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Effect of Employees' dynamic Capability on Performance: *The Case of Ethiopian Brewery Industries*

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KEY WORDS

Employees, Performance, Sensing Capability, Seizing Capability, Reconfiguring Capability

ABSTRACT

The study aimed to investigate the effect of Employees' dynamic capability on performance with a special focus on Ethiopian brewery industries. Employees' dynamic capability is measured based on the sensing, seizing and reconfiguring capabilities of the employee. To effectively measure the effect of the dynamic capability constructs on employees' performance in the brewery industries, the study used a purely quantitative methodology and the data collection instrument is a close-ended questionnaire. Accordingly, a total of 381 questionnaires were distributed and twenty of the responses were discarded due to incomplete response. Data analysis is done through quantitative techniques by using smartpls-SEM (Structural Equation Modeling and the validity and reliability of data is checked via both convergent and discriminant validity and reliability. Based on the evidence collected, the findings of the study revealed that both seizing and reconfiguring employee capabilities have a significant effect on the performance of the employees. However, the result also concluded that sensing capability doesn't have a significant effect on the performance of employees unless additional leadership and managerial skills are added to the management staff. Based on the findings, the study recommended that managers have to work towards advancing seizing and reconfiguring capabilities to boost the performance of their employees, which in turn has a remarkable effect on the overall performance of the industry. However, if managers want to advance the employees performance through sensing capability, they have to work towards dynamic leadership and situational management.

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1. Introduction

Nowadays organizations are working in a highly competitive environment and they were facing several challenges that may decrease their performance. Organizations have to devote more for the sake of being compatible with the current challenging working environment to improve their outcome and advance their competitive power (Son et al., 2020). Performance is the key guide to the success or failure of every business organization because it plays a significant role for business entities, specifically in such environments where they face challenges due to the existence of stiff competition (Son et al., 2020). Thus, the achievement of the main objectives of the business depends on its admirable performance. This can be done by the effort of different parties, but the employees and departments can be evaluated through qualitative and quantitative methods. Furthermore, it refers to the effectiveness and efficiency of an organization in the process of achieving its objectives (Rehman et al., 2019).

As indicated by recent scholars, a dynamic capability is considered as a multi-level which shall be studied at an individual, organizational and network level of analysis (Banjongprasert, 2013). However, most of the studies indicated that individual level observations have been argued to be the most appropriate variable in explaining various organizational level variables (Banjongprasert, (2013), and Khaligh, (2020), Rodríguez et al., (2020)). They also argued that addressing issues in individual-level dynamic capability in one way or another can contribute for organizational dynamic capabilities. Because, an individual is always the basic strategic factor of an organization (Faizal et al., 2012). However, there is lack of research demonstrating an appropriate conceptualization and operationalization of individual dynamic capability (Barrioluengo et al., 2016).

Studies also indicated that individual level dynamic capability connotes the capability to renew individual competencies to attain congruence with the changing business environment and to do this, certain innovative reactions are critical when there is a rapid rate of technological change and when it is difficult to determine the nature of future competition and markets (Teece et al., 1997). In addition, employee's dynamic capabilities are also drafted from different constructs (Wali et al., (2020b) and Tworek, (2020)) namely; ability to transfer learning from one task to the other, copying and emotional adjustments and showing cultural adaptability.

Scholarly works indicated that studying an employee's performance is a vital condition for attaining a long-term competitive advantage. Because an employee's dynamic capability is the measure of sensitivity to change in the environment, the ability to adapt to changes in the environment and the ability to solve problems in the working environment (Wali et al., 2020). Barrioluengo et al., (2016) have also revealed that though employees are considered one of the fundamental pillars of any organization, the literature rarely discusses the dynamic capabilities of employees as a distinct subject of study; rather, the literature considers it as a component of dynamic capabilities. In addition, employees are the ones who plan, manage, organize and run the business activities of an organization (Calabretta et al., 2017). This means that poor employees' job performance may reduce the quality of services and productivity, which will eventually slow down the operation of the organization and lead to wastage of resources such as money and time (Pradhan & Jena, 2017). Organizations may find ways to solve the problem by terminating poorly performing employees or even choosing to ignore it, which may lead to unsuccessful business or bankruptcy. Choosing to terminate an underperformed employee could not solve the problem, as time is needed to hire a new employee and extra costs will be incurred for training new employee (Rizescu & Bucata, 2017).

Abrol (2019) considered employees' dynamic capabilities as a mixture of organizational potentials that support initiatives to assess and affect sustainability in innovation through tactical executive practices, while (Martelo et al., 2012) proposed that enterprises can acclimate to change by recognizing and essentially cultivating acceptable permutations of dynamic capabilities. Additionally, employees' dynamic capabilities endow crucial aspects of performance that will ease firms' adaptation to tentative and varying circumstances and improve product, process and managerial innovations (Zhou et al., 2019). According to Mohamud & Sarpong, (2016), the dynamic capability of employees, especially in a resource-based view, is not well addressed and is in its early stages. He also argued that 40% of studies found an association between an employee's dynamic capabilities and the practice of performance. This implies that 60% of the dynamic capability area is not addressed at all.

