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The managing director and the development of dynamic capabilities

An application of enactment theory

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Abstract

Purpose – This research aims at examining the role of the managing director in the development of dynamic capabilities at SMEs.

Design/methodology/approach – The paper used a mixed-methods approach and conducted case studies at 13 SMEs. The primary sources of data were semi-structured interviews, which were supplemented by quantitative data from a postal survey and content analysis of the companies' websites.

Findings – The paper suggests that managing directors "enact" in the development of dynamic capabilities, if they believe that dynamic capabilities are a source of competitive advantage. If they do not appreciate the importance of dynamic capabilities they can get trapped in a vicious circle.

Research limitations/implications – This research focuses especially on small firms, and it is unlikely that the findings can be applied to large firms.

Practical implications – The key managerial implication is the threat of a vicious circle if the development of dynamic capabilities is neglected.

Originality/value – This paper draws the dynamic capabilities framework and the enactment concept together, suggesting that managerial decisions and behavior affect dynamic capabilities at an organizational level, which then drives firm performance.

Keywords Directors, Small to medium-sized enterprises, Competitive advantage

Paper type Research paper

Introduction

Dynamic capabilities can be defined as the firm's ability to integrate, build, and reconfigure internal and external resources to address rapidly changing environments (Teece *et al.*, 1997). Although they are a key performance driver in today's fast changing markets (Eisenhardt and Martin, 2000; Teece *et al.*, 1997), little is known about how they can be developed effectively and why some firms fail to ensure even minimum requirements and therefore disappear from the market (Ravasi and Verona, 2001). It has been conceptualized that especially in small companies (Gans and Quiggin, 2003) the managing director could play an important role in the development of dynamic capabilities (Adner and Helfat, 2003).

In this paper, the development of dynamic capabilities and subsequently competitive advantage is examined. In particular, we examine the enactment of managing directors in the development of dynamic capabilities. Enactment "emphasises the reciprocal link between cognition and action; enactment implies that taking actions produces cognitions, which then guide further action. The process of enactment consists in the ongoing adjustment of an organization's actions and

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cognitions through its interaction with its environment" (Danneels, 2003, p. 560). We argue that the managers differ in their commitment towards developing dynamic capabilities. We further argue that those managers that are strongly committed towards developing dynamic capabilities take a more active role in their development than those managers that are less committed to it. Current research suggested that the managing director plays a pivotal role in the development of organizational skills or capabilities (Jones, 2004), like for example dynamic capabilities (Adner and Helfat, 2003; Rosenbloom, 2000). Therefore, the companies that are managed by a person who is strongly committed towards developing dynamic capabilities tend to have more distinctive dynamic capabilities than companies that are managed by a person that is less committed towards their development (Adner and Helfat, 2003; Rosenbloom, 2000). Distinctive dynamic capabilities can be a source of competitive advantage (Teece *et al.*, 1997, Eisenhardt and Martin, 2000) especially for small companies (Schlemmer and Webb, 2006). Different managers interpret data (like for example performance data) differently. However, the interpretation of data frequently results in a reinforcement of currently held beliefs and assumptions (Weick, 1979).

In what follows, we build on organizational theory and on empirical data of interviews with managing directors and a postal survey to conceptualize how the managing director enacts in the development of dynamic capabilities and how the enactment affects firm performance. The paper proceeds as follows. In the next section, the concept of dynamic capabilities enactment is developed, followed by a description of the research design. After that we use our empirical data in conjunction with the literature in order to apply enactment theory to our research setting. We propose the concept of dynamic capabilities enactment as a self-reinforcing loop of the manager's commitment and activity, organizational dynamic capabilities and competitive advantage or disadvantage. Finally, some concluding remarks are offered.

Enactment

Current research suggests that the managers could play an important role in the development of dynamic capabilities (Adner and Helfat, 2003; Rosenbloom, 2000) and that the attitudes of managers can enhance a firm's innovative capabilities (Delmas, 2002). However, little is known about how the managers are related to the development of dynamic capabilities, how managers differ in their ability to develop dynamic capabilities and how these differences are related to firm performance. We deploy Weick (1979) enactment theory for explaining the managers' behavior. Enactment theory suggests that managers act upon the environment, interpret the environmental responses to their actions, and reshape their actions based on the environmental feedback. Thus, managers create mental representations of their environment based on inferences about the effects of their actions.

We investigate the managers' behavior and how it affects the firm and firm performance. There is a strong interdependence between the managing directors' behavior and the firm, because collective interactions inside the company lead to commonly shared ideas and concepts. Shared belief systems provide a framework for noticing and interpreting new stimuli and for coordinating appropriate action. Individuals in a firm share experience and knowledge and develop a base of common knowledge and 'views of the world' (Bogner and Barr, 2000; Wiley, 1988). Furthermore, employees monitor and interpret the behavior of their supervisor (Sveiby, 2007) and

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'use these understandings in choosing whether to enact the requested change' (Feldmann, 2003). Therefore, the managing directors' enactment affects dynamic capabilities at an organizational level, which then drives competitive advantage and financial performance (Weick, 1979). We examined small firms, because it is a less complex research setting compared to larger firms, and because we believe that the impact of the owner manager's behavior is greater in a small firm, compared to a large firm.

The concept of enactment has also been supported by empirical research in the area of strategic management. For example, Rindova and Formbrun (1999) found some indicators in their IBM case study that managers' interpretations of competitive interactions could affect their decisions on how resources are deployed. Osborne *et al.* (2001) showed that the commitment of large companies' CEOs towards R&D and marketing determines how active strategic groups (which are clusters of companies) are in those areas, which then affects performance in those specific fields. They therefore conclude a "progression from plans, to actions to performance, to a new round of plans, to new results" (Osborne *et al.*, 2001, p. 449). Similarly, Danneels (2003) examined the customer orientation of retailers and discovered that in the enactment process cognitions and actions reinforce each other and become increasingly focused. This paper aims at applying the model of a casual and reinforcing loop which has been shown for R&D and marketing (Osborne *et al.*, 2001) and for customer orientation (Danneels, 2003) to dynamic capabilities.

