stakeholders (as in a), or it is metaphorical (through virtuous circles such as b).

a) Where the organisation creates a framework which empowers or enables their customers to participate in designing a new solution (IV02).

b) Where the organisation creates a framework which empowers or enables their staff to develop themselves (IV04 and IV06).
3) Encouraging dialogue

Aspects of culture and organisational change processes described in the data serve to encourage dialogue:

a) It is believed that organisational cultures which are deemed “fair” build trust both within the organisation (between internal stakeholders) and towards the organisation (from external stakeholders).

b) This applies to policies deemed as “fair” in the process of change (although there may need to be alignment between the cultures of the organisation and the programme).

The environment of trust will in turn encourage them to contribute information which they would otherwise keep to themselves. This type of culture/process therefore facilitates all of the types of dialogue described above.

4) Maximising the relevance of dialogue (targeted dialogue)

Organisations are seen to use an understanding of customer and employee preferences (stakeholder utility function) to make dialogue particularly relevant to individual stakeholders. This can relate to specific attributes of the product/service/change proposal:

a) It was clear that customers in the data liked and used products or services for different reasons. Where organisations have built more nuanced information about such preferences, they can generate value (greater alignment, savings on unnecessary functionality, viable improvements).

b) Change targets also demonstrated unique reasons for engaging or choosing not to engage in a change programme. Where organisations have built more nuanced information about such preferences, they can generate value (greater alignment, savings on unnecessary functionality, viable improvements).

In addition, the dialogue discriminates between two basic (behavioural) motivations found in the stakeholders: the self-interested and the altruistic. One or other (or both) camps are orchestrated when the organisation decides how to present the change programme to the change targets in order to achieve the fullest levels of participation and minimise resistance.

5) Aligning insights from dialogue (leveraging on dialogue)

Whilst management need not be involved in all of the dialogue, they do need to orchestrate it in order to generate what I called ‘incremental overall stakeholder value’ in the definition of dynamic capabilities. By developing a clearer understanding of multiple stakeholder perspectives, managers in the data discover ways to achieve:

a) New ways to reconfigure the existing capability to serve the customer;
b) New efficiencies in capability which do not detract from the customer’s utility value;
c) More participation amongst the parties in delivering a change programme;
d) Better synergies between internal competences and the customer segments.

The purpose of my questions in the second stage of interviews is to confirm that the technical definition for dynamic capabilities which I presented above corresponds accurately to phenomena that the participants have experienced.

If so, I believe that my research will have progressed the topic of dynamic capabilities conceptually and will also have contributed some empirical examples which support the developed conception.

**Interview questions**

I will ask further participants to describe a programme of organisational change which they have experienced and direct the interview with the following questions:

1) Who proposed the idea behind the change, why did they propose it (their perspective) and in what context (formal /informal)?
2) What were the underlying processes or culture in the organisation and did these facilitate the emergence of such ideas?
3) Who worked on delivering the solution and why were they chosen? How were they engaged?
4) Who were the change targets? How were they engaged?
5) What benefits did the enhanced capability bring and to whom (in and outside the organisation)? Were there any “win-win” intentions or outcomes?

**Participants**

Early interviews in this study sought to embrace the process of organisations changing part of their capability from end to end. Accordingly, one interview was conducted with a change instigator and one with a change target, and five were conducted with change experts who offered insight into implementation.

These generated rich data on dialogue, control and stakeholder involvement, all in the context of organisations adapting aspects of their capability.

The focus is now on a more fine-grained scrutiny of the processes of dialogue, on who is involved (stakeholders) and how the dialogue is managed (orchestration).

Accordingly, from this point, I will choose participants who have particular insight into these elements. They will ideally have been key decision makers on change programme implementations and I would expect them to have useful data on all of my intended questions.
Appendix 4: Interview protocol version 4

Date of use: 27/11/2013

Participant number: 14

Introduction to verification: participant summary

- Interviews are voluntarily undertaken (and recorded?).
- Withdrawal from the process is possible at any stage.
- The data collected will only be used for my study purposes.
- Approval will be sought before referring to any of the data in the thesis (and data will be rendered anonymous).

