CHAPTER SEVEN
DISCUSSION

In this research two major research questions about operational capability development have been addressed. The first one focuses on the micro level managerial activities and the other on the kind of strategising practices adopted by managers.

The case studies, B1 and B2 highlight the fact that capability development happens over a period of time both cumulatively and expansively and dependent on the way the resources in these organisations were deployed, coordinated, collaborated and enhanced. In this research, capability development is conceived as strategy in practice and the myriad managerial micro activities that describe capability development are identified and analysed. Micro level strategies in organisations translate themselves to the day to day activities of organisational life and these activities impact the strategic outcomes (Johnson, Melin and Whittington 2003).

Retail network expansion was identified as a capability as it contributed substantially to the increase in the sales volume of the total motor fuel in B1. The study of network expansion had identified major activities that contributed to capability development and the linkages between these activities and relevant organisational factors. Setting up a retail outlet is a complex activity and consists of three phases such as (a) ‘location identification’ phase in which physical location is earmarked for hosting the retail outlet; (b) ‘commissioning’ phase involves construction of the outlet and other facilities, installation, configuration and testing of necessary equipments; and (c) ‘integration’ phase in which retail network becomes operational and connected to the retail network. Each of the activity in these phases was executed by certain function in regional offices or in coordination with other functions. There were well articulated detailed standard procedures with respect to the sequence of activities and timeframes that had to be followed while setting up retail outlets. The initial phase of the retail expansion activity has been characterised by two key constraints. First, there had been an urgency to open a particular number of retail outlets as per the target fixed for the region within the specified time frame. Second constraint had been the need to provide consumers a regular and reliable service since
the first day of the opening of the outlets. It implied that the regional office had to reach a critical threshold to install the specified number of outlets within specified time frame to meet the targets set.

To improve the day to day operations efficiently and effectively, B2 had focused on the response time of online processes, the processing time of batch processes and the turnaround time of product development processes. These aspects were studied in this research as these indicators had evolved as capabilities over a period of time in B2 and contributed substantially to the strategic goal. B2 was evolved out of the parent depository’s initial core knowledge of data management and the state of the art infrastructure in combination with domain specific knowledge the managers had during the founding context. The creation of B2 represents the horizontal expansion or horizontal service sequencing, using the core knowledge as the base to enhance economies of scope. As a green field and transformational project, B2 never had direct feedback from fully operating conditions and B2 had to resort to substitutes of experience rather than direct experience.

B1 was operating in a moderately dynamic market where change occurred along predictable and linear paths. These markets have stable industry structures and managers respond to situations in a relatively ordered fashion and develop predictable and stable processes after thorough analysis (Helfat 1997). Managers generally depend on the existing knowledge to tackle situations. Unlike moderately dynamic market, changes are nonlinear and less predictable in very dynamic markets. These markets are characterised by blurred boundaries, ambiguous business models and shifting market players. Industry structure is unclear in very dynamic markets and managers rely less on existing knowledge and more on rapidly changing, situation specific new knowledge (Eisenhardt and Martin 2000). B2 had been operating in a very dynamic market and needed to adapt frequently by creating context specific new knowledge.

Dynamic contexts necessitate organisational members to create and maintain coherent understandings that enable collective action for goal attainment and sensemaking activities are critical in these contexts (Weick 1993). Sensemaking is an initiator of action that makes strategic change in an organisation possible (Gioia and Chittipeddi 1991). It permits people to deal with uncertainty by interacting with each
other for making sense of the environment and deciding on how they should respond (Weick and Roberts 1993). Sensemaking consists of processes such as scanning, interpretation and action (Weick, Sutcliffe and Obstfeld 2005). Scanning and interpretation are not only linked with external environment but with the experience learned through action also (Pandza and Thorpe 2009). The initial sensemaking can be a cognitive process where the information from the external environment is interpreted and the learning can evoke purposeful change. Communication is the central aspect of sensemaking and organisation members share common meanings developed through these social interactions (Poole, Gioia and Gray 1989). The ambiguities that may arise get reduced by seeking interpretations of others (Harris 1994) or by influencing the sensemaking process of others through sensegiving (Gioia and Chittipedi 1991). Sensegiving is an interpretive process where actors influence each other through discursive activities (Maitlis 2005). Agency plays a major role in creating a common shared meaning among the organisation members which in turn facilitates the change process (Bartunek et al. 2006).