Dynamic capabilities

Resources can be defined as tangible and intangible assets a firm uses to choose and implement its strategies (Barney, 2001). Dynamic capabilities are the firm's ability to build, integrate, and reconfigure internal and external resources to address rapidly changing environments. The basic assumption of the dynamic capabilities framework is that today's fast changing markets force firms to respond quickly and to be innovative. Therefore, the following three dynamic capabilities are necessary. First, in order to meet these challenges organizations and their employees need the capability to learn quickly and to build new resources according to new market demands. Second, new resources, like for example knowledge, technology, and customer feedback, have to be integrated within the company. Third, existing resources have to be transformed or reconfigured. These processes are now described in more detail (Teece *et al.*, 1997; Eisenhardt and Martin, 2000):

(1) *Learning and building resources:* In our research, we focus on human resources, customer relationships and IT resources. These resources often depend heavily on organizational capabilities, and it is often difficult to distinguish between resources and capabilities (Kristandl and Bontis, 2007). Whereas learning may be more related with the development of new skills (like for example the skill to use IT effectively), building resources may be more related with the development of resources (like for example new IT software). We therefore use the term learning and building resources for the process of developing or enhancing resources. Learning is the process by which repetition and experimentation enable tasks to be performed better and quicker. It also enables new production opportunities to be identified. In the context of the firm, learning has several key characteristics. It requires common codes of communication and coordinated search procedures. The organizational

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knowledge generated resides in new patterns of activity, in "routines," or a new logic of organization. Similar to learning, building resources is another dynamic capability. For example, alliance and acquisition routines can enable firms to bring new resources into the firm from external sources.

(2) The effective and efficient internal *coordination or integration* of resources is also related to firm performance. Increasingly, competitive advantage also requires the integration of external activities and technologies, for example in the form of alliances and the virtual corporation. Zahra and Nielsen (2002) show that internal and external human resources and technological resources are related to technology commercialization.

(3) Fast changing markets require the ability to *reconfigure* the firm's resource structure, and to accomplish the necessary internal and external transformation (Amit and Schoemaker, 1993). Change is costly and so firms must develop processes to minimize low pay-off change. The capability to change depends on the ability to scan the environment, to evaluate markets, and to quickly accomplish reconfiguration and transformation ahead of the competition. This can be supported, for example, by decentralization, local autonomy, and strategic alliances.

We divided dynamic capabilities in the above described sub-categories: First, learning and building resources; second, integrating internal and external resources; and third, reconfiguring resources (Schlemmer and Webb, 2006; Webb and Schlemmer, 2006). We followed Powell and Dent-Micallef (1997) and examined on a set of resources that are frequently used in strategic management research and focused on human resources, customer relationships[1], and IT resources (Powell and Dent-Micallef, 1997, Zhuang and Lederer, 2006; Schlemmer and Webb, 2006; Webb and Schlemmer, 2006). We therefore examined how these resources were built, integrated and reconfigures, which equates to dynamic capabilities (Table I).

Research design

The sample

This study includes the analysis of quantitative and qualitative data, whereas we placed emphasis on qualitative data. We used quantitative data from a database and from by a postal survey to identify companies for further analysis with qualitative methods of inquiry. Furthermore, the postal survey's data were used for evaluating the financial performance of the companies. A brief description of the survey and the sampling process follows (further details are shown in Schlemmer and Webb, 2006). We used the "First Stop Shop" (an organization funded by the European Union and the Belfast City Council) database for our sample, because it was the only database that we are aware of that also includes a large number of websites of local companies (Belfast; Northern Ireland; UK).

		Resources	
DC	Human resources	Customers	IT resources
Building			
Integration			
Reconfiguration			

Table I.
Framework

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Our theoretical framework also requires the analysis of IT resources. Therefore, we had to focus on companies that use IT to some extent, which is not the case at any small firms (Wymer and Regan, 2005). We therefore selected those companies that provided their Internet address in the database and sent them a questionnaire. The managers were then asked about the percentage of sales that are conducted online and only those companies that sell online were included in our analysis, because we assumed that the companies that sell online might use IT resources at least to a minimum degree, like for example for e-mails, for gathering information from the Internet and, of course, for sales activities.

Rouse and Daellenbach (1999) proposed to compare high- and low-performers within the same industry with qualitative methods of inquiry in order to find out more about how resources can create competitive advantage. The 106 companies surveyed were ranked according to their financial performance. Companies that differed most in their financial performance were examined for this paper. The biggest differences were found in the IT industry and in the retail industry. Two high-performers and one low-performer in each industry were examined. Levitas and Chi (2002) suggested extending the Rouse and Daellenbach methodology because of the threat of missing important information on the creation of competitive advantage by excluding average performers. In particular, Levitas and Chi argue that by excluding average performers it is not possible to distinguish between competitive parity and competitive advantage/disadvantage. Therefore, three average performing IT companies and four average retailers were also analyzed, in order to find out if average performers face a combination of competitive advantages and disadvantages. The companies had between 3 and 15 employees (mean = 9.1) and created a turnover between £500,000 and £2,400,000 British Pounds (mean = 722,000).

Data collection

We used a postal survey to identify companies for further examination with qualitative methods. The primary sources of data were semi-structured interviews with the managing directors It is now described how the interview questions were derived from the literature, and how the interviews were structured. A pilot study with four companies was conducted. Medium performers were chosen, because they typically have both competitive advantages and disadvantages (Powell, 2001). As a result of the pilot the wording of the questions was changed, because the theory driven questions had to be "translated" into terms that are easy to understand for managers. For example, instead of asking managing directors about their competitive advantage, the questions "why do customers come to your company instead of going to your competitors?" and "what makes your product or service special?" were used.

Before we visited the managing director for the interview, we clicked through each page of the company's website. This information was used to confirm that the interviewee actually was the managing director (in one case it was a general manager, because the owner did not take an active role in the company), and to get some information about the companies' business models and strategies, the organizational structures, the products and services they offer and their typical customers. This information was further validated with the first questions (The questions are: "Q1: Tell me something about your company"; "Q2: What is the structure of your organization"). We deliberately started with open questions that are relatively easy to answer, to motivate the interviewee for an open discussion (Dillman, 1978).

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The next set of questions aimed at identifying the manager's beliefs about their company's source of competitive advantage. In the pilot, the managers were asked about their competitive advantage directly ("How does your company create competitive advantage?"). However, the managing directors found it difficult to answer that question directly. Rather than answering it, they frequently replied with other questions. One asked, for example, which particular competitor was meant, and another one asked to rephrase the question, because he did not understand it. So for this research the question "How does your company create competitive advantage?" was divided into the following two questions: "Q3: Why do customers come to your company instead of going to your competitors?" and "Q4: What makes your product or service special?"

The next question "Q5: What are valuable capabilities or skills of your company?" aimed at gathering information about the managing director's perception of the importance of dynamic capabilities. The answers may indicate if the managers are committed to enhancing dynamic capabilities and take an active role in their enhancement, or if they have other priorities.

After the first set of questions that was designed to gather some information on the companies' strategy, structure, business models, and the priorities of the managing directors, the next set of questions focused on aspects of dynamic capabilities. As mentioned above, dynamic capabilities consist of the sub-categories integration, learning and reconfiguration.