My work over the last 2 years has been focused on dynamic capabilities. This topic has been debated in academic circles for over 20 years but it is still less recognised in practitioner circles.

Here is a landmark definition for dynamic capabilities (DCs):

‘the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments’ (Teece, Pisano and Shuen, 1997).

This definition describes DCs as an ability. However, many other definitions (by these and other writers) present them as a set of processes and still other writers discuss describe DCs as routines. This lack of consensus at the most fundamental level of description suggests that, before a concept called DCs can offer much practical value to practitioners, greater clarity of the concept and its role is required. This is one of the central objectives of this research study.

You will also note that the cited writers talk about competences as opposed to capabilities. The difference between the two is another topic all of its own, but I propose for the purpose of this interview that a capability is comprised of competences.

In my first set of interviews, I talked to change managers and change consultants about some of the programmes on which they had worked. I sought to generate some data relevant to DCs by asking these participants how a given capability is changed into a new capability.

These bullet points summarise the provisional findings from those interviews:

1. A lot of change is stimulated or implemented through processes of dialogue. This occurs between the organisation and external parties, for example between staff and customers (as when ‘sensing’ opportunities (Teece, 2007). Dialogue also occurs internally, for example between employees and management, as when ‘seizing opportunities’ (Teece, 2007).
2. The dialogue can be real (for example in the form of conversations between change agents and those employees who are change targets). Alternatively, the dialogue can be virtual (for
example where product insight is gathered via feedback from the customer services function or the industry press).

3. I describe the participants in the dialogue generically as ‘stakeholders’ adopting a definition from Rhenman (1968), reported by Freeman (1984), as those ‘who depend upon the capability and on whom the capability is dependent, albeit to varying degrees’. Such stakeholders may be either inside or outside the organisation.

4. Whilst the managers do not always participate in the dialogue, they always orchestrate it and use it to:
   a) navigate the external market for opportunities (‘sensing’, Teece, 2007);
   b) refashion organisational capability to realign it with the evolving marketplace (‘seizing’, ibid).

5. Managers decide which stakeholders to privilege in terms of the dialogue (for example when they chose to listen to particular customers or appoint certain employees as change champions) and can even create new stakeholders in the capability (for example the other parties in joint ventures).

These observations have led me to focus more closely on an aspect of DCs which has been called ‘dynamic managerial capability’ (Adner and Helfat, 2003). These capabilities have been described as an ‘element’ of dynamic capabilities (Helfat et al., 2007). Helfat et al. (2007) also describe a key function of managers as ‘asset orchestration’.

I believe that, fundamental to this orchestration, are patterns of dialogue.

I offer the following elaboration of the construct of dynamic managerial capabilities (DMCs):

‘DMCs consist of the ability of managers to interact with organisational competences and with certain stakeholders in those competences in order to generate strategic insight, choose and then implement strategy as markets evolve’.

DMCs function in 3 modes:

1. Dialogue with chosen stakeholders in internal and external competences in order to generate new strategic options (strategic insight).
2. Reconception of certain available competences into a new capability (strategic choice).
3. Dialogue with chosen stakeholders in order to reconfigure and combine the competences and realise the new capability (strategic implementation).

This leads me to propose a provisional definition of one type of DC as:

‘the ability to orchestrate dialogue amongst relevant stakeholders in an organisational capability, reconceiving, reconfiguring and enhancing that capability to sustain its value in the evolving marketplace’.

There are some particular aspects to the definition which demonstrate the paths which my work has taken beyond the current literature.
Most importantly, I use the term ‘dialogue’ because of its prominence in the data.

However, I also believe that the word ‘dialogue’ defines my perception of DCs more precisely than words generally used by writers in extant theory on DCs, words such as ‘routines’, ‘abilities’ or ‘processes’.

Specifically, by using the words ‘dialogue’, ‘orchestrate’ and ‘stakeholder’, I seek to position DCs both as a human and an interactive phenomenon, as a management ability which is deployed in conjunction with the competences at their disposal. By using the word ‘relevant’ (and ‘chosen’ in the elaboration of DMCs), I imply an element of decision making on the part managers, as they select which stakeholders to include or even introduce into the patterns of dialogue.

