ABSTRACT

The construct of organisational capability has gained a lot of attention in the field of strategic management as its development and constant adaptation have substantial impact on the strategic prospects of organisations (Agarwal and Helfat 2009). To be competitive in the current environmental uncertainties instead of relying on a specific set of capabilities, organisations need to improve the existing capabilities or develop new ones (Winter 2003). Despite the fact that managers play a critical role in the creation and development of capabilities (Eisenhardt and Martin 2000; Helfat 2003), there have been few efforts in strategy research to address this concern. Researchers attribute this to the existing understanding of capabilities as collective entities that drive organisational heterogeneity and strategic outcomes (Felin and Foss 2005). Understanding the managerial micro activities (Johnson, Melin and Whittington 2003) at the periphery of the organisations (Johnson and Huff 1998; Regner 2010) and their linkage with strategic outcomes is critical as organisations get geographically distributed and become increasingly complex. Studying micro activities such as what managers really do and work with in relation to the realisation of strategic goals provide ample opportunity to understand capability development that create competitive advantage for organisations. This study focuses specifically on the operational capabilities that drive improvement, their development and proposes a tentative model of capability development that can be applied in varied contexts.

This research examines concrete situated micro level managerial activities including how managers engage with strategising practices as they involve in operational capability development using an activity theory framework within the strategy as practice approach. The unit of analysis, activity system underlines the interdependencies among actors, community and collective structures, the capability development activities and the mediating strategising practices. This study is qualitative in nature and adopts a multiple case study design and uses grounded theory approach to build explanations to the complex problem of capability development. Semi-structured interviews were conducted in three stages to gather relevant data from two organisations, B1 and B2. Interviews were conducted in three stages with thirty three managers and officers across levels including fifteen regional managers in
B1 and with twenty four managers and team members including thirteen process owners in B2. Archival data was used to support the data collected through interviews and these multiple sources formed the evidence for data triangulation.

The data analysis produces a general activity categorisation consisting of seventeen sub activities within the four main activity categories such as creating action plan, controlling, organising and driving improvement as necessary for developing operational capabilities in organisations. Even though the main activity categories in both the organisations are similar, there are differences at the sub category level. The data reveals the role and relevance of each activity in describing the development of operational capabilities. The study also identifies the strategising practices that play a critical role in shaping the activities by mediating as institutionalised rules or localized practices in the dynamics of strategising. Strategising represents the dynamic relationship between managers and the practices in shaping the activities.

Based on the findings from field studies and the established theoretical explanations a tentative model of operational capability development in organisations is proposed through a process of analytic generalisation. This model mainly contributes to the existing literature on capability development by (i) incorporating a central role for micro level activities through which managerial agency can shape the development of capabilities; (b) incorporating the critical role of the strategising practices that mediate and enable constituents to conceptualise the practical activity for capability development and (c) incorporating a direct role of managerial agency in capability development.

Capability development is conceived in this study as a situated activity that depends on specific contextual factors. Understanding the managerial activities that contribute to the development of capabilities demands an analysis of the organisational context impacted by market dynamics (Eisenhardt and Martin 2000) and problems in relation to organisation alignment (Powell 2006). The fine grained analysis of various managerial micro level activities and related strategising practices with respect to capability development in specific contexts done in this study can be particularly relevant in advancing the resource based view of the organisation (Johnson,Melin and Whittington 2003). Understanding what managers actually do in
practice with respect to capability development in specific contexts (Jarzabkowski 2003) and attempting to link the managerial activities with strategic goals of the organisation can contribute significantly to the evolving area of strategy as practice.

The general activity categories of operational capabilities and their subcategories can guide further studies to examine the linkages between these categories and other organisational characteristics. From a practice perspective the activity categories and associated strategising practices can guide managers to develop and shape organisational capabilities for enhancing operational effectiveness and thereby contributing to competitive advantage.