

**THE MICRO-FOUNDATIONS OF DYNAMIC CAPABILITIES, MARKET
TRANSFORMATION AND FIRM PERFORMANCE**

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DECLARATION

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ABSTRACT

The emergence of the dynamic capabilities view has essentially extended the resource-based view, while also providing an integrated framework for an understanding of how firms evolve and how they secure competitive advantage in rapidly changing environments. While much research into dynamic capabilities has been developed in the theoretical and qualitative arenas, there has of yet been limited empirical support for its core assumptions. Such a limitation, authors have noted, may be due to its equivocal framework and the lack of a model with specified antecedents.

This research conducts both conceptual and empirical works to address this gap. The primary goal of the research is to clarify the conceptual structure of dynamic capabilities, while also investigating potential micro-foundations of dynamic capabilities and their influences on firm performance. These micro-foundations, as the research traces back to the origins of dynamic capability from much firm capability and strategic management literature, could potentially include innovation, processual formalisation, social integration platforms (i.e. employee training and education) and the application of information technology. Alternatively, the research also looks into a possible extension of the dynamic

capabilities view by extending inter-firm activities. In this part, the exploratory focus is on the relationship between a firm's intended actions and its employment of alliance portfolios for capability and resource development.

Using a subsample in the Australian manufacturing SME sector (from the Business Longitudinal Survey), the research finds a significant mediating effect of market transformation on the inter-relationships within the nexus of dynamic capabilities and firm performance. The empirical evidence of the research suggests that a firm's dynamic capabilities are able to be viewed as a driver of competitive performance of firms insofar as they become evident in marketplaces.

In other words, a firm's development of dynamic capabilities confers upon the firm an adaptive capability in response to, or indeed perceiving, market dynamics, which in turn leads to superior performance.

For the issue of inter-firm capability development, the research also finds that a firm's capability development is indeed able to be achieved through some potential inter-firm specific activities. The empirical findings suggest that, for a purpose of capability development, alliance portfolios employed by a firm are able to be viewed as an approach to filling its resource stock or exploiting a perceived opportunity in its operational and strategic environments.

In addition to the provision of empirical evidence, the research also extends the discussion of capability development by utilising a contextual case discussion in Taiwan's ICT industry. Comparing strategy adoptions between OBM and OEM/ODM from Taiwan's ICT businesses, the research reveals that many firms' long-term and successful path dependencies that are absent the mediating arrangements discussed above may in fact form an obstacle to financial performance and growth into new business locales.

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STATEMENT OF RELATIVE CONTRIBUTIONS

Papers (or chapters) in this thesis have drawn on the efforts of the candidate (Mr Tung-Shan Liao) and his supervisor (Dr John Rice). For all chapters, the data analysis, model development and interpretation has been entirely the work of Mr Liao. Dr Rice assisted in the development of theory and hypotheses in chapters 2 to 6. Chapter 7 is entirely the work of Mr Liao. For all chapters, the majority of the work, and the primary authorship, has been undertaken by Mr Liao.

Tung-Shan Liao

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John Rice

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