Whilst some other writers describe DCs in terms of routines and processes, I have not identified phenomena in this research which correspond to mechanical or systemised perspectives of the concept. Indeed there is some evidence in the data that organisational processes are bypassed in order to achieve organisational dynamism. The data also offers further evidence of processes as being rigid (see Leonard-Barton 1992).

I have used the words ‘capability and ‘value’ rather than ‘competences’ since I believe that capability and value suggest the following aspects: latency, strategic flexibility and purposefulness. None of these are implicit in the word competences.
Appendix 5: Codebook

This codebook seeks to present some definitions for the main codes or categories which appear in the data. Although the definitions are inevitably partly interpretive in nature, the codebook consists in the main of in vivo phrases, which were generated in the interview process. Any words which were used in the interviews and which were first used by the participant rather than me, appear italicised and in inverted commas. For each in vivo phrase, at least one of the “source” interviews is cited in the brackets. Imposed codes are not in brackets or italicised. The codebook also proposes some connections with other categories where I consider that these relationships are useful.

There are 70 codes, of which 62 feature in one or more participant interviews. The in vivo codes have been given definitions based on their use in the transcripts.

‘accelerator program’ (IV13): defined on page 61. They allow for an exchange of ideas and know-how between, on the one hand, experienced technology players such as Microsoft and new entrants such as Yammer.

‘agitating’ (IV16): change and innovation is stimulated through the ‘agitating’ (IV16) of the organisation’s stakeholders.

‘alignment’: indicates a close match between two elements. The category can be further sub-divided. Firstly capabilities of the organisation may be aligned to complete a task. I refer to this category as ‘internal alignment’ and this also includes ‘customer alignment’ (e.g. IV09 and see also ‘efficiency’). Alternatively, in a change context (e.g. IV07), ‘alignment’ may correspond to a close match between the interests of two different internal stakeholders. This type of alignment is coded as ‘objectives in alignment’. Where there are more than two parties or more than one capability involved, I have used the word ‘orchestration’.

‘authentic’: see ‘fair’.

‘belief systems’ (IV16): see ‘dialogue’.

‘benchmark’: this consists of an audit to identify the strengths and weaknesses of a person or of an organisational capability, such as the structure that ‘made it easier for people to know how skilled they were’ (IV06). Having completed the audit, the organisation can better manage performance using ‘frameworks’ which demonstrate ‘what else they needed to do to progress up and to incentivise them accordingly’ (ibid). In addition, management is able to ‘pinpoint’ operational shortcomings.

‘boundarylessness’: this is a process by which ideas are exchanged - ‘we looked over the fence and took a look at what these guys did and took the best of it and implemented and shared good practice’ - between geographical or divisional segments within a publishing organisation (IV11). Compare with ‘cross-pollination’.
‘champion’ (IV05): see ‘kudos’.

‘change imperative’ (IV07): the non-negotiable portion of the change programme, also described as the ‘vision’.

‘chemistry’ (IV07): see ‘engagement’.

‘collaboration’ (IV02): the code describes solutions where ‘a collaboration would be formed to make sure it [the solution] was going to service both clients’. ‘Collaboration’ is an example of stakeholders changing their roles (in this case from a competitive to a collaborative stance) in order to obtain a mutually beneficial outcome.

‘committee’ (IV02, IV12, and IV16): Chambers (1972) provides a definition which covers all in vivo instances in the data: ‘a portion selected from a more numerous body (or the whole body) to which some special business is committed’. The effectiveness of the committee varies according to three criteria: whether they have a clear agenda (IV16), the accountability of its members (IV12) and the sufficiency of those selected to implement the decisions which it reaches (IV02).

‘communicate’: communication: can be one-way, where change targets are informed about what’s going on but are unable to influence the process – ‘I hear what you say but we’re still going ahead with it’ (IV07). More commonly in the data, it describes two-way communication (dialogue) which achieves ‘engagement’ (IV06).

‘compelling conversations’ (IV16): conversations which encourage people to coalesce around a change or a solution.

