CHAPTER TWO
THEORETICAL BACKGROUND

2.1 The Construct of Organisational Capability:

The acknowledgement that there is a linkage between organisational capabilities and competitive performance (Barney 1991; Amit and Schoemaker 1993; Peteraf 1993) prompted many researchers to write on these areas and related aspects in the field of strategic management. To state generally, capability is the capacity or know how to act intentionally to achieve a pre-articulated goal. Grant (1991) views organisational capabilities as the capacity of a team of resources working together to perform an activity. Amit and Schoemaker (ibid.) define capabilities as organisation’s capacity to deploy resources, usually in combination, with the help of organisation specific, tangible or intangible organisational processes to achieve an intended goal. These processes are evolved over a period of time through interaction among organisation’s resources. Building on this conceptualisation, Makadok (2001) argues that capability is embedded and organisation specific as it is linked with the organisational process and also it enhances the productivity of other resources possessed by the organisation. Capability building creates profit only when the organisation possesses those resources on which the capability can exert influence. According to Dosi, Nelson and Winter (2002) organisational capabilities represent the forms of organisational knowledge or know how that account for the kind of characteristic activities the organisation gets involved in. They are intentionally developed and deployed with a recognisable purpose in terms of significant outcomes. Capabilities can be tangible or intangible processes that can expand the potential of resources and develop through interactions among resources of the organisation over time. Capabilities tend to be large activities and are directly linked with the outputs that matter to organisations’ existence. Certain capabilities attain a higher level of functionality in terms of efficiency or effectiveness. According to Helfat (2003) organisational capability refers to an ‘organisational ability to perform a coordinated task, utilising organisational resources, for the purpose of achieving a particular end result’ (p.1).
Organisational routines are also termed as capabilities when the routine is developed and deployed out of conscious decision and it has a specific purpose expressed in terms of significant outcomes (Dosi, Nelson and Winter ibid.). Organisational capabilities are socially complex routines that contribute to the efficiency with which organisations transform inputs to outputs (Collins 1994). Routines represent a bundle of features of how organisations do and know how to do things, and are distributed among a community of users. Routines are organised activities with a repetitive character, repositories of knowledge (Nelson and Winter 1982) and they can be categorised as capability when they have reached a threshold level of reliability (Helfat and Peteraf 2003). Capabilities evolve through social interaction and can be built in different levels of organisational activity such as departmental, divisional or corporate level (Schreyogg and Kliesch-Eberl 2007). Capabilities are deeply embedded in the organisational routines and cannot be traded or imitated (Dierickx and Cool 1989).

Collins (1994) has reviewed the definitions of organisational capability and classified them into three categories. The first category reflects the ability of capabilities to perform the basic functional activities of the organisation such as supply chain logistics and marketing campaigns, brand management better than competitors. Those capabilities that focus on the dynamic improvement to the activities of the organisation such as product or service and process innovations, customer responsiveness and reduction in cycle time form the second category. The third category enables organisations to recognise the intrinsic value of resources or develop new resources after the deployment of existing resources.

Helfat and Peteraf (2003) classify capabilities as operational and dynamic to explain the heterogeneity among organisations in terms of capabilities. Operational capabilities are ‘high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organisation’s management a set decision options for producing significant outputs of particular type’ (Winter 2000,p.983). Operational capabilities generally involve activities such as coordinating varieties of tasks required for performing an activity or manufacturing a particular product. According to Teece, Pisano and Shuen (1997 p.516) dynamic capabilities are defined as ‘the firm’s ability to integrate, build and reconfigure internal and external
competences to address rapidly changing environments’. Dynamic capabilities also may consist of routines (Zollo and Winter 2002) in the case of a capability like post acquisition integration. Effective capabilities are built not only around the mastery and use of specific routines, but also on the ability to involve in activities that are situation specific.

In the resource based view of strategy, organisational capabilities have been identified as one major source for the development and sustenance of competitive advantage for organisations (Barney 1991; Peteraf 1993). The unique bundle of capabilities which are valuable, rare, hard to substitute and hard to imitate can create more value and generate the advantage than competitors (Peteraf and Barney 2003). According to RBV, organisation heterogeneity in resources and capabilities is responsible for building competitive advantage and rent differentials (Oliver 1997). In the same vein, Day (1994) argues that resources and capabilities are the two sources through which business can achieve and maintain a superior competitive position. While the business accumulates resources such as investments in scale, scope and brand equity, capabilities bring the resources together and enable them to be deployed judiciously. As capabilities change and can offer explanation for competitive heterogeneity, it is important to examine the ways in which organisation capabilities emerge, develop and change over time and the resulting effects on organisation performance (Helfat 2000).

Addressing this concern, Helfat (2003) proposes three stylised facts such as market entry, adaptation and heterogeneity. Past histories and founders play a major role in determining the sets of resources and capabilities an organisation possesses. To an extent the preexisting resources and capabilities determine the success of organisations in a new industry. Capabilities evolve over time and they are path dependent. Past history can constrain change in capabilities. The evolution of heterogeneity in capabilities within an industry depends on the initial degree of heterogeneity and the history dependent paths taken by capabilities. Capabilities represent historical experiences and organisational learning (Winter 2000).

To explain the fundamental sources of organisation heterogeneity, Helfat and Peteraf (2003) propose a general capability life cycle approach to incorporate all kinds of capabilities and organisations. This approach provides a common language for the
evolution of capabilities and contributes to developing a dynamic resource based theory. The stages include the founding stage, the development stage, the maturity stage and the capability transformation.

Building on Makadok’s (2001) view that capability is embedded and non transferable, Teece, Pisano and Shuen (1997) argue that capabilities cannot be picked from outside but they must be built. According to Zollo and Winter (2002) capabilities are operating routines and are generated and developed through the co-evolution of the tacit accumulation of the past experience, knowledge articulation and knowledge codification processes. Dosi,Nelson and Winter (2002) conceive capabilities as distinct patterns of behaviour that involve both formal and informal processes. These distinct patterns are collective activities and are built on the idiosyncratic knowledge influenced by path dependence (Kogut and Zander 1992) and can generate heterogeneity and thereby competitive advantage for an organisation in relatively stable environments.

Leonard-Barton (1992) argues that capabilities that make strategic difference to an organisation are always evolving and that needs to be managed successfully for the survival of the organisation. Conceptualising capability as interrelated, interdependent knowledge system, Leonard-Burton (ibid.) identifies four dimensions for capability such as (a) knowledge and skills: the technical and organisation specific knowledge that are accumulated over a period of time with the people of the organisation; (b) technical systems: knowledge is embedded in these systems comprising the information in databases, formal procedures and routines; (c) managerial systems: represent and formal and informal ways of creating and controlling knowledge and (d) values and norms: specifies the values attached with different information, its importance in terms of content, structure and controls that include who gets access to the information and whether the organisational environment is empowered or hierarchical.

Kogut and Zander (ibid.) proposed the idea of ‘combinative capabilities’ underlining an organisation’s ability to handle change from old capabilities to new ones. This recombination is generally achieved by producing new capabilities by recombining the current capabilities with other knowledge and by making changes in the organising principles that impact the operations like structural changes, internal
social relations shaped by the individuals and groups, partly by their differences in their knowledge bases.

Some of the key properties emerge from the above stated definitions and explanations of organisational capability are: (a) organisational capability is a distinctive and better way of deploying resources; (b) Capability is a means of effectively solving emerging organisational problems; (c) Capability involves routines, activities and organisational processes; (d) emergence and development of capability are linked with organisational learning process and (e) Organisational capability works toward an intended outcome.

Volatile markets and environmental uncertainties are the order of the day and markets and superior market positions are experiencing erosion processes. Instead of relying on a specific set of idiosyncratic capabilities, organisations are focusing on improving existing capabilities or developing new ones for sustaining competitive advantage. In turbulent business environments, the dynamic characteristics of how organisations involve in the processes of deployment of resources and adaptation are crucial (Winter 2003). Capabilities and their constant adaptation have substantial effect on the strategic prospects of many organisations (Agarwal and Helfat 2009). As the focus of strategy researches was more on attributes of organisation capabilities and on strategies of exploiting organisation specific assets, little research has been conducted on how organisations develop capabilities to support the strategies. Zollo and Winter (2002) and Grant (2006) state that we know little about the question of how capabilities are generated and evolved.

Capabilities emphasise the role of management in adapting skills, resources and functional competences to match the demands of the changing external environment (Teece, Pisano and Sheun 1997). Even though the researches in the area of organisational capability highlight the role of managerial agency in shaping capabilities (Eisenhardt and Martin 2000) managerial activities are disregarded and relegated to the background. Salvato (2009) attributes this to the existing focus on capabilities as collective entities. As capability is conceptualised at the organisational level, researchers link this construct directly with the organisational level outcomes and disregard the intentional micro activities of the managerial agency (Winter 2003; Felin and Foss 2005). Focusing only at the organisational level for analysis may not
reveal the basic sources of heterogeneity in knowledge and knowledge transfer (Salvato and Leif 2008) and how capabilities are created and evolved (Zollo and Winter 2002). Recent studies on routine have also highlighted the importance of individual actors and their activities that have the potential to change them (Howard-Grenville 2005).

2.2 The Construct of Strategising Practices:

Researchers have presented two competing, prominent models in the area of strategy development in organisations (Mintzberg and Waters 1985). One is the rational, formal and structured model that uses environmental data and the other, that views strategy as an emergent phenomenon and highlights how organisations keep improving the strategies incrementally while responding to new opportunities (Mintzberg 1994; Whittington 2003). These two models have to be seen as two ends of a continuum along which the multiple practices of the real world can be located. Researches also show that the kind of tools and how they are used by managers are also varied when these models are operationalised in practice (Weick 1995).

The construct of strategising highlights the micro level processes and practices involved as organisational members strive to construct organisational strategies (Whittington 1996). Practices are an interrelated bundle involving social, material and embodied ways of doing and not always articulated or conscious to the actor involved in doing (Jarzabkowski and Spee 2009). According to Turner (1994) practices are habits, artefacts and social norms of acting through which strategic activity is constructed. The managers interact with the community which is comprised of distributed organisational actors in pursuit of the goal directed activities. The actors in the community may have divergent goals, but the manager shapes the various organisational activities in such a way that the community contributes to the strategic goals of the organisation. The interaction between actors, community and the goal directed activity is mediated by different methodologies and tools that provide meaning to and develop meaning by drawing from the situation. These strategising practices are institutionalised rules which are influenced by locally situated contexts to form administrative practices or social norms in the context of capability development or strategising (Jarzabkowski 2005). These practices are part of everyday life of organisations and provide the basis for shaping the intended activity
through mediation. These structural and interpretive practices make the distributed contributions of the community mutually intelligible and collective. The traditional perspectives conceive strategy as an outcome of an alignment among direction setting, resource allocation and monitoring and control (Garvin 1998). This conceptualisation of strategy as a dichotomous process of formulation and implementation is discredited by other developments in the area of strategy such as emergent strategy (Mintzberg and Waters 1985), sense making of prior actions influencing strategic direction (Weick 1995), avoiding logical decisions and supporting pre-established assessments in resource allocation (Burgelman 1996). Most organisations have a documented strategy direction, resource allocation mechanism and systems for monitoring and control for strategy making. While this reflects the legitimacy accorded to the strategy process it also sets the rules and norms that guide strategising.

Gioia and Chittipedi (1991) highlight the role of sensemaking and sensegiving in initiating direction setting or strategic change in organisations. Sensemaking and sensegiving are reciprocal processes of cognition and action used by managers to initiate and sustain effective organisational change processes. Balogun and Johnson (2004) focus on the sensemaking of the middle managers in an organisation through the mediation of interpretive frameworks between top and middle level management and the organisation wide administrative practices like resource allocation to create a structural context to shape desirable strategies. From a practice perspective both the interpretive process and the structural or administrative process mediate the interaction between the actor and the distributed community. In practice the goal directed activity might arise from interpretive processes or administrative processes, or a combination of both which is very contextual.

Resource allocation refers to the way allocation is made in terms of the physical, financial and human resources. Resources need to be allocated according the strategic priorities from time to time but literature in this area shows that resource allocation is influenced also by strategic priorities set by formal and social routinised practices (Burgelman 1983).

Monitoring and control is intended to assess the organisational performance based on pre-set and emergent goals and enable the organisation to maintain or alter
patterns of organisational activities using certain routines and procedures. Control systems can be either formal to enable managers to check whether the actions and outcomes are in accordance with the intended pans or the systems can be used my managers to involve themselves in decision making of the community. The former is labeled as diagnostic control systems and the latter interactive systems (Simons 1991). According to Simons (1995) diagnostic control systems motivate and reward realisation of goals and interactive control systems facilitate organisational learning, new ideas and strategies. Diagnostic control systems are feedback systems such as business plans and budgets used to identify variances and manage by exception. Interactive control systems facilitate dialogue and thereby learning in the organisation. Depends on the intention of the management any diagnostic control system can be made interactive and Simons (1994) argues that attention towards strategic uncertainties promotes use of interactive control systems and diagnostic or procedural control systems ensure implementation of intended strategies. All control systems can be established and reinforced in organisations either through diagnostic/procedural or interactive manner. Interactive control systems receive a lot personal attention of managers unlike the diagnostic or procedural control system where the focus is more on feedback controls (Marginson 2002).

