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How to Facilitate Routinized Reflection and Truly Dynamic Adaptation in an Ever-changing Business World

Abstract

The paper at hand elaborates on two conceptual ambiguities inherent in the current state of development in the important research field of how individual thinking links with effective organizational action. In so doing the text firstly arguments why routinized reflection is needed to balance the danger of complacency on the individual level of analysis. Secondly, the paper gives a review of why existing writing on the key strategic management concept of dynamic capabilities is hitherto unclear about how exactly that pivotal theoretical concept can simultaneously safeguard both routinized replication and dynamic adaptation. The paper also provides evidence for that topic's practical relevance in today's increasingly knowledge-based business environment, as being simultaneously sensitive to weak signals of required changes while exploiting existing sources of revenue constitutes a key requirement for organizational longevity. The paper makes the conceptual proposition of a *jester-like mindset* to bridge the two outlined theoretical gaps. In a nutshell, this idea centers around the fact that individual organizational actors cannot stand the immense challenge of continually judging whether use of time-tested solutions or constructive challenging of routine action is required. This is the reason why the needed routinized reflection has to be transferred to the group-level of analysis by creating an attitude shared by all constituents, which makes it safe to trigger organizational adaptation. The paper sketches six fields of application, where the proposed mindset augments our understanding of how to create organizations prone to effective changeability. The paper ends with sketching avenues for further empirical research to inform the jester-mindset's theoretical refinement.

Keywords

learning organization, innovation, resource-based view, dynamic capabilities, organizational culture

Introduction – Creeping in of Complacency is Dangerous

A key obstacle to successful adaptation to change is tangling up to outdated blueprints, because once properly functioning courses of action can become maladaptive, when unconventional action off the beaten track is needed. Yesterday's successful routines then morph into rigidities, which reliably trigger anachronisms. Jagdish N. Sheth (2007, p. xxiii), for instance, writes that “good companies fail when they are unable or, more

curiously, unwilling to change when their external environment changes significantly”. This author further writes that “when companies rise to excellence, they often unwittingly develop self-destructive habits that eventually undermine their success” (ibidem, p. 2). These self-destructive habits are the key obstacle to overcome, since they underlie a firm’s inability or unwillingness to change. However, when organizations foster a vigilant attitude, “most companies can survive forever if they recognize and take steps to counter self-destructive habits or set up processes to keep them from arising in the first place” (ibidem, p. xxiv). Most importantly, this is “possible because habits are *learned behaviors*, not inevitabilities”. Hence, that author’s key message is positive (ibidem, 3): “If you’re willing to examine yourself honestly enough to discover your weaknesses, you can ultimately transform yourself”. David J. Teece (2009, p. 10) argues quite similarly by stating that “paralyzed organizations encountered difficulties because they became prisoners of the deeply ingrained assumptions, information filters, and problem-solving strategies that made up their world views, turning the solutions that once made them great into strategic straitjackets”. In keeping with that (Birkinshaw, Heywood, 2009, p. 3) write “dysfunctional complexity creeps into a company over years through the perpetuation of practices that are no longer relevant”.

Facilitation of Routinized Reflection Prevents Complacency from Creeping in

To my mind, separating practicing a routine from reflecting on it is the first step to resolve the above-mentioned adaptability-rigidity-paradox. In the conceptual paper at hand I thus call for future empirical work to scrutinize, how court-jester-like virtues can introduce dynamic renewal into *per se* static routines. A welcome-side-effect of making perpetual self-reflection a matter of course is facilitating effective communication and *feeding-forward*, solving the conceptual flaw in existing literature regarding the connection between individual cognition and routinized organizational action. From my perspective, managing for better communication quality closes this research gap, but again much more empirical work is needed on how to walk this talk. In the further development of this speaking out paper, I first detect two major tensions in organizational capability research. Next, I take a systemic lens on the interaction process, and show how the identified theoretical shortcomings can be overcome by encouraging my proposed jester-like mindset. This idea offers a promising starting point for both new theory development and burgeoning empirical work, because it shows how experts can be brought back into more frequent interaction with their peers.

The Resource-based View as Point of Departure

A key question of strategic management research is why some organizations engage more successfully in the same business environment than their competitors do. To explain competitive advantage, therefore, a broad range of activities within the firm has to be considered, which allow for adaptation of organizational action, if needed - for details see Paola Pisano, Alison Rieple and Marco Pironti (2017, p. 52 ff.). The management of the interplay between human ingenuity to tackle unknown situations and organizational replication of working problem solutions is a key factor because this interaction is hard for competitors to notice and copy. Therefore, differences in organizational performance arise because, even though two organizations can start from a common base, they end up over time with very different sets of routines, capabilities and knowledge, simply because they showed significant differences in their decisions on how to respond to changes in the environment. Matters are complicated since competitors often fail to copy an organization's performance, because they are not able to understand precisely how and when the underlying resources were developed. Of course organizations may be heterogeneous in terms of what resources they own, see for example Geoffrey Wood and Zsuzsanna Kispál-Vitai (2017, p. 83). A key point is that resources of strategic relevance are not completely mobile so the heterogeneity lasts long. In a formalistic description of this general idea, the *resource-based of the firm*, which goes back to the work of Edith Penrose (1959), focuses on specific organizational features - resources - that are the basis of competitive strength, if exploited properly. The key idea is that, over time, organizations built up human and physical resources and the capability to use them properly to provide different kinds of services sought by customers. And this view suggests that a resource will represent a competitive advantage if it has four attributes. It must be: *valuable* in the strategic sense (it must enable the firm to take advantage of opportunities and neutralize threats in the environment), *rare* (not easily found among competitors), *imperfectly imitable* (for the other firms in the industry), and without good substitutes. Of special importance are unique, often hidden, aspects of an organization, or the things that it had learned to do, in understanding the differences between firms. Such notions are close to the concept of stickiness as an attribute of the transfer situation, not of the knowledge itself to be transferred, described by Gabriel Szulanski (1996). As pointed out by this author, the transfer of the same unit of knowledge may be sticky in one situation and non-sticky in another - thus, a unit of information may be transferable at low cost in one situation and at considerably higher cost in another. Taken together, the resource-based view of the firm constitutes an inside-out approach and puts strong emphasis on the micro aspects underlying the resources and capabilities that are at the organization's

