Dynamic Capability and Organizational Performance: Is Social Networking Site a Missing Link?

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ABSTRACT

Given the growing importance of organizational capabilities due to the dynamic nature of most markets, dynamic capability has been increasingly considered a key element of superior organizational performance. This article extends this link by the mediational role of social networking site integration (SNS) to develop a competitive advantage. Drawing from the resource-based view (RBV) and social capital theory, this article empirically examines the ability of recognizing and capitalizing opportunities of dynamic capability and SNS mechanisms (technical and administrative) affecting organizational performance. Using a sample of 124 hotel managers, the article successfully identifies the mediator role of SNS in the dynamic capability-organizational performance link.

KEYWORDS

Dynamic Capability, Organizational Performance, Resource-Based View (RBV), Social Capital Theory, Social Networking Sites (SNS)

INTRODUCTION

Organizational heterogeneous resource, rapid technological change, and managerial ability challenge, as well as our understanding of how dynamic capability becomes the key driver of new service performance, have advanced considerably in recent years (Leónidou et al., 2015; Lin et al., 2016; Wu et al., 2016). Dynamic capability fundamentally creates tenets of inimitable organization and sustainable competitive advantage with respect to a possession of capabilities that unequivocally make an impact on organizational performance. In line with this reasoning, previous studies have focused on an understanding of the link between dynamic capability and organizational performance, investigating a direct link (Javakhadze et al., 2016), a mediating model (Liao et al., 2009; Wu et al., 2016), models of strategy emphasizing efficiency (Teece et al., 1997), and also components of dynamic capability (Lin et al., 2016). As widely acknowledged importance, the relationship between dynamic capability and organizational performance ostensibly has remained steadfast.

DOI: 10.4018/JOEUC.2019040101
Social networking sites (SNS) such as Facebook, Twitter, and Google+ (Xu et al., 2012) are also an important adaptation of organizational management since it is linked to business profitability, as demonstrated in many studies (Hsu, 2012; Hu & Racherla, 2008; Ifinedo, 2016; Su et al., 2015). The findings indicate that the SNS positively affects organizational businesses in several aspects. For example, 67% business-to-customer (B2C) and 41% business-to-business (B2B) companies have successfully explored new customers through SNS platforms. This makes SNS becomes a tremendous implication to businesses. Consequently, SNS has initiated a brand-new frontier for businesses and has been considered as an important factor for more than one-third of marketers’ businesses (Ku et al., 2013). SNS has also been important means of low-cost structure and high economic benefit in either general social interaction or communication. In particular, it provides opportunities for organizational administration and business offerings to be a critical innovative adaptation for organizational development.

However, extensive literature has yet to address a contributory relationship of dynamic capability, SNS, and organizational performance. This equivocal lack of understanding of how dynamic capability and SNS influence organizational performance needs to investigate how the link of dynamic capability and SNS contributes to organizational performance. For example, Grant (1996) argued that organizational capabilities are knowledge integration coping with resources for formulating organizational strategy. However, the knowledge-based theory of organizational capability of this study was vast in scale, without developmental assessments in special dynamic capabilities, and lacking in empirical evidence. Similarly, Wu et al. (2016) has concluded that the implication of dynamic capabilities to organizational performance remained vague in an emerging economy. According to Porter (1980), resources are not inherently valuable, but their value depends on how adequately complement them to a particular strategy. The integration of SNS, in terms of implemented strategy and the deployment of an organization’s resources and capabilities, should be aligned with its strategy to facilitate organizational performance.

The ongoing debate about integrating SNS to the link of dynamic capability and organizational performance is a critical assessment. First, dynamic capability contributes to performance because of its fundamental ability of achieving and sustaining competitive advantages (Teece et al., 1997) and typically by facilitating innovation performance (Wu et al., 2016). This growing acceptance of dynamic capability role has resulted in superior performance and has been properly executed but not yet supplemented further. For example, since the development of internet technology, an identification of innovative adoption should be made. Given the critical role of SNS as one of the innovative orientations, important supplementation of dynamic capability may be the success of SNS integration in enriching organizational performance. However, this issue of whether dynamic capability facilities organizational SNS integration has yet to this date been addressed in the literature.

Second, the role of dynamic capability in organizational performance is central to strategic management (Hermanso & Martín-Cruz, 2016) in which managers should have an overall insight to utilize their organization’s resources and capability. The work of Hermanso and Martín-Cruz (2016) extended top management involving into project operational capabilities and portfolio dynamic capability. The results of this study indicated a positive relationship with project performance and portfolio performance. Leonidou et al. (2015) reports that there is no significant relationship of some indicators based on dynamic capability such as relationship building, technological sensing, and response with eco-based competitive advantage. As concluded by Wu et al. (2016), the distinctive capabilities of dynamic capability need to be further explored to achieve superior performance for the firm. If the integration of SNS as an innovative adoption and reconfiguration nature of dynamic capability can facilitate the relationship between dynamic capability and performance, organizational managers would have a sharp-weapon for analyzing the sources and methods of wealth creation.

The goal of this study first is to examine how dynamic capability and SNS engage, and if this happens, how it affects organizational performance. Second, the effect of dynamic capability on SNS integration is explored, and if there is support, then the consequences on organizational performance
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