Teece *et al.* (1997) and Eisenhardt and Martin (2000) highlight the importance of the managers' capability to efficiently and effectively integrate internal and external activities in the firm. They believe, for example, that it is important to integrate customer feedback at different stages of the value chain. Thus, managers were asked in the interviews "Q6: Do you integrate customer feedback inside your company?" Teece *et al.* (1997) and Eisenhardt and Martin (2000) further argue that the creation of competitive advantage increasingly requires the integration of external activities and technologies, for example by strategic alliances, buyer–supplier relations or technological collaboration. Therefore, managers were asked "Q7: Do you have partnerships with other companies?" An example for a technology that each of the companies used was the Internet (otherwise they would not have been part of the sample). Therefore, the managers of the pilot were asked if they would be able to successfully integrate the Internet. However, managers found it difficult to answer this question, and they frequently replied with further questions. Furthermore, the companies deployed the Internet differently, according to their strategies and IT skills. So rather than directly asking them about the integration of Internet technologies, they were asked "Q8: Are you good in using the Internet?" The answers to this question indicated then, how the companies integrated the Internet, and with what issues they had problems. Teece *et al.* (1997) also believe that it is important to build effective and efficient teams, which requires the integration of new team-members and/or new employees. Therefore, the managers were asked "Q9: Do you have good team-work in your company?"

Learning is a process by which repetition and experimentation enables tasks to be performed better or quicker. Products, services, and processes can be improved as a result of a learning process (Teece *et al.*, 1997). Therefore, managers were asked "Q10: Are you good at developing new products, services, and processes?," which is related to the capability to create new ideas (Ulrich and Smallwood, 2004). Managers were also

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asked: "Q11: Is your company good at generating new ideas with impact?" In order to get a better idea about the overall learning efforts and success, managers were also asked: "Q12: Does your company learn easily?" Whereas the first set of questions focused on learning by doing or learning by experimentation, the last question focused on training programs (Becker and Gerhart, 1996): "Q13: Are you involved in any training programs?"

Finally, Teece *et al.* (1997) and Eisenhardt and Martin (2000) also believe that rapidly changing environments require the ability to reconfigure the firm's resource structure. In order to get an overview of the current resource reconfigurations, managers were asked: "Q14: Did you have a lot of change in the company in the last years?" Teece *et al.*, further argue that the rapidly changing environments need to be addressed by quick changes. Therefore, the managers were asked: "Q15: Can you make important changes rapidly?" Teece *et al.* (1997) and Eisenhardt and Martin (2000) also highlight the importance of the reconfiguration of the business processes. Therefore, managers were asked: "Q16: Did you change your business processes in the past years?"

The questions were sent to the managers beforehand. Each interview took about 60 min (between 45 and 90 min). Interview data were triangulated through a qualitative content analysis of the companies' websites[2]. These data was primarily used to verify company interview data, and thus increase the validity of the findings (Silverman, 1993). The interview transcripts were analyzed through the categorization and analysis of emergent concepts and ideas and constant comparison of these concepts to identify common themes (Miles and Huberman, 1984). Some codes were created from the literature before the fieldwork (for example the codes for analyzing the differences of organizational dynamic capabilities) and others emerged after the interviews, when the data was analyzed (for example the codes for the managers' activity and commitment) (Miles and Huberman, 1984). The coded transcripts of the high-, average-, and the low-performers in the same industry were analyzed by searching the same codes and then directly contrasting them in order to find out how they differ (Strauss and Corbin, 1990).

Data analysis

Danneels (2003) triangulated existing theory with empirical data of interviews with managers for the analysis of managers' enactment in customer orientation. We use the same approach and aim at integrating, synthesizing and applying existing bodies of work. In contrast to the grounded theory approach (Glaser and Strauss, 1967), our focus is not to build new theory, but to integrate and apply existing theory. We reviewed the relevant literature and employed empirical data to fill its gaps, elaborate its meaning and extend its coverage. We developed preliminary theory of the phenomenon under study (Yin, 1989) and draw on existing theory, concepts and models as a starting point of the study. During our research process our frameworks and concepts were refined, qualified, readdresses, confirmed and specified in continuous interplay with data collection and analysis, alternating deductive and inductive modes of theorizing (Vaughan, 1992). In other words, we cycled back and forth between processing theory and data in order to create new knowledge (Orton, 1997). Similar approaches have been deployed by management researchers like, for example Rafaeli and Sutton (1991) and Weick and Roberts (1993). This study's research approach is mainly based on Danneels (2003) work on the enactment of customer orientation, where a more detailed description and justification of the method is suggested.

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Our guiding question at the beginning of this study was how small and medium-sized enterprises (SMEs) create dynamic capabilities, and therefore the literature on dynamic capabilities served as a starting point. As the study proceeded, the importance of the managing director has become apparent, and subsequently the literature on organizational cognition, commitment, and learning was used to extend the theory on the development of dynamic capabilities. And finally, a theoretical framework emerged which suggests that managers enact in the development of dynamic capabilities.

Data analysis for the different concepts of the framework

In this paper, a model is presented (Figure 1) which suggests that managing directors differ in their commitment towards the development of dynamic capabilities (Adner and Helfat, 2003; Geletkanycz, 1997; Rosenbloom, 2000), and that the commitment towards dynamic capabilities determines how active the managers are in developing dynamic capabilities (Bogner and Barr, 2000; Chattopadhyay *et al.*, 2001; Daft and Weick, 1984; Danneels, 2003; Ocasio, 1997; Weick, 1979). In particular, we argue that the managers that are more strongly committed towards developing dynamic capabilities also take a more active role in their development, compared to those managers who are less committed. An active (passive) role in the development of dynamic capabilities enhances (reduces) their development and creates competitive advantage (disadvantage) and subsequently high (poor) financial performance. The enactment perspective furthermore suggests that decisions makers not only act on a mental model of their environment, but also that actions feed back into the mental model on which they are based. This leads to a self-reinforcing feedback loop between the managers' commitment and actions towards developing dynamic capabilities, dynamic capabilities at an organizational level, and financial performance (Danneels, 2003; Osborne *et al.*, 2001; Weick, 1979).