‘consortium’/‘consortia’ (IV02): in vivo description of a software solution which is shared by multiple clients. Such a solution ‘would probably save the original client some money because they would then be spreading the cost’ with other clients. In addition, the clients are happy to ‘have something that their competitors had, as long as it was an improved product’ (IV02). As with the code ‘collaboration’ (IV02), the stakeholder roles change from competitive to collaborative in orientation.

‘courtship’ (IV07): in vivo description of change implementation and change target hand-holding in a politically sensitive context. It is also described in the data as the ‘[c]ourting process’ (IV07). See also ‘lived in my kitchen’ (IV05).

‘cross-pollination’ (IV03): process by which ideas are exchanged between geographical or divisional segments within a mining organisation. The process is achieved through the ‘shuffling’ of staff. Compare with ‘boundarylessness’ (IV11).

‘customer alignment’ (IV09): attempts to achieve meticulous alignment to this key stakeholder. Also described in the data using the following in vivo expressions: ‘customer centric’ (IV14), ‘customer experience’ (IV04) and ‘dancing with the customer’ (IV16).
‘destination’ (IV08): in vivo expression describing a key ambition of the fashion site to ‘not only be known as a retail site, but also because of the audience of 20 somethings, be known as a destination’. The ‘twenty somethings’ relationship to the website is more complex than a traditional customer-supplier relationship. The ‘twenty somethings’ use the site to decide what they are going to wear every morning, to find out what other people (including celebrities) are wearing and to tweet about such subjects to friends.

‘dialogue’: dialogue is a deeper dimension of communication. Dialogue is two-way and engages other parties. One participant described how seminal ideas gain momentum and consensus within the organisation - ‘they would have the dialogue internally, and they would have the dialogue in their head … they would have the dialogue with each other … that then would become a bigger dialogue and that might then include partners and affiliates and associates and allies in the org and to me everything is first created in language, so dialogue is absolutely the right conversation’ (IV16). The dialogue ultimately generates ‘shared mental models’ and ‘belief systems’ which underpin the idea (ibid). Conversely, without the dialogue, ‘it’s just an idea you have got and that’s your idea and you’re welcome to it, no matter how senior you are in the org., unless you can communicate it and get people to buy into it and enthuse and make it feel as if it’s their own idea’ (IV15).

‘disrupt’ (IV13): defined on p. 62.

‘draw your attention’ (IV04): used in diplomatically sensitive environments. Compare with ‘courtship’ and the ‘“how to” guide’.

‘efficiency’ (IV03, IV06, IV09): This entails the accommodation or combination of multiple parties into an orchestrated whole, as in IV04: ‘interpreting this deluge of information and putting it into some kind of logical format’. See also ‘multi-faceted picture’. In IV02, the ‘efficiency’ is achieved through a work-order ‘system’.

enabling: see p.74.

‘engagement’ (e.g. IV04, IV06, IV07): change targets at least feel involved or are literally involved - ‘stakeholders can be a little bit distant if you don’t bring them in and make them feel valid but also give them something to do to help you as well’ (IV06).

‘environmental scanning’: the scanning of external stakeholders including customers (IV02, IV06, IV09, IV14), competitors (IV02) or pressure groups (IV03), in order to generate market insight.

‘fair’: a culture of fairness is an enabler of change. Ethical dimensions are outside the scope of this thesis and I set aside consideration of the ethical dimensions of this code, as well as the ethical dimensions of other codes such as ‘honest’ (IV06) and ‘authentic’ (IV09). However, it is clear that fairness is an effective ‘process’ (IV02) which reinforces internal strategies (such as implementing salary scales) and external strategies (such as leveraging on the levels of trust attained with clients). Similarly, honesty enables change to ‘work better’ in IV06 and authenticity is identified as essential for ‘successful’ change in IV09.
‘frameworks’ (IV07, IV14, and IV15): see ‘benchmarks’.

‘freewheel’ (IV15): the creative activity of individuals who have been unshackled from the usual constraints of organisational processes.

“how to” guide’ (IV04): see ‘hearts and minds’.

‘hearts and minds’ (IV04): reflecting the following management position - ‘we recognise there is a situation which is not good, in which you haven’t been supported properly for some time. You’ve been saying what you needed and it seemed like no one was listening and instead everyone was talking at you. Let’s help’.

‘honest broker’ (IV06): see ‘fair’.

