

Ludovica Moi

**HOW TO SHAPE
THE COMPETITIVE
ADVANTAGE OF FIRMS
IN UNPREDICTABLE
CONTEXTS**

**The role of marketing
capabilities**

FrancoAngeli

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INTRODUCTION

The complexity of business scenarios has significantly increased over time. With the most competitive and unpredictable business environment and fluctuating market demand, firms must continuously look for more critical organizational capabilities to cope with the constant changes triggered by market and technology turbulence more quickly and effectively.

Organizational capabilities are traditionally defined as a unique, aggregate combination of resources and capabilities targeted to achieve a specific result (Teece, 2007). Today, it is particularly necessary to rethink the role of organizational capabilities and, more in detail, to seek organizational capabilities that can help make organizations greater dynamic and efficient in the face of ever-changing market trends (Matarazzo *et al.*, 2021; Schilke *et al.*, 2018; Shaheen *et al.*, 2023). Scholars have attempted to advance knowledge on how to offer prompt, more effective responses to unpredictable contexts (e.g., by increasing supply chain resilience or responsiveness) (e.g., Ali *et al.*, 2022; Munir *et al.*, 2022). However, when dealing with turbulent and fast-moving business contexts, firms also seek greater flexibility (Volberda, 1997, 1996). Therefore, to better meet market demand in a volatile and ambiguous business environment, firms particularly need to foster their capacity to be more flexible and centered around people, especially customers (Hughes and Rajesh, 2021; Kalaignanam *et al.*, 2021; Moi and Cabiddu, 2021a, 2021b). An intriguing point is then to understand how to develop more market-oriented organizational capabilities that enable organizations to readily define solutions for customers, developing products and services that successfully meet the changing market demand while creating superior customer value (Adamson *et al.*, 2012; Gosselin and Bauwen, 2006; Grönroos, 2011; Sirmon *et al.*, 2007).

To achieve this end, among the different organizational capabilities proposed by literature, scholars recognize the critical role played by marketing capabilities (Kemper *et al.*, 2013; Song *et al.*, 2007; Yang *et al.*, 2020; Yuan *et al.*, 2016). Marketing capabilities epitomize a specific type of organizational capability through which firms grasp market changes, learn and exploit market knowledge, and respond to environmental changes with quickness and efficiency (Barrales-Molina *et al.*, 2014; Bruni and Verona, 2009; Guo *et al.*, 2018; Xu *et al.*, 2018). Strong marketing capabilities help firms develop broader and deeper knowledge to implement innovation (Yang *et al.*, 2020); therefore, they are essential to sustain competitive advantage, especially in dynamic business environments (Mainardes *et al.*, 2021).

Recently, research on marketing capabilities has integrated the concept of agility. From an organizational perspective, agility is the firm's capacity "to manage uncertainty [...] to efficiently and effectively redeploy/redirect its resources to value-creating and value protecting (and capturing) higher-yield activities as internal and external circumstances warrant" (Teece *et al.*, 2016, p. 8). To date, there is cross fertilizing research on agility in different fields of interest, including supply chain, manufacturing, and software development (e.g., Fayezi *et al.*, 2017; Gligor and Holcomb, 2012; Gren *et al.*, 2015; Gunasekaran and Yusuf, 2002; Lee, 2004; Lee and Xia, 2010), where it briefly designates a quick and flexible approach in reacting to change. However, the agility concept started attracting critical attention also in the marketing domain as a crucial driver of firm performance, particularly in turbulent and dynamic contexts (Cacciolatti and Lee, 2016; Martin *et al.*, 2017; Wilden and Gudergan, 2015).

Firms are increasingly focusing on the adoption of agile principles into their marketing activities to provide quicker responses to shifting customer dynamics, and adapt objectives and resources accordingly (Bond III *et al.*, 2020; He and Harris, 2020; Hughes and Rajesh; 2021; Kalaignanam *et al.*, 2021; Moi and Cabiddu, 2021a, 2021b; Poolton *et al.*, 2006). Agility is considered pivotal for determining new products advantage, responsiveness to current or latent customer needs, and speed of adjustment of solution offerings to different market conditions (Asseraf *et al.*, 2019; Ciampi *et al.*, 2022; Hagen *et al.*, 2019; Kalaignanam *et al.*, 2021; Mitreęa, 2019; Zhou *et al.*, 2019).