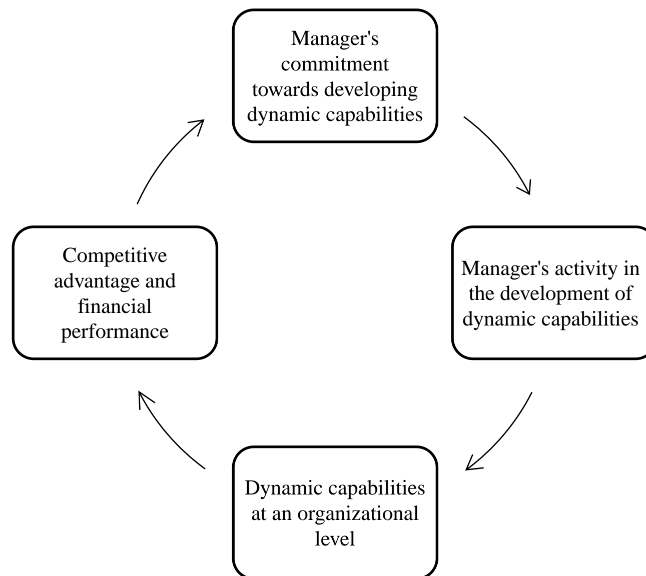

Figure 1.
Dynamic capabilities enactment

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The framework consists of the following four concepts:

(1) Managers' commitment towards developing dynamic capabilities.

(2) Managers' activity in the development of dynamic capabilities.

(3) Dynamic capabilities at an organizational level.

(4) Competitive advantage and financial performance.

It is now described how the data was analyzed for each of these concepts. The first two concepts were about managers' commitment and activity regarding the development of dynamic capabilities. Interviews were used for examining how managers differ in their commitment and activity. The codes for the managers' activity and commitment emerged progressively during data analysis. The coded interviews were then compared with the literature, and we believe that enactment theory fitted best with our data. The interview data were also used for analyzing the third concept of the framework, which is about dynamic capabilities at an organizational level. These codes were taken out of the literature before data analysis. In Table I, dynamic capabilities were divided in the three sub-categories building, integrating, and reconfiguration of resources; and the examined resources were human resources, customer relationships and IT resources. In contrast to the codes on the managers' commitment and activity, these codes were developed before the data collection. It is mainly based on the work of Teece *et al.* (1997) and Eisenhardt and Martin (2000).

The fourth concept of the framework is about competitive advantage and financial performance. The interviews were analyzed gathering information on the creation of competitive advantage and the postal survey was used for comparing the financial performance of the examined companies. In the postal survey, the financial performance measures of Powell and Dent-Micallef (1997) were used. Financial performance was examined in terms of revenues, sales growth and return on assets. Managers were asked in the postal survey if their performance over the last three years was outstanding and if they had exceeded their competitors. A brief summary of these concepts, the key references, and some examples for the data that was collected in the interviews is shown in Table II.

In addition to the analysis of the different concepts, we also examined the linkages of the different concepts. We found indicators for these links in the literature, in the qualitative data, and in the quantitative data. We triangulated the data from a variety of sources. One representative example follows, more details are shown in the forthcoming sections. Our model suggests that the managers' commitment towards developing dynamic capabilities is related to their activity in that area. This phenomenon has frequently been reported in the literature (Porac *et al.*, 1989; Danneels, 2003) and our interview data showed some indicators for the linkage between commitment and activities, and all managers that were committed towards the development of dynamic capabilities also took a more active role in their development than those managers that were not committed to their development. We therefore conclude that managers who are strongly committed towards developing dynamic capabilities also take a more active role in their development. A summary of the analysis on the links in our model is shown in Table III. An example for a coded interview is shown in Appendix.

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Table II.
Key constructs

Concept	Explanation	Key references	Data	Quotations of interviewees
Manager's commitment towards developing dynamic capabilities	A state of being in which a managing director becomes bound by his actions and through these actions to beliefs that sustain the activities and his own involvement in the development of dynamic capabilities (Salancik, 1977, p. 62)	Danneels (2003); Geletkanycz (1997); Rosenbloom (2000); Weick (1979)	Qualitative	An example for a manager who is committed towards learning (which is a sub-category of dynamic capabilities): "If you stop learning then you become complacent and someone else tips you to the post and I think it's what makes us hungry for the industry." An example for the reconfiguration of resources: "if you cannot accept change and you cannot work with change then there is no point in being in this business and you can go home and close the door immediately." When a manger was asked about the creation of new and innovative resources he said that he would be "possessed" with it and "we live and breathe it"
Manager's activity in the development of dynamic capabilities	If the managing director takes and active or passive role in the development of dynamic capabilities	Adner and Helfat (2003); Delmas (2002); Gans and Quiggin (2003); Rosenbloom (2000)	Qualitative	A manager who did not take an active role in learning-processes answered to my question about his participation in training programs: "a total waste of money . . . nonsense . . . What possibly could I learn? I don't know. I don't care". In contrast, the manager of a high performing companies said: "we acquire the skills that are necessary to serve the clients"

(continued)

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Concept	Explanation	Key references	Data	Quotations of interviewees
Organizational dynamic capabilities	The firm's ability to integrate, build, and reconfigure internal and external resources to address rapidly changing environments (Teece *et al.*, 1997)	Eisenhardt and Martin (2000), Ravasi and Verona (2001), Teece *et al.* (1997)	Qualitative	An example for the outcome of the learning process was "we pride ourselves on our product knowledge." An example for the reconfiguration of resources was: "we are able to take each customer's requirements and individualize" or "bespoke [the products] to the requirements of the customer . . . [and we] are very adaptable". An example for the integration of new technology: "the technology that we use is much more recent . . . and . . . we have a very dynamic outlook"
Financial performance	The creation of economic value (Porter, 2001)	Powell and Dent-Micallef (1997); Schlemmer and Webb (2006); Zhuang and Lederer (2006)	Quantitative	Survey data

Table II.

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Table III.
Links between the constructs

Link between	Key references	Data	Indicators
Managers' commitment and activity	Bogner and Barr (2000); Chattopadhyay *et al.* (2001); Daft and Weick (1984); Danneels (2003); Feldmann (2003); Ocasio (1997); Orton and Weick (1990), Porac *et al.* (1989); Weick (1979); Wiley (1988)	Qualitative	First, all the managers that were strongly committed towards developing dynamic capabilities also took a more active role in their development. Second, there were some indicators in the interviews that suggest a direct linkage between commitment and activity. Two representative examples follow: a manger who was not committed towards the reconfiguration of resources (and even the products) and subsequently did not take an active role tried "to avoid changes to the product [because] we like selling our product as it is". In contrast one of the managers of the high-performing companies said "we listen very much to what the customer responses are . . . [and] nothing is set in stone so . . . we are able to take each customer's requirements and individualize them . . . a package for what they are looking for". This quotation shows that the manager was committed towards integrating customer feedback, and that he reacts to the customer feedback by offering tailored packages.
Managers' activity and organizational dynamic capabilities	Danneels (2003); Jones (2004); Osborne *et al.* (2001); Rindova and Formbrun (1999)	Qualitative	When we asked a manager who took an active role in the integration of resources about his firm's competitive advantage, he said: "we are able to take each customer's requirements and individualize them and bring together all the necessary parts". In contrast, the lack of activity can also harm the development of dynamic capabilities. One example was "over the last few years we looked at several things we might do: providing more service . . . , contract management etcetera . . . at the minute we realized that what we need to do is focus more on the core products . . . "