Whether and how employees' dynamic capabilities lead to their competitive advantage and improved performance has been a core issue in the discussion of scholars. Indeed, there has been a hot debate around this question (Easterby-Smith et al., 2009). On one hand, early proposals in this area assumed a direct impact of employees' dynamic capabilities on performance (Faizal et al., 2012). More recently, (Alves et al., 2017) reiterated that the employee dynamic capabilities framework was created with an ambitious agenda to help scholars and practitioners understand the foundations of firm-level competitive advantage. On the other hand, other scholars (Sunder M et al., 2019) have found that employees' dynamic

capability do not necessarily lead to improved performance. In their view, competitive advantage and improved performance do not rely on dynamic capabilities themselves but on the resource configurations created by them. Similarly,(Zott, 2003) maintained that employee dynamic capabilities are not directly linked to performance. Still, other scholars have proposed that employees' dynamic capability may hurt rather than improve performance if there is no need to use dynamic capabilities (Madsen, 2012).

It is necessary to provide insights into the mechanism of employees' dynamic capabilities on performance to aptly show its value to contemporary organizations. The lack of such insights appears to be the major weakness of dynamic capabilities (Tworek, 2020). It is fundamental to note that the concept of dynamic capabilities as meta-capabilities has been receiving considerable attention in both the theory and practice of management (Tworek, 2020). Though employees are considered one of its fundamental pillars, the literature rarely discusses the dynamic capabilities of employees as a distinct subject of study; rather, considers it as a component of dynamic capabilities. Besides, the empirical studies in this field are either large-scale surveys that cannot recognize the differences in firms' actual practices and processes or single case studies, which are difficult to compare with other studies. Some empirical studies have recently reviewed state-of-the-art approaches (Tworek, 2020).

The debate arises from the fact that the mechanisms through which employees' dynamic capabilities influence performance remain unclear. Researchers have concentrated more on financial and technological perspectives such as marketing, locational factors, the responsibility played by businessmen, globalization perspectives, and the management of conglomerates (Laaksonen & Peltoniemi, 2018). Prominent scholars argue that employees' dynamic capabilities enable firms to match the resource base with changing environments (Faizal et al., 2012), create market change (Sunder M et al., 2019), and facilitate resource access and resource development (Cantaleano et al., 2018). According to (Schilke et al., 2018), 'the dynamic capabilities perspective has been criticized for (Rodrigo-Alarcón et al., 2018; Valdez-Juárez et al., 2021) its confounding discussion of the effect of dynamic capabilities.' What deteriorates the theoretical confusion is that dynamic capabilities studies 'mainly focus on theoretical development, and empirical research lagged' (Rodríguez et al., 2020).

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The existing theoretical confusion about the effect of employees' dynamic capabilities on employee's performance needs clarity for organizations and future researchers. Not only this but also there empirical shreds of evidence about the existence of controversial issues on the effect of employees' dynamic capabilities on employee's performance. Different researchers like (Sunder M et al., 2019) disagreed that employees' dynamic capabilities have no strong relationship with employee's performance . On the other hand, different scholars like (Faizal et al., 2012) have confirmed that the dynamic capabilities of employees can affect the performance of the organizations. These all pieces of evidence have initiated the researcher to address the effect of employees' dynamic capability on performance.

As the researcher tried to designate the different research findings related to dynamic capability and employees' performance, results from the studies permit a conclusion in their own right, but each result is contradictory when examined from a more abstract point of view. Therefore, this article will fill the evidence gap on the areas to be addressed. Empirically, as far as the knowledge of the researcher is concerned, pieces of evidence are not adequate in Africa in general and in Ethiopia in particular, and researchers don't adequately address the effect of employees' dynamic capabilities on employees' performance. Therefore, this study will try to address the empirical gap in Ethiopia in particular and in Africa in general. Methodologically, even if studies are conducted on dynamic capability and performance, most of the studies conducted to measure the effect of dynamic capability on employees' performance focused on one single organization or manufacturing factory through a case study method with generic dynamic capability measurements (Ferreira et al., 2021, Gupta et al., 2020, Fang et al., 2010). Conducting research in a

single organization, company or factory alone helps the researcher focus on a specific case, but the finding doesn't indicate the variation that exists between and among variables and organizations (Yin, 2018, Schoch, 2016, Salkind, 2013). Therefore, to address the methodological gaps observed in different studies, it is advisable to conduct research on the effect of employees' dynamic capability on employees' performance.

Based on the above-stated facts, problems, confusion and misunderstanding about the effect of dynamic capability on employees' performance, there is a need to conduct research in the area of dynamic capability and employee performance. According to Rodríguez et al., (2020), the reason for the existence of the different controversies on the contribution and effect of employees' dynamic capability on employees' performance is that most of the researchers focus on the theoretical aspects of the concept and ignore the empirical aspects of dynamic capabilities. Therefore, the result of this study will add value to the existing kinds of literature by clearly analyzing the effect of employees' dynamic capabilities and employees' performance. Therefore, conducting this study is very important to study the effect of employees' dynamic capability on performance.

2. Objectives of the Study

The general objective of this article is to address the effect of employees' dynamic capability on employee's performance in the case of brewery factories in Addis Ababa.

To address the stated general objective, the study will have the following specific objectives.

1. To investigate the effect of employees' sensing capability on performance in Ethiopian brewery factories.
2. To examine the effect of employees' seizing capability on performance in Ethiopian brewery factories.
3. To determine the effect of employees' reconfiguring capability on performance in Ethiopian brewery factories.

3. Review of Related Literature

Dynamic Capability and Employee's performance

Dynamic capability is defined as the ability to integrate, build and reconfigure employees' competencies to address a rapidly changing environment that directly influences the performance of tasks in the workplace (Teece, 1997). Such a way of understanding EDCs facilitates their inclusion as an element of the dynamic capability of the organization as a whole (Tworek, 2020). The element, that is, that is related to an individual employee and concerns the work performed by that employee at a given workplace.