Although the plethora of empirical and theoretical works on organizational capabilities, many questions persist about how to comprehensively form and nurture agile marketing capabilities in organizations to enhance their ability to create and offer customer value in fast-changing business environments. By elaborating upon this gap, with this book, I focus the atten-

tion on the importance of developing market-oriented organizational capabilities fostered by marketing agility.

This synopsis provides scope for achieving the specific objectives of this book:

- To display a critical review of the most widely accepted theories on organizational capabilities and dynamic capabilities and seek new research perspectives, including research areas to which this monograph intends to contribute.
- To provide a comprehensive overview of the theoretical foundations of agile marketing capabilities that lie at the intersection between dynamic capabilities and marketing capabilities.
- To show, in detail, the role of marketing agility in a context characterized by constant changes in the marketplace through a critical analysis of the main literature and practice.
- To offer a stepwise guidance for conceptualizing and developing an agile marketing capability and identifying its microfoundations.
- To empirically explore and examine how agile marketing capabilities enable to accelerate value creation, given that organizational capabilities increasingly demand speed to operate in unstable environments successfully

The scientific community represents the primary target of this book. Scholars will discover a rich body of knowledge containing recent theoretical and practical reflections about organizational capabilities and, in particular, marketing capabilities, to have a most updated picture of the topic. This book's insights aim to stimulate their interest in enriching future research in this field. Managers and practitioners are also an important audience of this book. The reflections developed throughout this monograph have relevant practical implications that could help them increase their awareness towards the development of capabilities that align with a constantly changing business landscape more effectively.

The book divides the exploration of this topic into five main chapters, with a closing section that offers some concluding remarks and summarizes possible lines of future inquiry to nurture the debate on organizational capabilities.

The first chapter presents the theoretical reference context of the research. Specifically, it addresses the most widely accepted theories on organizational capabilities to underscore their main weaknesses or criticalities, articulating them around three clusters of shortcomings in view of how recent literature is evolving. Based on this analysis, I provide several recommendations for future research. This section aims to define the key concepts used in the rest

of the book, and the areas of theoretical reflection including research questions to which this monograph intends to contribute in the following sections.

The second chapter extends the theoretical foundations of the research by focusing on the analysis of organizational capabilities particularly useful when seeking competitive advantage in dynamic business environments, that is, marketing capabilities. This section presents the primary studies and theories discussed in this field and offers a picture of several conceptualizations of marketing capabilities. Hence, it examines to what extent existing marketing capabilities proposed by scholars specifically enable firms to adapt to ongoing changes in customer needs when dealing with high-changeable contexts, putting the basis of the topic that will be addressed in the next chapters.

The third chapter introduces the concept of marketing agility as a viable solution to enhance firms' marketing capabilities. More in detail, it provides an accurate analysis of both the main literature and practice on this topic to provide an overview of its rising importance for academics and practitioners and seize existing gaps.

The fourth chapter inquires about how to comprehensively conceptualize an agile marketing capability. In this section, it is offered a stepwise process to identify the critical microfoundations at the base of its development in organizations.

The fifth chapter presents the final phase of the research process. The ultimate objective is to empirically investigate how, when facing moving circumstances, pursuing and implementing an agile marketing capability enables firms to accelerate value creation for customers successfully.

The conclusions take up the results of the overall chapters to highlight their theoretical and practical contribution. The analysis ends by outlining the limitations of the research, and possible paths for future studies.

The overall book structure is illustrated in Figure 1, which also points out the key contribution provided by each chapter.