disposal. The value of routines is dependent on how capable the organization becomes to modify existing solutions contingent on changes in the business environment. It can be argued that the more an organization firm is insulated from shareholder pressures, the more viable the resource-based view will be in practice (Purcell 2001, p. 59). Hence, a pivotal issue for the viability of the resource-based view and how it works out in practice becomes to decide when there are certain best practices in place which must remain unchanged, and or when other routines have to be modified to work in a changed environment. This is where the *dynamic capabilities* concept comes into play, which is discussed in detail in the further course.

Two Major Tensions in Organizational Capability Research

Richard J. Arend and Philip Bromiley (2009, pp. 80-81) criticize that “the dynamic capabilities view (DCV) suffers from unclear or varying theoretical foundations”. Even worse, “the lack of underlying theory has resulted in the isolation of the DCV from related organizational theory. This results in DCV offering an incomplete theory, oversimplifying a complex phenomenon and not clearly defining its domain of relevance”. As a result, “[...] these questions of foundation and clarity render the DCV susceptible to [...] become a talisman” – hence in its current state of development “the DCV serves mainly as a label for an area of study – a label some will mistake for a theory” (ibidem, pp. 83, 86). Alessandro Giudici and Patrick Reinmoeller (2012, p. 446) are still rather skeptical, because “we do not yet know if dynamic capabilities will ultimately become a fully formed theory or will be abandoned”. Robert C. Litchfield and Richard J. Gentry (2010, p. 188), on the contrary, take a more positive outlook and deal with the important question of “how the psychological process of perspective-taking might be scaled into an organizational capability to support knowledge integration efforts”. One paradoxical issue identified by these researchers is that “all organizational members are capable of perspective-taking [...] yet usually (they) do not engage in it” (ibidem). Pivotal for overcoming such conceptual tensions in existing writing becomes encouraging more routinized reflection in knowledge-based organizations, which facilitates emergence of a culture, where it is safe to tell anybody some inconvenient truth. When this perpetual reflection is practiced effectively, organizations are prevented from becoming too rigid. The paper at hand ends with discussing how the theoretical considerations on how to overcome these two dark sides of dynamic capabilities should be scrutinized in future empirical research.

In its current state of development, there are two fundamental flaws inherent in the “dynamic capabilities” (Teece, Pisano, & Shuen, 1997). Thus, Costance E. Helfat and Margaret A. Peteraf (2009, p. 91) call this key strategic management construct “one of the

most central and difficult questions within the strategy domain, this might well be characterized as the Holy Grail of strategic management”. Constance E. Helfat, Sydney Finkelstein, Will Mitchell, Margaret Peteraf, Habir Singh, David Teece, and Sidney Winter (2007, p. 4) define dynamic capabilities as “the capacity of an organization to purposefully create, extent, or modify its resource base”. Moreover, Sarah Kaplan, Andrew Schenkel, Georg von Krogh and Charles Weber (2001, p. 18) write that “while knowledge and resources are considered essential ingredients to firm survival, capabilities are its *raison d’être* – they represent the firm’s capacity to act”. Georg Schreyoegg and Martina Kliesch-Eberl (2007, p. 916) go into more detail by writing that capabilities are habitualized action patterns that *do not apply everywhere*: “The replication of successful and complex [...] patterns has its dark sides too [...] organizational capabilities may easily invert from a strategic asset into a strategic burden”. Liisa Vaelikangas (2010, p. 3) calls such expired rules “fallen eagles”: they worked once upon a time – some were even magnificent – but they fly no more. The following passage takes a closer look at this first managerial dilemma, the following one ponders over how to overcome the micro-macro tension between individual thinking and routinized organizational action.

The Dynamic Capabilities Construct Cannot Be Static and Dynamic at the Same Time

David J. Teece, Gary Pisano and Amy Shuen (1997, p. 515) introduce the term “dynamic”, referring to the capacity to renew existing competencies. However, Schreyoegg & Kliesch-Eberl (2007, p. 923) doubt that transforming reliable and routinized action patterns into flowing operations is feasible, because “the idea of building an integrated conception of dynamic capabilities by simultaneously relying on both patterned replication and the learning function is likely to conceptually implode. [...] The suggested integration logic obviously overstretches the capacity of the conception of capability”. Therefore, the assumption of a dynamic dimension, which allows for easy adaptation, torpedoes the strategic power of a static capability: “Reliable replication and continuous change are two dimensions that hardly mix. [...] Aside from undisputable merits, the idea of dynamizing capabilities is prone to *throwing out the baby with the bath water*” (ibidem, p. 914). The same argument is true for the distinction between “operating” and “innovation routines”, proposed by these authors (ibidem, p. 919). These researchers conceive innovation routines as means to add the needed dynamic component. However, creating a routine means programming. This in turn permits to find innovative solutions beyond the inscribed program. Maurizio Zollo and Sidney G. Winter (2002, p. 341) are aware of this problem, and hence recommend updating innovation routines frequently. But

an update requires out-of-the-box-thinking. Finally, Erwin Danneels (2010, p. 2) argues that though dynamic capabilities are assumed to be alterable, “these modes of dynamic capability have remained inside a *process black box*; there is a lack of knowledge about how dynamic capability is exercised, that is, how and why resource alteration modes are used”. This author therefore highlights “a missing element in dynamic capability theory: *resource cognition* [...] resource cognition refers to the identification of resources and the understanding of their fungibility (...)” (ibidem, pp. 3, 21).