It also refers to organizational ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. It encompasses the management of capabilities and resources of all functions of the organization, with the overall objective to get a competitive advantage (Tajeddini et al., 2020). Dynamic capability is different from operational capabilities, which enable the organization to make a living in the present. Because, operational capabilities enable organizations to perform an activity on an ongoing basis using more or less the same technique on the same scale to support existing products and services for the same customer population. Whereas, dynamic capabilities are directed towards strategic change, and aligning the organization with the environment. They can conceptually be disaggregated in to a firms capabilities to sense and shape opportunities, seize opportunities and redeploy and reconfigure (create, extend and modify) their resource base. Sensing and shaping opportunities and threats involves scanning, searching, and exploration activities across market and technologies and this requires the organization to maintain cloth relationship with customers, suppliers and research and development partners and to observe best practices in the industry. On the other hand, seizing opportunities involves the evaluation of existing and emerging capabilities and possible investments in relevant designs and technologies that are most likely to achieve market place acceptance. Whereas, reconfiguring the resource base is the firms capacity to recombine resources and operating capabilities as the firm grows and as markets and technologies change, as they surely will (Baía & Ferreira, 2019, Pundziene et al., 2021).

Dynamic capability of employees positively affect their performance in different ways; match the resource base with changing environments (Ramamurthy et al., 1999), create market change (Ferreira et al., 2021), improve inter-employee's performance (Pham et al., 2019), support the resource picking and capability building rent generating mechanisms (Najmi et al., 2018), improve effectiveness, speed and efficiency of organizational responses to environmental turbulence (Pundziene et al., 2021, Pundziene et al., 2021) take advantage of revenue enhancing opportunities and adjust its operations to reduce costs (Takahashi et al., 2017), provide organizations with a new set of decision options, which have the potential to increase employee's performance (Pundziene et al., 2021), promote high evolutionary fitness that helps the organization to survive and grow (Gupta et al., 2020).

Literatures related to dynamic capability and performance of the organization indicated that it is important to maximize both employee satisfaction and employee's performance by which dynamic capability helps the organization to challenge both the internal and external working environments (Kumar et al., 2020). To improve and to maintain the success of the organization's performance, it is basic to know the business environments and employees should be capable enough to grasp opportunities from the existing environments by rearranging the organizational resources (Čirjevskis, 2019). Opposing to the resource-based view, the dynamic capability approach gives stress that owning valued, occasional, unique, and non-substitutable resources without the capacity to renew them don't produce greater performance (Eikelenboom & de Jong, 2019, Pham et al., 2019).

Abrol (2019) considered employee's dynamic capabilities as the mixture of organizational potentials that support the initiatives to assess and affect sustainability in innovation through tactical executive practices, while (Martelo et al., 2012) proposed that enterprises can acclimate to change by recognizing and essentially cultivating acceptable permutations of dynamic capabilities (Torres et al., 2018). Additionally, dynamic capabilities endow the crucial dealings of performance that will ease the firms in adapting tentative and varying circumstances and improve the product, process and managerial innovations (Zhou et al., 2019, Saenchaiyathon & Liengjindathaworn, 2019). Even if it is an extension of the resource-based view (Gupta et al., 2020), which explains that organizations can obtain advantage over competitors based on their resources and capabilities, dynamic capability explains the ability of a firm to sustain competitive advantage within highly dynamic working environment (Pham et al., 2019), and is also considered as a strategic process of higher order that integrate, combine, and generate new technological and marketing resources which in turn shape the organizations performance. A firm's dynamic capability can integrate and redeploy knowledge resources and as a result obtain greater performance. There are some agreements and at the same time disagreements whether dynamic capabilities of an employee affects employee's performance or not.

According to Campbell & Wiernik, (2015), employee's performance is considered one of the fundamental dimensions of organizational goal achievement. Hence, it is expected that performance will contribute to organizational goals as one of the organization's competitive advantages. Typically, employee's performance represents action and behavior which are under individuals' control that contributed to the achievement of organizational goals. It integrates the concept of activity to carry out tasks and the outcome. The economy of a nation is driven by aggregate individuals' performance in every organization. Besides, Motowidlo & Kell, (2012), described the performance as "the total expected value to the organization of the discrete behavioral episodes that an individual carries out over a standard period".

The dynamic capabilities comprises specific activities, for example, alliances, new product development, joint ventures, cross line of business innovation and other general actions that foster coordination and organizational learning (Kurtmollaiev, 2020). Employee's Dynamic capabilities are strengthened by organizational routines and managerial skills, thus the organizations ability to integrate, build and reconfigure internal competencies to address, and compete changes in the business environment. With this regard, organizations viable competitive advantage decided the capacity to reconfigure, and to frequently renovate its idiosyncratic resources and competencies to nurture innovation (Porras, 2011). An organization having strong dynamic capabilities will be able to effectively renew resources and reconfigure them to innovate and respond to the market changes (Striteska & Prokop, 2020). Organizations are keen on innovative strategies to invest more in the system and process that helps product and process innovation. Organizations sustainable competitive advantage rests on its dynamic capabilities to innovate and the capacity to adapt and reconfigure resources and capabilities (Bleady et al., 2018).

Study Hypotheses and Conceptual Framework

To test the causal relationship between and among the different variables stated in the study, the researcher developed three measurable and testable hypotheses. The detail of the deducted hypothesis and their foundations are clearly presented in chapter two and here are the summarized hypotheses from the literature.