‘in-flight adjustments’ (IV12): the conscious decision by management to resolve certain snagging issues on a project as the implementation proceeds, rather than allowing such issues to hold the programme up in the pre-implementation stage. I interpret this process as orchestrated, rather than staged, delivery.

‘in life’ (IV06): describing products which are being pro-actively marketed and supported by product managers. Contrast the expression with ‘out there’.

‘internal alignment’: see ‘alignment’.

internal cohesion: orchestration of dialogue between stakeholders inside the organisation.

‘kudos’ (IV03): describes certain change leaders, who are selected in order to imbue the change objectives with credibility and a ‘level of impartiality’ (IV03). Compare also the in vivo phrases ‘champion’ (IV05), ‘fairness process’ (IV02) and ‘honest broker’ (IV06).

‘lived in my kitchen’ (IV05): see ‘courtship’.

market cohesion: the orchestration of dialogue between stakeholders both inside and outside the organisation.

‘meeting before the meeting’ (IV07): the process whereby discussions about a proposed change take place with distinct stakeholder groups separately. The purpose of such segmentation is to focus on packages of benefits which might be specifically relevant to that stakeholder group.

multi-faceted picture: such a picture presents the perspectives of more than one stakeholder in a given capability. It may have both external and an internal dimension. It also demonstrates ‘What the business does, why they do it, who wants what, why they’re not happy about it, who wants to work on something different, who thinks something should change’ (IV02). In IV08, the change consultant builds pictures of the ‘different angles’ from which each change target perceives a change programme. Having assembled this multi-faceted picture, the change consultant presents sets of benefits which he suspects will be relevant to each of his internal stakeholders. Compare the approach with the logic behind the ‘meeting before the meeting’.

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objectives in alignment: see ‘alignment’.

‘one of us’ (IV04): see ‘hearts and minds’.

‘one of you’ (IV04): see ‘hearts and minds’.

orchestrated stakeholder dialogue: see p.59-60.

‘orchestration’: coordination of more than two parties or more than one capability towards achieving a solution.

‘out there’: one of the stages of product development described in IV06. When a product is ‘out there’ it is ‘not on TV and not in the papers but it’s out there and I’ve seen it on Facebook so you know and it’s got decent ratings on the apps store and things like that’.

‘participation’: one extreme of the dimension of dialogue. It demonstrates greater levels of trust by the organisation in the stakeholders. Whereas in dialogue the stakeholders are encouraged to offer their ideas and feedback, in participation they become involved in the design and/or implementation process. See p.106.

‘performance management’ (IV06): see ‘benchmark’ and ‘frameworks’.

‘pigeon-holed’ (IV06): constraint of certain staff under a previous administration, within which they were unable to adapt or develop their skills and competencies.

‘pinpoint’ (IV06): see ‘benchmark’.

propagation: see p.107.

‘rapport’: (IV06, IV07) see ‘engagement’.

‘roadshow’ (IV15): in vivo expression used to describe how the change leader toured the regional offices of a large telecoms firm with prospective organisational charts and job descriptions for a new division (his division), in order to stimulate interest.

‘roles’: change targets are encouraged to understand their roles in a wider organisational context (IV03, IV06), or even in an industry-wide context (IV02). This stimulates new ideas (IV03), presents new career possibilities (e.g. IV06 and IV15) and serves as a source of new incentives (IV06). The process achieves at an individual level what ‘boundarylessness’ and ‘cross-pollination’ achieve at organisational level.

‘sketchbook’ (IV16): the first point at which the ideas generated from stakeholder dialogue are written down or drawn.

‘skunkworks’ (IV15): see p.65.

‘shared mental models’ (IV16): see ‘dialogue’.
‘shuffling’ (IV03): see ‘cross-pollination’.

‘stakeholder’ (e.g. IV04, IV05, IV06, and IV07): see p.61.

strategic options: new strategic alternatives generated by the gathering of insight.

‘systems’ (e.g. IV02, IV03): I adopt the following definition: ‘System (n.), a full and connected view of some department of knowledge’ (Chambers, 1972). In this thesis, the word is used to describe the ways that certain patterns of dialogue are abbreviated or underpinned by processes. These processes stabilise, or render more efficient, some aspect of the services or products of an organisation.

