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DYNAMIC CAPABILITIES IN THE INTERNET ENVIRONMENT

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Abstract

There is still much debate about how firms develop the capabilities needed to sustain competitive advantage within changing environments. Why do some organizations exhibit competence in high-velocity environment, while others do not? Answering these questions is an essential prerequisite to understanding how firms should allocate valuable resources to any particular endeavor. In business environments defined by the use of the Internet and related technologies to increase business velocity, stable organizational routines become obsolete. Dynamic capabilities enable firms to respond to changing market conditions and can be used to improve firm's existing resource configurations in the hunt for sustainable competitive advantage. This paper presents a synthesis of the dynamic capabilities literature and extends the concept to examine IT-enabled firm capabilities. It magnifies the concept of dynamic capabilities showing that they are a set of specific and identifiable processes. This study makes a contribution to the literature by proposing a framework to explain distinctive dimensions of dynamic capabilities among e-commerce companies. In addition, this paper proposes three stages of capabilities development (ad hoc activity stage, formalization stage, and institutionalizing capability stage) and discusses dynamic capability evolution among e-businesses.

Keywords: Dynamic capabilities, organizational routines, E-commerce, high-velocity market