Employees' Sensing Capability and Performance

Individual level dynamic capability connotes the capability to renew individual competencies to address the change in the working environment. With this perspective, employees in an organization need to have sensing capability. New information and knowledge can create opportunities for the effective and efficient operations of tasks. Therefore, it is important for firms to constantly scan, search and explore opportunities across technologies and markets (Teece, 1997) and these all activities are determined as sensing capability of employees. Available information's from both internal and external environment are very important for the sensing capability of employees to make them capable enough with the existing and dynamic working environment. Externally available

information and resources affect all creative activities to facilitate the effective operation of the business (Tworek, 2020). Other scholars like (Bieńkowska & Koszela, 2021, Zhou et al., 2019) argues that sensing capability covers understanding of the latent demand, the structural evaluation of industries and markets, and the likely responses of suppliers and competitors. The study also stated that the stronger sensing capability of the employee could possibly lead to more technological innovation in the organization. Therefore, when opportunities are first glimpsed, sensing capability couldn't only help firms to understand which sensing capability couldn't only has firms to understand which technology shall be explored, but also provide the necessary foundation for them to figure out which market segments should be targeted (Teece, 1997). Which are better at sensing in the market could have a better understanding of what customers want and echo their needs via marketing innovation i.e creating new distribution channels, assessing new production method and updating product design and soon.

H1: Sensing capability have a significant effect on employee's performance.

Employees' Seizing Capability and Performance

Seizing capability has been identified as one of the three classes of managerial functions seizing, guided learning and reconfiguration/transformation which are relevant to dynamic capabilities (Bieńkowska & Koszela, 2021). Seizing capability believes that a firm should minimize the internal transaction costs associated with research and development coordination across units in the industry (Zhou et al., 2019). However, in order to keep flexibility and responsiveness, resources should be decentralized while the industry is growing. Therefore, structural complexity and the amount of organizational units will be increased. It leads to the increase of transactional cost across each units. Dynamic capability focuses more on the efficient and effect transfer of technology/information between and among the various units of the industry. It is believed that resources seizing capability could help industries to connect separate organizational units. Because it can help easing potential contractual problems. Moreover, seizing also opens pathways to learning, sharing of know-how and expertise through transfer of technology and know-how within the firm (Teece, 1997).

Seizing capability doesn't only include internal coordination i.e the capability for extensive coordination between different specialized sub-units within an organization, but also include the capacity to integrate external resource. To some extent, seizing capability enable firms to transform and convert resources in to meaningful outputs to advance employees performance (Tworek, 2020). Therefore, firms need to build logics for vertical integration, outsourcing and research and development strategies to integrate both internal and external resources. Because, through effective integration a firm is more likely to incorporate the characteristics necessary for success towards advancing employees performance.

H2: seizing capability have a significance effect on employee performance.

Employees' Reconfiguring Capability and Performance

To sustain profitable growth, it is important for the industry to recombine and reconfigure assets and organizational structure when markets and technologies change (Teece, 1997). Individual knowledge and skill and organizational resources may depreciate over time and it may lead to the lack of cumulative benefits from prior experiences (Zhou et al., 2019). Reconfiguring capability doesn't only support industries to maintain evolutionary fitness, but also provides the possibilities for them to escape from unfavorable path dependencies when it is necessary (Teece, 1997). It also includes activates in which industries engage when adding, redeploying, and recombining or diver siting resource or business units (Bieńkowska & Koszela, 2021). Individual level reconfiguring capability facilitates continuous evolution and can also become a mechanism for firms to obtain novel resources and capture performance benefits. The researcher also beliefs that individual level reconfiguring capability could advance both individual and organizational performance. It can be through the process that implies the intra-organizational knowledge could be externalized and distributed in the company via redeploying human resource and restructuring business units. It is proved that the deployment of firm's specific knowledge required specific setting. Employees who hold the key knowledge may be reluctant to make specialized human capital investment when they are developed in appropriately (Zhou et al., 2019). Meanwhile individual employee reconfiguration capability could also influence the overall performance of the industry in general (Tworek, 2020).

H3: Reconfiguring capability have significance effect on employee's performance.

By having the stated hypothesis in mind, the conceptual framework of this study will be organized by considering the constructs for each variable (Employee's Dynamic Capability as independent Variable, Employee's performance as dependent variable, and Innovation and Entrepreneurial orientations are mediating variable).

Dynamic capability according to (Teece et al., 1997) in the business model consists of three components, namely:

Sensing, namely identifying opportunities by always observing the environment and looking for opportunities that arise within or outside the company's boundaries.

Seizing is when there is an opportunity then its potential and value are captured to be learned by choosing the right technology or better understanding the target customers.

Reconfiguring is when opportunities are perceived and captured then the company reconfigures resources to adjust changes and opportunities in the corporate environment.

Employee's performance refer to adaptability and solving current problems, but also to the long-term improvement of work processes at the job position. According to (Tworek, 2020, Wali et al., 2020b, Alefari et al., 2020), employee's performance constructs are ability to transfer learning from one task to the other, copying and emotional adjustment and showing cultural adaptability. However, for this article , the researcher used the model developed by (Pradhan & Jena, 2017). Accordingly, employee's performance are constructed from three basic dimensions, namely task performance, contextual performance and adaptive performance. Therefore, questionnaires are developed based on this model.

By having all theoretical and empirical literatures in mind, this study will be guided by the following conceptual model to indicate the relationship and effect of employee dynamic capability on employee's performance.