‘transition centre’: centre where unassigned staff can identify new career opportunities (IV06). Compare with ‘cross-pollination’ (IV03).

‘trust’ (e.g. IV04, IV06, and IV07): see p.68 and p.84-85.

‘virtuous circle’ (IV04): the recursive orchestration of input from diverse stakeholders in a retail procedures manual. The manual progresses through numerous stages of refinement with input from a change agent, retail staff, external Sigma experts and then back into the managers of ‘centre of excellence’, best practice retail environment.

‘warts and all’ (IV04): the multifaceted, unvarnished description of life on a retail shop-floor, as presented by the change agent to senior management.

‘what’s in it for me’ (IV07 and IV08): in the context of a new change proposal or a new organisational capability, these are the risks and benefits which individual stakeholders perceive as personally relevant.
Appendix 6: Hierarchy of codes

Agitating

The category of ‘agitating’ includes the following sub-categories:

- Environmental scanning
- External stimulus
- Innovation
- Multi-faceted picture
- Strategic options

The category of ‘agitating’ includes these in vivo codes:

- Agitating (IV16), picture (IV04, IV05, IV06, IV07, IV13, IV15 and IV17), cross pollination (IV03), shuffling (IV03), boundarylessness (IV11), disrupt (IV13), cross-pollinate (IV03), freewheel (IV15), skunk works (IV15), accelerator programme (IV13), pinpoint (IV06), warts and all (IV04), expose (IV04), benchmark (IV06, IV14 and IV15), filter (IV02, IV06, IV13, IV15 and IV17).

What’s in it for me

The category of ‘what’s in it for me’ includes the following sub-categories:

- Communication
- Customer orientation
- Engaging stakeholders in change
- Environmental scanning
- External stimulus to change
- Participation
- Propagation
- Stakeholder

The category of ‘what’s in it for me’ includes these in vivo codes:

- Collaboration (IV02), communicate (IV02, IV06, IV08, IV13 and IV15), consortium (IV02), courtship (IV07), kudos (IV03), draw your attention (IV04), implanting (IV15), launch (IV04, IV06, IV11, IV12 and IV17), meeting before the meeting (IV07), roadshow (IV15), sketchbook (IV16), theatre (IV16), what’s in it for me (IV07 and IV08).

Clear framework

The category of ‘clear framework’ includes the following sub-categories:

- Benchmarking
- Benefits of change
- Change implementation processes
- Checklist
- Complicity
Due diligence
Efficiency
Enabling
Frameworks
Goals
Help-guide
Implementation processes
Orchestration
Participative
Roles
Systems
Teamwork
Training
Transition centre

The category of ‘clear framework’ includes these in vivo codes:

Hearts and minds (IV04), collaboration (IV02), consortium (IV02), fair (IV02), trust (IV04, IV06, IV07, IV08, IV09, IV11 and IV15), authentic (IV09), compelling conversations (IV16), shared mental models (IV16), belief systems (IV16), courting (IV07), champion (IV05), fairness process (IV02), the courting process (IV07), in life (IV06), out there (IV06), pigeon-holed (IV06), one of you (IV04), one of us (IV04).

Bring them in

The category of ‘bring them in’ includes the following sub-categories:

Capabilities as synchronised competences
Performance management
Reliability as a capability
Standardised product
Change targets

The category of ‘bring them in’ includes these in vivo codes:

One of you (IV04), in-flight adjustments (IV12), chemistry (IV07), lived in my kitchen (IV05), collaboration (IV02), consortium (IV02), customer alignment (IV09), customer centric (IV05 and IV14), dancing with the customer (IV16).
Appendix 7: ABI data on major insurers by premium