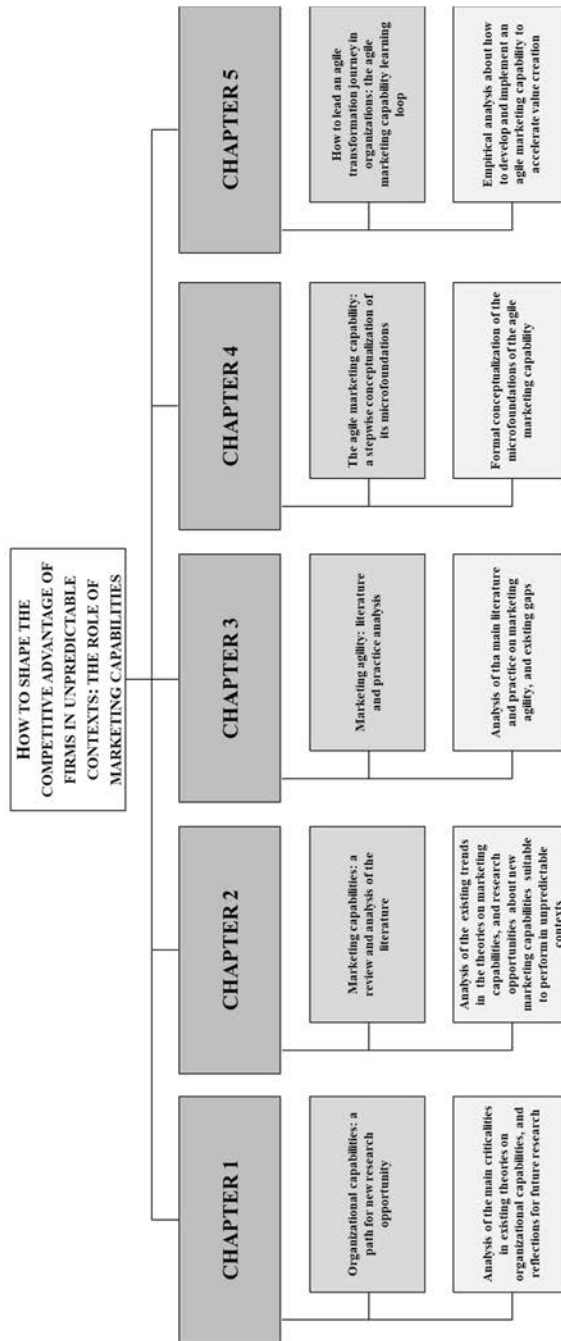


Fig. 1 – Book structure

1. ORGANIZATIONAL CAPABILITIES: A PATH FOR NEW RESEARCH OPPORTUNITY

Intending to illustrate the theoretical foundations at the roots of the research design driving the overall book, in this section I present a general overview of the current literature on organizational capabilities. The aim of this chapter is to provide a research agenda for future research on this topic and outline some important research areas to which this work also intends to contribute in the following chapters.

The chapter is structured as follows. I first introduce the definition of organizational capabilities and review the main theories used by scholars to study them. Afterwards, I identify three main shortcomings based on some weaknesses or criticalities found in prior literature on organizational capabilities. I end the chapter with general reflections on what is still necessary to advance knowledge of this topic and offer some recommendations for future research.

1.1. Introduction

Scholars have long suggested several definitions of organizational capabilities. For instance, Collis (1994) refers to organizational capabilities “as the socially complex routines that determine the efficiency with which firms physically transform inputs into outputs” (p. 145). Following the words of Grant (1996), an organizational capability represents “the ability to perform repeatedly a productive task which relates either directly or indirectly to a firm’s capacity for creating value through effecting the transformation of inputs into outputs” (p. 377). A widely accepted definition of organizational capability is also the one proposed by Winter (2000), who refers to an organizational capability as “a high-level routine (or collection of routines) that,

together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type" (p. 983). Finally, Schreyögg and Kliesch-Eberl (2007) claim that an organizational capability "is the result of an organizational learning process, a process in which a specific way of 'selecting and linking' resources gradually develops" (p. 916).

All in all, organizational capabilities are then viewed as a set of informal and formal processes and routines through which firms perform certain value-creating tasks (Amit and Schoemaker, 1993), gradually transforming resources into distinct and reliable outputs (Schreyögg and Kliesch-Eberl, 2007; Teece *et al.*, 1997).

