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An Overview of Employees' Dynamic Capabilities, Job Performance with Innovative Work Behavior: A Conceptual Paper

By Joather Al Wali, Rajendran Muthuveloo, Teoh Ai Ping
& Mohammad Bataineh

Abstract- This paper focuses on the theoretical review of employees' dynamic capabilities, innovative work behavior, and job performance. It also determines the mediating role of innovative work behavior on the nexus between employees' dynamic capabilities and job performance. Dynamic capabilities become a fundamental source of competitive advantage through the mediating role of innovative work behavior. The review of previous studies indicates that the dynamic capabilities of employees have not studies indicates that as a distinct subject. This study reveals that dynamic capabilities and innovation provide organization competitive advantage as well as boost their evolutionary fitness. It also shows the consensus among researchers that innovation and dynamic capabilities have positive impacts on performance.

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AN OVERVIEW OF EMPLOYEES' DYNAMIC CAPABILITIES, JOB PERFORMANCE WITH INNOVATIVE WORK BEHAVIOR: A CONCEPTUAL PAPER

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An Overview of Employees' Dynamic Capabilities, Job Performance with Innovative Work Behavior: A Conceptual Paper

Joather Al Wali ^α, Rajendran Muthuveloo ^σ, Teoh Ai Ping ^ρ & Mohammad Bataineh ^ω

Abstract- This paper focuses on the theoretical review of employees' dynamic capabilities, innovative work behavior, and job performance. It also determines the mediating role of innovative work behavior on the nexus between employees' dynamic capabilities and job performance. Dynamic capabilities become a fundamental source of competitive advantage through the mediating role of innovative work behavior. The review of previous studies indicates that the dynamic capabilities of employees have not studies indicates that as a distinct subject. This study reveals that dynamic capabilities and innovation provide organization competitive advantage as well as boost their evolutionary fitness. It also shows the consensus among researchers that innovation and dynamic capabilities have positive impacts on performance.

I. INTRODUCTION

It is necessary to provide insights into the mechanism of new employees' dynamic capabilities on job performance to aptly show the value to contemporary organizations. Lack of such insights appears to be the major weakness of dynamic capabilities (Bie'nkowska and Tworek, 2020). It is fundamental to note that the concept of dynamic capabilities as meta-capabilities has been receiving considerable attention in both theory and practice of management (Bie'nkowska and Tworek, 2020). Notwithstanding the interpretation ambiguity and dearth of consistent theoretical underpinnings (Arend et al., 2009), several studies have considered it as a vital condition to attain a long-term competitive advantage (Bie'nkowska and Tworek, 2020; Pisano, 2017; Teece, 2007).

Though employees are considered as one of its fundamental pillars, the literature rarely discusses the dynamic capabilities of employees as a distinct subject of study rather the literature considers it as a component of dynamic capabilities (Bie'nkowska and Tworek, 2020). Besides, the empirical studies in this field are either large-scale surveys that cannot recognize the differences in firms' actual practices and processes, or single case studies, which are difficult to compare with other studies. Some empirical studies have recently reviewed the state-of-the-art approaches (Ambrosini & Bowman, 2009; Barreto, 2010; Bie'nkowska and Tworek, 2020; Easterby-Smith, Lyles, & Peteraf, 2009; Wang & Ahmed, 2007).

Author α: e-mail: joather12@gmail.com

a) Definitions

i. Employees' Dynamic Capabilities

The measures of sensitivity to changes in the environment, the ability to adapt to changes in the environment, the ability to solve problems in the workplace (e.g., workplace innovation), and the ability for continuous personal development (Bie'nkowska and Tworek, 2020).

ii. Innovative Work behavior

It refers to the purposeful creation, introduction, and application of new ideas within a work role, group, or organization with a view to benefiting the role performance, group or organization (Janssen, 2000, p. 288).

iii. Job performance

Performance is considered as a measure of the capability to do greater work than expected, setting high goals, the achievement of a set goal, and the efficacy of the time used in doing work. Essentially, performance can be categorized into low or high performance (Podsakoff et al. 1982).