In both B1 and B2 the major activity of capability development, i.e., creating action plan involved sensemaking and sensegiving by the regional team members and module specific team members. In B1 the regional managers and their team met at regional level, discussed the strategic goal, analysed the competitive scenario and the presented the status of B1 at the regional level, translated the strategic goal to strategic initiatives and various action plans, operationalised the action plans keeping the customer focus, discussed the pros and cons each action plan within the group, decided upon the action plans and set the targets. The regional team used various strategic tools and matrices for discussion with the team members and proposed the logical action plans. All the regions which were selected for this study had retail network expansion as the major strategic initiative as part of the larger plan to contribute to the strategic goal of the organisation. The members operationalised the action plan based mainly on the market and customer segments, the throughput per outlet and market share. The members used the network development and dynamic pricing tool for validating the current and projected volumes of the total motor fuel and set milestones with respect to commissioning of retail outlets. In B2, the process owners and the team members were involved in the sensemaking and sensegiving processes. B2, as a transformational green field project, the process owners and the
team members made ongoing assessments of the client and customer expectations, requirements, analysed the financial model and developed the action plan after discussing the pros and cons of each proposed steps to contribute to the strategic initiatives and goals of the organisation.

The sensemaking process was initiated at B1 during the organisation wide alignment exercise after the re-articulation of the strategic goal. The focus was on creating the strategic initiatives to contribute to the strategic goal and prioritising them. Sensemaking and sensegiving were part of the operationalisation of the action plan and the finalisation of targets and timelines. In B2 also, the action plan was evolved after sensemaking and sensegiving regarding the expectations of clients and customers, business and financial models and the changing external environment. As an evolving project the sensemaking and sensegiving were ongoing processes in B2. In both the cases the context for capability development was such that sensemaking began when there was a misalignment between the competitive environment and the existent knowledge in the organisation. To cope with the uncertainties, managers engage in both sensemaking (Weick, Sutcliffe and Obstfeld 2005) and sensegiving to create a context not only for locating activities that contribute to creating competitive advantage but also to evolve internal mechanisms for constructing these activities as capabilities. The initial purposeful sensemaking by the managerial agency and later processes of retrospective sensemaking and sensegiving facilitate new knowledge creation in organisations (Pandza and Thorpe 2009).

This study conceives capability development as an emergent phenomenon and emphasises the view that organisations refine their strategies when faced with new information and opportunities (Quinn 1980). Unlike the formal models, the emergent model underlines the importance of sensemaking and places less emphasis on the constraints of the organisation (Weick 1995). This study also provides new insights into the application of strategising practices by the managerial agency during capability development in different organisational contexts. It is pertinent to note that managers in both B1 and B2 used integrative strategising during the activity ‘creation of action plan’ for developing the capabilities. Integrative strategising involves high integration between procedural and interactive strategising and it creates both structural legitimacy and interpretive legitimacy. In the case of B1, the strategising
practice was reflective where the community was engaged in analysing the external environment in terms of competitors and opportunities, the throughput of existing outlets and current market share, identifying locations for new retail outlets, evaluating the pros and cons of each proposed action plans. Managers in B1 had interacted with a number of external sources such as employees from the same industry, customers, dealers, Government officials, vendors to identify opportunities and to develop strategic insights. Strategy making at the periphery by managers is essentially an inductive reasoning or sensemaking where they engage in a variety of efforts to generate new organisational knowledge (Regner 2003). This kind of an approach for developing strategic initiatives is very appropriate when an organisation can not formulate a common strategy across because of regional differences in terms of market and customer segments and customer preferences. In the case of B2 the reflective practice was more in response to the impact of complex and dynamic environment (Jarratt and Stiles 2010). As a transformative and green field project the changing customer needs, client requirements and advancements in technology posed major challenges to the actors. The managerial agency at B2 resorted to integrative strategising to create both interpretive and structural legitimacy for the emergent activities in response to the dynamic environment.