Although there is fruitful research referencing organizational capabilities in the academia, its theoretical ground has progressively become more complex since today's competitive environment requires considerable questioning and upgrading existing theories on this topic. Indeed, the prevalence of rapidly changing business contexts has led organizations to increasingly look for and develop organizational capabilities that enable a continuous and prompt alignment with the environment to find new competitive advantage (Schilke *et al.*, 2018). According to recent studies, firms' organizational capabilities are constantly subject to the impact of global issues (e.g., the recent COVID-19 pandemic) and diverse international contexts (Bianchi and Stoian, 2022). Therefore, firms are forced to enhance their capacity to identify and exploit opportunities and rapidly adapt to changing environments to attract and satisfy customers (Battaglia and Neirotti, 2022).

In the rest of the chapter, I try to address how recent studies collide with prior literature on organizational capabilities and propose some lines of inquiry for future research. Notably, with this chapter, I aim to explore the key features of the main literature on organizational capabilities to set the bedrocks for future studies towards this topic that will be also at the basis of the development of the overall monograph. The goal of this chapter is neither to provide a new conceptualization of organizational capabilities, nor to perform an exhaustive review of the research on organizational capabilities, but to outline a series of key issues that are of concern to both the academia and practice.

1.2. Theoretical background

Two main theoretical perspectives are generally adopted by scholars who have contributed most to building the theoretical and empirical foundations

of organizational capabilities. The first stream of studies includes those authors who conceptualized organizational capabilities following the resource-based view. The second stream includes the works that, by looking for the conceptualization of organizational capabilities that could adapt more effectively to continuously changing environments, have advanced the theory of dynamic capabilities. Below, I will provide a detailed description of the features of the main works included in each perspective.

1.2.1. The Resource-Based View

Early studies on organizational capabilities have been established within the resource-based view (Barney, 1991; Collis, 1994; Winter, 2003). The resource-based view was firstly coined by Wernerfelt (1984). The theory arose to answer to a compelling question: “why do some firms persistently outperform other firms?” (Barney and Clark, 2007, p. 4). The resource-based view strictly connects a firm’s strategy with its resources (Barney and Arkan, 2005; Hansen *et al.*, 2004). Therefore, it comprehensively grounds a firm’s competitive advantage on its internal strengths and weaknesses. The firm is viewed as an entity owing valuable, rare, inimitable, and non-substitutable resources (Wade and Hulland, 2004), which are heterogeneously distributed across competing organizations over time (Ambrosini and Bowman, 2009; Mahoney and Pandian 1992; Wernerfelt, 1984).

According to the framework developed by Barney (1991, p. 105-111):

- resources are *valuable* when they enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness;
- resources are *rare* when they are not possessed by large numbers of competing or potentially competing firms, since if a particular valuable firm resource is possessed by large numbers of firms, then each of these firms have the capability of exploiting that resource in the same way, thereby implementing a common strategy that gives no one firm a competitive advantage;
- resources are *inimitable* for one or a combination of three reasons: (a) the ability of a firm to obtain a resource is dependent upon unique historical conditions, (b) the link between the resources possessed by a firm and a firm’s sustained competitive advantage is causally ambiguous, or (c) the resource generating a firm’s advantage is socially complex;
- resources are *non-substitutable* when there must be no strategically equivalent valuable resources that are themselves either not rare or

imitable. Strategically equivalent resources suggest that other current or potentially competing firms can implement the same strategies, but in a different way, using different resources.

Resources represent tangible or intangible entities or assets that an organization uses to implement business strategies, and to produce efficiently and/or effectively valuable market offerings (Chen, 2012; Hunt and Morgan, 1996). Firms with superior capabilities better integrate and utilize their organizational resources to create customer value (Barney, 1991; Wernerfelt, 1984).