Existing Static Approaches to Overcome the First Tension

Schreyoegg & Kliesch-Eberl (2007, p. 914) blame the “Janus face of capability” and propose to leave this “blind alley”, by viewing organizational capabilities and the dynamization issue as two *separate* functions, which a successful organization has to address simultaneously (ibidem, p. 919). These authors propose two organizational *countervailing processes* as countermeasure: patterned problem solving is allowed, but the whole organizational system is simultaneously vigilant for dysfunctional flips, and looks out for early indications of unexpected change necessities. These two strategic functions are kept separate – but jointly they build the dynamic capabilities construct. By continuously checking whether – and why – the capability-driven activities still apply, the firm gains flexibility and adaptability. Schreyoegg & Kliesch-Eberl (2007, p. 925) call this surveillance construct “capability monitoring.” Elena Antonacopoulou and Haridimos Tsoukas (2002) importantly add that the processes of organizational capability development have to be temporarily and locally de-skewed. Detaching practicing a capability from *reflecting on* it changes the status of capabilities within the firm. Instead of being automatic replication templates, they become explicit issues for in-depth consideration. The problem here is that if leadership and organizational culture do not allow for this pivotal feedback loop to happen, the initial investment in the capability development was useless. This is why Winter and Szulanski (2001, p. 733) stress that “[...] if the reality of learning is allowed into the picture, we may say that information/knowledge is not merely undiminished by intensive use, it is actually improved by it”. Adam Mitchinson, Nathan Gerard, Kathryn Roloff and Warner Burke (2012, p. 2) introduce the concept of “learning agility” in this regard, which is different from mere learning ability, because individuals learn significantly more when they reflect on their activities. Most importantly, these authors conclude that learning agility is a key factor for leadership selection and development, since “the ability to learn from experience is fundamental to leadership success.” (ibidem, p. 2). Ikujiro Nonaka’s (1991) concept of a knowledge-creating company comes close to this ideal; it revolves around a culture in which generosity

is prevalent, people feel recognized as distinct individuals, and informal, honest communication is commonplace.

Missing Dynamic Elements to Overcome the First Tension

The Schreyoegg and Kliesch-Eberl (2007, p. 914) general concept of “capability monitoring” is very promising, but there is much more research needed on how to augment the sketched dynamic resource-based view on the micro-level. According to Ikujiro Nonaka, Ryoko Toyama and Toru Hirata (2008, xviii) knowledge is a resource created by humans acting in social relationships: “Knowledge as a management resource cannot be understood without understanding the interactions of the human beings who create it”. The good news is that pioneering empirical research showing how such creative routines can be created already exists. For instance, Nonaka and Takeuchi (2011, p. 64) describe *Waigaya* at Honda, where people spend three days and three nights together in a good hotel with good food and with hot springs. This pleasurable environment gets people out of their daily routines and permits continuous dialogue between them. Bad mouthing of the boss is explicitly allowed to relieve frustration from people – and to allow the start of a constructive conflict discussion. Because there is no escape, individuals true gut feelings emerge. In sum this promising research contribution from Japan shows how out-of-the-box organizational interventions bring people to ponder over their cognitive representation of their peers and superiors and, even more important, their consequences on daily business. On a conceptual level of analysis, my contribution describes in more detail how the hitherto missing dynamic component can be added to the static organizational capability concept. To do so, my paper has a closer look on the important role of the human factor involved in creation and utilization of sufficiently flexible network of bricks, containing each some separable routine component, which in concert constitute the organizational capability base. This view hence adds to existing knowledge by outlining how a jester-like mindset, leading to regular self-reflection, overcomes the hitherto overly static view in the literature. This mindset, in turn, facilitates effective shared leadership to emerge. Mike Pedler, John Burgoyne and Tom Boydell (2010, p. 10) write in this regard: “Though in the past leadership has been seen as the preserve of the few; today leadership is needed at all levels and on every part of the pitch. If your organization has only one leader, then it is almost certainly short of leadership”. And Peter Hawkins (2005, p. 17) adds that currently “leadership does not reside in individuals, for leadership is always a relational phenomenon which at a minimum requires a leader, followers and a shared endeavor”. Such an innovative leadership understanding then fosters a psychologically safe organizational culture

(Edmondson, 2008, p. 64), which is important for perpetually checking capabilities' appropriateness in a rapidly changing environment.