b) Literature review

i. Employees' Dynamic Capabilities

According to Teece et al. (1997), an organizational process that is shaped by the asset positions of the firm and molded by its evolutionary paths describe the essence of the firm's dynamic capabilities and competitive advantage. The two vital aspects of their study are 'capabilities' and 'dynamic'. Specifically, 'capabilities' underscore the fundamental role of strategic management in properly integrating, adapting, and reconfiguring both external and internal organizational resources, skills, and functional competences to meet the prerequisites of a changing environment (Teece et al., 1997). Conversely, 'dynamic' connotes the capability to renew competencies to attain congruence with the changing business environment. Essentially, certain innovative reactions are needed when time-to-market and timing are critical, when there is a rapid rate of technological change, and when it is difficult to determine the nature of future competition and markets (Teece et al., 1997).



Most researches that addressed the dynamic capabilities approach revealed the absence of consensus, which could be attributed to the different ways they viewed the two aspects of the initial definition of this concept. First, dynamic capabilities emphasize the firm's internal processes aimed at developing and renewing the capacities and resources of the firm. Second, the purpose is to adapt or adjust to the changing conditions of the environment. Although the first method to the concept seemed to relate 'dynamic' with the changing environmental conditions (Teece & Pisano, 1994), the latter contribution showed that it emphasizes the changes are happening in the capacities and resources of the firm.

Furthermore, dynamic capabilities as meta-capabilities are receiving attention in both theory and practice of management. Several scholars considered them as the necessary conditions required for long-term competitive advantage (Pisano, 2017 and Teece, 2007). Specifically, Teece et al., (1997) provided the theoretical foundation for dynamic capabilities when they asserted that dynamic capabilities are "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environment". Similarly, Eisenhardt and Martin (2000) posited that dynamic capabilities signify "the firm's processes that use resources—specifically the processes that integrate, reconfigure, gain and release resources—to match and even create market change".

In addition, dynamic capabilities imply the higher-order capabilities which are required to change the firm's operational practices and resource base, as well as, to learn new domains (e.g., Ambrosini & Bowman, 2009; Ellonen, Wikström, & Jantunen, 2009). For instance, new kinds of learning (e.g., innovations) are the outcomes of a firm's combinative capabilities to create new applications from the existing knowledge. Fundamentally, dynamic capabilities engender a faster, better, more efficient, and effective innovation process that easily provides new prospects in business operations (Wu et al., 2007).

Abdullah, et al. (2020) emphasized the need to underline the mechanism of the influence of EDC on employees' job performance to precisely unveil its value for contemporary organizations. Empirically, some researches have confirmed the influence of EDC on job performance as it relates to the crucial role it plays in attaining organizations' sustainable development (Hazana et al., 2020). Specifically, the diverse ways through which dynamic capabilities positively influence firm performance include: matching the resource base with the changing environments (Teece et al., 1997); supporting both the resource-picking and capability-building rent-generating mechanisms (Makadok, 2001); creating the market change (Eisenhardt and Martin, 2000), and improving inter-firm performance (Gudergan et al., 2012). Fundamentally, dynamic capabilities

enhance the speed, efficiency and effectiveness of organizational reactions to environmental instability (Chmielewski and Paladino, 2007; Hitt et al., 2001), which eventually improves performance.

c) *Innovative Work behavior*

Innovation is considered as an essential source of organizational survival, since firms are gradually interested in unveiling the factors that promote innovative work behavior. Undoubtedly, innovation plays a fundamental role in organizational competitiveness (Shalley, Gilson & Blum, 2009), albeit it is impossible for organizational to be innovative without their employees. In this regard, Agarwal (2014, p. 43) opined that "one option for organizational to become more innovative is to encourage their employees to be innovative". Besides, some researches have revealed that innovation is important for organizational performance (Jiménez-Jiménez and Sanz-Valle, 2011; Thornhill, 2006) since organizations can react to challenges quicker, and better exploit the new products and market opportunities.

A large number of practitioners and scientists have concluded that innovation by individual employees serves as a means to promote organizational success (e.g., Van de Ven, 1986; Smith, 2002). Innovative work behavior (IWB) refers to the individual's intentional behaviors to create and implement new and beneficial ideas with the intention of providing benefits to the individual, group, or organization. From this definition, IWB goes beyond creativity, though creativity is a vital element of IWB, particularly at the beginning when generating new and beneficial ideas (Scott and Bruce, 1994). Therefore, innovative outputs could range from the enlargement, and renewal of products, services, processes and procedures to the development of new management systems and new production techniques (Crossan and Apayd in, 2010; Tidd et al., 2001).