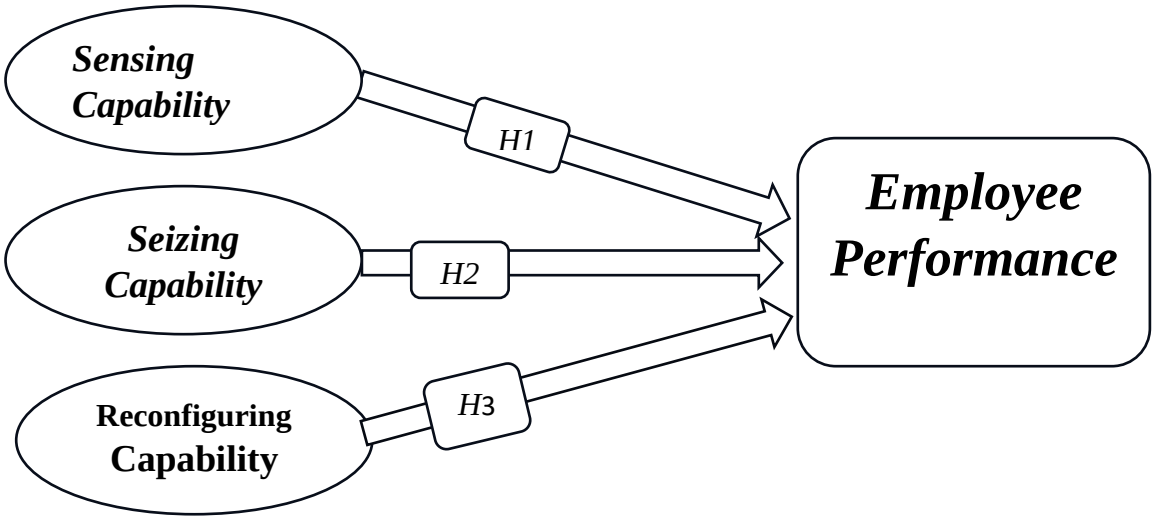

Figure 1: Conceptual Framework developed (source: own review from the literatures).

4. Material and Methods

Professionals in different fields of research have used either quantitative or qualitative methods, or a combination of both quantitative and qualitative methods (Costigliola, 2019), although the relative strengths of both techniques have been questioned in the literature. While those in the area of quantitative analysis methodology argue that quantitative approaches are superior to qualitative ones (Salkind, 2013), others argue that qualitative approaches are superior to quantitative ones (Bengtsson, 2016). Nonetheless, each solution has advantages and disadvantages, and the suitability of a specific approach is solely dependent on its suitability for the intent of the analysis to be conducted (Bluhm et al., 2011, Dr. Greener & Dr. Martelli, 2008). Based on the drive of the study and the philosophical positioning assumed (positivism), the study used an explanatory research design. This approach is chosen to achieve complementarity between the various standards on the effect of an employee's dynamic capabilities on performance. The research follows a quantitative-method design, specifically an explanatory design.

The total population for this study is selected from all brewery factories in Addis Ababa, which includes St. George (with a population of 2396), Meta Abo (812), Heniken (1804), Bedele (350), Habesha (1750), Zebider (310) and Raya (430). Therefore, the total populations of the study are 7852 permanent employees who are currently working in the selected brewery factories.

Thus, the Sample size of the population was calculated using Toro Yemane's (1973) formula and becomes 381.

In order to determine and select the samples from the total population, probabilistic sampling techniques was applied. Because probability sampling is a technique in which the researcher chooses samples from a larger population using a method based on probability theory. For a participant to be considered a probability sample, he or she must be selected using a random selection. Therefore, from probabilistic sampling technique, stratified random sampling was used. Because stratified sampling helps the researcher to include as many employees from the various units as possible. Cresswell, (2014) contends that this approach is statistically more effective than using a straight-forward random sample. Each business unit has a different functional aim, so it makes sense that they will have different perspectives.

The research follows a purely quantitative approach and the data used for this study is quantitative. The most commonly used primary data collection tool applied for this study is questionnaire. For primary data, the researcher used structured close-ended questionnaires for employees, supervisors and managers. Participants were asked to complete a 21-item questionnaire to evaluate the dynamic capability level of the employees. The employees' dynamic capability questionnaires, which were specially designed to determine three dimensions of the employee's dynamic capability (Banjongprasert, 2013 and Wu, 2017), are used to collect responses on a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The dimensions are the sensing capability, seizing capability and reconfiguring capability of employees. The employee performance scale developed by (Pradhan & Jena, 2017) was used to measure the employee's performance. The method contains 23 items that must be answered on a five-point scale ranging from strongly disagree (1) to strongly agree (5) based on the respondents' performance concerning their organization and a purely quantitative analysis is used to validate the proposed model.

5. Result and Discussion

Measurement Model

The measurement model tried to indicate the relationship between the constructs and the indicator variables. In addition, the measurement model is expected to focus on reliability and construct validity. For this study reliability is measured based on outer loading, composite reliability and Cronbach alpha and construct validity is measured based on both convergent validity (can be calculated through Average Variance Extracted (AVE >0.50) and Rho-A) and discriminant validity (can be calculated through Fornel and Larcker (1981) criteria, Cross-Loading and HTMT Ratio). Accordingly, indicators with low factor loadings (<0.60) were removed and only indicators with equal to and above 0.60 are considered for the analysis and evaluation of the measurement model (Gefen, 2005).