The Dynamic Capabilities Construct Cannot Explain How Individual Thinking Links to Routinized Firm-level Action

Existing theory cannot fully explain how to best orchestrate the needed interplay between individual thinking and resulting routinized organizational action. To gain the valuable *organizational* capability of being able to benefit from unlikely events and to turn potentially threatening external occurrences into opportunities – before they actually emerge – one must accept that all routines are ultimately based on *individual* competencies owned by organizational members. The concept of *strategic resilience* (Vaelikangas, 2010) is helpful to better understand the relationship between individual competences and organizational-wide held routines, because strategic resilience is defined *as the capability to turn threats into opportunities prior to their becoming either*. A resilient company is hence alert and poised enough to correctly detect irregularity in the environment, and to consciously make sense of it (ibidem, pp. 20-21). This researcher (ibidem, p. 21) does admit that the discovery of the new and unexpected is often *serendipitous* – it happens without intentional search for the particular happenstance, but being alert and tuned in enough to take note of signals from the environment is pivotal. Therefore, this kind of organizational luck also requires *sagacity*, a particular kind of *alert wisdom*, because *the luck favors the prepared*. The key to build resilience is, therefore, to make the organizational parts (individual members and/or teams within the firm) more resilient than the whole (ibidem, p. 25): “[...] individuals tend to be more resilient than large corporations, which live, on average, shorter lives than people do (about 40 or so years)”. In short, “the key to resilience [...] is to make the parts more resilient than the whole (ibidem, p. 28). Laura Empson (2001, p. 841) has shown the central “role that individuals play in the knowledge transfer process, specifically in articulating and legitimizing the knowledge base and in shaping and interpreting the organizational context”. That author hence correctly concludes that organizational routines can only be fully understood by reference to the individual level of analysis. Following Martha S. Feldman and Brian T. Pentland (2003, p. 95), routines are “repetitive, recognizable patterns of interdependent actions, carried out by multiple actors”. J.-C. Spender and Robert M. Grant (1996, p. 6) observed that “the surge of interest into organizational capabilities and competencies has directed attention to organizationally embedded knowledge, but has made only limited progress in understanding its anatomy and creation”. Teppo Felin, Nicolai J. Foss, Koen Heimeriks and Tammy L. Madsen (2012, p. 1355) hence correctly conclude that

“routines are explicitly collective rather than individual-level phenomena: the emphasis is placed on the interactions rather than the individuals that are interacting” and importantly add (ibidem, p. 1358) that “the role of the individuals is crucial to understand routines and capabilities”. Hence these authors call for future research to clarify the “underlying components, or parts, of routines and capabilities, and their interactions, the mechanisms connecting the parts to the collective constructs in time and space”. And Linda Argote and Paul Ingram (2000, p. 156) claim that “to the extent there has been progress, it has been at the level of identifying consistencies in organizations’ knowledge development paths and almost never at the level of the human interactions that are the primary source of knowledge and knowledge transfer”. More recently, Linda Argote and Yuqing Ren (2012, p. 1375) show that transactive memory systems are developed by social interactions and conclude that “understanding how individuals in groups and organizations collectively encode, store, and retrieve beliefs, information, or knowledge can facilitate the integration and renovation of an organization’s knowledge assets, and in turn may affect capability creation and development” and call for more work to identify the micro-processes or mechanisms through which firms develop dynamic capabilities. The burgeoning research on shared leadership, for instance Christina Wassenaar and Craig L. Pearce (2012) can help to heal the tensions between individual ingenuity and routinized habits. Jay B. Carson, Paul E. Tesluk and Jennifer A. Marrone (2007, p. 1218) define shared leadership as an “emergent team property that results from the distribution of leadership influence across multiple team members”. This leadership understanding represents a condition of mutual influence embedded in the interactions among team members that can significantly improve team and organizational performance. Following Craig L. Pearce and Charles C. Manz (2005, p. 139) “it is becoming ever more difficult for any one person to be an expert on all aspects of the work that needs to be done” and thus recent research indicates “that two alternative sources of leadership – self leadership and shared leadership – hold considerable promise for enhancing the performance of knowledge workers”. This is in line with Richard Bolden, Beverly Hawkins, Jonathan Gosling and Scott Taylor (2012, p. 5) writing that “perhaps a more useful perspective is to consider leadership as a social process – contextually situated within the relationships between people (be they ‘leaders’ or ‘followers’)”. And Gary Yukl (2012, p. 18) adds that “there is also a growing interest in understanding leadership as a shared process in a team or organization”. From this perspective, what is more important than the leadership qualities of a number of individuals are the underlying processes that give rise to organizational effectiveness. Moreover, Keith Grint (2010, p. 8) writes that “despite the Western fetish for heroic individuals as leadership icons, it is not at all clear that such examples exist in social isolation”. Jean-Louis Denis, Ann Langley and Viviane Sergi

(2012, p. 211) summarize this recent development in the leadership literature as focusing on “forms of leadership that in one way or other imply plurality: that is, the combined influence of multiple leaders in specific organizational situations”. Existing contributions as the mentioned ones are promising starting points for further theory refinement. However, they are still in their infants and need conceptual refinement, to more explicitly show that the intuitively appealing ideas are in fact capable to boost knowledge work results. One key challenge here is to find the right balance between institutionalizing leadership responsibilities and letting sufficient space for contingently emerging systemic forces, which in concert lead to emergence of dynamic capabilities and perceptible performance increases. The proposed jester-like mindset in the present paper contributes to further develop the above briefly reviewed ideas about conceptualizing leadership as a distributed social activity.