The integrative strategising and the associated sensemaking and sensegiving of the regional teams of B1 and project teams of B2 have contributed substantially in creating convergence and accuracy in the action plans. There is a significant body of research which indicates that most of strategic decisions made by managers are affected by cognitive biases (Dye, Sibony and Truong 2009). Interactive strategising can be an effective tool that can confront different biases and limit their impact (Lovallo and Sibony 2010). Creating action plan in B1 and B2 has benefitted significantly through this embedded practice bounded by normative controls.

B1 had used formal feedback mechanisms to monitor the capability development activities and manage exceptions. Activity plans and related budgets are basic feedback systems used by managers. B1 had made a number of changes in policies with respect to the limit of authority manual in order to provide the managers with substantial authority to make decisions and to allocate resources. The well defined roles and responsibilities of the regional members enabled the managerial
agency to establish position expectations and to monitor and evaluate performance against these expectations. The managerial agency at B1 had practiced diagnostic control systems in terms of communicating the system goals such as retail outlet targets, market share targets to ensure the implementation of the intended action plan (Simons 1995) for the expansion of retail outlets. The above mentioned administrative controls had contributed significantly to the faster commissioning of retail outlets and thereby remarkable growth in the top line. In B2 the process owners used both diagnostic control systems and interactive controls. While the diagnostic controls operated as simple feedback control systems, the process owners and managers used interactive control systems to involve in the decision activities of the teams to handle strategic uncertainties (Simons 1999). The information generated in B2 from different sources such as the task environment that included Government policies, technological developments, various requirements from the income tax department, and facilitation centers, both internal and external customer needs demanded frequent and regular managerial attention with respect to the capability development activities. In response to these strategic uncertainties, managers used interactive control system and that enabled the team members to interpret the underlying data and evolve emergent activities. The process owners in B2 used integrative strategising while dealing with controlling activities.

Organisations require both coordination and collaboration to address various challenges related to technical interdependence and uncertainty (Thompson 2003) for goal attainment. Interdependence refers to the extent to which the technology requires cooperation among employees for producing a product or service and uncertainty refers to the amount of information required to be processed for making decisions in order to produce a product or service. The dynamics of organising highlights activities (Bengtsson et al. 2007) and interactions of individuals (Knorr- Cetina 1981) that promote coordination and collaboration. While coordination refers to the synchronised action of the people in pursuit of a common goal, collaboration focuses on problem solving in a group (Noble 2002). External environment plays an important role in creating organising conditions (Fotller 1981) and an increase in environmental dynamism demands greater organisational flexibility and new forms of organising (Schilling 2000; Child and McGrath 2001). B1 had a greater degree of procedural standardisation in general and all the processes and procedures related to
dealer selection and commissioning the outlets were well laid down and followed across all the regions similarly. B1 also had a high degree of task specialisation and the regional team members and stakeholders extensively coordinated to carry out all the activities related to network expansion. For faster execution of the retail network expansion activities, the different functions had to coordinate within the regions, with government officials for various permissions, architects for outlet plan approvals, vendors for the construction of necessary structures and with the officials of zonal office for various approvals. In certain regions the engineering officer who was in charge of the network expansion was permitted to report directly to the regional manager to make decisions faster. All the sales officers of the region reported directly to the regional manager and this facilitated the network expansion significantly. In B1 the dimension of interdependence was high and the uncertainty was low and the extensive coordination at the regional level made remarkable difference in reducing the time for the commissioning of retail outlets. B2 was characterised by high technical interdependence, high technical uncertainty, a lesser degree of procedural standardisation and a lesser degree of task specialisation. Through coordination and collaboration the team members of B2 engaged in an interactive process using shared norms, rules and structures to address the challenges faced by respective teams (Wood and Gray 1991) and contributed to the strategic initiatives. B2 practiced collaboration at two levels. First, the teams of process owners and their respective team members and the second, Delta Force, a group of select process owners who work with the executive director on various technical challenges with respect to operational efficiency, measurements, new projects, innovations and change processes. The process owners were the common element in both the collaborative teams and formed the link between the top management and ground zero.