(*continued*)

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Link between	Key references	Data	Indicators
Organizational dynamic capabilities and competitive advantage or financial performance	Rosenbloom (2000); Schlemmer and Webb (2006); Tripsas and Gavetti (2000)	Qualitative and quantitative	A manager who believed that innovation and the building of new resources can be a source of competitive advantage said "if there is one thing that people would come to us for, particularly would be new ideas and new products."We analyzed the relationship to financial performance by categorizing the companies into high, average and low performers and found that managers of high performing companies enact in the development of a bigger variety of dynamic capabilities than average performers and that low performers showed no indicators of enactment at all.
Financial performance and managers' commitments	Danneels (2003); Tripsas and Gavetti (2000); Ocasio (1997); Porac *et al.* (1989); Porac and Thomas (1990); Salancik (1982)	Qualitative	Some examples for companies that experienced problems in the development of dynamic capabilities as a result of poor financial performance were: "we don't have enough funding for R&D", or they had "other priorities" or "can't afford to do it", or "we don't want to put too many resources in it."

Table III.

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Commitment towards developing dynamic capabilities

Leonard-Barton (1992) suggests that resources that may have led to competitive advantage in the past may become "core rigidities," which cause competitive disadvantage because of a gap between current environmental requirements and the resources a firm controls. The basic idea of the dynamic capabilities framework is that companies have to develop and change their resources according to the market changes. However, it has been suggested that top executives are not equally open to technological (Harley *et al.*, 2006) and organizational change (Geletkanycz, 1997; Harrigan, 1985; Pettigrew, 1985). "Rather, many develop a strong personal attachment to existing policies and profiles which support it" (Geletkanycz, 1997, p. 615) and that executives' commitment towards the status quo is caused by their "belief in the enduring correctness of current organizational strategies and profiles." Similarly, Adner and Helfat (2003) suggested in a conceptual work that managers could differ in their ability to build, integrate, and reconfigure resources and called this dynamic managerial capabilities, without further discussing what these differences are and how they affect the organization. In the same vein, Rosenbloom (2000) proposed a longitudinal case study on NCR that the CEOs' commitment towards dynamic capabilities created competitive advantage during the phases of rapid market change. In his concluding remarks he suggested that "leadership . . . deserves closer examination and may well be a central element in dynamic capability."

We also found indicators that managing directors' differ in their commitment towards developing dynamic capabilities. An example of the different commitments between the managing directors of high and low performing companies follows. The manager of a high-performing retailer, who came from a training background herself, said: "if you stop learning then you become complacent and someone else tips you to the post and we think it's what makes us hungry for the industry". In contrast, the manager of Low-Retailer was not committed towards learning. He believed for example that instead of understanding market trends and customer wishes it would be more important to "educate" customers, so that they buy the products he wants to sell. In addition, the managers of low-performing companies gave experimentation a lower priority than the high-performers; as the manager of Low-IT said "over the last few years we looked at several things we might do: providing more service . . . , contract management etcetera . . . at the minute we realized that what we need to do is focus more on the core products . . . ." In contrast, the high-performing IT companies develop prototypes of software solutions for their customers and use their feedback to improve them. In addition, they would try to learn from mistakes and "change . . . how we approach the problem, how we provide them [the customers] with a solution . . . And we would generally change our process." In the same way, the manager of the other high performing IT-company said: "we are all open to learning, not only open to learning, but also taking what's learned and discussing it and seeing if there are other options and better ways."

Activity in the development of dynamic capabilities

In this section, we suggest that the above described commitment of the managing directors determines their activity in the development of dynamic capabilities. The link of commitment and action is the basic idea of enactment theory. Weick (1979) suggests that the process of commitment and actions is intertwined; managers act according to

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their commitments, and then make sense of these actions, which then affects their commitment. In our research, all managers that were strongly committed towards the development of dynamic capabilities also took a more active role in their development. For example, the managers of high-performers took a more active role in learning and in building resources. The managing directors themselves were participating in training courses to enhance, for example marketing and team-building capabilities. Hitt and Ireland (2002) suggest that managers should take an active role and ensure effective development of their employees' capabilities. The managers of the high-performers had a very clear understanding of the necessary skills of their employees and they therefore developed a training program. In contrast, the managers of the low performers were neither involved in any training programs, nor did they take an active role in the development of their employees' skills.

Another example is the integration of IT resources. The high performing IT companies took an active role in integrating their own IT-system with their customers' IT. High-IT 1 believed that the integration of their technology into the customers' systems would be a key success factor. He said: "we are able to take each customer's requirements and individualize them and bring together all the necessary parts." In contrast, the manager of Low IT tried to avoid the modification of his IT system in order to match it to the customers' IT. He said, "we try to avoid if they want a particular system for themselves." Furthermore, the managers of the high-performers continuously experimented in order to find new customers or increase customer satisfaction of existing customers.

Dynamic capabilities at an organizational level

Tripsas and Gavetti (2000, p. 1158) highlighted especially the importance of managers' cognitive processes and "believe that understanding how capabilities evolve cannot neglect the role of managerial cognitive representations." Boone *et al.* (2000) argue that, especially in small companies, firm and managerial factors merge due to the high internal *locus* of control exerted by the managing director. In the same vein, Jones (2004) suggests that in small companies organizational learning and change depend heavily on the managing director. Forbes (2005) also suggests that the managers' decision practices are more strongly associated with performance at small rather than large firms, and that at SMEs "the potential for individual characteristics to influence firm behavior is especially great .... In large firms, the group dynamics of large top management teams can mitigate the influence of individual cognitive factors on organizational decision making." We therefore believe that the managing director plays a critical role in shaping dynamic capabilities at an organizational level at SMEs.

We used the interviews in order to analyze how the companies create competitive advantage. Table IV is a summary of the results. Each of the bullet points is a characteristic in which high and low performers differed. For example, managers of all high performers were actively participated in training programs and offered training programs for their employees, and the low performers did not. Furthermore, the high performers regularly engaged in team building activities and they took a more active role in integrating new employees in the team than the low performers. The high performers also constantly reconfigured the firm's structure and processes and the low performers did not.