Existing Static Approaches to Bridge the Micro-Macro Tension

Following Shaker A. Zahra and Gerard George (2002), a firm’s absorptive capacity is defined as a set of organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability. Moreover, transformation of absorptive capability follows a multidirectional and fluid path (ibidem, p. 198). However, Arie Y. Lewin, Silvia Massini and Carina Peeters (2011) write that although absorptive capacity is a widely used concept, the specific organizational routines and processes that in effect constitute this pivotal concept remain a black box. This might be due to the overtly technical view of absorptive capacity in existent writing. One frequently used static way to safeguard existing knowledge within the firm is to make use of codification efforts, such as developing templates, storing these templates on a company-wide assessable platform and trying to reuse these ready-for-use masters as frequently as possible. However, an area of tension arises here, because scholars on organizational learning, such as Richard R. Nelson and Sidney G. Winter (1982) or Peter M. Senge (1990), assume that the agglomeration’s and institutionalization of individuals’ separate skill sets give relatively trouble-free rise to organizational routines, which then can persist independently of individuals within the organization. Spender (1996, p. 47) even goes a step further by stating that a firm’s strategically most important feature is its *collective knowledge*, which is embedded in its relatively inimitable rules and routines and acts as a *Hobbesian constraint* over individual members. Unfortunately, making heavy use of safeguarding personal individual insights by incorporating them in routines does not only lead to cost savings; it simultaneously delivers a message of distrust to the knowledge donators. The result is a destructive self-fulfilling prophecy,

which Glenn Rowe and James O'Brien (2002) call the *Golem effect*, claiming that low initial expectations regarding a person's intentions actually trigger negative behavior. Alternatively, organizations can become something bigger – if they make use of the antipodal, the “enhanced performance of subordinates of whom supervisors expect more” (Eden, 1984, 64). D. Brian McNatt and Timothy A. Judge (2004) prove that firms can purposefully augment experts' perceptions. They use feedback about subject's true strengths, derived from their résumés, to evoke high expectations in experienced professionals. Hence the key to facilitate effective communication within the firm is to trigger *Pygmalion* effects by means of a routinized reflection process.

Missing Dynamic Elements to Bridge the Micro-Macro Tension

Organizational members are often left without support on how they should rework on formalized knowledge. N. Amiryany and Mario Schijven (2011) suggest overcoming this issue by describing routines in a way that addresses all the core practices of all employees involved. Unfortunately, it is quite challenging to verbalize and share tacit details with colleagues (e.g., Wenger, Snyder, 2000). Matters are complicated, because employees are often unaware, of how to best combine interesting new routines with the already existing ones. This is mainly caused by the fact that many routines are interrelated, and it is hence often difficult to exactly define where one formalized way of acting starts and another one begins. Thus, a successful routine-transfer demands full calibration of the whole routine-network. To foster usage of existing knowledge within the firm, knowledge-based firms should, therefore, facilitate better and more frequent communication. However, existing technophile solutions are static in nature, and thus cannot improve communication quality. Even worse, they invite some serious trouble seen from a work psychology perspective, due to those tools' inherent side-effect of heavily fragmenting the working day (Gonzalez, Mark, 2004; Mark, Gudith, & Klocke, 2008). Highlighting in daily communication characteristics of the organization itself, such as the organization's key values and the guiding principles underlying its operation as a collective entity, can heal this flaw. Neal M. Ashkanasy, Broadfoot and Falkus (2000, p. 132) write:

culture derives from an underlying pattern of assumptions that members of an organization come to share as a result of common experiences in their working life. These assumptions, in turn, are reflected in and give meaning to expressed values and observable artifacts and patterns of behavior.

A shared organizational context, which is rife with human interaction, can lead to the emergence of shared experiences, which improves communication quality. This then lays the basis for the needed capability surveillance. We do know that organizational actions

and reactions of individuals both shape and are shaped by the intangible organizational environment. But astonishingly, culture engineering is hitherto underrepresented in existing research. Uta Wilkens, Daniela Menzel and Peter Pawlowsky (2004, p. 9) state “one of the major shortcomings of the resource-based view is the fact that the organization remains a black-box even though it is considered as *the* source of organizational success”. Most importantly, “a picture of the system’s dynamic within the box cannot be drawn on the basis of the estimation of a single person”. The paper at hand has a closer look at the group level of knowledge-work-performance, and hence contributes to overcoming this *Tayloristic relict* – meaning focusing on experts as isolated individuals whose productivity must be improved (Hammer, Leonard, & Davenport, 2004, p. 14). Pivotal here is that the communicated values must resonate with the tacit meanings and values that organizational members hold and use. Unfortunately, all too often the actual attributes and values of a company (i.e., its actual identity) do contrast with the messages included in the company’s communications (i.e., the communicated identity) and with the perception(s) that the company’s stakeholders hold, that is, the company’s corporate image and reputation (i.e., its conceived identity) (Vallaster, Lindgreen, & Maon, 2012, p. 4). This shows why *dynamic* communication is essential for bridging the micro-macro tension. Effective social interaction in turn leads to the emergence of a collectively shared way of problem solving. This is in congruence with Michael Leidl and Sonja Sackmann’s (2010, p. 38) conclusion that cultural factors are of key importance for economic success. And Edgar H. Schein (2009, p. 3) reminds that “culture and leadership are two sides of the same coin and one cannot understand one without the other”. Thus, “if we want leadership to be more effective, we have to make leaders aware of their unique role as culture creators, evolvers, and managers”. However, the important question of how to facilitate dynamization of capabilities by improving communication quality is hitherto under-researched.

Solving the Tensions: The Jester-like Mindset

This chapter elaborates on the proposed conceptual contribution to overcome the detected major tensions in organizational capability research. I focus on showing why routinized collective reflection can foster shared decision-making and emergence of effective capability monitoring. In so doing, I show why making use of recent research findings from the realms of cognitive and social applied psychology are pivotal to better understand, how the sharing of leadership responsibilities leads to truly dynamic capabilities. To sum up, the proposed jester-like mindset becomes elaborated to close the argumentative circle. This innovative idea focuses on making people more frequently

look into the jester's mirror – to understand in what both they themselves and the organization are good and bad at.