In B2, the roles and responsibilities of the process owners and team members got redefined frequently to contribute to the strategic initiatives. Instead of the typical job descriptions, B2 had resorted to developing Customer Service Commitments (CSCs) focusing on the internal customers, both for process owners and team members. Process owners and team members developed their own CSCs in discussion with the executive director and process owners respectively. These CSC objectives of both the process owners and team members were tracked every month with timelines by the concerned head of the departments and process owners respectively and a
consolidated report was submitted to the executive director. All team members were advised to keep a project tracker, where their objectives of a project were decomposed into specific goals and specific activities with timelines. Comparative analysis of time sheets in terms of time spent on a specific activity over a period of time had assisted members to streamline processes. Colour codes were used in the CSCs to represent the status of projects as achieved or requires critical attention or needs attention in future. On a daily basis, the relevant details on these were communicated through e-mails to the concerned members with remarks and comments. In their meeting, the process owners and the team members discussed and refined the CSCs periodically.

Social interaction underlines the dynamic relationship between individual and collective learning (Lam 2000) and facilitates knowledge exchange (Tsai and Ghosal 1998) in organisations. Coordination activities in B1 made a significant difference in reducing the time for the commissioning of outlets. Through interactive conversations, tacit knowledge is shared among organisational members (Zack 1999). Tacit knowledge is practical, personal and context specific (Ambrosini and Bowman 2001). Collaboration provides depth and focus to the interaction and diffuse the tacit knowledge. In B2 the team members collaborated regularly to solve problems related to project implementation, to work on joint projects, to develop new products and to improve the existing processes. Collaborative groups facilitate consistent upgradation of the knowledge level of individuals and organisations (Li and Gao 2003).

The managers in B1 had used procedural strategising while dealing with the organising activities. In B2 the process owners used integrative strategising as they focused both on procedural strategising and interactive strategising. Strategising practices embodied learning and reconfiguring to meet the emerging challenges in organisations. In B1 the higher degree of procedural standardisation, technical interdependence and a lesser degree of uncertainty promoted a higher degree of coordination within and between functions and stakeholders through procedural strategising. To address the higher degree of interdependence and uncertainty with work, the process owners in B2 had used integrative strategising.

Creating suitable systems and processes capable of change and building relevant measurement systems with a focus on the customers have a major influence on the competitiveness of any business. Improvement initiatives in organisations play
a major role in evolving capabilities by deploying resources in pursuit of strategic goals (Bessant, Caffyn and Gallagher 2001). Employee involvement and participation are fundamental to continuous improvement activities in organisations (Leede and Looise 1999). The procedures followed in B1 to develop the capability were standardised across regions. The regions operationalised the processes for faster execution and contributed to capability development. The managers and officers in regions were focusing on making improvements in the “how to do” of procedures such as getting all the sales officers to the office to do the initial screening of the dealership application form, having the L1 and L2 screenings together and linked all the activities with the strategic goals. B2 focused on both, external and internal customer concerns in the context of day to day work. In a transformational, dynamic project management environment, such a focus was crucial to business success as the customer requirement and client expectations kept changing. In B2 customer focus was the primary factor that contributed to the development of newer processes and the refinement of the existing processes. This emphasis on processes entailed the process capture and listing, identifying process owners and assigning responsibilities, preparing the process flow chart and developing the process standard operating procedures. Internal customers were equally important in developing processes and associated measures. Team members and process owners had developed the CSCs with timelines in consultation with internal customers and had them reviewed in Delta Force meetings. Relevant metrics were developed based on process excellence components to facilitate better decision making. Process excellence was operationalised in terms of process compliance, efficiency and delivery. Measurements were done on process exceptions, trend shifts and volatility of select measures and analysed CSC exceptions to enhance process excellence. Transformational project contexts demanded continuous adaptation of processes and relevant measurement parameters to be effective in a dynamic environment. The services offered by B2 were the outcome of different processes and these needed to be continuously improved to address the emerging business concerns and the needs of the customers and the client.