Jarzabkowski (2005) studied the practices that mediate activity in the area of strategy and categorised them into procedural strategising and interactive strategising based on the way in which the practices are used by the managerial agency. Procedural strategising represents the use of formal administrative practices such as trend analysis, budgets, performance targets, periodic reviews, forecasts and strategic plans through which strategic activity is constructed, coordinated and embedded within the organisation. These formal practices are legitimate realisations of the institutionalised rules of strategy making.

The structural context of capability development encompasses all administrative systems and processes such as planning and budgeting, resource allocation, monitoring, selection and control mechanisms and all have to be in alignment with the pre articulated strategic goals of the organisation. Through procedural strategising the managers influence the community on the construction of strategic activity (Noda and Bower 1996), and once the administrative practices get
embedded in the organisational context, it is difficult to alter those practices. Simons (1991) argues that once administrative practices get established, they hardly need any top management involvement for sustenance. Over a period of time administrative practices get routinised and may shape the managerial agency or enable the managers to exercise agency (Jarzabkowski 2005). According to Feldman (2000) organisational routines are socially enacted and subject to change. Administrative practices can be a means to evoke varied contributions from distributed actors to create control mechanisms (Lovas and Ghoshal 2000) and to establish truce between the conflicting interests of actors (Blackler 1993).

Interactive strategising involves the purposive interactions between managers and their community and it enables managers to reinforce interpretations of activities and to negotiate these interpretations with the community. Social interactions encompass a wide range of behaviours such as specific use of language (Samra-Fredericks 2003), making decision choices influenced by the cognitive maps (Porac and Thomas 1990) and initiating change through the influence of organisational culture (Johnson 1992). Organisation members create a collective behaviour through interaction systems (Schneider 1987) or sensemaking (Weick 1995). Interactions are influenced by a number of situational and contextual factors (Johns 2006) and provide opportunity for managers and community to engage in activities that include communication, negotiation and persuasion in the course of the development of capabilities.

Interactive strategising relies on reciprocal interdependence (Thompson 2003) between the manager and the community. Managers can use interactive strategising to communicate their own interpretations of strategy to shape the behaviour of the community and based on the responses from the community, managers can reinterpret necessary frameworks. Through interaction, managers with their control and easy access to resources may create certain dominant set of meanings and may legitimise certain behaviours in a system to generate normative control over the community. The influence of any dominant dimension like power on the community that generally emanates out of various sources of controls is antithetical to the basic premise of interactive strategising. As a mediating practice, interactive strategising aligns varied interests of the community around certain common frameworks of meaning while
constructing capability development activities. Any interaction can have the potential to be renegotiated in the meaning generation process between parties (Weick 1979) and in the organisational context, the shared meaning needs to be reconstructed to contribute to the ‘becoming’ nature of activity (Suchman 1987). Active involvement of the actors within the organisational context for creating a shared framework and thereby contributing to capability development activities highlight the practical evaluative dimension of agency (Emirbayer and Mische 1998).

Both procedural and interactive strategising are situated practices that mediate interactions between actors and provide different dynamic influences. An existing activity rooted in a strategising practice may constrain or change, reconfigure the dynamics of the activity system (Jarzabkowski 2005). The importance of these practices in shaping the strategic activity depends on their legitimacy in the organisational context and in the macro social institutions (Whittington 2003).

Procedural strategising provides structural legitimacy to activity through routine administrative practices and shapes the strategy through structural embedding of activity and diagnostic control. Structures are collective systems that are socially produced and reproduced by routinisation of daily practices (Giddens 1984). Structural embedding represents the routine administrative practices with respect to roles and responsibilities, rewards and sanctions for evolving a stream of activity that contribute to the formalisation and realisation of goals. Structural embedding makes a strategic activity a part of the formal structure of the organisation (Jarzabkowski 2005). Diagnostic controls are part of the administrative practices and provide feedback to monitor and correct performance variations without active managerial attention (Simons 1994). Activities that have structural legitimacy can exist in an organisation for long duration and provide stability to the organisation. Procedural strategising contributes primarily to maintain existing strategies, specifically strategies that have a long organisational history.

According to Jarzabkowski (2005) there are two main concerns with shaping strategy through procedural strategising. First is the strategic drift that occurs when the administrative practices, rather than the goal directed activity become the focus of attention. In many cases activity gets shaped by targets and metrics and not by the
original goals. The demands of the dynamic environment and the desired behaviours of organisation members keep changing and these changes need to reflect on the metrics developed. Unless this alignment happens, the activity gets increasingly dictated by the practices which are structurally legitimate. Cyert and March (1963) termed this displacement of goals as the ‘goals-means displacement’. Despite the articulation of explicit goals, activities have a tendency to inertia over a period of time as they tend to drift from the original goal and start maintaining itself (Burgelman 1991). Miller (1993) argues that activities tend to become persistent and difficult to change as they are deeply rooted in the history, culture and procedures of the organisation. The second problem with shaping strategy through procedural strategising is in terms of the contextual relevance of diagnostic controls. Generally goals have structural legitimacy but the diagnostic controls may be weak, not aligned with the goals and can create unintended negative consequences. Even if the organisation intends to change them, it may be difficult due to their structural legitimacy.

Interactive strategising is important for developing new strategies, framing and reframing strategies for community’s acceptance and aligning organisational systems and process with the strategic goals. Interactive strategising creates a dominant framework of meanings for the whole organisational community to align their behaviour especially while introducing new strategies. According to Bartunek (1984) apart from framing meaning, creating normative controls are also important for reinterpreting strategies and for realigning actions with strategic goals. Interactive strategising confers interpretive legitimacy upon activity by framing dominant common meanings about strategy and by providing normative controls. Interpretive legitimacy promotes acceptable collective action through the mutual intelligibility (Suchman 1987) that evolves during interactive strategising. The members of the community through interaction with each other create meaningful and legitimate interpretive frameworks (Lave and Wenger 1991) for their actions that are intelligible to the members (Weick and Roberts 1993). The ongoing construction of meaning is the major concern with interactive strategising. Through multiple interaction and renegotiation the meaning generated initially by the group may get altered and may lack durability. Stability of meaning has to be reaffirmed on an ongoing basis through interactive strategising.
The way organisations create and develop capabilities influences strategising in a dynamic environment (Pan, Pan and Hsieh 2006). Understanding about the creation and development of organisational capability has the potential to unravel the relationship between organisation scope and competitive advantage (Grant 2006). Understanding how capabilities are created and evolved require an in-depth understanding of (a) managerial micro activities that make up organisational capabilities and (b) the managerial intentionality and associated strategising practices used by managers for achieving systematic improvement in capabilities. This study adopts the strategy as practice approach that focuses on the micro activities with respect to strategy and strategising and the activity based view which instantiates managerial agency as an intentful agent to study the creation and development of operational capabilities in two organisations.

The strategy as practice approach not only focuses on the impact of strategies on performance like other mainstream strategy researches but a comprehensive analysis of what actually takes place and all other related activities in relation to strategy (Golsorkhi et al. 2010) also. The next section of this chapter will briefly review the meaning of the strategy construct and discuss various important perspectives on strategy to highlight the importance of doing research in the area of organisational capability focusing on managerial activities and to enable us to locate and understand the strategy as practice approach within the broad area of organisation strategy.

2.3 The Construct and different perspectives of Strategy:

The construct Strategy has created a niche for itself both in the organisational theory and practice. Etymologically, the word Strategy is rooted in the Greek word Strategos- meaning ‘what the general do’ (Costin 1998). Strategy helps organisations to achieve competitive advantage for generating successful performance over an extended period of time. Despite its orthodoxy in the management literature, there is a visible lack of agreement on the definition for strategy and what it seeks to explain, as this field is replete with competing schools of thought which are to an extant incommensurable.
Mintzberg (1987) argues that the construct strategy needs minimum five definitions for its understanding. Also called five Ps of strategy, the definitions focus on (a) a plan or direction: a course of action for realising the set outcomes (b) a pattern: a consistency in behaviour over time, like a company pursues a high-end strategy; (c) a position: locating certain products in certain markets; (d) a perspective: the basic way of doing things; and (e) a ploy: intended action against a competitor. Organisations formulate plans, in view of the goals which have to be realised in future. The formulated plans are called the intended strategy and the observable outputs through the realisation of the intended strategy are called Realised strategy. When the intended strategy is realised as such, it is called deliberate strategy. The plans that never materialise are labeled as unrealised strategy and when organisations realise strategy which are not intended, those are known as emergent strategy (Mintzberg and Waters 1985).

Strategy literature is replete with frameworks and models for developing intended strategies or prescriptions which are concerned more with how strategies should be formulated. Known as the content research in strategy, it examines the content of decisions with respect to goals, kind of strategies proposed by single or multiple units of business at various levels (Miller 1988). On the other hand there are strategy studies, known as the process research, focuses on how strategies do form in organisations. These studies move beyond the individuals and underscore the importance of organisation’s environment as a main driver for strategic actions (Burgelman 1994; Mintzberg, Ahlstrand and Lampel 1998).

The influential works of Selznick, Chandler and Learned, Christenson, Andrews, Guth (cited in Mintzberg, Ahlstrand and Lampel 1998) laid the foundation of the content research in business strategy. More specifically the concept of distinctive competence of Selznick (1957), the study on the relationship between business strategy and structure of Alfred Chandler and the writings of Learned, Christensen, Andrews and Guth that emphasise the importance of appraising the organisation’s external environment to understand the threats and opportunities and the organisational internal environment for assessing the strengths and areas of improvements have contributed substantially to the field. The Planning perspective (Ansoff 1965) in strategy which views strategy formation as formal and can be
delineated into distinct steps and check lists supported by artefacts like budgets, plans and operating procedures in strategy has tremendously impacted the field in the 1970s.

The dominant force in strategy during the 1980s was the competitive forces approach pioneered by Porter (1980). It departed from earlier perspectives by proposing limited categories of generic strategies for organisations, to employ based on the environmental forces that influence competition within an industry. These competitive forces are (a) Threat of new entry by potential competitors: Certain organisations overcome certain entry barriers such as economies of scale, capital investments, customer loyalty and brands which occupy huge mind space and form part of the competition; (b) The bargaining power of organisation’s suppliers: In an organisation-supplier relationship the advantage generally goes to the one which has multiplicity of choices and less to lose if the association ends; (c) Bargaining power of organisation’s customers: Companies experience a competitive threat when customers force down prices or when they demand superior quality or services; (d) Threat of substitute products: This is a major competitive challenge organisations face where products in one industry are replaced by one from another industry; (e) Rivalry among competing organisations: The intensity of rivalry which is linked to factors such as industry competitive structure, demand conditions and the height of exit barriers in the industry can impact profitability of competing organisations. Porter argued that depends on the analyses made by the company about the competitive forces, it resorts to one of the three generic strategies such as (i) Cost Leadership: being a low cost producer by investing in large scale production facilities, monitoring operating costs and similar activities; (ii) Differentiation: developing unique products or services and justifies higher prices for superior performance in an industry; and (iii) Focus: seeking market segments focusing certain customer groups, keeping the differentiation focus or the Cost leadership focus. Porter’s competitive forces approach emphasises the exploitation of market power by positioning an organisation within its industry structure in the external environment. Organisations earn monopoly rents based on the kind of competitive strategies they adopt vis-a-vis their competitors and suppliers (Teece 1984).
Another distinct approach within the strategy content research is the Resource Based View, which focuses on the organisation level resources for achieving and sustaining competitive advantage of the organisation (Barney 1991; Peteraf 1993; Teece, Pisano and Sheun 1997). The fundamental proposition of this approach is that an organisation’s valuable, rare, inimitable and non substitutable resources generate competitive advantage and thereby accrual of rents. Although, the basic idea of viewing an organisation as a set of resources is based on the work of Edith Penrose, Wernerfelt (1984) put forward the resource based view of the organisation as an important area of strategic management research. An organisation’s resource at a given time could be defined as those tangible and intangible assets it has or those resources which are connected semi- permanently to it (Caves 1980). According to Barney (ibid.) resources can be categorised into (a) physical Resources like plants and equipment, land and raw materials; (b) Human resources, including the technical and managerial workforce and (c) organisational resources , like the routines that coordinate the human and physical resources, organisational culture, brand names, trademarks and patents and efficient processes.