For effective reflection to take place, all team-members must be willing to influence their peers, to maximize the potential of the team as a whole. However, this is of course much easier said than practically done. John Abele (2011) detects dysfunctional communications as key logjam for free flow of knowledge. However, Linda A. Hill and Kent Lineback (2011, pp. 126, 127) claim that existing attempts to foster self-reflection happen far too irregularly, mostly in one-shot annual performance reviews. Engraining peer-feedback in daily routines, on the contrary, will prevent experts from becoming too rigid. The good news is that this can easily be brought about by simply more regularly asking the *four most important words in knowledge-intensive environments: What do you think?* “Feedback Intervention” that is providing people with information regarding their task performance is one of the mostly widely applied psychological interventions. This feedback in turn is expected to trigger performance improvements. This is not always necessarily the case, as shown by Avraham Kluger and Angelo DeNisi (1998). These authors found that feedback interventions were in fact often associated with enhanced performance – but they reduced performance in more than one third of the analyzed cases. Hence, at least under certain circumstances, feedback can impair performance. These authors conclude that the processes through which feedback affects performance require more than simple explanations; it cannot be assumed in a simplifying fashion that people know how to deal with received feedback. Alan G. Walker and James W. Smither (1999, p. 393) refer to performance evaluations which are collected from more than one source as “multisource feedback” and define “upward feedback” as the process by which supervisors receive ratings from multiple subordinates. These authors work is the first research evidence demonstrating that what managers *do* with upward feedback is related to its benefits. To be more specific, managers initially rated poor or moderate showed significant improvements in upward feedback ratings when they actively discuss troublesome issues with their subordinates. This brings formal leaders in closer and more frequent interaction with their followers and increases the probability of emergence of real-time feedback. This is a big advantage compared to the traditional approach of delaying performance information in an over- formalized process. As a result, *feed-forward* emerges, which is delivered exactly when it has the most effect. Hence creation of a jester-like mindset transfers traditional feedback to highly topical feed-forward, which allows for instantaneous behavior modifications contingent on the *honest* answer to the views uttered. However, there is still a rug in it, as the funny demonstration of Daniel J. Simons and Christofer F. Chabris (1999) shows that, without attention, we do not even perceive a guy in a gorilla costume running right through a visual scene. Transferred

to a managerial context, flawed human perception is, therefore, at the bottom of why many leadership attempts end up being ineffective. Following Robert S. Kaplan (2011, p. 4), therefore, “regular, purposeful, and thoughtful inquiry is truly the bedrock on which consistently great results are built”. For most leaders hence, “ninety percent of the battle is being able to step back and take the time to ask the right questions”. (ibidem). Boris Groysberg and Michael Slind (2012, p. 79) add that “one-way, top-down communication [...] is no longer useful or even realistic”. Hence traditional corporate communication must give way to a process that is more dynamic and more sophisticated (ibidem, p. 77). These authors put emphasis on “organizational conversation” and to the point stress that “smart leaders today engage with employees in a way that resembles an ordinary person-to-person conversation more than it does a series of commands from on high” (ibidem, p. 78). Even more important, “they initiate practices and foster cultural norms that instill a conversational sensibility throughout their organizations” (ibidem, p. 78) – to implant this attitude company-wide. Similarly, though with a special focus on the management of psychological contracts, David Guest and Neil Conway (2002, pp. 23-25) point out that “the process of communicating [...] can be as important as” the context of the message, because “lack of communication is likely to lead to incongruence between employer and employee perceptions of obligations – one of the main causes of contract breach”. However, we lack detailed knowledge of how to prevent breach of such unwritten agreements. Therefore, the next section sums up how to take the shared leadership construct into action following our proposal.

The Proposed Jester-like Mindset Brings it all Together

Following Wolfgang Scholl (1996), a cooperative group climate has to be established which is simultaneously friendly and challenging to make the amount of available knowledge grow. However, as Thomas H. Davenport (2005, p. 142) writes:

while knowledge worker performance is critical, we know little about how high performers within that category get information and knowledge from other people, learn from their experience, and solve problems in their work. [...] Thus far we know little about the attribute of those social networks.

Thus, much more research is needed to begin to penetrate the “black box” of knowledge worker performance, by conducting some “social engineering” to understand better what is going on within groups of experts (ibidem, 2005, p. 41). The proposed jester-like mindset is one of the first of such approaches; as it highlights the importance of interpersonal relations going on in expert teams as the key management task. Making organizational members to critically self-reflect looms large, as shown by Mitchinson, Gerard,

Roloff, & Burke (2012). Knowledge-based firms need to install a jester-like mindset, where peers can see their mistakes – but do not have to immediately admit these (Vaelikangas, 2010). However, seeing some inconvenient truth in the *jester's mirror* gets people to change dysfunctional behavioral patterns. After unearthing the hidden agenda, the managerial follow-up action must then be to resolve the detected tensions, as drafted by Kaplan (2007).