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DC	Resources Human resources	Customers	IT resources
Building	Training programs for managers Training programs for employees	Experimentation Employees understand markets	Co-operations with other companies
Integration	Team building New employees	Integrate customer feedback	Integrate external IT
Reconfiguration	Structure Processes	Tailor offers to customer needs Additional services	Matching of IT and business processes

Table IV.
Results

In terms of customer relationships the high performers engaged heavily in experimenting and they made sure that their employees had a solid knowledge of the markets for better understanding customer needs. That helped them to acquire new customers and to enhance existing relationships. They also had an open ear and integrated customer feedback in the company. Furthermore, they tailored offers to customer needs and offered a bigger range of additional services than the low performer. The main difference in managing IT was that the high performers worked much closer with their customers and that they developed strategic partnerships with IT-specialists. They also integrated their own IT systems better with the ones of the customers, and tailored IT according to the customers' business processes.

Competitive advantage and further commitments

In our research, the high performers' commitment and activity towards learning and experimentation resulted in organizational knowledge and highly skilled employees. They had a better understanding of the markets and trends and the employees had better skills which gave them competitive advantage and better financial performance. The managers' commitment and actions for the integration of technology, organizational knowledge, and customer feedback enabled them to fulfill the customer needs better than their competitors, which again gave them competitive advantage and better financial performance. The managers' commitment and actions towards change and the reconfiguration of their firms' resources continuously adapted and improved the organizational structure and processes. The continuous improvement enabled them to enhance the service and offer customers more value which again led to competitive advantage and enhanced financial performance. When the managers realized that dynamic capabilities created competitive advantage they put even more effort and time in their development. This was easily possible, because the investments came from their high cash flows, and the firm growth required to develop new resources (like for example human resources) and new capabilities (like for example marketing and business development) anyway. Thus, the results suggest a reinforcing feedback loop in which a strong commitment towards the development of dynamic capabilities determines actions in their development process, which can lead to competitive advantage which reinforces the managers' assumptions.

In contrast, the managers of the low-performers failed to realize the importance of dynamic capabilities and focused their attention on their traditional way of

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doing business. Their resistance to the development of dynamic capabilities led to competitive disadvantage. The competitive disadvantage caused poor financial performance and thus reduced the options for future investments. Therefore, the managers decided to spend their money and time only in projects which they considered crucial but *not* in the development of dynamic capabilities. In other words the competitive disadvantage reinforced their negative commitment towards dynamic capabilities. Behavior that is similar to the low performers has already been reported in the literature. A theoretical explanation for why managers sometimes "throw good resources after bad" follows.

The bounded rationality of managers forces them to rely on simplified representations of the world in order to process information (Simon, 1955). These incomplete representations are the basis for their mental models and strategic beliefs that drive managerial decisions (Tripsas and Gavetti, 2000; Skordoulis and Dawson, 2007). Managers differ in their beliefs about the sources of competitive advantage. These beliefs focus their limited attention on some activities to the exclusion of others. Only tasks which are assumed to be important are usually closely monitored and controlled (Ocasio, 1997; Porac *et al.*, 1989). For example, executives' actions are influenced by the way they monitor the firm's environment by external scanning, interpretation, alternative generation, and selection (Mintzberg *et al.*, 1976) and by their perceptions of threats and opportunities (Chattopadhyay *et al.*, 2001). In this research, the managers of the high performers believed that dynamic capabilities are critical for their companies, and they therefore monitored and controlled them carefully, and low performers did not.

Decisions reflect managers' selective filtering and interpretation of available stimuli, which are affected by their idiosyncratic lenses of their beliefs, knowledge, assumptions and preferences. Therefore, managers' former experiences and values affect the shaping of knowledge, assumptions and preferences on which future decisions are based on. This also limits their ability to conceive different approaches, which implies that managers may not be able to create alternative scenarios (Geletkanycz, 1997). Similarly, Salancik (1982) suggested that the strong linkages between actions and commitment have consequences, because they limit which options remain. These limitations of managers' mental models of the competitive arena hamper that they realize challenges to the organization's protected position and necessary changes in their strategy (Porac and Thomas, 1990). This can lead to further commitment to the current strategy (Salancik, 1982). Prahalad and Hamel (1990) called this process 'contraction of the opportunity horizon'. We found the same behavior with the low performers. They appeared to narrow their focus on the traditional way of doing business and developed a resistance to change and the development of dynamic capabilities. They invested their time, energy, and money only in short term projects and not on the development of dynamic capabilities. Especially Low-IT said that the development of dynamic capabilities is not important at the moment, and that they are strongly committed to their traditional product instead. This is similar to the findings of Day and Nedungadi (1994) who suggested that managers pay selective attention to information and "define reality in relatively narrow terms . . . Existing managerial representations will guide future action and chiefly result in a reinforcement of current beliefs and practices. The resultant dilemma is that managers may not see and therefore will not be able to react to important changes in context. Thus, the

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simplifications and narrowing of vision inherent in managerial representations may come at the cost of myopia and dulled sensitivity for challenges outside the prevailing framework" (p. 41). Hodgkinson (1997) suggested that firms experiencing a down-turn may actually perpetuate this state of affairs, due to the inability of their managers to revise their mental models fast enough to adapt to the changing environment. In an extensive literature review Staw (1997) discovered five reasons why managers keep on throwing good resources after bad. Staw's reason's include project determinants (e.g. lack of alternatives), psychological determinants (e.g. optimism and illusion of control), social determinants (e.g. external justification and binding) and organizational determinants (e.g. the project is closely tight to organizational values.

Similarities with Staw's (1997) examples and with the behavior that we found at the low performing managers have also been reported within the enactment literature. Johnson and Hoopes (2003, p. 1066) examined the impact of sunk costs on the behavior of managers and suggested that when the costs of changing a 'strategy increases, firms tend to get locked into initial strategies'. In addition, firms with low financial slack resources are more concerned about their short-term performance than in long-term strategic issues (Chattopadhyay *et al.*, 2001). In the same vein, the findings of this research suggest that managers with limited financial resources avoided fundamental changes. We argue that the relative costs for low performers for strategic changes is higher, because they have fewer financial resources, and therefore the same changes would require a higher percentage of their budget as for high performers. This implies that poor performance hampers change. The same logic could also be applied to relative risks. If for example a high and a low performing IT company would consider developing the same new software project which also includes product liability, the relative amount of resources at stake is higher for the low performer. Thus, the relative risk of new software development and experimentation (which is a sub-category of dynamic capabilities) is higher. This behavior could be typical for small companies, because they typically have fewer financial resources and they have less power to change the competitive environment (Caldeira and Ward, 2003; Chow *et al.*, 1997; Gribbins and King, 2004; Ihlstrom and Nilsson, 2003) which are factors that make companies fall back on well-known strategies (Chattopadhyay *et al.*, 2001, p. 951).