Following the resource-based view, organizational capabilities are conceived as complex collections of routines or high-level routines by which firms transform inputs into outputs, outperforming competition (Nelson and Winter, 1982). Therefore, organizational capabilities are strictly embedded in the firm's routines (Barney, 1986, 1995, 1997). Routines represent the "building blocks of capabilities, with a repetitive and context-dependent nature" (Dosi *et al.*, 2008, p. 1167). They are learned, stable and repetitive patterns¹ of collective activities (Abell *et al.*, 2008; Schilke, 2013; Zollo and Winter, 2002). More specifically, a routine is a "behavior that is learned, highly patterned, repetitive, or quasi-repetitive, founded in part in tacit knowledge – and the specificity of objectives" (Winter, 2003, p. 991). In this conception, organizational capabilities are hard to imitate by competitors (Barney, 1991; Enz, 2008) because they are "protected" by unique underlying routines (Collis, 1994; Day, 1994). Drawing on the resource-based view, organizational capabilities are then viewed as a set of informal and formal processes and routines through which firms perform specific value-creating tasks (Amit and Schoemaker, 1993), gradually transforming resources into distinct and reliable outputs (Schreyögg and Kliesch-Eberl, 2007; Teece *et al.*, 1997). The development of organizational capabilities involves a set of collective skills, abilities, expertise, and knowledge that contribute to determining a firm's distinctive competitive advantage (Leonard-Barton, 1992; Ulrich, 2004). Indeed, they are difficult to replicate; hence, they help firms raise barriers to imitation and outperform rivals (Barney, 1991; Teece *et al.*, 1997; Winter, 2000).

¹ There is cross-fertilizing research which differentiates *patterns* from *actions* (e.g., Becker, 2005; Becker, 2004; Cohen and Bacdayan, 1994; Eggers and Kaplan, 2013; Feldman and Pentland, 2003; Parmigiani and Howard-Grenville, 2011). Actions correspond to interactions or individual activities. Patterns are steady repetitions of actions that involve multiple actors.

1.2.2. *The Dynamic Capabilities View*

Over the years, the resource-based view theory has been criticized because of its static nature (Eisenhardt and Martin, 2000; Sanchez, 2008). Researchers claim that the resource-based view explains how firms can exploit their internal resources but does not appropriately account for how internal resources are developed and transformed to achieve competitive advantage in dynamic markets (Eisenhardt and Martin, 2000; Morgan *et al.*, 2009b). The way in which firms combine their resources and processes is, on the one hand, context-bound (Schreyögg and Kliesch-Eberl, 2007), and, on the other hand, it should be dynamic, to meet the demand of a constantly changing environment (Eisenhardt and Martin, 2000; Teece *et al.*, 1997; Winter, 2003; Zollo and Winter, 2002). Given that the resource-based view comprehensively grounds a firm's competitive advantage on its internal strengths and weaknesses, it is not sufficient to determine how firms should perform to thrive and succeed in ever-changing business contexts.

As a result, the dynamic capabilities' view arose to follow and extend the resource-based view (Ambrosini and Bowman, 2009; Ambrosini *et al.*, 2009; Barreto, 2010; Easterby-Smith and Prieto, 2008; Makadok, 2001; Wilden *et al.*, 2016). The theory of dynamic capabilities attempts to explain why some firms thrive and succeed in turbulent environments (Schilke *et al.*, 2018; Teece, 2007). The term "dynamic" suggests that, to achieve a sustainable competitive advantage, firms constantly need to renew competences or alter their resource mix according to shifting market dynamics (Grewal and Slotegraaf, 2007; Teece, 2007; Teece and Pisano, 1994; Teece *et al.*, 1997). Therefore, while the resource-based view emphasizes the importance of combining resources as a key source of competitive advantage when the variability of market conditions is low and the demand is relatively stable, the dynamic capabilities' view provides a basis for a firm's competitive advantage under dynamic market conditions, stressing the prominence of resource renewal to match better changing circumstances (Helfat and Peteraf, 2003; Martelo Landroquez *et al.*, 2011).

As it is generally espoused in the literature, "dynamic capabilities can be disaggregated into the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets" (Teece, 2007, p. 1319). The performance of dynamic capabilities can be reflected in what scholars define the "evolutionary fitness", which points to "how well the dynamic capabilities of an organization match the context in which the organi-

zation operates” (Helfat *et al.*, 2007, p. 7). Hence, dynamic capabilities promote the continuous upgrading of capabilities, which may occur via, for instance, firm resources, knowledge, culture, collaborative relationships, and proactive environmental strategy (Yang *et al.*, 2019).

