

# **NEXUS BETWEEN ORGANIZATIONAL DYNAMISM AND INNOVATION AND THEIR PERCEIVED OUTCOMES IN MODERN FIRMS: EMPIRICAL REVIEW**

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## **ABSTRACT**

The purpose of this paper is to establish the nexus between organizational dynamism and innovation in modern firms. The methodology used here is previous research that was undertaken on the values and effects of organizational dynamism and innovation in modern firms. The findings indicate that organizational dynamism and innovation have the potential to increase both the organization's income and its rate of growth.

The conclusion of this study is that the adoption of innovation and organizational dynamism are critical to businesses that are constantly coming up with new ideas or that operate in sectors that have a high pace of innovation.

**Key Words:** Organizational dynamism, modern firms, innovation.

## **INTRODUCTION**

Researchers on the history of management including one done by Lloyd and Aho (2020) establish that the top-down management styles were common in the business world in the 1900s, but they have become increasingly rare in modern times. Firms nowadays are more flexible than in the past, and the way people work has also evolved. Modern organizational design is the term used by experts to describe this new form of management. In order to better adapt to both internal and external changes, this type of organization is built to be more responsive. In addition, modern organizational design is a style of company planning that prioritizes quickness, adaptability, and reaction time to clients' needs (Karneli, 2023). Companies that are continuously inventing new things or work in industries with a high rate of innovation frequently exhibit this trait. This empirical review addresses the concepts of dynamism and innovation within the contemporary organization. Specifically, I highlight past research conducted on the values and effects of organizational dynamism and innovation in contemporary firms explaining why they would be necessary in a contemporary organization by additionally highlighting the benefits.

### **Organizational Dynamism**

In most studies reviewed, organizational dynamism has been studied as dynamic capabilities of the organization. One study found that dynamic capabilities are relevant to understanding an organization's success or failure (Bocken & Geradts, 2020). Reason being, the company can change and revamp its business model with the help of powerful dynamic skills. A company's

dynamic capabilities determine the development, augmentation, and combination of its conventional capabilities, which include competencies, and which include things like efficient manufacturing processes and successful marketing techniques. Opportunities and dangers can be detected and assessed using them. Seizing opportunities, mitigating dangers, and capturing value are all part of their job description. As a third point, they should reorganize the physical and digital assets of a company so that it can stay competitive (Bocken & Geradts, 2020). A well-cohesive body of knowledge and skill sets is the result of robust dynamic capabilities. Karneli (2023) further states that these abilities are necessary to deal with new possibilities as they arise and to detect and grab them before rivals do. The argument then goes on to say that senior management should prioritize the dynamic talents of sensing, seizing, and changing since they are essential for coming up with new ideas and choosing the right business models.

Organizational dynamic capabilities are defined by Zhou *et al.* (2019) as the capacity of a company to adapt to its environment through the integration, development, and reconfiguration of internal and external competences. Companies that target small enterprises must also have dynamic skills. For small businesses, "sensing" means keeping an eye out for new sustainability challenges and figuring out how to use them to their advantage (Bocken & Geradts, 2020). Within dynamism, seizing refers to the process of coordinating efforts to take advantage of new chances that arise in the context of sustainability, with the goal of creating small enterprises that may profit from these opportunities. According to what has been said, in order to solve critical sustainability issues, companies need to pool resources to deal with opportunities and dangers and enjoy the (monetary) rewards of their actions. Finally, transformation entails introducing new ideas for sustainable business models and systematically renewing the organization's skills in order to become a sustainable firm. Bocken and Geradts (2020) conclude their study by saying that small enterprises are considered as crucial when it comes to perceiving, seizing, and transforming capacities. The implication of this for the contemporary organization therefore is that as it moves towards flexibility, there is need for organizational dynamism and innovation.