Both B1 and B2 were efficient in their management of business demands and also adaptive to the changes in the environment. B1 had a relatively stable market for operation and followed procedures which were standardised across regions.
Employees of different functions coordinated extensively to contribute to the strategic initiatives. The improvement activities undertaken by the regional employees in B1 focused on refinement and efficiency. Extensive coordination within and between the functions in regions, with zonal office, Government officials and refinement of the process of implementation of the set procedures contributed substantially to the faster execution of network expansion activities. Standardisation of the retail outlet formats and other procedures, use of technology in communication and decision making were other factors that contributed positively in reducing the time frame of network expansion. In B1, the focus on variance reduction and increased process control had driven both speed and efficiency (Harry and Schroeder 2000). These activities had helped B1 to learn and adapt quickly and to promote a number of incremental improvements. In effect B1 had created a comprehensive problem solving heuristic through coordination, standardisation and process improvement.

To respond to the dynamic environmental challenges, B2 had created organisational architectures that combined tight and loose coupling simultaneously (Bradach 1997; Ancona et al. 2001). B2 was composed of multiple tightly coupled teams of the process owners and respective team members that were themselves loosely coupled with each other. B2 had an incubation team that worked with the executive director only on new projects. The delta team that comprised of the executive director and the process owners did the strategic integration. The delta team not only integrated the various activities of teams but also focused on highlighting individual learning in overcoming possible rigidities in the team structures. B2 had favored the team members to access knowledge from both internal and external sources. Apart from the periodic team interaction, the process owners in B2 made presentations to the team members about the work on a monthly basis. The team members also reviewed relevant books and shared the insights with the team. The executive director invited experts in different areas related to business to address the employees and circulated relevant articles to team members for reading and discussing among them. Exposure to information and the emphasis on interpersonal learning is important for overcoming possible rigidities and aversion to experimentation (Miller, Zhao and Calantone 2006).
To be effective and adaptive, B2 had used the existing resources and sought new resources including the enhancement of the knowledge base. While the former had considerably improved the existing components and architectures, latter had resulted in certain new processes and innovations in the existing ones. The incremental improvements in established practices in B2 had resulted in both increased efficiency and proficiency (Levinthal and March 1993). The powerful learning orientation and focus on process management activities in B2 had resulted in innovations (Benner and Tushman 2002) such as cost saving through the introduction of low end disc for data storage, reduction in page weight and bandwidth, common code libraries and design standards.

In both B1 and B2 the organisational context encouraged managerial agency to make decisions in relation to both efficiency and adaptability oriented activities. Horizontal coordination and collaboration between teams and functions created greater interdependencies and interactions (Siggelkow 2002) in B1 and consequently increased congruence among organisational routines and incremental improvements. The teams that comprised of the process owners and team members and the team of process owners and the executive director provided an enabling structure for more efficient and effective vertical coordination of activities for the realisation of the strategic initiatives in B2. Intra organisational linkages increased efficiency by streamlining activities and thus speeding product development and delivery times (Dean and Snell 1996). In B2 all the major processes were well documented and were easily accessible for process owners and team members. The process and the project management focus that were ingrained in the system of B2 had facilitated both, the implementation of standard operating procedures for organisational routines and mental agility among the members to deal with the uncertainties associated with project management. Learning mechanisms play a critical role in the evolution of operating routines and other managerial activities that contribute to the modification of routines (Zollo and Winter 2002). According to Cohen and Levinthal (1989) organisational learning is a function of the absorptive capacity that represents the ability of the organisation to decipher the value of information, assimilate and apply it. Apart from the level of prior related knowledge (Cohen and Levinthal 1990), Van den Bosch, Volberda and Boer (1999) propose that organisational form and combinative capabilities are also organisational determinants of the absorptive
capacity of organisations. Combinative capabilities integrate and apply the current and acquired knowledge (Kogut and Zander 1992). In 2009, aligning with the new strategic goal, B1 had a renewed focus on the retail network expansion. While the regional teams followed the standardised procedures that needed to be followed by everyone across the nation, they have also identified idiosyncratic measures at the regional level to make the network expansion faster than before. The internal mechanisms that facilitated organisation’s absorptive capacity included transfer of knowledge within and across teams and functions and active network of internal and external relationships (Cohen and Levinthal 1990). The extensive coordination between functions and with external entities in B1 and the collaboration of members within and between different modules and with the client and other external stakeholders in B2 have influenced the absorptive capacity of these organisations and thereby learning which drives improvement in the operational capabilities.