The average performers

In the previous sections, the high and low performers were compared as proposed by Rouse and Daellenbach (1999). However, Levitas and Chi (2002) criticized that methodology because of the exclusion of average performers. They argued that this "sampling on the dependent variable" would yield only an incomplete reflection of the competitive landscape and could lead to wrong conclusions about competitive advantage in the examined industries. Rouse and Daellenbach (1999) reacted to that critique by admitting that "comparison. . .to average performers would also be useful" (p. 966). They suggest that average performance could be the result of the presence of competitive advantages and disadvantages at the same time. The concept of competitive disadvantage has long been neglected in strategic management research. Mata *et al.* (1995) suggested that a firm achieves competitive advantage if it implements a valuable strategy that is not implemented by competing firms and therefore the competing firms face disadvantages. A firm faces competitive parity when it implements a valuable strategy which is simultaneously implemented by

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several competing firms. And finally, a firm has a competitive disadvantage when it is implementing a strategy that is not valuable (for example it neither reduces the costs nor increases the sales).

Powell (2001) suggested that a firm could face competitive advantages and competitive disadvantages at the same time. According to the resource-based logic a firm controls a bundle of resources (Penrose, 1959). Powell (2001) suggested that each resource could produce either competitive advantage or disadvantage. Subsequently he proposed the matrix shown in Figure 2, which suggests that a firm may have resources that lead to competitive advantages and disadvantages (quadrant 2) or neither advantages nor disadvantages (quadrant 3), or either advantages or disadvantages without the other (quadrants 1 and 4). Superior performance can only be created by firms in quadrant 1, companies in quadrant 4 should achieve only low financial performance, and companies in the quadrants two and three should perform averagely. We deploy this logic to the companies of this sample and suggest that high-performers are in quadrant 1, average performers in quadrant 2 or 3, and low-performers in quadrant 4.

The seven average performing companies were analyzed according to the dynamic capabilities matrix shown in Table IV. Each characteristic (= bullet point) was analyzed separately in this section to identify positive or negative dynamic capabilities enactment. If the answers of the average performing managers was very similar to the answers of the high performers it was labeled positive enactment, and if it was similar to the low performers it was labeled negative enactment. However, some of the data suggested that average performers face competitive advantages and disadvantages within a single characteristic. In this case, the characteristic was labeled as inconclusive. For example, the first cell of the first company is about building human resources through training programs. At Average Retailer 1, the manager actively participated in some training programs to keep up-to-date (for example IT training), but he gave training a low priority. His answer about training programs were inconclusive, he said that he took part in some training programs and that he intends to participate in an IT training 'after the holydays . . . but again, maybe not as much as I should, but as much as I can'. We suggest that his commitment and activity towards training programs showed some indicators of the high performers (because he took

Source: Powell (2001)

Figure 2.
Conditions of sustained superior performance

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part in training programs, which none of the low performers did) and some of the low performers (because the training programs were insufficient), and it is therefore labeled as inconclusive. The results are summarized in Table V. They suggest that all average companies face a combination of competitive advantages and disadvantages, and none faces either advantages or disadvantages only. Furthermore, the managers of the average performing company appear to enact in the development of selected resources by the exclusion of others. In our sample most of the managers focused on customer relationships and dynamic capabilities attracted the least attention.

Concluding remarks

The paper contributes to the literature in four ways. First, it enhances our understanding of the effective development of dynamic capabilities as a key performance driver. In particular, it highlights the role of the managing director's commitment towards dynamic capabilities and his active participation in the development process. Second, it enhances the traditional resource-based logic by also considering the role of the managing director in terms of enactment. Third, the concepts of dynamic capabilities and enactment have become very influential, but they

DC	Human resources	Resources Customers	IT resources
Average IT 1			
Building	I	I	+
Integration	+	I	+
Reconfiguration	+	+	+
Average IT 2			
Building	I	+	I
Integration	I	+	I
Reconfiguration	I	+	+
Average IT 3			
Building	–	I	+
Integration	–	I	+
Reconfiguration	I	I	+
Average retailer 1			
Building	I	+	I
Integration	I	+	I
Reconfiguration	I	+	I
Average retailer 2			
Building	–	I	+
Integration	I	I	+
Reconfiguration	I	+	+
Average retailer 3			
Building	+	+	+
Integration	I	+	I
Reconfiguration	+	+	I
Average retailer 4			
Building	–	+	–
Integration	–	+	–
Reconfiguration	–	+	–

Notes: (+) – Positive enactment; (I) – inconclusive or not applicable; (–) – negative enactment

Table V.
Average performers

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are frequently used in isolation. This research suggests that combining these concepts can be useful. And fourth, enactment research is typical conducted at large rather than small companies (Weick, 1979; Rindova and Formbrun, 1999). However, we believe that small companies are an interesting research setting, because the enactment of the managing director is related more closely to the firm's performance, compared to larger ones (Jones, 2004).

The key managerial implication is the threat of a vicious circle (Wender, 1968) if the development of dynamic capabilities is neglected. Maybe the most surprising result of this study is that the managers, who were under the pressure that arose with the poor performance of their company, took an extremely reactive and defensive role, instead of analyzing the situation objectively, and that made the situation even worse. The literature suggested that positive perceptions of current performance lead to little felt need for change (Hambrick *et al.*, 1993). However, this research suggests that managers fail to understand the reverse conclusion, which implies that poor performance requires change and the development of dynamic capabilities. Prahalad and Hamel (1990) already suggested that managers have a limited opportunity horizon. This research suggests that managers may be able to escape from the vicious circle if they broaden their horizon and develop a commitment towards the development of dynamic capabilities. We suggest that managers of poor performing companies have to rethink their commitment and activity towards the development of dynamic capabilities and stop throwing good resources after bad. This paper could provide a warning for low-performers and show them ways how to develop dynamic capabilities and thus competitive advantage. However, Weick (1979) suggests that it is extremely difficult to get out of a vicious circle. In our case it would require a massive change at one of the constructs. For example, a low performing manager would have to change his commitment to developing dynamic capabilities in the context of one of the resources (for example, IT resources or customer relationships) completely to achieve average performance. Weick (1979, p. 79, emphasis original), emphasis original) even believes that "one thing you don't do is tamper with a single [construct] . . . . The only place that you can make a significant change is *between* [constructs][3]." If, for example, a manager is not committed towards developing dynamic capabilities at all, then it is very unlikely that he/she will suddenly develop a stronger commitment than the competitors (especially because the positive enactment automatically increases the commitment of the high performers). It is more likely to assume that his/her commitment is below average. In that case the fact that the manager's commitment towards developing dynamic capabilities is worse than the commitment of the high performing competitors remains unchanged. Furthermore, the fact that the weak commitment towards developing dynamic capabilities affects the manager's activity in the development of dynamic capabilities remains unchanged. Subsequently, the vicious circle continues (Minocha and Stonehouse, 2006). Weick therefore suggest that it may be more fruitful to include a new construct in the circle. In our case, it could be useful to use resources or dynamic capabilities that are not controlled by the firm. Research on small firms suggests, for example, that they should draw on the expertise of external consultants in order to develop resources (Thong, 2001), or that they should use strategic alliances to complement their weaknesses (Stuart, 2000).