The first component of the measurement model is the reliability analysis which includes composite reliability. The desirable cut-off value for the composite reliability is 0.70 (Ringle et al., 2018). As a result, all the latent constructs of the model composite reliability (see Table 1) and the second component of the measurement model is convergent validity. The measurement of convergent validity is the average variance extracted (AVE) for which the cut of point is 0.50 (Ringle et al., 2018). Hence, constructs possess convergent validity (see Table 2). The component used to access the discriminant validity of the constructs is the Heterotriat Montorait (HTMT) ratio procedure. As presented by Sokolova & Perez, (2021), to check for the discriminant validity, the most conservative threshold values of HTMT ratio is less than or equal to 0.85. For this particular study, all the values of HTMT are less than the threshold value and hence, discriminant validity is attained (See Table 2, Discriminant validity using HTMT). In addition, cross-loadings and the Fornel-Larcker Criteria are also used and the results are explained below.

Data Reliability

Table 1: Data Reliability through Outer Loading, Cronbach's alpha, Composite Reliability and AVE

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee Performance	0.852	0.910	0.884	0.562
Reconfiguring	0.742	0.755	0.829	0.494
Seizing	0.721	0.778	0.812	0.466
Sensing	0.886	0.905	0.914	0.642

Source: smartPLS output, 2023.

In this particular article, there is no question of data reliability. Because, as it depicts in the table above (Table 1) the Cronbach alpha result for all constructs are greater than 0.70 and the composite reliability result of the constructs are also above the threshold value i.e composite reliability result is greater than 0.70. When we see the average variance extracted (AVE) result it is somehow questionable, but mathematically supported. The average variance extracted value of the two variables (Employee Performance and Sensing Capability) is 0.562 and 0.642 respectively and which is more than the minimum standard for the measurement. However, the average variance extracted result for the two variables, namely reconfiguring capability and seizing capability is 0.494 and 0.466 respectively. It seems less than the minimum standard, but is still acceptable due to the reason that other measurement standards (Cronbach alpha and composite reliability) results doesn't indicate the presence of data reliability question and on the other hand, when we see the two results, it is mathematically very cloth to 0.50 and can be acceptable. Because the difference between the score and the standard is less than 0.05 and their factor loading result in each construct is recorded as greater than 0.50. In addition there are some studies that have used a margin of error of 0.05 to assess the equivalence of two values. For example, a study by Betthäuser et al., (2023) found that there was no statistically significant difference between the mean scores of two groups on a test, with a margin of error of 0.05. This means that the two groups could be considered to have equivalent mean scores.

In addition, the rho-A result also supported the validity of the data. The rho-A result is important to measure internal consistency and its threshold value is greater than or equal to 0.70. With this regard, the result implies that the rho-A value for employee performance is 0.910, employees reconfiguring capability 0.755, employees seizing capability has also rho-A value of 0.778 and sensing employees capability have rho-A result of 0.905. With all the rho-A results, the study clearly constructed convergent validity. Because, all the values are greater than 0.70.

Data Validity

Table 2: Discriminant Validity through cross-loading, Fornel and Larkel Criteria, and HTMT Ratio

	Cross-Loading			
	EP	Reconfiguring	Sensing	Seizing
EP1	0.677	0.054	-0.128	0.112
EP2	0.844	0.279	-0.027	0.225
EP3	0.642	0.120	-0.002	0.087
EP4	0.776	0.140	0.002	0.435
EP5	0.841	0.285	0.041	0.308
EP6	0.692	0.176	-0.125	0.077
RC1	0.131	0.742	0.564	0.379
RC2	0.281	0.635	0.466	0.304
RC3	0.188	0.643	0.408	0.385
RC4	0.069	0.811	0.647	0.502
RC6	0.289	0.668	0.497	0.270
S2	0.004	0.444	0.670	0.461
S3	0.139	0.562	0.788	0.365
S4	0.007	0.714	0.834	0.308
S5	0.056	0.646	0.845	0.287
S6	-0.122	0.713	0.927	0.495
S7	-0.223	0.422	0.717	0.281

SC1	0.299	0.180	0.104	0.596
SC2	0.069	0.283	0.383	0.680
SC3	0.452	0.270	0.117	0.608
SC4	0.150	0.561	0.579	0.822
SC8	0.299	0.37	0.188	0.684

Fornel and Larcker criteria

	EP	Reconfiguring	Seizing	Sensing
Employee Performance	0.750			
Reconfigering	0.259	0.703		
Seizing	0.339	0.531	0.683	
Sensing	-0.024	0.743	0.460	0.801

HTMT Ratio

	EP	*Reconfiguring*	*Seizing*	*Sensing*
EP				
Reconfiguring	***0.359***			
Seizing	*0.432*	***0.668***		
Sensing	*0.181*	*0.895*	***0.529***	

Source: SmartPLS output, 2023.

For this particular study, data validity is measured based on convergent validity and discriminant validity. Therefore, the convergent validity result through Average Variance Extracted (AVE) indicated in Tabel 1 above implies there is no question of validity and discriminant validity is also measured by Cross-Loading, Fornel and Larcker criteria, and HTMT Ratio. Accordingly the table above (Table 2) presented the detail of the validity of the data. The result revealed that the cross-loadings of all the constructs are higher that the loading that each construct have with the other constructs. Because, as we can infer from the table (Table 2), discriminant validity is established when the diagonal loadings are significantly greater than the off-diagonal loadings in the corresponding rows and columns. Accordingly, all the constructs of employee performance have a higher cross-loading value than their immediate constructs and it ranges from 0.642 to 0.844, which is still higher that the value that constructs of employee performance has with sensing capability, seizing capability and reconfiguring capability. When we come to the cross-loading values of reconfiguring capability, it ranges from 0.635 to 0.811 and is higher than the loadings that it have with employee performance, sensing capability and seizing capability. On the other hand, the cross-loading of sensing capability is higher that the value that it have with employee performance, seizing and reconfiguring capabilities with cross-loading value stands from 0.670 to 0.921. In the same time, the cross-loading value of the seizing capability relies in between 0.596 to 0.822, which is still higher than its loading with the other constructs, namely sensing capability, reconfiguring capability and employee performance.