Peteraf (1993), after a thorough review of the research work in this area developed a general model of resources and organisation performance to integrate different strands and to provide a common ground. This model brings forth four theoretical conditions which underlie the competitive advantage of the organisation. They are (i) resource heterogeneity: The resource bundles and capabilities are heterogeneous across organisations and which are superior in terms of these are more efficient and customer focused. When the industry demand and supply of productive factors are in balance, organisations with superior resources have lesser average costs than other organisations and earn supra normal profits as rents; (ii) ex post limits to competition: Heterogeneity needs to be preserved to add value for sustained competitive advantage. According to Barney (ibid.) imperfect imitability and imperfect substitutability can limit ex post competition and reduce rents for organisations. Isolating Mechanisms (Rumelt 1997) such as rights to scarce resources, producer learning, buyer switching costs, economies of scale can protect organisations from imitation and maintain their rent streams; (iii) Imperfect Resource Mobility : Imperfectly mobile resources can be tradable resources but are more valuable to a particular organisation as the resources are more specialised to the
specific needs of the organisation. Imperfect resource mobility can arise when an organisation has co-specialised assets (Teece 1986), where certain resources produce value only when used jointly with certain resources. Information asymmetries in terms of difficulty in assessing the cost or individual values of resources, in the context of interaction with the complex and systemic environment also hinder mobility of resources (Barney 1991); and (iv) Ex ante limits to competition: Ex ante uncertainty or imperfections in terms of resources can provide profits for those organisations, which have the ability to foresee certain resources as sources of above normal returns. Peteraf (1993) is of the view that prior to acquiring and maintaining superior resources, there must be limited competition for those resources. According to Barney (1989) even immobile and imperfectly mobile resources can also be sources supra normal rents. Heterogeneity of resources is the fundamental condition in which the RBV is developed. With heterogeneity, the four above mentioned conditions must be met for creating sustained competitive advantage for an organisation. It is also important to note that the productivity of the resource depends not only on the nature of their employment but also on the skill employed in implementing the strategy which is based on resource superiority.

The Dynamic capabilities (DC) View, the recent development in the strategy literature, predominantly falls within the strategy content research, understands how organisations can sustain competitive advantage in fast moving business environments (Wang and Ahmed 2007). Dynamic Capabilities “have the ability to sense and then seize new opportunities and to reconfigure and protect knowledge assets, competencies and complementary assets with the aim of achieving a sustained competitive advantage” (Augier and Teece 2009 p.412). The DC approach is rooted in the resource based view of the organisation and evolutionary theories of economic change approach (Helfat and Peteraf 2009) and it helps organisations to maintain competitiveness by making use of organisations’ tangible and intangible assets and thereby shaping competition for them (Teece 2007). It addresses concerns of organisations like organisational growth and routines, organisational learning and decision making (Helfat et al. 2007). Eisenhardt and Martin (2000) use organisation theory lens to understand the process that underpin dynamic capabilities and observe that: (i) DCs are specific strategic and organisational process embedded in organisations like product development and strategic alliances aimed at creating
value for the organisation; (ii) DCs exhibit commonalities across competitive organisations and (iii) DCs form different effective patterns like routines or analytical processes depend on the kind of market the organisation is in. Wang and Ahmed (2007) posit that dynamic capabilities are a source of competitive advantage as they may be capable of responding to external changes quickly and it is difficult for other organisations to imitate. Helfat et al. (2007) propose two measures for the calibration of Dynamic capabilities. The first, technical fitness represents the extent of effectiveness with which a capability performs, irrespective of its impact on organisation performance. Second, evolutionary or External Fitness refers to the extent the capability contributes to organisation performance. These two measures may have the potential to remove all the possibilities of tautological linkage between competitive advantage and possession of dynamic capabilities.

While strategy content research focuses on effective strategies for organisations to create competitive advantage, the strategy process research attempts to understand and explain how strategies are formed, implemented and changed. The Process approach research in strategy includes various strands of research and it does not have a consistent body of theorisation. Drawing heavily on the work of Mintzberg and Lampel (1999), Chakravarthy and White (2006) put forward four perspectives within the strategy process research such as rational, political, evolutionary and administrative focusing on processes dealing with decisions or actions.

The first perspective, rational decision making which has influenced much of the thinking in strategy process research, demands a comprehensive and exhaustive analysis prior to decision making (Fredrickson and Mitchell 1984). The use of formal strategic planning in organisations represents such a rational model (Wood and LaForge 1979). Simon (1976) states that it is not possible for a single individual to settle on a rational decision when encounters with unstructured problems. Cognitive limits influence decision makers to adopt simplified models while addressing a problem, limiting search to incrementally different options and to accept the first satisfactory output (March and Simon 1958). Individuals generally resort to the use cognitive schema to organise inputs to manageable categories (Dutton and Jackson 1987) and they are boundedly-rational (Cyert and March 1963). Neisser (1963) views that the concepts in our memory scan and interpret the inputs to fit the
expectations before the inputs approach consciousness. Pribram and McGuinness (1975) posit that the input and expectations shape each other. Based on the Bounded Rationality perspective, Cyert and March (ibid.) propose a comprehensive behavioral theory of organisation. The authors recognise that it is difficult to avoid goal conflict in organisations as individual members have different goals. Conflicts are resolved to a great extent by the use of decision rules, feedbacks and organisations keep learning through these processes (Chakravarthy and White 2006).

The second, political perspective, generally refers to behaviors with respect to power or influence in resolving goal conflicts in the strategy process. Most of the studies in this area do not differentiate between the self interested use of power and power exercised in broader interest of the organisation as the fallout of this may be critical (Chakravarthy and White ibid.). Strategic assumptions form the basis for setting goals and these may lead to politically motivated behaviour among actors, thereby gives rise to unaligned organisational processes. Actors need to articulate their personal objectives and need to be in alignment with the overall organisational objectives and the future activities shall be contributing to realising those organisational objectives. In an uncertain and dynamic environment, decisions based on power and political processes may influence organisational change processes (Pfeffer 1981).

The third, evolutionary perspective views strategy process as more emergent and less teleological. When employees have independent views about organisational intention, they may resort to the garbage can model of strategic choice where organisational action is more or less the result of a random choice (Cohen, March and Olsen 1972). According to Weick (1995) individuals, through a process of enactment-selection-retention, make sense out of experiences and achieve regularity and dynamic stability. Enactment represents the active role played by the organisation members in creating the environments. Through the process of sensemaking, cognitive structures enact upon events and meanings are generated for retention, if necessary. These relatively stable interpretations may get embedded in individual actions and routines in organisations and can facilitate inertia and resistance to change.
The fourth, administrative perspective on strategy process emphasises on how an organisational context shapes its decision and action premises. Bower’s (1970) study on the resource allocation process in diversified organisations focuses on the decisions and action taking and the dynamic interaction between them. The resource allocation process consisted of three phases such as definition, impetus and approval and had the involvement of three levels of managers-functional managers, their divisional bosses and corporate management. The Researcher found that autonomous actions of individual managers preceded the formal decision in terms of resource allocation. This study has established the fact that the resource allocation process was less rational and more political. Burgelman (1983) studied the action-decision dynamics in terms of the kind of interaction among the managers and the sequence of the phases of the resource allocation approval. The study brought out the way strategic decisions acquired definition, the way impetus built and the fact that managers do not follow any sequence in terms of the different phases. The strategy process can be initiated by the top, middle, or lower level management and often iterative due to political or evolutionary reasons and continuous learning (Chakravarthy and White 2006). The Bower-Burgelman (B-B) process theory (Bower 1970; Burgelman 1983) highlights the role of multiple levels of managers in making decisions and taking actions through iteration and interaction in evolving and realising the strategy of the organisation. This process theory also underlines the fact that strategy process is dynamic and the rational choice notions of strategy have limited application.

The five forces framework of Porter (1980) focuses on the way the competitive forces influence at the industry level and how these determine profit potential of an industry. The competitive forces approach is inherently weak in dynamic environments as it is static and undermines the network effects, path dependencies and evolving technologies and institutions that are characteristics of such environments (Teece 2007). The resource based view proposes that heterogeneity of capabilities and resources in a population of organisations is the cornerstone to build competitive advantages and rent differentials (Amit and Schoemaker 1993). The arguments underlying RBV are promising in terms of the value creating capacity of organisations, but large portion of empirical work in this
area is at the macro level, with large scale statistical studies (Bowman and Helfat 2001). RBV marginalises managerial activities and does not attempt to address about the creation and development of capabilities which is very important in a dynamic environment.

Strategy process research moves distinctly away from content research in terms of humanising strategy research and creating a dynamic perspective of strategy (Pettigrew, Thomas and Whittington 2006). The process research has significantly contributed to the recognition of strategy as an organisational phenomenon rather than a macro level problem. The strategy process research has legitimised small sample in-depth studies and developed a holistic and contextual understanding to build relevant explanations for strategic change and stability (Melin 1986). According to Johnson, Melin and Whittington (2003) the process research focuses on explanations at the organisation level and does not provide concrete analyses of everyday activities and the tools managers use to realise strategies.

The increasing disenchantment with normative models, organisation and industry level analyses have contributed to a growing shift from static, generalised forms of theorising in strategic management to dynamic and complex explanations that reflect managerial activities (Weick 1979). The strategy as practice research agenda has to be situated in this context. The strategy as practice approach is concerned with the doing of strategy or strategising which comprises of the actions, interactions and negotiations of multiple actors and the situated practices that they use in realised that activity (Jarzabkowski 2005).

The basic question in the field of strategic management is how organisations realise and sustain competitive advantage. Organisational capabilities have been identified as one major source for this and their constant adaptation have substantial effect on the strategic prospects of organisations (Agarwal and Helfat 2009). This research examines concrete situated managerial activities with respect to operational capability development and the strategy as practice approach with an activity based view seemed appropriate to address the research problem.
2.4 Strategy as Practice Approach:

Strategy as Practice (SasP) is a recent development within the broader practice turn in social sciences that influenced management sciences over the last two decades (Orlikowski 2002). In general, SasP addresses the doing of strategy, and its implication on shaping the strategy of organisations and has emerged as a useful approach for studying strategic management, decision making and managerial work (Jarzabkowski, Balogum and Seidl, 2007). SasP focuses ‘on the micro level social activities, processes and practices that characterise organisational strategy and strategising’ (Golsorkhi et al. 2010 p.1).

The unique feature in all practice based approaches in organisation studies is the intention to understand and explain organisational realities by being close to work situations. While traditional approaches in organisational studies focuses mainly on reductionistic analysis of structural aspects, practice based studies are concerned with the everyday activities and the underlying deeply embedded processes of acting and doing (Whittington 2006). Practice theorists in general seek to integrate the objectivist theories of society with the notion that social life is an outcome of actions and interpretations of social actors. Schatzki, Knorr-Cetina, and von Savigny (2001) state that as different theoretical traditions have different orientations to explain and understand practices, a unified theory of practice is nonexistent.

Studies on Communities of Practice (CoP) especially by Lave and Wenger (1991) have sparked debates on a number of concepts such as situatedness, learning processes in community, collective identities and spearheaded the earlier researches assuming a practice orientation in organisation studies. Pickering (1992) moves away from the traditional studies on scientific knowledge and argued for science as practice approaches and field based studies. Orlikowski (2000) uses the term ‘practice lens’ in a study, which examines how people interact with technology in their practices, and enact structures that their use of technology. He uses Gidden’s (1984) structuration theory to understand the constitutive role of social practices and the relevance of context. Schatzki, Knorr-Cetina and von Savigny (2001) view practice as inherently embedded in a field of interconnected human practices that give a shared understanding. Drawing from the view that knowledge can be depicted also as the epistemology of practice (Cook and Brown 1999), practice based theorising proposes
that knowledge is constructed by practicing in a context of interaction. Orlikowski (2002) views knowing-in-practice as an ongoing social accomplishment of actors engaged in the world of continuous practice.

Corradi, Gherardi and Verzelloni (2010) did an extensive review of practice literature found that the concept of practice is conceived in the literature focusing on three dimensions: (i) the set of interconnected activities, if socially accepted as a way of ordering, leads to collective action; (ii) the sense making process that makes the shared way of doing things accountable, permits continuous negotiation by practitioners in generating new meanings; (iii) the social implications of a particular practice in connection with other practices.

The researches, by and large in the area of strategic management were based on normative models, which were focusing on macro level of organisations or industry level analysis. For decades together, researches in the area of strategy hardly acknowledged the importance of the human element (Ghoshal and Moran 1996; Whittington 2003) in the formulation and enactment of strategy in organisations. Over a period of time, strategy research, which has been increasingly influenced by the humanisation of management, had refocused on the role of human agency within the wider practice turn in social sciences (Orlikowski 2000), emphasising the activities of human actors and strategic outcomes. The use of practice theory in strategy research makes the strategy construct dynamic and addresses the importance of the context and complexities involved in practice (Whittington 2006). In response to the competitive environment, more and more organisations are resorting to organisational decentralisation, so that strategic decisions can be taken near to customers or suppliers (Whittington, Pettigrew and Melin 1999). At the theoretical level, SasP addresses certain pertinent challenges faced by the resource based view of strategy. While RBV argues that superior performance lies in inimitable attributes of organisations, it hardly emphasises the activities of people in organisations that are central to this proposition. At the empirical level SasP addresses a major concern of strategy process research that the studies were focusing on more on the systems and processes as wholes and undermining the practices that are part of processes (Brown and Duguid 2000).
SasP perspective is conceptualised as a situated activity and the practice of strategy or “strategising comprises those actions, interactions and negotiations of multiple actors and the situated practices that they draw upon in accomplishing that activity” (Jarzabkowski, 2005 p.7). A broader view of activity is generally conceived in the context of strategy as practice to the extent that activities are consequential for strategic outcomes and competitive advantage of the organisation (Johnson,Melin and Whittington 2003). Whittington (2006) proposed three focal points of a theory of practice to set the research agenda for the strategy as practice area. These focal points are praxis, practices and practitioners that provide different analytic choice and entry into the study of strategy as practice. Drawing on Reckwitz (2002), Jarzabkowski,Balogun and Seidl (2007) define these terms for conceptual clarity and further understanding of strategy as practice. Figure 1 depicts the conceptual framework for analysing strategy- as- practice.