According to Zhou *et al.* (2019), business environments are becoming more and more dynamic as a result of factors such as the fast pace of technological change, shorter product life cycles, globalization, and the blurring of industry boundaries. Just as in the results found by Zhou *et al.* (2019), Surdijo (2023) determines that in order to adapt to ever-changing circumstances, company executives must possess dynamic qualities. All modern businesses, across all industries, are constantly hearing this. One of the most important and difficult topics in the field of strategy is dynamic capacities, which, from a theoretical standpoint, might be considered the "Holy Grail" of strategic management (Zhou *et al.*, 2019).

## **Innovation**

For most research based on organizational dynamism, innovation is also linked to it among contemporary companies. According to Alharbi, Jamil, Mahmood and Shaharoun (2019) there are many different explanations for the innovation can be found. This is because different people in a company have varied ideas about what innovation is. In general, when an organization creates or adopts a new idea or behaviour, it is being innovated, according to research by Alharbi *et al.* (2019). The terms "new" and "idea/behaviour" are used as keywords in this description. The focus of organizational innovation is on knowledge-based ideas and behaviour that has the potential to revolutionize the company. Therefore, innovation considers the ways in which a particular organization's portrayal of new ideas and behaviours contributes to the organization's success.

Alharbi *et al.* (2019) examined different definitions of organizational innovation in a thorough literature review study that examines the concept of organizational innovation overall. This was an effort to synthesize the various definitions of the phrase by incorporating their key aspects. That innovation is relevant is, thus, the multidimensional definition of innovation in firms. Azeem, Ahmed, Haider and Sajjad (2021) asserts that this pertains to the creation, acceptance, integration, and application of any particular innovative social or economic good. The resuscitation or expansion of services, goods, or even markets; the opening of new avenues for production methods are other possible examples. Lastly, an emergent management system must be installed (Alharbi *et al.*, 2019). According to the definition, innovation can indeed be both a process and a consequence simultaneously. Indeed, this concept of organizational innovation covers all the bases and more when it comes to innovation. One definition of innovation is the process of improving something in order to make it more useful to a business, whether it be the market, ideas, or behaviours (Azeem *et al.*, 2021).

Findings from the study by Alharbi *et al.* (2019) suggest that previous research on the topic of organizational innovation is concise and accurate. When a new idea or habit is developed and then adopted by an organization, this is called organizational innovation. In their view, the point of innovation is to generate profits for companies by bringing new, valuable ideas to a market that prioritizes their needs. One tool that businesses use is the idea of organizational innovation (Ahmad *et al.*, 2020). In order to create novel goods, systems, and procedures in response to ever-changing technological, competitive, and market conditions, these are utilized. To put it simply, organizational innovation refers to a company's ability to create and successfully launch new, high-tech goods and services (Alharbi *et al.*, 2019). Thus, it may be said to be an organization's capacity to consistently create new services, processes, or products by transforming ideas and knowledge, all for the advantage of its stakeholders. A number of factors within an organization, such as its capacity for learning and transformation, as well as external factors including shifts in technology, interests, and societal value, are important in propelling innovation.

## **Organizational dynamism and innovation in modern firms**

It is crucial for modern businesses to educate themselves on organizational innovation and dynamism. Organizational dynamism and innovation ideas can help traverse the complicated and fast changing corporate landscape (Ferreira, Coelho & Moutinho, 2020). To begin, firms may learn to be more flexible by researching organizational dynamism. Given the rapid development of new technology and the ever-changing nature of market trends, this is of the utmost importance. In order to better react to changes and remain competitive, businesses should adopt a dynamic strategy. Second, research on innovation may help businesses inspire new ways of thinking and addressing problems. According to Ahmad et al. (2020) firms may inspire people to solve problems in creative ways by creating an environment that values innovation. This results in enhanced goods, services, and procedures, which can provide companies a leg up in the market.