Selected ABI Rankings by Class based on UK Gross Written Premiums in 2012

<table>
<thead>
<tr>
<th></th>
<th>Private Motor Insurers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>1</td>
<td>(1) Direct Line Group</td>
</tr>
<tr>
<td>2</td>
<td>(2) Aviva</td>
</tr>
<tr>
<td>3</td>
<td>(4) Admiral Group</td>
</tr>
<tr>
<td>4</td>
<td>(3) Ageas</td>
</tr>
<tr>
<td>5</td>
<td>(5) LV=</td>
</tr>
<tr>
<td>6</td>
<td>(6) Great Lakes Reinsurance</td>
</tr>
<tr>
<td>7</td>
<td>(7) AXA</td>
</tr>
<tr>
<td>8</td>
<td>(10) esure</td>
</tr>
<tr>
<td>9</td>
<td>(8) RSA Group</td>
</tr>
<tr>
<td>10</td>
<td>(9) Co-operative Group</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Change</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Zurich Financial Services</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>Prudential</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>Legal &amp; General</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>Aviva plc</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>Lloyds Banking Group</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>Friends Life</td>
</tr>
<tr>
<td>7</td>
<td>7</td>
<td>Old Mutual</td>
</tr>
<tr>
<td>8</td>
<td>9</td>
<td>Royal London Mutual</td>
</tr>
<tr>
<td>9</td>
<td>10</td>
<td>Canada Life</td>
</tr>
<tr>
<td>10</td>
<td>12</td>
<td>Swiss Re Europe SA</td>
</tr>
<tr>
<td>11</td>
<td>8</td>
<td>Standard Life</td>
</tr>
<tr>
<td>12</td>
<td>11</td>
<td>Phoenix Group Holdings</td>
</tr>
<tr>
<td>13</td>
<td>16</td>
<td>Wesleyan Assurance Society</td>
</tr>
<tr>
<td>14</td>
<td>13</td>
<td>HSBC Holdings</td>
</tr>
<tr>
<td>15</td>
<td>14</td>
<td>Co-operative</td>
</tr>
<tr>
<td>16</td>
<td>17</td>
<td>Liverpool Victoria Financial Services</td>
</tr>
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<td>17</td>
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<td>Axa Wealth Limited</td>
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<td>18</td>
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<td>Aegon UK PLC</td>
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<tr>
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<td>ReAssure Ltd</td>
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<tr>
<td>20</td>
<td>-</td>
<td>Forester Life Limited</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------</td>
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</tr>
<tr>
<td>Share of top 5 companies</td>
<td>61.77%</td>
<td>58.05%</td>
</tr>
<tr>
<td>Share of top 10 companies</td>
<td>81.73%</td>
<td>78.30%</td>
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<tr>
<td>Share of top 20 companies</td>
<td>96.12%</td>
<td>92.69%</td>
</tr>
<tr>
<td>Product share of total market</td>
<td>20.16%</td>
<td>22.68%</td>
</tr>
</tbody>
</table>

Appendix 8: ABC’s KPIs and targets

‘The board sets objectives and priorities supported by key performance indicators (KPIs) and targets, which it monitors on a regular basis throughout the year.

During 2013, the key objectives and priorities were to:

Achieve the profit and enterprise value target results for each business unit.

Meet the benchmark target investment return achieved on our with-profits fund.

Raise sufficient capital to grow our business and to ensure we have sufficient capital to withstand economic and market shocks with sufficient surplus on our regulatory and economic capital cover ratios.

Share the financial returns from our trading businesses with eligible members via a mutual bonus scheme.

Make further progress towards our goal to be Britain’s best loved insurer.

Continue to develop the effectiveness and maturity of our Enterprise Risk Management Framework in line with the growth of the business.

Continue to improve our financial reporting systems and processes to enhance our profit, cash and capital forecasting models and to report on a more timely basis.

Continue to maintain staff engagement levels at or above those of high performing organisations (as defined by Towers Watson).’
Appendix 9: ABC’s values

‘Our values

Everything we do is for the benefit of our customers and members. And everyone who works for ABC is absolutely focused on this. It is a unique approach to managing our business that we articulate through the use of four simple values. Values that help us work towards our ultimate goal to be “Britain’s best loved insurer”.

Make it feel special: we go to incredible lengths to deliver a caring service and keep the promises we make.

Know your stuff: we want every single person that works here to be the best they can be and keep their finger on the pulse.

Treat people like family: we believe that treating people like family helps build a place where people love to work.

Don’t wait to be asked: we encourage our people to take the initiative and, that way, we’ll up the pace of our work and the business’.