Conversely, previous researches have shown that IWB is fundamental in producing a sustainable competitive advantage (Van de Ven, 1986), albeit an understanding of the way employees can be encouraged to show IWB has not been thoroughly explored (Janssen, 2000).

Precisely, research interest in innovation at the firm level regarding the knowledge of the way innovation can be promoted at the individual level is still limited.

At the individual level, innovation is considered as innovative work behavior, and it differs from creativity, which is a more limited construct that focuses on the discovery and generation of ideas. Besides, innovative work behavior is wider than the proactive work behavior construct (Parker, Williams and Turner, 2006) that stresses the implementation of change, but do not determine the initiation of the innovation process. For instance, earlier research on individual innovation conducted by Hurt et al. (1977) posited that innovative

work behavior is personality-based, and generally defined as the willingness to change. Some empirical studies have indicated that individuals who are able and willing to innovate, expand their contribution beyond the scope of their job requirements as they attain incessant flow of innovations (Parker, Williams and Turner, 2006).

Based on some previous studies (Kanter, 1988; West and Farr, 1989), Scott and Bruce (1994) appraised three aspects, namely, idea generation, idea promotion, and idea realization, to develop the concept of innovative work behavior. Essentially, idea generation is the creation of new ideas for problematic issues, while idea promotion is the mobilization of support for innovative ideas. Besides, idea realization is the transformation of innovative ideas into beneficial applications. The perspective offers an updated viewpoint of innovative work behavior developed on a one-dimension model (Janssen, 2000); a two-dimension model developed by Krause (2004), and Dorenbosch et al. (2005); and a three-dimensional model developed by Reuvers et al. (2008). Besides, Messmann et al. (2010) defined innovative work behavior as the totality of physical or cognitive work activities performed by staff solitary or in a social setting to create, promote and realize new ideas that apply to their particular work situation.

Based on the observation that good idea is the foundation of all innovations, an individual reasonably play crucial roles in innovation since they are the custodians and processors of ideas (Van de Ven, 1986). Therefore, IWB is considered as individual's behaviors that intentionally produce, introduce, and utilize new ideas, products, or processes. IWB is regarded as an extra-role, or discretionary behavior that goes beyond the expected prescribed role, but not expected from the employees (Janssen, 2000). Besides, IWB refers to individual actions which are directed to generate, process and implement new ideas, product, procedures, technologies, and work processes with a view to to boost the organization's effectiveness, and success (Kleijnen & Street, 2001; Yuan & Woodman, 2010).

The literature on innovative work behavior has emphasized the significance of outcome expectations since the expected outcomes of behavior determine human behaviors. Precisely, Yuan and Woodman (2010) reported that expected image gain or loss and expected performance improvement have significant influences on innovative work behavior. The study provided empirical evidence to support a positive relationship between expected positive performance outcomes and innovative behavior.

d) Job performance

Job performance is considered as one of the fundamental dimensions in organizational goal achievement. Hence, it is expected that performance will

contribute to organizational goals as one of the organization's competitive advantage. Typically, job performance represents action and behavior which are under individuals' control that contributed to the achievement of organizational goals (Rotundo and Sackett, 2002). It integrates the concept of activity to carry out tasks and the outcome. According to Campbell and Wiernik (2015), the economy of a nation is driven by aggregate individuals' job performance in every organization. Besides, Motowidlo, and Kell (2012) described job performance as "the total expected value to the organization of the discrete behavioral episodes that an individual carries out over a standard period".