The retail strategic business unit of B1 has accorded greater autonomy to the regions in terms of operational decision making. This has facilitated customer interface and contributed significantly to the strategic goal. B2 was one of the specialised divisions of the parent organisation and followed a project management structure for efficient and effective operations. Both the structures have contributed positively to the absorptive capacities by integrating and applying current and acquired knowledge through combinative capabilities. In alignment with the structure, the combinative capabilities in B1 were represented by formal, explicit routines and improvements were driven by managerial agency through coordination. In B2 the knowledge absorption was facilitated by coordination and collaboration within and between various project teams. High levels of participation by members in team meetings resulted in high levels of knowledge sharing and knowledge absorption. While job rotation happened to be a procedural activity in B1, team structures got changed in B2 periodically based on the nature of projects. In B2 process owners were asked to make presentation to their team members on their work on a weekly basis and team members were encouraged to work with other teams whenever possible. To expose the team members in B2 to the latest developments in similar fields of work, relevant articles from journals were sent to them for reading and experts were invited for presentations. All these activities can facilitate employee participation and absorption of knowledge in organisations (Van den Bosch,Volberda
and Boer 1999). Both in B1 and B2, lateral communication and decision making process across functions and units facilitated knowledge creation and the capability development (Un and Cuervo-Cazurra 2004).

The members of both the organisations had a collective sense of direction and a blue print for empowered action. Empowerment is an important element as the strategy in these organisations is more emergent than deliberate (Leonard –Barton 1992). The co-creation of the common vision and the development of regional strategic initiatives as part of the alignment exercise and the decentralisation of authority in B1 had implied that the members were empowered to take appropriate action for achieving the strategic goal. Despite its procedural nature, the practice of team based decision making in B1 has contributed to limiting the biases in the decision making process. In B2 team members, process owners and the executive director together decided upon the various activities on a regular basis to contribute to the strategic goal. Customers were the focus in both B1 and B2. A co-created and agreed upon strategic goal gives employees substantial action orientation within the framework of that strategic goal or the initiatives that contribute to it (Gibson and Birknshaw 2004). In B1 the managers had gradually built recombination patterns on the top of the previous model of operational capability after the alignment exercise. B2 faced a dynamic industry context and required ongoing learning for adaptation of work processes for responding to the varying customer needs, client expectations and other environmental demands. B2 had created a continuous focus on both creation of efficiency and adaptability. The business environment of B1 had a lesser level of dynamism and the managerial agency responded with a baseline level adaptability unlike B2. The managers of B1 mainly used procedural strategising and those of B2 used integrative strategising to connect with their communities. The standardised procedures, coordination between functions and individual initiatives directed at finding better ways of execution, had made significant difference in making network expansion, a capability for B1. The managerial agency in B2 resorted to both interactive and procedural strategising to evolve solutions, develop action plans to address the different challenges posed by task environment, client and customers and for effective and efficient execution of the various processes. While the managers in B1 used procedural strategising, in B2 managers used integrative strategising to be efficient and adaptive.
The activity systems in both B1 and B2 were capable of both stability and change in their activity patterns in the context of capability development. While the situated, interpretive rationale promoted continuity, interaction between collective structures, managerial agency and the activity facilitated change in activity patterns. Interaction may result in contradictions in interpretations among the constituents and generate system level tensions. This may lead to reconceptualisation of the interpretive rationale and changes in the capability development activities. Strategising practices mediate in continuing or making changes in the existing activity patterns or in developing new activity patterns by enabling constituents to interact and conceptualise about the activity. Recent researches in the area of routines (Feldman and Pentland 2003) and agency (Emirbayer and Mische 1998) highlight the role of managerial agency and the interactions among processes, strategising practices and agents in the development of capabilities.