The second reason why a jester-like reflecting mind-set is needed stems from the necessity to find flow during performing to reach a level of mastery. Senge writes in his foreword to H. Thomas Johnson and Anders Broems (2000, p. XIV) that “anyone who has ever achieved a level of mastery with a musical instrument, or in a sport, knows that performing to your potential is thwarted when you *tense up*. *You must relax*”. This author hence deduces that “much of the process of mastering any domain involves continual refinement in the capacity to pay attention while simultaneously performing” (ibidem). But the ability to do so is greatly diminished if you become too concerned about how you are doing. Somehow, our potential is only realized *when we settle into a state of non-anxious attentiveness* – a state often associated with play or fun”. Mihaly Csikszentmihalyi (1997) calls this state of effortless concentration and enjoyment “flow”. Following this perspective, a knowledge-based organization supportive for emergence of dynamic capabilities should offer its expert collective an environment similar to a gym – where people can have fun in improving existing skills, but at the same time have the chance to meet helpful coaches (not to say jesters) for consciously zooming in on what they are doing, to weed out any inoperative issues. Fellow jesters are helpful to reach the needed relaxed state of mind, and they could also regularly inform peers about competences needed for reaching the next level of leadership performance. Matters are complicated, because most employees receive less than 24 hours of formal training per year.

The third reason calling for a jester-like mind-set is based on the human weakness to listen effectively. Bernard T. Ferrari (2012) recently identified six archetypes of dysfunctional communicators, which unequivocally prove that humans are quite poor listeners. Hence organizational members must stop playing these communication games, and instead have to arrive at mutually satisfying communications guided by self-reflection: “Indeed, many executives take listening skills for granted and focus instead on learning how to articulate and present their own views more effectively” (ibidem, p. 3). However, this approach is misguided as “[g]ood listening – the active and disciplined activity of probing and challenging the information garnered from others to improve its quality and quantity – is the key to building a base of knowledge that generates fresh insights and ideas” (ibidem). A related point is how to elicit valuable opinion input from introverts who are hitherto mainly cut short by extroverts (Cain, 2012).

The fourth rationale for more honest self-reflection is that according to Robert Feldman (2009, p. 19) people unconsciously lie most of the time: “While we talk a great deal about respecting the truth, while most of us regard the truth with genuine respect, the fact is lies are common in American life, and in Western society in general”. Dishonesty is so deeply engrained in everyday interactions that in conversations between unacquainted strangers, subjects lie to each other about three times every ten minutes, both inside and outside the lab. And although deception occurs at lower levels between persons with a close bond and often involves lies meant to put another person at ease (“*Of course you’re not putting on weight*”), lying is still a routine part of the rapport between spouses, lovers, close friends, and family members. No relationship has been found to be immune to dishonesty (ibidem, p. 60). The problem is that there is no little white lie that does not hurt anyone. Although they may appear less egregious than real lies, they still – like all deception – involve *some* degree of victimization, because if a lie succeeds, someone is always fooled. And, crucially, even if the target of the lie does not know this, the liar does. Bella M. DePaulo, Deborah A. Kashy, Susan E. Kirkendol, Melissa M. Wyer and Jenifer A. Epstein (1996, p. 980) have found that even “white” lying takes a toll on the teller of the lie, because lying causes a “twinge of distress,” making liars feel a little worse than they did before they told a lie. These authors call this negative coloring of mood that can last, even after the conversation has returned to more honest territory, an emotional “smudge” on the interaction. As a result, conversations involving even white lies are less warm, less intimate, and less comfortable than those that are honest. The common lies in everyday life may not hurt us in an easily measurable way, then. But they have the effect of making everyday life that much less friendly. Feldman (2009, p. 25) concludes:

This is the cost of living in a society so prone to deceit in so many of its aspects: our life is often smudged. The accumulation of these many smudges can erode our trust in one another, it can make us cynical about our media and government, it can make us generally less attentive to the world around us.

Hence all lies have an impact. It is probably fair to say that some have a greater impact than others, but given their volume, not even the smallest lie can be wholly ignored. A jester-like mindset could help to reduce the prevalence of white lies within organizations, therefore the work climate could improve, because liars lie overwhelmingly about themselves: more than 80% of the lies that participants told in studies were at least in part about themselves (DePaulo, Kashy, Kirkendol, Wyer, & Epstein 1996, p. 991).

The fifth argument calling for jester-like skepticism is based on Sonja A. Sackmann, Petra M. Eggenhofer-Rehart and Martin Friesl, (2009, p. 521), stating that “firms need to continuously adjust by initiating and implementing changes to maintain their competitiveness and viability”. Cultivation of this attitude that peers persistently question

work-to-rule-behavior comes close to the ideal of a learning organization. Engraving this mind-set constitutes a major competitive advantage, because organizational change becomes a matter of course – compared to standard organizational change interventions which take quite a long time; for instance, there was a time requirement of four years in a longitudinal action research study conducted by Sackmann et al. (2009).

Sixth, one must have a watchful eye on preventing the jester-like mindset to trigger job-related burnout. Besides fostering high levels of conscientiousness and Protestant work ethics, there remains the risk of group-organization-enforced individual self-exploitation, as argued by James R. Barker (1993, 409): a “coercive system (...) appeared to draw the iron cage tighter and to constrain the organization’s members more powerfully”. As a result, this form of control is at the same time more powerful and less apparent, and more difficult to resist than that of the traditional rule-based, rational control bureaucracy. Wilmar B. Schaufeli and Arnold B. Bakker (2004), hence, envision engagement as positive antipode, which is defined as a positive, fulfilling, work-related state of mind characterized by vigor, dedication and absorption (i.e., being fully concentrated and happily engrossed in one’s work, whereby time passes quickly and one has difficulty detaching oneself from work).