Praxis refers to the stream of activities through which strategy is realised over a period of time. As a dynamic concept, praxis views the dichotomous categories in strategy literature such as content and process, formulation and implementation, as reciprocal and often indistinguishable. Praxis involves the interconnected actions among actors, which are mutually constitutive at various levels in organisations performed to realise the set goals. It is an embedded concept which can be studied may be at the institutional level such as mergers and acquisitions within an industry or at a micro level as how individuals engage in decision making during a merger and acquisition.

Practices denote the tools and artifacts of various kinds, actors use as part of strategy work (Jarzabkowski, 2004). These practices “provide the behavioural, cognitive, procedural, discursive and physical resources through which multiple actors are able to interact in order to socially accomplish collective activity” ( Jarzabkowski,Balogun and Seidl 2007 p.9 ). These are the mediating mechanisms by which actors interact as part of the day to day strategy related work. According to Jarzabkowski (2004) practices can be broadly categorised under three heads. First, the administrative practices in organisations which help in organising and coordinating strategy, such as setting the targets, planning mechanisms, budgeting, forecasts, control systems and performance indicators. Second, the discursive practices that
Figure 1: A Conceptual Framework for Analysing Strategy-as-Practice

Praxis
Situated, socially accomplished, flows of activity that strategically are consequential for the direction and survival of the group, organisation or industry

Practices
Cognitive, behavioural, procedural, discursive, motivational and physical practices that are combined, coordinated and adapted to construct practice

Practitioners
Actors who shape the construction of practice through who they are, how they act and what resources they draw upon.

Source: Jarzabkowski, Balogun and Seidl 2007:11
provide the linguistic, cognitive and symbolic resources for interacting about strategy. Third, the practices that provide opportunities for the interaction among practitioners in doing strategy, such as meetings, workshops. These practices are labeled as episodes and serve as an effective platform for evolving, implementing and stabilising strategy and can impact the realisation of strategic goals significantly.

SasP deals with what people do and as obvious, practitioner is one of the focal points. In SasP literature strategy practitioners are defined to include both those directly involve in strategy making like managers, process owners and consultants and those who influence strategy making indirectly like policy makers and business researchers (Jarzabkowski and Whittington 2008). Research in this area brings back the actors to the center stage, analyses the interactions among managers at the different levels of hierarchy, strategic planners, consultants, regulators and customers. Strategy as practice studies address the role of multiple actors within the social space in which they are located, and understand their contribution to different aspects of strategy (Whittington, 2003).

The recent theoretical developments in the strategy as practice area emphasise the links between the micro and macro perspectives on strategy in organisational contexts (Jarzabkowski, 2004). The strategy as practice approach highlights the role of both middle and lower level managers at the periphery of organisations in creating new innovative strategies and organisational assets (Regner 2003). SasP allows for organisational heterogeneity where diverse agents can reflect over capabilities or routines and facilitate endogenous change of those capabilities (Feldman and Pentland 2003). This study uses an activity theory framework to study capability development which is conceived as a strategic activity in practice. The argument that competitive advantage arises out of heterogeneity among organisations highlights the need to locate idiosyncratic sources within specific contexts (Rouse and Daellenbach 1999). This suggests that an all inclusive categorisation of resources as proposed by RBV is unhelpful and micro-level activity based researches are more appropriate to identify the relevant sources of competitive advantage. An activity based view can extend the existing traditions of research in the area of strategic management, collapse divisions within the discipline and offer practical guidance to practitioners (Johnson, Melin and Whittington 2003).
2.5 **Activity Based View:**

Activity theory that forms the basis for the activity based view is a robust framework to provide wholistic explanations for the human practices in varied contexts. Activity theory has been widely used to build robust explanations in the fields of education and human computer interaction (Kaptelinin and Nardi 2006). More recently, it has been used within organisation theory to examine strategy practice to understand how people do work together with sophisticated tools in dynamic environments (Jarzabkowski 2003; Zurita and Nussbaum 2007).

Activity theory originates in the cultural historical psychology school of thought propounded by Vygotsky, Leont’ev and Luria in the 1920s (Verenikina 2001). Vygotsky conceived the human consciousness as fundamentally subjective and shaped by individuals’ history and cultural experiences. Activity theory focuses on the object oriented, artifact mediated collective activity system as the unit of analysis as a way to link the individual and social structure (Engestrom 2001). There is a dialectic relationship between the human agent and the objects of the environment and is mediated by artifacts such as tools, language and signs. Objects are goals, concerns and motivations of actors and the changes in the activities of people create new objects. Actors in their ongoing interaction with the outside world, internalise and modify artifacts and activities, resulting periodic changes in the world around them. Earlier researches in activity theory were centered around the works of Vygotsky, where the focus was on the idea of mediation and individual action. Later developments in activity theory have incorporated the notion of activity system of Leont’ev (1981) on the mediating roles of other human beings and social relations by distinguishing between individual action and collective activity. Leont’ev proposed a three level model of activity theory with collective activity, individual action and operation as components and is driven by an object related motive, a conscious goal and by the tools of action or conditions at hand respectively. Activity theory recognises that the relationships among activities, actions and operations are dynamic (Jonassen and Rohrer-Murphy 1999) and changing conditions can realign constituents of the activity (Bodker 1989). Actions become operations as they are routinised and operations can become actions as the subject pays conscious attention to the execution.
In order to capture the complexity of interactions and relationships, Engestrom in 1987 proposed a triangular representation of an activity system. The basic activity within this system is the dialectic relationship between subject and object and this relationship is mediated by tools and community (Engestrom 2001). The subject is the doer or the actor. Subject could be an individual or group depends on the level of analysis. Object is what is acted upon by the activity system. Objects can be transformed during the course of the activity and the transformed object can change the nature of activity too. Outcome is similar to the goal or objective and it is generally the result of some changes in the object. The mediating tools and instruments or artifacts may be physical, procedural or technical. Artifacts include machines, technical gadgets, language, signs and they carry with them a particular culture and history. The mediation of tools is two way, where the availability and usability of the tool help in deciding what is to be done, and tools in turn evolves to hold historical, embedded knowledge of how communities organised. The subject-object relationship is also mediated by the formal and informal or written or unwritten rules and the division of labour of the community. The rules help in determining the how and why of individual action. Division of labour addresses responsibilities assigned to each member so that object can be attended. Community is the collection of certain others who provide context for the subject or subjects to do the work. The basic aspect of a community is that there has to be some shared element that defines a community across activity system.

Activity theory conceives that context is an enactment of an activity involving people and artifacts. Context is both internal to people as people set goals and objectives; external to people as it involves artifacts, community and other aspects of the situation and the formal and the latter is unified in the activity theory (Nardi 1991). It is the internal tensions and contradictions in an activity system, with its historical continuity and the situated contingencies promote change and development (Engestrom 2000). Activity theory has contributed to Lave and Wenger’s (1991) theory of learning, informing the way the new comers participate in group processes learn and evolve themselves as members of the community. Hutchin’s (1995) work on distributed cognition is also informed by the activity theory in terms of locating enables and constraints in mediation and enhancement of collective activity.
According to Jarzabkowski (2010), the conceptualisation of activity theory, viewing actors as social individuals, addresses the core question posed by the strategy as practice research in the context of capability development—what practitioners’ do? The practice of capability development involves interaction of individuals with wider social group and artefacts for the accomplishment of goals. The activity theory is specially suited to the study of capability development within the strategy as practice approach as it focuses on practitioners, practices and praxis.

An individual or a group of actors can be the subject, depends on the contribution the subject makes to the goal directed activity. Subjects are strategy practitioners and the strategy as practice research focuses on the understanding and interpretation of strategising the subjects hold. Practitioners may be managers or consultants or those who have indirect influence on strategising like policymakers, business gurus and management schools (Jarzabkowski and Whittington 2008). Activity theory helps in analysing the activities from the perspective of the subject. Activity theory does not over-emphasise the individual and marginalise the collective but the activity of the subject that is rooted in the culture and history, is viewed in the context of other actors with whom interaction happens while pursuing the goals. This gives an ontological basis in terms of a social analysis of the actions of strategic practitioners. Like the emphasis given for social aspects, activity theory incorporates intentionality into to the subject (Kaptelinin and Nardi 2006). The concept of intentful agent helps in examining and comparing subjects at different levels and roles and in the understanding of what comprises a strategist as a competent practitioner (Jarzabkowski 2010).

It is valuable to conceptualise activity as dynamic, social and goal oriented for a better understanding of praxis. In this study, praxis refers to the stream of activity in which capability development is accomplished over time. Activity theory can be used to study praxis at the institutional or industry level, organisational level or at the individual level through the concepts of goal—directed and collective activity. Practitioners involve in practical activity to realise an outcome or an object. In activity theory, object is a higher order concept that motivates a flow of activity comprising of many actions. Activity is imbued with meaning and purpose shared by a collective
through the historical and cultural situated understandings (Spender 1995). It is possible that the members of group share the same broad object but the goals and the expectations from them may quite different. Even the object itself might get changed over a period of time, as the collective evolves through interactions. The activity system generally analyses the processes within the collective that facilitated the accomplishment of the collective output. Blackler, Crump and McDonald (2000) studied how different strategy groups in a high technology company reconstructed the organisational object for the groups and contributed to it. Activity theory can be used in the case of those organisations that have contradictions between objects. This theory offers opportunity for complex analysis and build explanations for pluralistic organisational contexts that pursue multiple objects (Denis, Langely and Rouleau 2007).

While activity gets constructed, the interactions between the subjects and community get shaped and the system is in a state of becoming (Sztompka 1991). Activity theory conceptualises practices as mediators within the activity system. According to this theory, mediation of interactions between subjects and the community facilitates the integration of shared endeavours of the group while realising the activity (Blackler, Crump and McDonald ibid.). Mediation facilitates interaction between actors and their community members through practices such as artefacts, processes and language (Engestrom 1995). For example, strategic artefacts include power point presentations, data sheets and operating procedures; strategic processes include planning, goal setting, routines; and strategic language include upscale and value creation. Mediators are embedded within a system and carry the cultural and historical aspects with them. Mediation gives credence to the context and facilitates local interpretations of those practices for the construction of goal directed activity. In effect, mediation provides a platform for the various actors to create mutual intelligibility through their actions and in turn it promotes shared activity within the group (Suchman 1981). Mediation as a construct is used by researchers to examine how strategic realisation happens socially and how certain strategy is evolved as a shared activity (Blackler, Crump and McDonald ibid.; Jarzabkowski 2005).
2.6 Relevant Studies in Organisational Capability and Capability Development:

The following literature review examines the complexity regarding the ways in which organisation capabilities get created and developed over time and their linkage with organisation performance. In view of relevance the focus of this review is more on the development of capabilities.

Keppler and Simons’s (2000) study of US television industry shows that the organisations’ pre entry experience in the radio industry influenced their likelihood of entry into the new business, the rate of innovation and exit from the business. The pre entry experience coupled with the nature of technological change also contributed to the change in the market structure of the television industry. The study of Holbrook et al. (2000) in the semiconductor industry also supports the contention that prior exposure to a business enables companies to adapt to the conditions of the new business. This study also documents that pre entry experience limited the strategic orientation and making the transition cumbersome.

Raff (2000) studied two book selling organisations in the superstore segment and found that these organisations have different approaches to business and these in turn helped them to develop different capabilities. Apart from the initial and differing visions that influenced the organisations, they were also influenced by the mechanisms evolved by managers in response to the changing customer needs, markets and organisational bottlenecks. The local search and incremental improvement of systems and processes enabled the organisations to develop capabilities that could not have been conceived at the time of inception. The findings of the study support the contention that difference in capability depends on the initial degree of heterogeneity at the time of market entry, the history dependent path taken by organisations and the intentional choices managers make in terms of capability development in relation to the competitive environment. Raff’s research supports the fact that incremental adaptation can result in a very different capability outcome than the organisation’s initial position. Levinthal (2003) relates the concept, imprinting with the evolution of capabilities in organisations. Imprinting, a concept introduced by Stinchcombe in 1965 hypothesises that the technological, economic, political and cultural resources available in the founding context of organisations contribute to the
diversities among organisations. Levinthal (ibid.) suggests two forms of imprinting: First, a strong form that negates adaptation and change and the second, a weak form that incorporates ideas of change and views change as constrained and influenced by an organisation’s initial state. Studies show that there exists an interdependence among the various systemic elements of organisations and all the elements need to be aligned to realise the strategic goals (Chandler 1962; Waterman, Peters and Phillips 1980; MacDuffie and Kochan 1995). The degree of epistatic interaction among system components have important implications for organisation adaptability (Weick 1979) and less tightly coupled systems can provide important insights into various survival strategies of organisations and can facilitate adaptation in response to external environment (Levinthal 1997).