Routines are the ‘repository of organisational capabilities’ (Becker et al. 2005 p.1) and are patterns of repetitive, interdependent and coordinated actions (Feldman and Pentland 2003) that explain behaviour of organisations (Nelson and Winter 1982). Routines also permit the managerial agency to perform idiosyncratic or situated actions to recreate and change these patterns to maintain stability and initiate change in organisations (Howard-Grenville 2005). Routines emerge out of the various activities that occur in the context of the enabling and constraining structures (Orlikowski 2000). Routines facilitate efficiency but do involve actors to selectively choose and construct activities within the situated transactions (Emirbayer and Mische 1998). To conceptualise routines as a source of stability and change, Feldman and Pentland (2003) proposed two aspects to routines such as (a) ostensive aspect - the idea of a particular routine that influences the perception, in terms of both artefacts and the tacit component which may exist and (b) the performative aspect – which is improvisational in nature, where the agents interpret the actions and adjust themselves to the changing situations. This conceptualisation of agent is consistent with the Emirbayer and Mische’s (ibid.) view that highlights the active engagement of practical evaluative agency with different structural forms in temporal-relational contexts. The practical evaluative element of agency enables individuals to choose feasible and relevant activities from various alternatives to respond to environmental demands.
All the identified operational capabilities in both B1 and B2 were documented thoroughly to highlight the micro level interactions among processes, strategising practices and agents that led to the evolution of routines and thereby development of capabilities. Drawing from Feldman and Pentland (2003) this research highlights the performative and ostensive aspects of routines to capture the interaction between routines, performance, the agents and the mediating role of strategising practices in shaping these capabilities. In B1, formal procedures and rules to a great extent determined the activities with limited intervention of agents in changing activities. B2, a transformational project operated in a very complex environment and emphasised the role of actors in interpreting and modifying activities. Structures are interpretive and human agents have the discretion to sustain or change procedures (Orlikowski 2000). The technical systems represent the artefacts such as organisational systems and procedures, tools that embody the knowledge and skills in a readily accessible form (Leonard –Barton 1992). In B2, the team members and process owners have created a repository called ‘wiki’ and stored all the information and data on all the processes, developed codes, details of products, customer responses, details of root cause analyses and the improvements made as part of the technical system. The process owners and team members tapped into this embedded knowledge to have an integrated picture about the functioning of various modules and their interaction, to avoid duplication of certain development work, to understand possible fall outs of certain product integrations. This has significantly contributed to the learning curve of the organisational members. The organisational members were also exposed to latest developments in related technology, programming languages and management practices. As a transformational project, it was a major challenge for B2 to focus on the technical dimension within the ambit of a structured change management process. Since a large number of organisations and a variety of user segments are involved in the functioning of B2, it is important to implement the change management process in phases, keeping the customer in focus. In B2, any major project was first subdivided into smaller components and then periodic monitoring was done against select deliverables. The change management process at B2 had least surprises for the users and demanded minimal changes in user behaviour. Another challenge was about incorporating policy changes within the information technology systems for smooth implementation of the policies and an easy and
practical enforcement of the same. B2 has seen a significant increase in data quality over time, as its users have taken cognisance of the benefits of electronic transactions. B2 has ensured data quality through standardisation of efficient processes, matching and verifying workflow information, use of simple open data formats, electronic transactions, status track and feedback to customers and incentives for compliance. B2 used a vendor neutral solution architecture which adhered to an open standard for easy migration between vendors and for competitive pricing. As B2 was connected to a number of stakeholders, there was a need to employ service oriented architecture to create standards and services around the offerings. It was noticeable in the fact that B2 used the open file formats for e-returns and e-challans, thus ensuring that the end customer had multiple options to file returns. Openness in technology in terms of standards, data and source was another integral element that had driven technical systems of governance projects like B2. Open standards were generally created out of necessities and previous experiences. They also helped in creating desirable IT systems for the interchangeable use of competing databases and solutions of multiple vendors. Open data promotes transparency, accountability and supports policy development. B2 used both, open source software as well as commercial software and extended them to superior functionality through its well aligned development process.