According to Zhou *et al.* (2019), existing research provides theoretical support for the idea that dynamic capacities have the ability to both adapt to and shape changes in their environment. Many people believe that innovations are the driving forces behind how businesses change and adapt to their environments. Zhou *et al.* (2019) conclude that innovations mediate the relationship between dynamic capabilities and performance of the organization for this identical reason. Furthermore, dynamic capability is closely linked to a company's financial performance and highlights the accumulation of capabilities incorporated in the business (Ferreira *et al.*, 2020). When it comes to performance, companies in a fast-paced market need to come up with innovative items to keep ahead of the competition. However, in order to take advantage of these opportunities, businesses need to have strong and patient dynamic capabilities, along with a commitment to constant innovation.

The topic of innovation and its classification has been extensively studied in academic literature. Both Alharbi *et al.* (2019) and Zhou *et al.* (2019) found that innovations can be categorized based on how close they are to the existing market segment and how close they are to the present technical trajectory. Following a survey of the relevant literature, researchers were able to classify innovations into two broad categories: technological and market. In the first category, technological advancements play a central role in the innovation process. There are two types of innovations: ones that target new market niches and one that uses it to provide more benefits to mainstream customers. This is a sentiment that is echoed by Ho (2022) in his study on disruptive innovation in present-day markets.

According to Zhou *et al.* (2019), most people believe that innovation directly correlates to performance. There is a plethora of literature that validates the crucial role of innovation in propelling exceptional organizational performance. Although assets such as inventive patents can be very beneficial to a company, it is crucial for the company to continually generate new patents. Therefore, a company's ability to innovate and generate its own competitive advantage depends

on its capacity to deploy, mobilize, integrate, and dynamically align its resources and capabilities. Ideal Ho (2022) describes this as explosive innovations that would ultimately drive-up production and increase competitiveness of a company. Moreover, according to Chatterjee *et al.* (2022), businesses' capacity to sense, seize, and transform influences their capacity to market internationally and innovate technologically, which in turn influences their capacity to expand internationally. Environmental dynamism significantly moderates the effect of firm worldwide expansion, according to the study.

Organizational dynamism and innovation lead to increased motivation and engagement of employees. According to a study by Lambriex-Schmitz *et al.* (2020), workers are inclined to be more inspired to tackle new tasks and provide their utmost when they are part of a lively and creative workplace. When workers are enthusiastic about contributing to the company's success, they are more likely to go above and beyond in their work. They are more eager to find ways to help out beyond what is required of them and are always looking for new ways to provide new ideas and answers. Since employees are more motivated to accomplish both their own and the organization's goals as a result of this increased engagement, performance also improves.

Organizational dynamism and innovation create organizational agility. As a first benefit, it encourages businesses to always be better in order to keep up with the ever-changing and inventive business world. Firms may foster a motivated, engaged, and improvement-focused staff by establishing a culture that supports continuous learning and development. Employees' problem-solving and creative abilities, as well as their work satisfaction and retention, may be enhanced by continuous improvement efforts (Zhao, Jiang, Peng & Hong, 2021). Organizational agility, which may be enhanced via encouraging a culture of continuous improvement, helps businesses respond rapidly to shifting market conditions, make well-informed decisions, and acquire a competitive edge. Firms may get insight into what works and what does not when it comes to innovation by studying case studies of both successful and unsuccessful innovation initiatives. Last but not least, in today's dynamic business environment, firms cannot survive, grow, or keep ahead of the competition unless they establish a culture of constant development.

Organizational dynamism and innovation create better leadership. When it comes to innovation and organizational dynamism, leadership is key in propelling and easing these processes. Journal article by Hai, Van, and Thi (2021) draws attention to the need of transformational leadership and visionary thinking for modern business executives. Transformational leaders foster an environment that is conducive to risk-taking and creative problem-solving by energizing and inspiring their teams to work towards a common goal. One of the most crucial aspects of good leadership is encouraging and facilitating innovation (Kremer, Villamor & Aguinis, 2019). Leaders can bring out the best in their teams' creativity when they provide them the tools they need and foster an atmosphere that recognizes and promotes originality. The last piece of the puzzle in encouraging innovation is cultivating a culture of taking risks. Leaders' ought to inspire their

followers to try new things, make mistakes, and learn from them. In sum, the capacity for creativity and dynamism inside an organization is greatly enhanced by strong leadership.