Winter (2000) suggests that relating capability, organisational performance and organisational learning leads to an ecological and evolutionary perspective of capabilities. Winter focuses on the initiation, stopping and re-ignition of learning in the context of capability development. During the development of capabilities organisations draw knowledge from various sources to address individual problems that arise mainly during the technical and behavioural training of employees, acquisition of new technology and the search for solutions for similar problems. Capabilities are developed to realise the legitimate organisational goals and learning in this context which is facilitated by aspirations can be a potential explanation for why organisations do similar things with different effectiveness. Winter’s analysis relates the impact of aspirations on satisficing in the capability learning. Aspirations influence investments in learning and thereby the development of new capabilities and their change over time. The satisficing principle of capability learning also helps in explaining why the new capabilities in the initial stages are often less sophisticated and get refined over time. Winter argues that re-ignition of capability learning can contribute to organisational heterogeneity and that require changes in aspiration level which is generally triggered by organisational challenges.

Zollo and Winter (2002) emphasise the role of learning mechanisms in the evolution of operating routines and certain other organisational activities that can lead to the modification of operating routines. The latter is generally referred to as dynamic capabilities (Teece, Pisano and Shuen 1997) in the strategy management
literature. The learning mechanisms include both learning by doing and the codification of collective knowledge using deliberate cognitive processes. In dynamic markets managers engage in experiential learning to create situation specific new knowledge by relying on real time information, inter-functional coordination and intensive communication (Eisenhardt and Martin 2000). In moderately dynamic markets experiences initiated by small and frequent variations can influence evolution of capabilities (Haleblian and Finkelstein 1999). In a study on the development of new manufacturing techniques in chemical and biological based pharmaceutical organisations Pisano (1994) found that learning by doing was advantageous in a rapidly changing biotech industry. Eisenhardt and Martin (ibid) argue that capabilities evolve over time through learning processes such as repeated practices, learning from mistakes and small failures.

In a study on capability building at Hyundai, Kim (1998) found that internal generation of a sense of failure, termed as constructed crisis was essential to create a learning environment in the organisation. This proactively constructed internal crisis resulted in an increase in the intensity of effort in learning at both the individual and organisational levels. Constructed crisis present a clear discrepancy between current and the expected performance and they can be used as strategic means to shift the learning orientation. Individual learning is indispensable for organisational learning but organisational learning happens only when individual insights and skills get embodied in routines, practices and beliefs (Attewell 1992). Organisational learning is a function of an organisation’s absorptive capacity. Absorptive capacity necessitates both learning capability for assimilating knowledge and problem solving skills to create new knowledge (Kim ibid.). The level of prior knowledge and intensity of effort to internalise the knowledge confer an ability to an organisation to decipher the value new information, assimilate it and apply it. These abilities are collectively termed as absorptive capacity (Cohen and Levinthal 1990). According to these authors, organisational aspects such as (a) transfer of knowledge across and within subunits; (b) communication structure between external environment and the organisation; (c) active network of internal and external relationships and (d) cross functional interfaces also can contribute to absorptive capacity. To contribute to the general theory of organisation-environment co-evolution, Van den Bosch, Volberda and Boer (1999) proposed that organisation form and combinative capabilities are
important organisational determinants of absorptive capacity as these are strongly related to knowledge processing activities. There exists a strong linkage between how an organisation is organised and its knowledge base (Kogut and Zander 1992). This study has compared the functional, division and matrix organisational forms in terms of their potential for the efficiency, scope and flexibility of knowledge absorption. Combinative capabilities of an organisation synthesise and apply current and acquired knowledge. With respect to combinative capabilities, Van den Bosch, Volberda and Boer (ibid.) distinguish three types such as systems, coordination and socialisation capabilities. Systems capabilities are policies and standard operating procedures that reflect rules, instructions often seen in manuals and formal systems and help in integrating explicit knowledge. System capabilities create the organisational memory for handling routine situations, keep the efficiency of the knowledge absorption high and the scope and flexibility of absorption low. Coordination capabilities facilitate implicit knowledge absorption through relations between members of groups which are generally path dependent. This lateral coordination happens generally through training, job rotation and participation or through rules and procedures as part of system capabilities. In dynamic environments knowledge coordination happens between individuals, units and across functions and different levels through lateral communication and joint decision making processes. The researchers propose that coordination capabilities have low potential for efficiency and high potential for scope and flexibility. Socialisation capabilities represent the ability of the organisation to have a shared ideology to create collective interpretations of reality and can have a negative influence on organisation’s absorptive capacity. In the context of a relatively stable knowledge environment the organisations may require high efficiency and low scope and flexibility in the knowledge absorption. Dynamic knowledge environments may require dimensions of knowledge absorption such as low efficiency and high scope and flexibility.

Dosi, Hobday and Marengo (2003) use an evolutionary perspective to understand the problem solving behaviour of organisations producing complex products and systems and study the linkage between problem solving behaviour and different organisational forms and non routine complex tasks. The study provides evidence that reconfiguration of non routine activities allows greater decomposability of the problems and thereby improve organisational learning in complex task
environments. The authors favour an intervention of collective decision making approach to reframe problems to arrive at appropriate organisational forms through iterative processes rooted in both formal and informal organisational practices and structures.

Helfat and Raubitschek (2000) propose a dynamic model to analyse product sequencing strategies of companies and how they co-evolve with organisational knowledge and capabilities. The researchers argue that successful product sequencing builds on and influences both, the core and integrative knowledge and capabilities of organisations. Core knowledge is the basic scientific or technological knowledge to produce a product or service. Integrative knowledge enables organisations to coordinate activities, especially tacit knowledge within and across vertical chains to collect market feedback about products and technology. The authors highlight the role of knowledge as a resource that supports organisational capabilities. This study also emphasise the role of incremental learning and its role in contributing to both core knowledge and integrative knowledge in new product development. To create fundamental changes in core and integrative knowledge, organisations require mechanisms to provide ongoing feedback about products, technology and markets.

Rosenbloom (2000) studied National Cash Register (NCR) focusing on the capability changes during that period when the company adapted to a transformational technological leap in its primary business. This study traces the way NCR adopted to the introduction of electronics and later into semiconductor integrated circuitry by re-igniting the process of learning. New processes were developed to integrate certain functions, to promote team orientation for bridging formal boundaries and to make learning an integral element. After a long period, NCR changed its course and regained the market leadership. The author emphasised the role of top management in altering the strategic direction and reconfiguring capabilities that helped NCR in its transformation.

The study of Flaherty (2002) is concerned with the learning and managerial control in semiconductor manufacturing. Semiconductor manufacturing is extremely complex and maintaining quality of the output is always a challenging task. In response to this, managers adapt their manufacturing operations by increasing the process knowledge and contextualising the inquiry activities. Inquiry can increase
process knowledge, decrease process variability and evolve ideas for improvement. Effective management of inquiry involves employees identifying opportunities, allocating their and attention. Adaptation happens because inquiry unearth process knowledge that facilitate process change and organisations evolve new processes to coordinate new product and process development strategies. The ability to develop, introduce and expand production with new process is viewed as one of the important organisation specific capabilities in semiconductor industry (Appleyard, Hatch and Mowery 2002).

The study of Narduzzo, Rocco and Warglien (2002) focused on the development and implementation of capabilities by a cellular phone network Company. According to them the definition of routines as complex automatic behaviours that function as a unit represents only part of the construct and they are complex patterns of action in which interpretation, reasoning, redefining of mental representations, deliberation and design take place. The findings of the study support the contention that effective capabilities involve the use of bundles of routines and also the ability to engage in context specific idiosyncratic things. The authors argue that organisational capabilities are not just collection of routines but there needs to be complementarities and coherence among them to contribute to efficiency and coordination. Coriat (2002) analysed the routines associated with the Japanese production systems and explored the social dimensions associated with the organisational routines. The author proposes that routines are means for coordinated action where individuals skills are used for their implementation. The activities that contribute to the development of capabilities are constrained and shaped by structures and meta routines that include allocation of resources, decision making, and improvement activities. This study supports the contention that routines can act as both means for problem solving and mechanisms for monitoring and control. Monitoring and control can also facilitate organisational learning by making individual employees to encode their ideas for the greater benefit of organisation.

Argote and Daar’s (2002) empirical study of learning in fast food franchises examines the patterns of knowledge transfer and where the knowledge is embedded. The knowledge transfer was mostly on productivity and service time lines. Even in adverse times of extra ordinary high employee turnover, the franchises were managed
to realise significant productivity because the relevant knowledge was embedded in
the structure and technology of organisation. Evidences from this study indicate that
embedding knowledge in technology and structure facilitates knowledge transfer
across the organisation rather than embedding knowledge in individual employees.

Organisations in the optoelectronics business generally emerge through the
fusion of previously distinct fields of science and the new developments in
communications and consumer electronics. A study of organisations in the
optoelectronics business by Miyazaki (1995) shows that it is imperative for
organisations in this business to recognise and preserve existing distinctive
competences based on their technological and product-related backgrounds while
developing new products and new markets. According to the researcher, the major
factors that affect the competence building at the organisation level are primary
markets, top management strategy and the evolution of research and development,
and organisational learning. The study provides innovative techniques such as
patenting, scientific publications and qualitative interview data to assess corporate
competences using quantitative methods.

McGrath et al. (1996) have based their research on the RBV framework to
explore the conditions under which innovations can generate rent for organisation.
The authors collected data from 58 innovation projects located in 40 different
organisations. They proposed a model with antecedents such as causal understanding
(e.g., understanding customer needs), innovation team proficiency (e.g., people know
what information is important to others), emergence and mobilisation of new
competences (e.g., performance with respect to cost objectives) and competitive
advantages (decided by the market, based on market offering) to assess when an
innovation is likely to generate rent for the organisation. The study highlights the
importance of periodic understanding of customer demand attributes to develop new
products and suggests that team processes of learning is critical in shaping economic
outcomes for innovation attempts.

Oliver (1997) proposed a process model by combining insights of RBV and
institutional perspective from organisation theory to explain organisation
heterogeneity. The author argued that organisations’ need to manage their
institutional context of resource selection for creating sustainable competitive
advantage. Institutional context is characterised by the internal operating environment, influences from the state, society and relations between organisations that define socially acceptable economic behaviour. The proposed model conjectures that normative rationality that is influenced by historical precedence and social justification, institutional isolating mechanisms that explain resource mobility barriers as a function of organisation’s unwillingness to acquire resources, and isomorphism pressures at the individual, organisation and inter organisation level are sources of organisation heterogeneity and determinants of rent creation.

The work of Montealegre (2002) is very different from the other studies in this area. Through a longitudinal case study of an electronic organisation that formulated and implemented the electronic and commerce strategy, Montealegre proposed a process model for capability development. The model highlights the facts that capability development is a gradual process that is cumulative, expansive and dependent on the way the resources and activities are combined and nurtured. The key resources that enabled the organisation to formulate and implement the strategy included the leadership, organisational culture, information technology, long term view and social networks. The capability development model is comprised of three phases namely ‘establishing the direction’, ‘focusing on strategy development’ and ‘institutionalising strategy’ and the key capabilities developed at the each phase are ‘capability to strategise’, ‘capability to be flexible’ and the ‘capabilities to integrate and engender trust’ respectively. Pan, Pan and Hsieh (2006) studied the capability development experience of a call centre during the transformation from an in house customer service department to an outsourced customer service provider. The researchers used Montealegre’s (ibid.) process model and extended it to include the business unit level perspective too. To provide a common language for the evolution of capabilities, Helfat and Peteraf (2003) proposed a general capability life cycle approach to incorporate all kinds of capabilities and all kinds of organisations. The stages include the founding stage, the development stage, the maturity stage and the capability transformation.

In general, organisational capability can be conceived as an ability to perform collective organisational problem solving using organisational resources. It refers to habituated action patterns which are intended to realise a set objective. Capability
should exhibit a minimum level of functionality that permits repeated and reliable performance. It adopts a dynamic perspective and attributes competitive advantage to the capability that reside in the organisations collective knowledge that is causally ambiguous and path dependent (Teece, Pisano and Sheun 1997).

Studies in this area support the contention that entrants into new industries have heterogeneous capabilities generally constrained by the path dependence, heterogeneity in initial aspirations especially in terms of investments in organisational learning (Winter 2000) and the extent to which an organisation carries over the pre-existing capabilities (Keppler and Simons 2000). Studies also highlight that capabilities do change over time and they are history dependent (Helfat and Raubitscheck 2000; Finkelstein 2003) and organisations and their capabilities are influenced by the markets in which they do the operations (Pavitt 2003).

The literature in the area of the organisational capability is greatly influenced by the RBV of the organisation that focuses on the attributes of organisations’ capabilities and the means of exploiting the existing organisation specific resources. Despite the fact that the concept of capability is greatly attributed to the RBV, there has been a little research on the development of capability in organisations. The studies in this area by and large focused on variance research and provided a structural explanation on how capabilities are built over time. The work of Oliver (1997) combines both the RBV and the institutional view to propose a rational model for generating rent for the organisations. There are limited studies in this area using process perspectives or those focusing on micro activities.

Salvato (2003) studied the strategic evolution in two organisations and proposed that strategic adaptations happen through the recombinations of relatively stable bundle of organisational routines intentionally guided by the managerial agency. Although certain studies acknowledge the role of managerial agency in the development of capabilities (Eisenhardt and Martin 2000) most of the studies in the area of capability have largely disregarded the role of individual agents and their activities because of the unconditional focus on capabilities as an organisational level construct (Felin and Foss 2005; Salvato 2009). The review of literature suggests that a better understanding of the development of capabilities require more empirical and
analytical understanding of managerial activities that make up an organisational capability and its routines and systematic improvement.

