Chapter I
Introduction
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In this thesis I argue that developing and maintaining adaptive capabilities and appropriate level of organizational slack are quintessential strategic function in order to achieve a strategic fit with changing environment for any organizations. A highly adaptable organization often tends to lack slack resource components and organization with adequate level of slack are often lacks adaptive capabilities to leverage. A casual investigation of the Indian software services company Infosys Technologies reveal that the organization possess enormous repository of slack resources with (INR 200 Mn) of bank deposits, surplus skilled human resources, assured revenue stream from hundreds of ongoing contracts, but lacking adaptive capability as we perceive in comparison with its peers in the industry. Infosys Technologies trailing against its peers vis a vis in terms of growth and Performance. In another scenario, IGATE Technologies Ltd exhibiting higher level of adaptive capability such as innovative pricing and delivery model is suffering with inadequate level of Organizational Slack to implement its mission. There are number of cases we can pin point about this mismatch between Adaptive Capability and its complimentary resource organizational Slack. This phenomenon motivated us to investigate the role interplayed between Adaptive Capability, Organizational Slack and Firm Performance.

By combining RBV and Capability building theoretical perspectives we investigate the complementary nature of Organizational Slack and Adaptive Capabilities by linking former as a mediator role to firm performance. We support this argument from the Resource Based View (RBV) of the firm and Capability building theoretical perspective. Resource Based view suggests that capabilities are a source of inimitable, rare and sustainable
competitive advantages and enables organization to deploy resources to convert in to innovative Product and Services superior to that of competitors (Barney 1986; Penrose).

Yuan Lu et al (2010) first ever documented the relationship between Resources and Organizational Capabilities. The empirical research supported evidence for the external resources Network ties and institutional support enhance firm’s capabilities that eventually convert into firm performance, in this process organizational Capabilities acts as mediator which capitalize those external resources to achieve superior firm performance and competitive advantage.

Though the literature established the link between external resources and capabilities; there is dearth of research linking internal resources and Organizational capabilities. In line with Yuan Lu et al (2010) we link Resource Based View of the firm (RBV) with Capability building perspective of rent creation to investigate mechanism of how firm specific organization adaptive capabilities deploy or transform internal resources such as Organizational slack to achieve firm performance.

**Research Objective:**

Literature on Organizational Slack is focused towards its nature of the relationship with firm performance, innovation and how it helps organization to sail through turbulent environment and maintains dominant coalition. Though number of studies linking organizational slack to strategic behaviors, the literature yet to recognize organizational slack as a potential firm specific resource can be leveraged for superior performance and competitive advantage. Marshaling/leveraging of Organizational Slack can be an opportunity for firms operating in emerging economies which are deprived of financial and other managerial resources from the external environment in a lesser developed institutional
environment. In this study we argue that Organizational Slack can be a potential resource in an emerging economy that can be bootstrapped to achieve managerial endeavors and accomplish competitive advantage through creation of New Products and Services and achieve firm performance.

In this thesis I also attempt to establish a valid nomological network between Adaptive Capability- Organizational Slack- Product Market Response and firm performance and interrelationship among these constructs in the logical sequence. This thesis would explore adaptive Capability and organizational slack as a multidimensional first order and second order construct and will try to find any discrepancy on analyzing as sub construct level and as composite construct.

**Research Question:**

In this research we attempt to understand the impact of Organizational Slack on Adaptive Capability and firm performance linkages in Indian Firms. Does all Adaptive Capabilities enable Performance in Indian Firms? How does adaptive Capability individual construct differ from composite construct in firm performance linkage? Does product market complexity affects firm performance through Speed of Response and Product Market Performance by co-variation with adaptive capabilities? What is the nature of relationship between Adaptive Capability and Organizational slack? What is the impact of adaptive capability on firm performance without the influence of Speed of response and Product Market response?