Research Implications

The paper at hand sketches how a jester-like mindset on the micro-level facilitates an organizations capacity to renew its capabilities on a macro-level. This is brought about by achieving a healthy balance between routinization and dynamization triggered by regular self-reflection and effective communication behavior within the firm. As a result, truly dynamic capabilities emerge, which can be adopted according to changing environmental needs. Our contribution hence aims at overcoming the two major tensions of dynamic capabilities research by merging time-tested strategic management research findings with topical insights from the realms of social and cognitive psychology. As outlined in the above argumentation, a viable solution for bridging the existing divide in writing on dynamic capabilities is facilitation of effective shared leadership. When overtaking of leadership duties rotates to the professional most qualified for solving customized problems, both proven organizational solutions can persist, and individuals can vigilantly keep alert to weak change signals. Thus, the needed perpetual self-reflection called for in the sketched *jester-like mindset* resolves the capability-rigidity-paradox on the micro-level. I do hope that this conceptual idea will stimulate future empiric work on how to effectively manage *social facilitation* in knowledge-based organizations.

As capabilities usually evolve over time, in the context of complex and partly implicit experiences, organizations often lack a well-articulated understanding of them. As a result, “organizational capability is successfully practiced but rarely reflected” (Schreyoegg, Kliesch-Eberl, 2007, p. 928). The proposed jester-like mindset is capable to introduce dynamic reflection into the key strategic management construct. This mindset can contribute to building organizations coming close to the ideal of a “living company,” e.g., Arie de Geus (1997). Hence it is perhaps a more promising research avenue to analyze in upcoming research how the dynamic capability concept can be augmented, instead of hoping for new leadership conceptions to become the panacea of organizational challenges. Therefore, researchers working on forms of socially distributed forms of leadership should close ranks with colleagues dealing with the dynamic capability topic, and of course with academic psychologists, to jointly develop a more holistic theory of dynamic capabilities. To be more specific, conducting research on how our proposed jester-like mindset can be practically implemented in real-life organizations opens up a highly interesting research field. This comes close to what Zajanc (2012) calls a need for a “*yin yang theory*” in the case of corporate governance: because something good often sets the seed for something bad, the interaction effects between sharing leadership responsibilities, the proposed jester-like mindset, successful culture engineering, and capability dynamization on-the-job are of pivotal importance to be scrutinized in upcoming research. Development of augmented theory will then allow us to better understand how sustainable firm performance can be achieved.

Moreover, future research should clarify the organizational contingencies in which the jester-like mindset and the associated feed-forward can burgeon. Roy Baumeister, Ellen Bratslavsky, Catrin Finkenauer and Kathleen Vohs (2001, p. 361) drew an analogy to long-lasting romantic relationships in this regard and conclude that the good-to-bad-ratio should be at least “five goods for every bad”. Deep analysis of organizational culture will be of key importance here, because the social structure *around* the innovative shared leadership understanding is for the most part unknown. In addition, the positive effect on motivation that comes from shared decision power has been assumed a lot, but it hasn't been tested in detail. One praiseworthy exception is the study of B.A.C. Groen, Celeste P.M. Wilderom and Marc Wouters (2012), showing that work performance increases when performance measures are developed together with employees – as a result of peoples' increased perception of participation in the decision-making process. The resulting freedom on determining what and how to measure transcends traditional goal setting in management by objectives approaches.

The analytical work done in this paper proposes a two-tier solution to overcome the outlined tensions; this is in keeping with Felin, Foss, Heimeriks and Madsen (2012,

p. 1352) who write that “an explanation of these collective phenomena requires consideration of lower-level entities, such as individuals or processes in organizations, and their interactions. A micro-foundational approach, however, does not imply that collective level constructs cannot be part of the relevant explanation”. These authors hence call for “explorative, small-N research, in addition to formal model building” to “explicitly tease out how individual-specific stocks and characteristics affect routines and capabilities” (ibidem, p. 1361). Future research must clarify, whether there is a more elegant solution to the outlined tensions or if our proposed two-tier solutions withstand empirical testing. To gain new insights, it is necessary, contrary to existing mainstream-research (such as Danneels (2010), for example, conducting an in-depth historical case study on the effects of market and technological changes on *Smith Corona*, which used to be the world’s leading manufacturers of typewriters, before running into bankruptcy). To gain new insights on what exactly characterizes the organizational capability for perpetual adaptation to change, it is necessary, contrary to existing mainstream-research, not to have a look at the central tendency going on in today’s business organizations, but to study unconventional knowledge management practices in pioneering entrepreneurial companies – or as Susan A. Mohrman and Edward E. Lawler (2012, p. 42) put it: “Typically, researchers study what is effective ‘today’. To produce knowledge that can create new organization designs, we need to study organizations that are outliers – those that are experimenting with new approaches or achieving unique and superior outcomes”. We need to gain access to these outliers so we can understand the organizational features, challenges, and dynamics that enable them to operate in new ways, so we can create knowledge that is useful to other organizations” (ibidem, p. 42). Bo Burlingham (2005, p. xvii), for instance, searches for the magic ingredients that give “small giants” their unique “mojo” – by having nonfinancial priorities and being great at what they do, in order to achieve other remarkable ends. However, there does a great methodological challenge remain to be overcome, as “there was a quality they exuded that was real and recognizable but also frustratingly difficult to define. I could sense it as I walked around the business. I could see it in the contents of the bulletin boards and on the faces of the people. I could hear it in their voices. I could feel it in the way they interacted with one another, with customers, and with total strangers. But I found the ‘it’ awfully hard to put my finger on” (ibidem, p. xxvii). Concluding, to answer the important question of how to truly give dynamic to organizational capabilities, it is necessary not to study mainstream events in organizations, but to look for unconventional best practices – out-of-the-box thinking, which teaches important leadership lessons to us. This is only feasible, when “we need to have access to organizations as they design new approaches” so that we can “learn about emerging designs that will impact all organizations” (ibidem, p. 45).

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