2.7 Relevant Studies in Strategising Practices:

The concept of strategising represent the micro level processes and practices involved as organisation members construct organisational strategies (Whittington 1996). Strategising practices are a critical element in the Strategy as Practice (SasP) approach and the concept practices is operationalised in multiple ways in this area of research (Chia 2004). While Schatzki (2002) highlights the interrelatedness of practices within spatial and material elements, Orlikowski (2002) underlines the role of material arrangements in doing any activity and conceives practices as socio-material. In addition to interrelatedness and materiality Reckwitz (2002) adds an embodied aspect in conceptualising practices. Integrating these perspectives Jarzabkowski and Whittington (2008) define practices in the context of SasP research as various routines, discourses and technologies through which strategising is done. These include strategy reviews, offsite meetings, embedded environmental analytic tools, hypothesis testing and material technologies and artefacts such as power points, white boards, post-it notes and flipcharts. Practices provide the behavioural, cognitive, procedural, discursive and physical resources through which actors can interact to construct the activity. Resources are generally utilised in routinised ways and studying them can contribute to the understanding of how activities are developed (Jarzabkowski, Balogun and Seidl 2007). Whittington (2003) calls for empirical practice research (a) to identify the common tools and techniques of strategising; and (b) how these tools are used by managers for developing a practice perspective of strategising. Every organisation has a documented strategy direction, resource allocation mechanism and systems for monitoring and control for strategising. While this reflects the legitimacy accorded to the strategy making and implementation processes, it also sets the rules and norms that guide strategy making and realisation. Practices are artefacts or legitimate social norms of acting through which strategic activities are constructed (Turner 1994). To analyse the dynamics associated with strategising, it is necessary to understand strategising practices used by managers to develop commitment of the community for the development of capabilities. Practice is comprised of a series of actions which are historically situated
and by itself a collective notion, invested with meaning and purpose (Jarzabkowski 2003).

The formal tools of strategy making that fall within the positivist perspective such as Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, Boston Consulting Group (BCG), Political, Economic, Social and Technological (PEST) analyses and Ansoff’s matrices focus on specific challenges and offer a structure for analysis and strategic decision making (Minzberg, Ahlstrand and Lampel 1998). The above mentioned formal tools are generally criticised for their oversimplification and lack of predictive value (Jarratt and Stiles 2010). Moreover, there is a growing recognition in the research literature that (a) strategies can have emergent nature (Mintzberg and Waters 1985); (b) all contexts being organisation specific (Montgomery, Wernerfelt and Balakrishnan 1989); and (c) context as the outcome of organisational processes (Weick 1995) challenge the applicability of the traditional tools in specifically in classifying the turbulent environment.

With respect to direction setting Jarzabkowski (2005) states that organisations either resort to institutionalised administrative practices like the rational planning by the top management or involve in sensemaking and sensegiving through the mediation of interpretive frameworks among various levels of management. One of the most common perspectives in the literature within strategising practices focuses on the discursive practices mediated by interpretive frameworks. This perspective can contribute to the understanding of the role strategy discourses have in organisational strategising (Laine and Vaara 2007). The ethnographic study of Gioia and Chittipeddi (1991) with real time observations and rigorous interpretive analysis has made a substantial contribution to the field of managerial and organisational cognition. The study stressed the importance of changing the values and meaning systems of organisation members in the context of any substantive organisational change. The change agent must make sense of the intended change and the expected collective system of meaning at the realised state. This sensemaking of the change agent is communicated to the community to establish an interpretive framework. The communication of sensemaking to community is referred to as sensegiving. While sensemaking refers to the way managers understand, interpret and create sense for themselves based on the available information, sensegiving is about the attempts
managers make to influence the outcome, to communicate their understanding to others and to gain their support (Gioia and Thomas 1996). This process can be described as reciprocal and iterative as the change agent disseminates meanings to the community and the community makes sense of and act on it. The longitudinal, qualitative study of Balogun and Johnson (2004) examine the middle manager experiences of a major restructuring initiative in the core business division of a private utility organisation. In order to create greater flexibility, the business division wanted to move away from the integrated hierarchical structures to a decentralised division. The findings of the study showed that decentralisation initiatives created a specific pattern of schema development among middle managers. The schemata got evolved through the social interaction among the managers as they coordinated their activities to contribute to the strategic goals. These findings highlight the importance of lateral processes of sensemaking among middle managers as recipients of change during the change process. Rouleau (2005) studied the routines and conversations of two middle managers with their clientele during the early stages of change in a high end clothing organisation. The study showed how middle managers used their shared knowledge such as words, usages and metaphors with external actors to create meaning for the proposed change. Middle managers through their tacit knowledge enacted a set of micro practices and produced them through routines and conversations in relation to the change process. Sensemaking and sensegiving are the result of the complex micro practices embedded in social contexts and tacit knowledge.

Mantere (2005) studied 301 managers belong to twelve organisations to understand the practices pertaining to strategy formation, organising and control in relation to the role of the strategists. According to Jarzabkowski, Balogun and Seidl (2007), this study has a dominant analytical focus of both practitioners and practices. The study looked at both enabling and disabling strategic practices in organisations and argued that championing enablers increase the performance of strategy, while disablers reduce it. The author argued that strategy can be built around two radically different practices namely recursive practices that bring ontological security through predictability and the adaptive practices that bring creative energies through personal sensemaking. In practice, the interaction between the manager and his community members can be mediated either by the structural or administrative process or by the
interpretive processes. The activity that contributes to the strategic goal can be the result of the interpretive processes or administrative processes, or from both, which is highly contextual.

Noda and Bower (1996) explore multilevel managerial activities using the Bower- Burgelman (B-B) process model (Bower 1970; Burgelman 1983) of strategy making in select organisations which are facing new business opportunities and different strategic commitments. In the B-B model strategic initiatives primarily emerge from the managerial activities of the frontline managers who are closer to the customers and the middle managers. The resource allocation decisions of the decisions are made by the top management based on the track record and credibility of the middle managers. Top management can create a structural context and influence the managerial activities by introducing various administrative mechanisms such as measurement systems and reward systems. The strategic initiatives that are introduced over a period of time would constitute the strategic context of the organisation. Noda and Bower’s study compare two organisations involved in new business development highlighted how managers at different levels relate with the internal and external forces and deal with the consequences of their actions with respect to resource allocation. The study shows that successful new business development impacts the continuous and incremental learning of the top managers and that results in the fine tuning of strategic context and thereby changes in the resource allocation mechanisms.

Managers use control systems to maintain or alter organisational activities. Control systems are information based routines or procedures such as planning, budgeting, competitor analysis and reward mechanisms. Control systems can be diagnostic control systems to manage by exception or to actively intervene interactively in the organisational decision making. Control systems are used interactively when (a) the process demands regular intervention of managers; (b) data needs to be discussed and interpreted in face to face meetings; and (c) process depends on continual challenge and debate of relevant data, assumptions and plan of action (Simons 1987). Simons (1991) analysed the field based data from thirty organisations in the health care product industry and distinguished between the use of interactive and diagnostic control systems in different strategic contexts by managers.
Managers used five different control systems such as programme management systems, profit planning systems, brand revenue budgets, intelligence systems and human development systems interactively based on management’s vision of future product-market position. Diagnostic control systems are designed to implement past and present strategies, to monitor on an exception basis whether the actions are in accordance with plans and to alert managers when things go wrong. Management’s selective use of control systems on the interactive or diagnostic mode can enable organisational members to focus systematically to learn, develop action plans and evolve new initiatives. The findings of the study suggest that managerial vision is the critical factor in using control systems interactively.

The longitudinal study of Simons (1994) focuses on newly appointed managers and capitalises on the situations of change that include strategy and systems to explore how managers use control systems as tools of strategic change. Successful implementation of strategy depends on the understanding of (i) core values (ii) risks to be avoided (iii) critical performance variables and (iv) strategic uncertainties and each of these is controlled respectively by belief systems that direct new opportunities; boundary systems that set limit for opportunity seeking behaviour; diagnostic control systems that motivate and reward realisation of goals; and interactive control systems that facilitate organisational learning, new ideas and strategic initiatives. Belief systems are communicated through mission statements and statements of purpose. Boundary systems are created through codes of business conduct and strategic planning systems (Simons 1995). Managers in this study used formal management control systems in the first twelve months to (a) overcome organisational inertia; (b) structure and communicate performance expectations; and (c) to gain support to the new agenda. Managers used interactive control systems to address strategic uncertainties like unclear vision for the future, to focus on organisational learning to contribute to the new businesses. The study shows that control systems can act as agents of both the intended goals and the emergent changes. While diagnostic control systems promote management by exception, interactive control systems promote dialogue and learning in organisations. Based on the context, using the managerial choice any diagnostic control system can be used as an interactive tool. Organisational uncertainties promote the use of interactive control
systems and diagnostic control systems ensure implementation and maintenance of pre articulated goals.

Marginson’s (2002) longitudinal study of an organisation in the telecommunications industry examines the relationship between strategy process and control system at the middle and lower management levels. Administrative controls were designed to encourage middle managers to decide on the course of action to contribute to top management’s agenda. Managers chose interactive control systems when they perceived strategic uncertainties and administrative controls were used at multiple levels for strategy implementation.

Jarzabkowski (2003) theorises practices as mediators enabling constituents to conceptualise the practical activity. The author studied the strategic practices in three UK universities using an activity theory framework to explicate the role of strategising practices as a mediating variable. These practices mediate among the collective structures, the actors and the strategic activities. Jarzabkowski focused on the practices associated with direction setting, resource allocation, monitoring and control and analysed the sustaining and changing strategic activities in different contexts. When the conceptualisations of constituents contradict and the shared activity breaks down, practices mediate between competing views and effect changing interpretations. Practices can be used to create a context for action, to evolve new activities and to reinterpret the rationale for the action occurrence. Practices are historically and culturally situated with meanings and properties that may constrain or enable interaction, influence managerial agency and provide community with means to promote or resist their contribution to strategic activity. Despite the latent nature, practices provide templates for acting, resources and control mechanisms to the agency and promote the activity system dynamics. This study also explains the role of strategising practices in the dynamics of organisational continuity and change.

According to Jarzabkowski (2005) study of practices in relation to those who use them facilitates the understanding of the localised dynamics of developing strategy. In the context of strategising practices, Jarzabkowski develops two key themes namely procedural and interactive strategising, to explain the predominant ways practices may be used by managers. Procedural strategising refers to the use of formal administrative practices such as plans, budgets, formal committees and
procedures thorough which strategy is constructed. Interactive strategising involves purposeful interactions between the managers and the community and enables the organisation members to strengthen their own interpretations of activities and to negotiate these interpretations with other members.

Through procedural strategising, managers use the administrative systems and processes to influence the community for constructing strategic activities. Apart from the rational tools, formal practices include annual plans, budget cycles, task forces, team based decision making and committees which are important for constructing activities (Whittington 2003). Quarterly reviews, trend analysis, performance targets are also formal administrative practices that provide legitimate, institutionalised procedures of strategising. Procedural strategising depends heavily on hierarchies and formalised roles and responsibilities to implement these administrative practices. The Bower- Burgelman model (Bower 1970; Burgelman 1983) of strategy making highlighted the interplay between managers and the structural context that is characterised by the administrative practices through which planning, organising and controlling occur. Structural context enables the agency and the community to choose the appropriate action plan that can contribute to the strategic goal. Over a period of time formal practices get embedded in the organisational context and it would be difficult for managers to make any changes within these practices. Once these practices get routinised, they may influence the managerial agency or enable the managers to exercise the agency (Feldman and Pentland 2003) and seldom need any attention from top management (Simons 1991). Administrative practices are localised templates situated in the context and have both inertial and shaping tendencies toward strategic activities. Routined administrative practices are not neutral and are mutable and can adapt (Feldman 2000). Multiple actors in the organisation have access to these practices and they can use this access to influence strategic activities. Depends on the context and use administrative practices can contribute to changing the course of activity or act as mechanisms of control.

Interactive strategising is also a situated practice and follows locally created social norms which are relatively stable and established patterns that guide managers in their interaction. Interaction forms as a mediator among the actors and they react and contribute to collective activity (Weick 1979). Interactive strategising aims at
aligning divergent interests of the community around strategic goals through negotiation, communication and persuasion from all parties and facilitates the becoming nature of activity. Agency, through interactive strategising contributes to the continuous construction and reconstruction of activity and the creation of shared meanings among organisation members (Emirbayer and Mische 1998).