Organizational dynamism and innovation increase adaptability to change in a company. Firms may improve their adaptability and responsiveness to outside forces by welcoming change and encouraging a spirit of innovation. To keep up with the ever-changing needs of the market, new technologies, and consumer tastes, firms need to be able to swiftly change their strategies, processes, and products (Yani & Suparwata, 2023). Enhanced flexibility also helps businesses deal with interruptions and uncertainties, lessening the blow of unforeseen circumstances. Because of this, in today's dynamic and fast-paced business world, success is more likely for companies that value organizational dynamism and innovation.

Organizational dynamism and innovation increase organizational performance. First, innovation is a key factor in determining the success of modern businesses. Yani and Suparwata (2023) state that it boosts efficiency and production because new technology and methods cut down on inefficient steps in the process. As a second point, innovation broadens business prospects by letting companies design and develop new goods and services that cater to customers' ever-changing wants and requirements. In addition to assisting businesses in remaining competitive, this also promotes growth and long-term viability. Innovation also boosts consumer happiness and loyalty by providing better, more distinctive products and services that go above and beyond what customers anticipate. The contemporary companies therefore need rapid response changes in the market and keep their customers happy if they innovate and adapt often. In sum, innovation's effect on business results is indisputable. It is a key factor in success and a key to further expansion.

Organizational dynamism and innovation have a significant impact on enhancing productivity and efficiency in contemporary firms. Streamlining processes, reducing waste, and optimizing resource allocation are all possible when firms embrace change and implement new practices. According to Ferreira, Coelho and Moutinho (2020) firms may optimize their workflow, automate processes, and remove inefficiencies by using new technologies and systems. Innovative ideas and practices also promote a growth mindset, which in turn motivates workers to always innovate and discover better methods to do their jobs. Consequently, businesses see a rise in productivity as workers get more done in the same amount of time. The ability to anticipate and meet the changing wants of customers, as well as to remain ahead of the competition, are all benefits that businesses get when they actively pursue innovation. Organizational innovation and dynamism are key factors in boosting productivity and efficiency, which are essential for firms to succeed in today's dynamic business environment.

Finally, of these studies by these scholars, one major theme that comes out is the fact that without innovation, contemporary companies are doomed from the get go. Competition is enhanced, as illustrated by all authors, when companies are able to think beyond what is presently being done.

Further, as illustrated above, competition goes beyond technology as more strategies are employees into the business model that boosts the contemporary company's standing. There is therefore no limit to the number of innovative ideas that companies can venture into for better outcome. Regardless of these great ideas, I believe that the contemporary companies still have a long way to go given the extended number of innovations that flood the market. Thus, my question, is what is there enough and can there be too much innovation in a company. Therefore, how do contemporary businesses draw the line on how far to go having in mind that innovation is an ultimate driver for better business outcomes? Also as pointed out by Kremer *et al.* (2019), leadership is a crucial factor in organizational innovation and ultimately dynamism. Therefore, does that have an impact on the act of moderation when considering the boundaries within which to promote innovation for the organization as pointed above?

## **Conclusion**

Organizational dynamism and innovation lead to expanded market opportunities. Companies may find new markets and take advantage of new trends if they are open to change and encourage a culture of innovation. The organization's income and growth can both be boosted by this. The creation of novel goods and services that can adapt to consumers' ever-changing wants and needs is another benefit of innovation. Growing a company's client base and market share requires constant innovation and a focus on what customers want. In addition, innovation may pave the way to global markets, letting businesses expand their reach and generate more income. Organizational dynamism and innovation allow firms to prosper in an ever-changing business context.

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