Some limitations of this study should also be mentioned. First, the research design led to a small sample size of only 13 companies. Therefore, the findings have a strong

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intuitive and conceptual appeal, and are amenable to quantitative verification. The genaralizability from such a small sample is questionable. Third, only small companies were examined and it is unlikely that the findings can be applied to large firms, especially if they have a completely different structure, like for example companies quoted on the stock exchange. Second, public data on small companies is extremely rare. Therefore, most of the data came from the interviews with the managing director and we had only few chances to triangulate it with other data. And finally, the analysis represents only a snapshot in time. In particular, the managers were asked about the current resources and about the current firm performance. However, it may be possible that the current resources may affect future performance. The research design did not enable a control of this effect.

The limitations suggest avenues for future research. First, although small companies are the backbone of our economy, they are often neglected by researchers. It is actually broadly accepted that small companies are more flexible than their larger competitors Dean *et al.* (1998). In contrast, this study shows that small companies can also create competitive disadvantages because their managers avoid necessary changes. This raises questions about firm size effects on dynamic capabilities. Second, at all managing directors we interviewed firm performance reinforced their beliefs about the source of competitive advantage. The high performers used the performance to justify their commitment towards developing dynamic capabilities and the low performers used poor performance to justify their commitment towards their current strategy rather than to developing dynamic capabilities. In contrast, the literature also suggested that poor performance makes organizational changes more likely (Cyert and March, 1963; Levinthal and March, 1993). However, empirical research showed that this applies mainly to large firms, especially if they have a fractured top-leadership (Greve, 1998) and if they control expensive resources (Greve, 2003). It would therefore also be interesting to find out more about firm size effects on dynamic capabilities enactment. Research in that area could focus for example on dynamic capabilities enactment at management teams or contrast firms that control valuable resources to those that suffer from resource poverty. And third, resource based logic has barely been applied to explain the failure of organizations. However, our focus on dynamic capabilities enactment at poor performing companies yielded interesting insights; it could therefore be a promising way to analyze the impact of managers on resources and dynamic capabilities.

Notes

1. Powell and Dent-Micallef (1997) actually used business resources, which consisted of a variety of sub-categories and variables, like, for example, customer relationships, supplier relationships, external driven e-Business, etc. In the pilot study we discussed each of these variables and sub-categories with the interviewees in detail. However, this led to a relatively big amount of data, which was relatively difficult to analyse. Therefore, it was necessary to focus on one of the business resources. The pilot study showed that the managers enjoyed talking about their customers and customer relationships. They highlighted the importance of customers and customer relationships for their firms' performance and strategy, and they were willing to share this information with the researcher, in contrast to other issues, like for example the availability of financial resources. The pilot further showed that the data on customer relationships could easily be compared between different companies; in contrast to, for example, supplier-driven IT, which depended heavily on the strategies of the individual firms, and on their IT expertise.

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2. However, the websites' information was frequently very brief. But most websites provided information about the background of the companies, their strategies, and how they created competitive advantage.
3. Although difficult it is still possible to reverse one of the constructs (for example, to switch from low to high commitment towards developing dynamic capabilities) this can be achieved by reflection and contemplation (Weick, 1979).

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Appendix

Manager's activity and commitment	Question and answer	Dynamic capabilities
[A]Com-bui: The manager appears to be committed towards learning. [B]Act-bui: Saying that she could not stop learning indicates that she already learns	I: Does your company learn easy? R: Yes, but I think in this competitive market, you have to keep learning all of the time. [A]I mean if you stop learning then you become complacent and someone else tips you to the post and I think it's what makes us hungry for the industry. [B]You must always be a step ahead and try and find out what is next to come aboard and learn that if need be so yes, I do think so.[1]	[1] Bui-hr: The manager believed that she created competitive advantage by learning and enhancing human resources
[C] and [D] Act-bui: More indicators for her active role in building human resources. [E]Another indicator for her commitment towards learning	I: Are you involved in any training programs? R: Well, as an employer I do appraisals so I do individual appraisals with them and I have nominated one of the top members of staff, she does a unique training programme, an individual training programme for each one of them so, also if there are areas if they would be weak on she would take them on different times one-to-one and strengthen their, build up whatever they need trained on. [C]We also do outside training where we would go to product knowledge training or we also go to the UK to like, Salon International, the big hair shows. [2]We would go to it once a year and that's to make sure that we are seeing the hairstyles and the vision for next year so we try and keep up where budget is possible, [3]as much training as we can. I think it is very important. I am from an ex-training background myself. I was a teacher for seven years so it's kind of naturally in me anyway to keep the training going, you know but keeping learning going keeps the brain going, keeps you stimulated. It prevents boredom. It does, definitely.[E]	[2] Bui-hr: Participation in training programs was an indicator for building human resources, because only the high-performers did that. [3]Bui-cu: Understanding of market trends was an indicator for building customer relationships

(continued)

Table AI.

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Table AI.

Manager's activity and commitment	Question and answer	Dynamic capabilities
[F]Com-bui: More indicators for activity and commitment towards learning	I: Did you have a lot of change inside your company in the last years? R: Well we have had extreme growth and due to that then a lot of change. We have expanded from one grooming room to two. The mail order company used to be based here and it's now moved to a warehouse because the product range just expanded so much within that and only last year we had the London fella so there has been a lot of growth [4] and I would also be involved in training the London guys so I go over every three months to make sure, to give them a training plan, make sure they are implementing what I have done prior and make sure the managers are managing and training the staff properly but we do all of that so the growth has been huge that way, you know.[F]	[4]Rec-hr: The company structure and the business processes were changed
[G]Com-rec: A clear commitment towards reconfiguration	I: Can you make important changes rapidly? R: Yeah. We don't sit still at all. No if we are going to implement it, we do it as soon as possible so we always like to be the first to have something on offer and we do implement it quite quickly. [G]	
[H]Act-bui: Active learning	I: Did you change your business processes in the past years? R: I think the main way we did business was that Jason used to be based here and he has moved away. He has moved out of the business two years now so I have had to take on a managerial role that I wasn't used to so personally I would have had a lot of changes. It's very difficult managing and growing the business from just working in it in prior years so that would just be it. [5] I personally had a lot of changes made and I think managing people is very difficult skill – to keep everybody happy all of the time but I am learning. [H] You learn by your mistakes. It is getting easier so it's not too bad at the minute	[5]Rec-hr: The company structure and the business processes were changed

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