Within the broader approach of Strategy as Practice Jarratt and Stiles (2010) used the activity theory view to explore strategising insights of senior executives in one of the UK organisations responsible for competitive strategy. The sample included executives heading manufacturing organisations embedded in networks and chief executive officers who have adopted innovative business models. Three dominant models of strategising practices emerged from the data depicting different applications of methodologies and tools. It is conceptualised that the selection of strategising practices is depend upon managers’ interpretation of the operating environment. The first model represents the routinised behaviour adopted by the executives who view the future as predictable and as an extension of the present environment. The second one posits the reflective interaction between the actor, organisational processes, culture, relationships and practice and the final one shows an imposed engagement with strategising methodologies that overlooked the organisation’s collective structures. The routinised practices such as application of SWOT, data generation through PEST, Ansoff’s matrix and resource and performance benchmarking were used in contexts in which the manager perceived the operating context as predictable and used strategic perspective for alignment and resource reconfiguration. Reflective practices were generally observed when managers perceived complexity and non predictability and engaged in extensive environmental scanning. In reflective practice, managers used envisioning and new methodologies of learning embedded in organisational contexts that were underpinned by collaboration and innovation. Strategising practices together with the collective structures evolved as a dynamic system of engagement to address the environmental demands through reflection and even by challenging embedded practices and priorities. In stable environments managers use imposed practices.

Hendry, Kiel and Nicholson’s (2009) in-depth qualitative research with directors and senior managers focused on the way organisation boards handle their
strategy. They have studied two strategising practices, procedural and interactive strategising (Jarzabkowski 2005) with respect to the internal boardroom factors such as the strategic stance of the board, board power and the perceived legitimacy of each practice. The authors used strategy as practice approach to explore the strategising practices. Procedural strategising is collectively agreed upon by the organisational actors and perceived as credible and relevant approach to strategising mainly to maintain existing strategies. Interactive strategising is primarily used to introduce new strategies, reinterpreting existing strategies. Interactive strategising has the potential to continuously construct and reconstruct shared meaning. The study proposes that the procedural and interactive strategising are complementary and depends on the context the relevance of these practices vary.

Drawing from the conceptualisation of episodes (Hendry and Seidl 2003) and ritual theory (Johnson et al. 2010), another approach has emerged to study practices such as meetings and workshops. Studies in this area contribute to the literature on SasP by (a) providing explanations for the relationship between meetings and strategic outcomes; (b) demonstrating the role of meetings in evolving stability and change; (c) contributing to the literature on garbage can models of strategy making (Jarzabkowski and Seidl 2008).

The above review shows that only a few studies have attempted a rigorous examination of strategising practices in a systematic manner. While many studies highlight the fact that the managers choose certain strategising practice based on the internal context, there are a few studies that address the linkage between the external environment and its effect on micro level contextual factors and strategising practices. Other related areas that need more understanding include (a) the role of managers at different levels, especially at the middle level, in contributing to the strategic goals through strategising practices; (b) the interactions between strategic goals and operational capabilities through the mediation of strategising practices; (c) strategising practices and their role in the continuance and changes in organisational capabilities and (d) the challenges associated with the different strategising practices and the ways to address them.
2.8 Building an Activity Theory Framework for Studying the Practice of Capability Development:

This study uses the strategy as practice approach with an activity based view to study the development of operational capabilities that drive improvement in two organisations. Capability development is conceived within the activity based view as a goal directed strategic activity of organisations. Different actors involve in purposive activities in organisations to contribute to capability development which is consequential for strategic outcomes. Jarzabkowski (2005) argues that the strategic and operational dichotomies do not exist when strategy is put into practice as strategy is a stream of goal directed activity over time. The practice perspective used in this study is interested in understanding the situated, concrete activities managers undertake for the development of operational capabilities in two organisations, B1 and B2.

Before outlining an activity based framework within the Strategy as Practice approach, three themes from the social theory are outlined for studying the capability development. They are (a) capability development as a situated activity; (b) capability development as an adaptive activity and (c) capability development as a deliberate agential activity.

(a) Capability Development as Situated Activity:

Suchman (1987) reformulated the problem of purposeful action and labeled it as situated action, emphasising the relationship between action and its context of performance. It underlines the interaction between actors, between actors and the contexts of their action and studies how actors use their circumstances to achieve intelligent action. The emphasis is on the relational interdependence of actor and situation where the action derives meaning from the situation in which it occurs. Jarzabkowski (ibid.) asserts that the meaning generation of a situation is influenced by both social embeddedness and history. In pursuance of goal directed activities, managers generate meaning out of deeply embedded contextual conditions, historical facts and trends which can give credence to their activities. Suchman (1987) argues that in situated action, the focus is to analyse how people produce and find evidence for their plans rather than to build a theory of action out of rational plans. In a way, the plans set by people are subsumed by the situated action. At a macro level, broader
social concepts like institutionalism and at the micro level, the localised nature of activity, both can be explained with the embedded nature of situation. It is possible that organisations have same goals to pursue but involve in similar streams of activity in very different ways, due to the dissimilarities in contexts and the differences in available artefacts such as planning procedures, resource allocation mechanisms, acronyms, presentations and templates. Artefacts are imbued with meaning when they associate with actors and activities and contribute to generating technical and social legitimacies in organisations. Suchman’s (1987) emphasis of the relationship between activity and artifacts within the situated space, the dynamic nature of activity itself and the way mutual intelligibility is achieved in varied contexts are of great significance in the conceptualisation of organisational capability and capability development from the practice perspective.

(b) Capability Development as an Adaptive Activity:

The conceptualisation that capability development is dynamic and under continuous construction underscores the importance of activities that form the basis of practice theories. Sztompka (1991) argued against analytically separating structure and agency and emphasised the interplay and interconnectedness between them. He proposed a third dimension, the ‘unified socio individual field” where individuals are acting out in a constrained environment, influenced by its limitations, adapting to them by changing activities during the process of their ‘becoming’. Agency represents the tension between the agent, the capacities for action and the structure, the capacities for operation. The interaction between the micro agential endowment and the macro structural circumstances creates the context for the construction of social practices. The ongoing chain of social events or practice is neither can be understood as the outcome of individual activities nor as structurally determined activities but as the continuous intertwining of the structure and the agent and shaping of the ‘socio-individual field’, and identity. Strategy as a situated activity is always under construction. If ‘mutual intelligibility’ is achieved on each occasion of interaction, then strategy is never a reified state but is continuously constructed through activity. This continuous construction is known as ‘becoming’.

Communities of Practice (CoP) provides an understanding of the complex relationship between learning, practice, context and identity during an agent’s
interaction within a structure i.e., community. Learning is primarily conceived as a social phenomenon and knowledge is a matter of practical competence developed in interaction and engagement with the community over a period of time (Lave and Wenger, 1991). Practice is locally sensitive, stay in the memory of the community, creates a context for new members and helps in the generation of new meanings and perspectives for the community. Mutual engagement, joint enterprise and shared meaning are the inherent components of practice and meanings and identities are shaped by the interaction of two constituent processes, participation and reification. Participation is an experience of an individual in a community as a member and the active involvement in social enterprises. The researchers posit that individuals project their meanings into the world and then they perceive them as existing in the world and create reality around that. Reification covers “a wide range of processes that include making, designing, representing, naming, encoding, and describing, as well as perceiving, interpreting, using, reusing, decoding, and recasting” (Wenger, 1998, p. 59). It is the dualistic complimentarity of participation and reification in particular contexts that provides explanation and different forms of communities of practice. As Gherardi and Nicolini (2000) stated, CoP studies introduced a number of academic debates (a) on the situatedness and practices; (b) on the relevance of practical know how for work; and (c) on collective identities and about learning in communities.

The structuration theory of Giddens (1984) also integrates the knowledgeable human agents and the social system in which they are embedded. The theory emphasises three aspects namely the social practices; the actors, who involve in the social action and interaction; and the rules, resources and social relationships that are produced and reproduced in social interaction. The social actors, who are contextually situated in time and space, reflect and express themselves through the recursive social activities and the resultant structure is this enduring patterns of action guided by rules and resources. The dual relationship exists between structure, the rules and resources; and system, patterning of social relations across time and space, produce and reproduce each other in ongoing cycles. This is known as the structuration process. Giddens proposes three dimensions of structure, which are signification, domination and legitimation and three dimensions of interaction, which are communication, power and sanction. Depends on the kind of social structure individuals are in, they use different ‘modalities’ to transform structures into action. The modality,
interpretive schemes with regard to signification structure and production of meaning; facility with regard to domination structure and degrees of power; and norms with regard to legitimation structure and societal sanction. The routinised nature of practice is one of the basic concepts in structuration theory. According to Giddens (ibid.) the practical consciousness which represent the knowledgeableability of agents has in general only a tacit understanding of contexts, prefers routinisation to sustain an ‘ontological security’ in their daily activities. He further argues that when agents are faced with certain ‘circumstances of unpredictable kind’, they initiate change in those contexts.

(c) Capability Development as a Deliberate Agential Activity:

Agency refers to the ability of individuals to make their own choices and to act with regard to those choices. Bourdieu (1990) held the view that human agency is tend to be more repetitive and habitual. While phenomenology emphasised the goal seeking behaviour, researches in the area of communication highlighted the deliberation and judgment of agency. Emirbayer and Mische (1998) capture the different dimensions of agency in its complexity and reconceptualises human agency as ‘a temporal embedded process of social engagement informed by the past, but also oriented toward the future and toward the present’ (p.963) to create dynamic possibilities for the human agency. The construction of the temporal-relational context, that makes the agency an active respondent to varied environments, is essentially an inter-subjective process. Focusing on this temporal-relational orientation, Emirbayer and Mische (ibid.) proposed three constitutive elements of agency such as iteration, projectivity and practical-evaluation, to examine the actions which are oriented toward the past, future and the present. Iteration refers to the selective reactivation by actors of past patterns of thought and action, as routinely incorporated in practical activity, thereby giving stability and order to social universes and helping to sustain identities, interactions and institutions over time’. Projectivity involves ‘the imaginative generation by actors of possible future trajectories of action, in which received structures of thought and action may be creatively reconfigured in relation to actors’ hopes, fears and desires for the future’. The practical-evaluative aspect of agency encompasses the ‘capacity of actors to make practical and normative judgments among alternative possible trajectories of action, in response to the emerging demands, dilemmas and ambiguities of presently evolving situations (p.971). Each of these elements of agency can be said to have its own internal
structure, temporally embedded and may follow an emergent nature rather than a sequence of discrete acts. The agentic orientations are linked to the historical, cultural aspects of the structural contexts and personal variability in terms of imagination, purpose and effort. Despite the fact that the habitual agentic action involves attention and effort, it is largely unreflective unlike other problematic situations that warrant higher levels of imagination and purpose. The former tend to be more reproductive and the latter is more transformative. Emirbayer and Mische (ibid.) have rooted this capacity of the agent in the structures and processes of human self, which they conceive as an internal conversation of analytic autonomy and transpersonal interaction.

Feldman and Pentland (2003) conceptualises agency as a part of the organisational routines that consists of the actual performance of the organisational routine by certain people, certain times and in specific places. The other part embodies the abstract aspect of routine which is termed as structure. Routine is conceived like any other social phenomena embodying the duality of structure and agency (Giddens 1984). Routines are commonly viewed as vehicles for reenacting the past but the performance of routines can also adapt to contexts that demand either idiosyncratic or ongoing changes and reflect on meanings of actions of self or other for future use (Fledman and Pentland ibid.). These authors proposed a new theory of routines that consists of two aspects: the ostensive and the performative. Both ostensive and performative aspects are necessary to create a routine. Ostensive aspect of a routine can be the codified standard operating procedure with a large tacit component or socially followed norms and incorporates subjective understanding of many diverse actors. The ostensive aspect gains an apparent objectivity as the as the different views get into alignment. The performative aspect of routine is conceived as inherently improvisational. Even in constrained situations people engage in reflective self monitoring (Giddens 1984) may create variations and exceptions as they accommodate and innovate. The performative aspect of the routine reflects the individual agency. The authors’ understanding of agency is consistent with Emirbayer and Mische’s (ibid.) and emphasises the active engagement of the agency in the ongoing practices and interpretation of agency with various structures. The performative role has the potential to create endogenous change in organisational routines and capabilities.
2.8.1 **Key Constructs and Operationalisation:**

This part of the chapter deals with (a) the key concepts in the activity system framework, (b) how these are operationalised in the context of capability development and (c) an explanation of an activity theory framework for studying the practice of capability development.