Table 1 reports some widely accepted definitions of dynamic capabilities according to prior literature.

Tab. 1 – Summary of the main definitions of dynamic capabilities

Source	Definition
Eisenhardt and Martin (2000), p. 1107	<i>“The firm’s processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match or even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resources configurations as markets emerge, collide, split, evolve and die.”</i>
Zollo and Winter (2002), p. 340	<i>“A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.”</i>
Winter (2003), p. 991	<i>“Dynamic capabilities are those that operate to extend, modify or create ordinary capabilities.”</i>
Zahra <i>et al.</i> (2006), p. 918	<i>“The abilities to reconfigure a firm’s resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker.”</i>
Wang and Ahmed (2007), p. 35	<i>“We define dynamic capabilities as a firm’s behavioural orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage.”</i>
Helfat <i>et al.</i> (2007), p. 1	<i>“The capacity of an organization to purposefully create, extend or modify its resource base.”</i>
Teece <i>et al.</i> (1997), p. 515	<i>“The capacity to renew competencies so as to achieve congruence with the changing business environment (...) adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies.”</i>
Teece (2007), p. 1319	<i>“Dynamic capabilities can be disaggregated into the capacity (a) to sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets.”</i>
Teece and Pisano (1994), p. 541	<i>“The subset of the competences and capabilities that allow the firm to create new products and processes and respond to changing market circumstances.”</i>
Barreto (2010), p. 271	<i>“[a] dynamic capability is the firm’s potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base.”</i>

Beyond providing an overview of the core understanding of dynamic capabilities in terms of a firm’s capacity to integrate, modify, renew, or reconfigure resources and capabilities in response to market changes, the definitions mentioned above also outline the important distinction between dy-

dynamic capabilities and operational (or ordinary) capabilities (Eisenhardt and Martin, 2000; Helfat and Peteraf, 2003; Teece *et al.*, 1997; Winter, 2003). Researchers refer to operational capabilities as the “firm-specific sets of skills, processes, and routines, developed within the operations management system, that are regularly used in solving its problems through configuring its operational resources” (Wu *et al.*, 2010, p. 726). As previously mentioned, capabilities can be defined as collections of routines (Winter, 2003). Although both dynamic and operational capabilities are collections of routines, they significantly differ in their purpose and intended outcomes (Helfat and Winter, 2011). Dynamic capabilities describe the ability to reconfigure and adapt to a changing environment to explore new opportunities, whereas operational capabilities epitomize the ability to “make a daily living” (Winter, 2003, p. 991), or how to maintain current operations (Cepeda and Vera, 2007). They encapsulate both the tacit (e.g., operational practices) and explicit (e.g., know-how) elements (Wu *et al.*, 2010) that ensure day-to-day operational efficiency (Teece, 2007) and the accomplishment of operational goals (Flynn *et al.*, 1995). Operational innovation, customization, cooperation, responsiveness, and reconfiguration are only some examples of operational capabilities (Flynn *et al.*, 2010). Helfat and Peteraf (2003, p. 999) argue that “dynamic capabilities do not directly affect output for the firm in which they reside, but indirectly contribute to the output of the firm through an impact in operational capabilities”. Therefore, dynamic capabilities trigger the change of operational capabilities, to align them with the constantly changing environment (Collis, 1994; Easterby-Smith and Prieto, 2008; Teece, 2007; Winter, 2003).

Although previous literature was able to acknowledge the importance of dynamic capabilities in the building of a firm’s competitive advantage under shifting market conditions (Helfat and Peteraf, 2015; Martelo Landroguéz *et al.*, 2011; Schilke *et al.*, 2018; Teece, 2007), there is an increasing body of literature recognizing several limitations related to the actual efficacy of dynamic capabilities (Geleilate *et al.*, 2021; Laaksonen *et al.*, 2018; Munir *et al.*, 2022). Scholars have begun to question whether the theory of dynamic capabilities is still sufficient to respond to and meet today’s market-related requirements (Akgün and Polat, 2022). The next section highlights a number of areas that reveal the main shortcomings in the theory of dynamic capabilities, and the progress scholars have made in regard to them.