On the other hand, the Fornel-Larcker Criterion also revealed relatively similar results with the cross-loadings in each variable. Accordingly, the result indicated that employee performance have a score of 0.750, reconfiguring capability 0.703, seizing capability 0.683 and sensing capability scores 0.801. This implies that the square root of the average variance extracted (AVE) is greater than the correlation coefficient between the factors in question and other factors. Accordingly, based on the Fornel-Larcker criteria, there is no question of validity. The

other method to check validity is the hetrotariate-monotariate (HTMT) ratio. It is basically, an estimate of the correlation between the constructs. To check discriminant validity through HTMT, the value of effect should be less than 0.85 and the study result implies that all the HTMT ratios are less than the threshold value and therefore, it is possible to conclude that discriminant validity is established.

Structural Model Analysis and Testing Hypothesis

The structural model depicts the relationships between the constructs on the proposed study model. In this model the researcher tried to indicate the hypothesis testing result, basically focused on R2, Adjusted R2, f2 and Q2 values in the first phase and path coefficient, standard deviation, t-statistics and p-values for the second phase. For this particular study, the researcher developed three hypotheses to test the impact of the independent variables (sensing employee's capability, Seizing employees capability and Reconfiguring employees capability on their performance).

Table 3: Structural Model Analysis

R^2 (explained Variance) of the variables				
	Original Sample	**STDEV**	**T-Statistics**	**P-Values**
Employee Performance	0.249	0.036	6.875	0.000
Reconfiguring	0.598	0.032	18.553	0.000
Seizing	0.212	0.025	8.454	0.000
f^2-Result (effect size) of the variables				
	Original Sample	**STDEV**	**T-Statistics**	**P-Values**
Reconfiguring -> EP	0.123	0.043	2.893	0.004
Seizing -> EP	0.102	0.037	2.802	0.005
Sensing -> EP	0.167	0.053	3.140	0.002
Q^2-Result (predictive relevance) of the variables				
	SSO	**SSE**	**Q^2 (=1-SSE/SSO)**	
Employee Performance	2280	1370.581	0.399	
Reconfiguring	1900	1424.996	0.250	
Seizing	1900	1487.52	0.217	
Sensing	2280	1126.288	0.506	

Source: smartPLS output, 2023.

The structural model analysis result presented in the above table (Table 3), indicated the general model fit of the study by dealing with R^2, f^2 and Q^2 values and their implications. R^2 is the coefficient of determination, which measures the proportion of variance in the dependent variable that is explained by the independent variables. It ranges from 0 to 1, with the higher values indicating a better fit of the model to the data. Whereas f^2 is the effect size, which measures the strength of the relationship between the independent and dependent variables. When the f^2 value is <0.02 it implies small effect, 0.02 to 0.15 medium effect and >0.15 indicates large effect (Hair et al., 2021). In smartPLS analysis, both R^2 and f^2 are used to evaluate the structural model, which is part of the model that specifies the relationship between and among the latent variables. R^2 is also used to assess the overall fit of the model, while f^2 is used to assess the strength of individual variable relationship (Hair et al., 2014). On the other hand Q^2 is a measure of the predictive relevance of the model. According to Hair et al., (2021) positive Q^2 value indicate that the model is able to predict the endogenous latent variable, while the negative value indicate that the model is not able to predict the endogenous latent variables.

Accordingly, the result of the study implies that the R^2 value of employee performance is 0.249 and it means that the overall independent variables effect on the dependent variable is 24.9%. However, the R^2 value of reconfiguring is 0.598 and 0.212 for seizing capability of employees. Which means that, reconfiguring employees' capability have a higher predictive power

which is 59.8% and seizing employees' capability also have an explanatory power of 21.2%. A review made by (Annison, 2011) suggested that R^2 values greater than 0.20 are acceptable and can be considered as moderate result. However, in smartPLS analysis R^2 value alone doesn't guarantee the model fit of the study. Therefore, f^2 and Q^2 results must be valued so as to have a big picture of the model fit analysis. With this regard the f^2 result of the study depicted that it have a very moderate and high score, f^2 is between 0.102 and 0.167(see Table 3). In addition to the f^2 result, Q^2 also indicates the good fit of the model with moderated values.

Table 4: Hypotheses Testing

Hypotheses	***Total Effect***	***Path-Coefficient***	***STDEV***	***t-Statistics***	***p-value***	***Decision***
H1*(Sensing -> EP)*	*-0.024*	*-0.538*	*0.063*	*0.384*	*0.701*	*Rejected*
H2 *(Seizing -> EP)*	*0.445*	*0.331*	*0.053*	*8.377*	*0.000*	*Accepted*
H3 *(Reconfiguring -> EP)*	*0.480*	*0.485*	*0.076*	*6.270*	*0.000*	*Accepted*

Source: smartPLS output, 2023.

Two tailed hypotheses testing is made for the sake of addressing whether the three independent variables (Sensing, Seizing and reconfiguring employee capabilities) have significant effect on employee performance or not. Accordingly the result presented above (Table 4) implies that employees sensing capability doesn't have any significant effect on their performance which is supported by t=0.384 and p=0.701. In order to accept the stated hypothesis, t-value must be greater than 1.96 (for two-tailed hypothesis testing) and p-value also must be less than or equal to 0.05, Lury & Fisher, (1972) and Irakoze, (1967). However, seizing capability ($t=8.377$ *and* $p=0.000$) and reconfiguring capability ($t=6.270$ *and* $p=0.000$) have a significant effect on employees performance.