This study defines organisational capability as organisation’s capacity to deploy resources, usually in combination, with the help of organisation specific, tangible or intangible organisational processes to achieve an intended goal (Amit and Schoemaker 1993). Operational capabilities are ‘high-level routine that, together with its implementing input flows, confers upon an organisation’s management a set decision options for producing significant outputs of particular type’ (Winter 2000 p.983). As a strategic activity, capability development is a ‘pattern in a stream of actions’ (Mintzberg 1990) or a flow of goal directed activity over time. Capability development is an outcome evolving out of an organisation’s underlying stream of activity. Activities here refer to particular individual level actions; what actors do and work with (Regner 2008) during the development of capabilities. Activity is comprised of a number of sub-activities or actions which are historically situated, collective and invested with meaning and purpose. Activity is teleological in nature as it is based around strategic goals (Jarzabkowski 2003). Activity based view places managers at the centre of the complex interactions that forms the activity (Johnson, Melin and Whittington 2003). This research focuses on the activities of the middle management that contribute to the development of capabilities in two organisations, B1 and B2. The interaction of managers arises through the use of technical and psychological tools to conduct the activity (Engestrom 2000). Actors use the tools either to coordinate and manage material resources or to create meaning from or thrust meaning upon the context in which the capability is developed. Activity theory conceptualises tools as instruments to mediate between the varied goals of the different constituents in an activity system while constructing an activity. Actors and collective structures interact and construct capability development activity through these practices. Drawing from Jarzabkowski (2005), this study conceives the use of mediating tools by agents for capability development as strategising practices. They can be either the institutionalised policies and procedures or the social norms that
mediate the capability creation and development. The former realise in the organisational context as administrative practices and is termed as procedural strategising and the latter as interactive strategising. As mediators among the constituents of the activity system, practices play the role of an enabler of constituents to conceptualise each other about the shared activity and to create continuity or change. Activity theory explains the continuity in patterns of activity through the interpretive rationale that constituents construct around the strategic goals. Changes in activity patterns arise through the reconceptualisation of the interpretive rationale in which activity occurs. Contradictions can form the basic sources of change as these can generate contested interpretations in the community and system level tensions to reconceptualise the rationale for action (Engestrom 2001). Strategising practices serve as mediators between the competing views of constituents to create interpretations and subsequent changes in the activity system. These practices can also be used to evolve a context of action, to construct new activities and to reinterpret the rationale in which the activity occurs. Despite their situated nature, practices can be used by constituents as mediators to conceptualise and reconceptualise activities for the realisation of strategic goals (Jarzabkowski 2003).

The framework for this study is structured focusing on the activity theory principles of mediated interaction among actors and the community in the production of a shared activity and that in turn contribute to realising an outcome. Individual actors associate with a community and collective structures to produce a broader activity and outcomes for the activity system. Activity is constructed through the interactions between actors and their community and the constructed activity also contributes to those interactions. The unit of analysis will be the activity system that includes the interactions, the practices of mediation and the activity that creates the outcome. Activity theory proposes that the mediation occurring through practice structures such as roles, tools and norms facilitate interaction between their actors and community integrates the shared efforts in the creation of activity (Engestrom 1995).

The activity system framework used in this study is shown in Figure 2. Activity theory is operationalised through the activity system, a context within which the practice of capability development occurs. The activity system consists of four main elements of interaction such as the actors, the collective structures and
Figure 2: An Activity Theory Framework within the Strategy as Practice Approach for capability development

Managers / Process Owners

Practices constrain and enable interaction with the other about activity


Shape and are shaped by activity through Practices

Capability Development

Community

Contributes to and resists activity through practices

Goal-directed Capability Development Activity

Adapted from Jarzabkowski, 2005:43.
community, the capability development activities the actors engage and the mediating strategising practices. Practices refer to general and shared organisational level routines that actors draw on and employ (Whittington 2006). Actors engage with the communities and the goal directed activity through the strategising practices of mediation which is situated in the context. Actors are identified based on their contribution to the activity and form the focal point research. Unlike other attempts in this area, this research studies the role of managers at the periphery of the organisations and their centrality in the dynamic and complex issues associated with the construction of activities in relation to capability development. In this research, in B1, the regional office and in B2, the module team is the activity system, the focal points of study. The constituents of interaction in B1 are the regional manager belongs to the middle management as key actor, the organisational collective structures or community and the capability development activities pursued, mediated by the strategising practices available in the context. The constituents of interaction in B2 are the process owner, the manager belong to the middle management as the actor, the collective structures or community and the discharged capability development activities and the mediating strategising practices process owners draw upon from the organisational context.

Micro level managerial activities that contribute to capability development and the strategising practices that shape the activity are central to this study. Micro level studies explain certain specific phenomenon that is relatively closer to the agency who is constructing it (Jarzabkowski and Spee 2009). This research explores and attempts to explain the goal directed capability development activity of managers and process owners at the individual level. The interplay, over a period of time, between managers and strategising practices in the construction of an activity is termed as strategising. During the construction of activity, actors shape and get shaped by activity over time. In the case of B1, regional managers at the regions and in B2, the process owners of different teams are the subjects of interest in this study. Due to the distributed nature of activity regional managers need to interact with the organisational community, mainly officers and managers at the regions and at the zonal office; process owners interact with the team members and their peers and their head of the departments and the executive director. Strategising practices constrain and enable the interactions by acting as mediators between managers and community, mediate between the
contribution of community and activity, provide opportunities for regional managers and process owners to shape the activity and to get shaped by them. This study uses the conceptualisation of strategising practices put forward by Jarzabkowski (2005) describing two different but complimentary practices such as procedural and interactive. Procedural strategising relies on institutionalised policies and procedures, hierarchies and formalised roles and realise in the organisational context as administrative practices or events such as committees, trend analyses, budgets, reviews and performance targets that facilitate capability development. Interactive strategising involves interaction between the managerial agency and the community members in order to influence capability development activities in the organisation. Interactive strategising relies on the normative control evolved through social exchanges to build shared frameworks of meaning about capability development. While procedural strategising has structural legitimacy and persists without any active managerial intervention, interactive strategising confers interpretive legitimacy to the activity system and needs ongoing intervention of the managerial agency to continuously create and recreate shared meaning. This study has adapted the key characteristics of the procedural and interactive strategising created by Hendry, Kiel and Nicholson (2010) in terms of (a) tone (b) key activities and (c) influence mechanism as a framework to guide the data coding. In procedural strategising, tone is represented by administrative or hierarchical focus; key activities by the review, approval or the monitoring of capability development activity and the influence mechanism is represented by key characteristics such as formal procedures or tools like plans, budgets and diagnostic controls. The key characteristics in interactive strategising are represented by interpretive or reciprocal tone, continuous building of shared frameworks of meaning about capability development as key activities and open communication and normative controls as influencing mechanisms. When organisations construct activities that demand high interpretive and structural legitimacy, managers interact with the community continuously to frame and reframe important goals and use administrative practices for modifying diagnostic controls to remain relevant in relation to capability development. This high integration of both procedural and interactive strategising is called integrative strategising.

Organisational community comprises of employees from different levels and functions or team members and peers with whom the regional manager or the process
owner interact during the creation and development of capabilities. Members of the community may have divergent interests with respect to activities. It is a major challenge for the manager or the process owner to relate with the divergent distributed community and to gain support of all the constituencies to shape the capability development activity. Community should perceive their actions as important to the organisation and themselves. There needs to be a collective agreement by the members on the activity and the way to realise it. Actors interact with the members of the community through strategising practices and manipulate the activity system dynamics for creating legitimacy for the continuity and change of activities and for their contribution in the development of capabilities. The dynamics of the activity system creates outcomes, the creation and development of capabilities. The activity system framework aligns all the analytic constructs such as the managerial agency, the organisational structures like existing routines, community and the capability development activities. These constructs are mediated by the situated strategising practices in each context.

To understand the strategising practices that managers and process owners used during the construction of the capability development activities, this research adopted the conceptualisation of Jarzabkowski (2005) that focused on the dynamics of the activity system. The dynamics of the activity system included the relationship between managers and the community, the procedural or interactive strategising practices and their linkages with different capability development activities. When procedural strategising mediates over capability development activities, the dynamics of the activity system would be influenced primarily by the activities themselves. The activity system follows the established rules and procedures related to setting goals, roles and responsibilities and administrative regulations that contribute to the continuance of activities. Since the activities get structurally embedded, the administrative practices also influence over the dynamics of the activity system. The interaction between activities and the administrative practices facilitate or resist the activity and influence the managerial agency over the capability development activity. Figure 3 shows the activity system dynamics that helps to understand the procedural strategising that are involved in developing operational capabilities. In interactive strategising the managerial agency influences the creation of the interpretive
Figure 3: Procedural Strategising: Activity System Dynamics

Manager/Process Owner

Formal Administrative Practices

Community

Goal-directed Capability Development Activity

Source: Jarzabkowski 2005:91.

Figure 4: Interactive Strategising: Activity System Dynamics

Manager/Process Owner

Interaction between Manager/Process Owner and Community

Community

Goal-directed Capability Development Activity

Source: Jarzabkowski 2005:98.
legitimacy as they are skilled at interacting with the community to evolve new activities, reinterpret existing activities or to align activities with strategic goals.

Interactive strategising permits not only the managerial agency to influence the community but it also enables the community to generate meanings and activities. Since the activities associated with interactive strategising are generally influenced by normative controls which are not durable, this strategising need to be practiced on an ongoing basis for the reconstruction of norms. Figure 4 shows the activity system dynamics associated with interactive strategising. While procedural strategising facilitates sustenance of activities in an activity system, interactive strategising promotes new frameworks for meaning generation influenced by managerial agency and community. When the activities have to be constructed to continuously frame and reframe goals and to modify administrative practices to ensure controls, managers have to use both interactive and procedural strategising. This kind of high integration between interactive and procedural forms of strategising is called integrative strategising. Integrative strategising confers both high structural and high interpretive legitimacy and demands ongoing commitment of managerial agency. Figure 5 depicts the activity system dynamics involved in integrative strategising.

Figure 5: Integrative Strategising: Activity System Dynamics

Manager/Process Owner

Interaction between Manager/Process Owner and Community

Community

Goal-directed Capability Development Activity

Source: Jarzabkowski 2005:104.
2.9 Research Questions:

This research intends to understand and describe the development of operational capabilities that drive improvement by exploring the micro level managerial activities in two select organisations. Effort has been made to connect the operational capabilities with the strategic outcomes of the organisations. The study focuses on the day-to-day activities of managers including the mediating strategising practices that contribute to the development of capabilities.

This study aims to address certain important gaps in the literature which were emerged during the theoretical discussion. The first one concerns the current strategy and capability development literature. Even though the resource based view argues that organisation heterogeneity with respect to capabilities is responsible for creating competitive advantage (Oliver 1997), we know little about how capabilities are created and developed (Zollo and winter 2002; Grant 2006). The current uncertainties in the external environment and volatile markets drive organisations to focus on either improving the existing capabilities or developing new ones to create competitive advantage (Agarwal and Helfat 2009). As differences in capabilities can offer explanation for competitive heterogeneity (Helfat 2000) and as capabilities need to adapt to be competitive in turbulent environments (Winter 2003) it is crucial to examine the ways in which capabilities emerge, develop and change over time and the resulting impact on strategic goals.

The current literature views capabilities as collective entities and linked the construct with organisational level outcomes and disregarded the intentional micro activities of the managerial agency (Felin and Foss 2005). Delimiting the scope of analysis to the organisational level and path dependence can restrict our understanding of how capabilities are generated and evolved (Zollo and Winter 2002). Knowing about the creation and development of organisational capabilities require an in-depth understanding of the intentional day-to-day micro-activities of the managerial agency (Salvato 2009). Recent studies in the area of routines have also underlined the role of individual actors and their activities in the continuance and change of organisational routines (Howard-Grenville 2005). This study addresses this gap and explores the micro level managerial activities that contribute to the development of capabilities and provide bold explanations and another relevant view
for the continuance, recombinations and change of capabilities. Apart from making this significant contribution in the area of operational capability development, this study also contributes to the resource based view.

The third gap concerns the strategising practices. These are institutionalised rules influenced by local contexts to form administrative practices or social norms and shape the managerial activities (Jarzabkowski 2005). These practices develop, provide meaning and mediate the interaction among actors, community and shape the various organisational activities to contribute to the strategic goal. It is critical to understand about the tools and techniques and their use in practice by the managerial agency (Whittington 2003). Only a few studies have attempted a rigorous examination of strategising practices in a systematic manner. While certain studies highlight the fact that the managers choose strategising practices based on the internal context, there is a little research that addresses the linkage between the external environment and its effect on micro level contextual factors and strategising practices in the context of capability development. The present study is an effort in that direction.

The fourth area of contribution is in terms of the application of activity based view within the strategy as practice approach to study capability development. The focus of this study is on the micro level managerial activities and strategising practices that contribute to the capability development and the consequent strategic outcomes. This research addresses certain key questions in the strategy as practice area. Apart from identifying the managerial activities that contribute to capability development and strengthening the existing practice literature, this research has linked capability development activities to strategic outcomes.

The fifth gap concerns the existing empirical researches in the area of strategy. Both the content and the process researches in the strategy domain focus on explanations at the organisational level. There are enough evidences to suggest that strategy is an organisation wide phenomenon and not always formulated by the top management (Bower 1970; Burgelman 1983; Mintzberg 1994; Johnson and Huff 1998). There has been an increasing focus on the organisational periphery as the current dynamic environment demands middle managers to play critical roles to contribute to strategic goals. According to Regner (2003) competitive advantage can arise out of the complexities at the periphery of the organisations shaped by varied
contexts and activities. Unlike general researches in the area of strategy, this study focuses on the middle level managers and their activities in two organisations.

The research problem of the study, ‘how do micro level managerial activities in organisations describe the development of operational capabilities that drive improvement?’ is operationalised into the following research questions:

1. How is the development of operational capabilities realised through micro level organisational activities?
   1a. What kind of micro level activities contributing to capacity development are there?
   1b. How does capability development manifest through various activities?

2. How do strategising practices influence the development of operational capabilities?
   2a. What kind of strategising practices are adopted by managers?
   2b. How are these strategising methods and tools used in the practice of capability development?

To address the above research questions, this research proposes the complementary use of case study method and grounded theory to define the boundaries of the study and to build explanations.