The above mentioned aspects of technical system highlight the performative view of routines and the adaptive changes created through the mediation of strategising practices. The performative aspect of the routine through the mediating practices facilitated the reciprocal interaction of the ostensive and the performative dimension of routines. The conceptualisation that emphasises the agential intention, structure, community, the capability development activity and the mediating practices provide a promising way to explain the continuity and change in the capability development activities. Emirbayer and Mische’s (1998) conception of human agency within the temporal relation context of action with constitutive elements such as iterative, projective and practical evaluative imply the existence of the agents’ ability of intentional action. The iterative element of the agency refers to the selective use of past patterns of thought and action in the existing routines to provide them stability and continuity. The projective element encompasses the imaginations of the agency about the future patterns of action, recombination of structures and action based on the imagination in relation to the intended future for initiating change. The practical-
evaluative element represents the agents’ capacity to make feasible and practical judgments about the alternative patterns of action in response to the changes in the external and internal environment of organisations. The agents in both B1 and B2 used all the three elements, but the use of iterative element was substantially higher in B1 and the use of projective and practical evaluative elements were substantially higher in B2. The ostensive aspect of the routine which is generally represented by rules or standard operating procedures (SOPs) were constructed in B1 and B2 through the process of articulation, codification and standardisation (D’Adderio 2008). The rules and SOPs created a common reference point for the actors to coordinate and collaborate varied streams of knowledge and perspectives across functions and modules. The ostensive aspect of the routines is important but that is not sufficient to explain the activities in relation to capability development that drives improvement. In general there was certain degree of flexibility in many activities both at the individual and collective level. The challenges were very different for managers in B1 while dealing with different retail outlet formats during the network expansion and for the process owners of B2, who were confronted with very different demands from customers and client while providing services. The managers and team members in B1 and the process owners and team members in B2 have interpreted the task at hand and adapted to different situations with different behaviour. The managerial agency predominantly resorted to procedural strategising in B1 and facilitated mostly the iterative elements of agency unlike the managers in B2, who have used integrative strategising to focus on the iterative, projective and the practical evaluative elements of agency. The activities such as organising, controlling and driving improvement in both B1 and B2 were constructed differently to align with the above mentioned orientations of the managerial agency. Capability development is primarily linked with the way individual and functional expertise is structured and coordinated in organisations (Zander and Kogut 1995). The divisional structure to align with the relatively stable external environment, the coordination within and between functions in B1 and the project management structure to align with the dynamic external environment, collaborative teams, coordination within and between modules and multiple initiatives to develop competencies among organisational members in B2 have significantly contributed to the capability development (Van den Bosch, Volberda and Boer 1999).
Capabilities are conceived as generative systems characterised by the interaction among internal structures, agencies, the mediating strategising practices and the activities that contribute to capability development. The ostensive and the performative aspects of the routines interact and stable patterns emerge out through recombinations that drive improvement in the operational capabilities. The managerial agency used the strategising practices to shape the interactions between managerial agency and the community to facilitate stability or adaptation in capabilities. Interactive strategising promoted dynamic adaptation in uncertain situations and procedural strategising facilitated automatic reproduction and repetition. This research has discussed extensively how the activities of managerial agency contributed to operational capabilities that drive improvement. The above discussion suggests that understanding of an organisation’s ability to systematically develop or renew its capabilities requires an in-depth knowledge of (a) the micro activities that develop the various capabilities and their component routines; (b) a thorough understanding about the organisational context; (c) the role of agential intentionality and strategising practices in recombining and reconfiguring component routines or resources to achieve systematic improvement in capabilities.