Moreover, job performance connotes the aggregated organizational value of the set of employee's behaviors that directly and indirectly contributes to organizational goals (Borman & Motowidlo, 1993; Campbell, 1990). Since there are numerous types of behaviors that could contribute to the attainment of organizational goals, the extant literature contends that job performance is a construct that encompasses diverse components (e.g., Katz and Kahn 1978; Rotundo and Sackett 2002). In this regard, Motowidlo, and Borman (1993) categorized job performance into task performance and contextual performance. Although there is an empirical relationship between the two constructs, they are different (Hoffman et al. 2007). Specifically, contextual performance comprises courtesy, altruism, peacekeeping, cheerleading, civic virtue, sportsmanship, and conscientiousness (Podsakoff, and MacKenzie 2006), while task performance indicates meeting or surpassing the quantitative and qualitative requirements of one's job (Katz and Kahn, 1978).

The theories of performance postulate that performance is a function of ability and motivation (Vroom, 1964). However, Waldman and Spangler (1989) extended this viewpoint and developed a model that consists of factors that determine performance. They included two categories of variables in their model names, individual characteristics that comprise experience, ability, and motivational factors, as well as the immediate work environment factors such as leader behavior and group processes.

Several researchers agreed that job performance is a multi-dimensional construct (Campbell, 1990; Sonnentag et al., 2008). For instance, Campbell (1990) suggested eight elements of job performance, such as written and oral communication task proficiency, job-specific task proficiency, non-job-specific task proficiency, maintenance of personal discipline, demonstration of effort, supervision or leadership, facilitation of peer and team performance, and management, or administration.



II. THEORETICAL FRAMEWORK

a) Employees' Dynamic Capabilities and Innovative Work behavior

Dynamic capabilities allow the organization to adjust its product portfolio with a view to match the needs of the market and customer. Thorough dynamic capabilities, organizations can develop and refine their innovative capabilities (Lisboa, Skarne, & Lages, 2011). However, when generated and adopted, innovations have effects on the organization (Fagerberg, 2005). In this regard, Makkonen et al. (2014) reported that dynamic capabilities and innovation provide a competitive advantage to the organization and boost their evolutionary fitness. Consequently, this study proposes the following hypothesis:

H1: Employee's dynamic capabilities have a positive effect on innovative work behavior

b) Employees' Dynamic Capabilities, Innovative Work behavior, and Job performance

This section proposes that the impact of dynamic capabilities on performance is mediated by the organization's innovative work behavior or more tangible capabilities that are revamped by dynamic capabilities. In this regard, Eisenhardt & Martin (2000) posited that dynamic capabilities are more prominent via the process of learning that creates innovative work behavior. Hence, acting mostly within the internal environment of organizational learning is considered as one of the vital organization's internal processes. Consequently, can mediate the nexus between dynamic capabilities and performance. Through the mediation of innovative work behavior, dynamic capabilities become a major source of competitive advantage (Shane & Venkataraman, 2000). Although several researchers have acknowledged that innovation and dynamic capabilities have positive impacts on performance, the relationship could be mediated by innovation (Jimenez-Jimenez & Sanz-Valle, 2011). Moreover, it is necessary to investigate such nexus since dynamic capabilities could have an insignificant direct effect on performance (Protogerou et al., 2008). Therefore, this study proposes the need to determine the mediating role of innovation on the nexus between dynamic capabilities and performance (Giniuniene and Jurksiene, 2015).

H2: Innovative work behavior mediates the relationship between employee's dynamic capabilities and job performance.

III. METHODOLOGY

The methodology employed in this study comprises library search, and evaluation of previous literature on employees' dynamic capabilities, innovative work behavior, and job performance. Specifically, the library search covers both online and offline materials,

such as journal articles. The references are obtained from online databases in Web of Science, Science Direct, Scopus, and Google Scholar. This study restricts the advance search to the nexus between employees' dynamic capabilities, innovative work behavior, and job performance. The references are only taken from published journal articles. However, the limitation of this study is the limited resources obtained from databases, and the novelty of the nexus between employees' dynamic capabilities, innovative work behavior, and job performance.

IV. CONCLUSION

This study has succeeded in developing a theoretical framework that will be valuable for future researches in this subject. It has provided new insights into the impact of employees' dynamic capabilities on job performance using innovative work behavior as a mediator. Hence, it may be necessary for companies to recombine and transform knowledge and resources to produce innovation in the presence of good integrative processes and good learning mechanisms. This study presents a self-constructed framework concerning the extant literature. Therefore, it is recommended that a similar study should be conducted in a different sector.

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