6. Discussion

The study ascertained the effect of employees' dynamic capability on performance and for this particular study, employee dynamic capability is constructed from sensing capability, seizing capability and reconfiguring capability.

The study found that employees' sensing capability doesn't have a significant effect on performance. The results of the study are similar with the findings of the study conducted by (Smith et al., 2023). Their study found that there was no correlation between sensing capability and performance in a driving simulator task. Another study by (Bornay-Barrachina et al., 2023) also found that there was no difference in performance between participants with high and low sensing capability on tasks that required them to perform more and the study also recommended that instead of thinking about sensing capabilities of an employee, we better focus on leadership qualities. Another study by (Park et al., 2023) found that sensing capability alone doesn't have a significant effect on performance unless it is followed by responding to the environment based on the observations made. Even if there is a scope difference among the studies in the area of sensing capability, the similarity of the findings has its own implications about the significant effect of sensing employee's capability on their actual performance.

Furthermore, the study also revealed that seizing employee's capability has a significant effect on performance and is also supported by different scholars in the area. For instance, a study by (Khan et al., 2021) found that there is a significant relationship between seizing capability and performance. The article also provides evidence that firms with high seizing capability tend to perform better than firms with low seizing capability. In addition, a study conducted by (Cooper et al., 2016) founded that seizing capability has significant effect on employees' performance and should be supported by effective management characteristics. Generally, the evidence suggests that seizing capability is a valuable asset for firms that want to achieve superior performance. Firms with high seizing capability are better able to identify and exploit new opportunities, which can lead to increased sales, profits, and market share for the overall performance of the organization.

Related to the significant effect of reconfiguring capability on employees' performance, the study founded that employees' reconfiguring capability have a significant effect on their performance. This result is also similar with the study of (Samson, 2015) which indicated that reconfiguring capability of an employee has its own significance effect on performance by developing a strategic thinking about the scenarios in the business. Additionally, a study conducted by (Khan et al., 2021) also indicated that reconfiguring capability is among the key capabilities for success on both organizational and individual basis. Overall, the evidence suggests that reconfiguring employees' capability is a crucial

element of success in the current highly dynamic working environments.

7. Conclusion and Recommendations

This study presented the effect of the three employee dynamic capability constructs (sensing, seizing and reconfiguring capabilities) on the performance of employees. As the researcher tried to indicate in the literature part, the result adds value to the existing literature gaps by clearly investigating the effect of sensing, seizing and reconfiguring capabilities on employee performance. The smartPLS-SEM analysis results show that while companies work towards seizing and reconfiguring capabilities, they can advance the performance of their employees. Because the result supported that the two constructs of employees' dynamic capability have a significant effect on employee performance. Whereas, sensing capability doesn't have a significant effect on the performance of employees. Scholarly works in the existing literatures also supported the result that seizing and reconfiguring capabilities have direct and significant effect on employee's performance and scholars also argued that sensing capability needs additional effort from both the employees and the management staff.

This study has significant implications related to literature support, practical orientation and the provision of empirical supports. Theoretically, the study validates the effect of seizing and reconfiguring capabilities in enhancing employee's performance through empirical evidences. In addition, it contributes to the stream of existing literature in on employees' dynamic capability and highlighting the significant effect of each constructs on performance on employees in particular and the performance of the organization/company in general. Finally, the study can enhance firm's ability to manage employees' dynamic capability by considering human being as the largest asset of the firm, which is irreplaceable and inseparable element of the firm linked to its performance. Hence, such kinds of knowledge based organizational management and process can be considered to be critical factor in facilitating the appropriate conditions for advancing employees seizing and reconfiguring capabilities, which intern can lead a remarkable result to the overall performance of the company. Because, in one way or another, focusing on the identified capabilities can lead the organizations to expand the level of addressing the changes in the very dynamic working environment by their dynamically capable employees' and it also have the capacity to improve the overall performance of the companies. Companies can only gain competitive advantage if they have the most talented and dynamically capable.

Based on the findings of the study, the researcher would like to provide the following workable recommendations.

- ✓ Employee dynamic capability by itself has been found to be a complex concept affected by different factors. This study further elucidates this notion and clarifies that a combination of factors can help companies improve their productivity through employee performance.
- ✓ The study findings revealed that both seizing and reconfiguring capabilities have a significant effect on the performance of employees. Therefore, managers at different levels have to work towards advancing the seizing and reconfiguring capabilities of their employees to advance the performance of their employees and again to boost the overall performance of their industry in general.
- ✓ In addition, the study also provides guidance to managers at different level to emphasize more on leadership capacities and management characters to take advantage of sensing employees' capability.

8. Implication for Future Studies

The results of this study suggest that the dynamic capability of employees has a positive effect on their performance. However, the effect of employees' dynamic capability on performance is not highly explained due to the low R^2 result (R^2=0.249). Having this in mind, this finding suggests that future researchers should focus on the role of mediator/moderator variables in the relationship between dynamic capability and performance. The mediator/moderators can be work life balance, Organizational Culture, Gender and emotional Intelligence.

In addition, the study findings also suggested that managers have to focus on employee seizing and reconfiguring capabilities to boost individual based employee performance. In this regard, it is also advisable for future researchers to investigate the effect of dynamic capability on the overall performance of the industry/organization.

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