

INVESTIGATING THE MEDIATING ROLE OF ORGANIZATIONAL SLACK TO

ADAPTIVE CAPABILITY – FIRM PERFORMANCE LINKAGES:

EVIDENCE FROM INDIA



सिद्धिमूलं प्रबन्धनम्
भा. प्र. सं. इन्दौर
IIM INDORE

By

Moovendhan V

A Doctoral Dissertation Submitted in Partial Fulfillment of the
Requirements for the

Fellow Programme in Management (Industry)

of the

Indian Institute of Management Indore

March 2015

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Thesis Advisory Committee:

Prof. Shubhabrata Basu

(Chair)

Prof. Prashant Salwan

(Member)

Prof. Hasmukh Gajjar

(Member)

Abstract

In the present research, I examined the effect of adaptive capabilities on firm performance, mediated through organizational slack. Literature has identified the constructs, adaptation, adaptive abilities, and or adaptive capabilities as the quintessential constructs that explains the fit between the firm and (stable or changing) environment. Literature has also identified organizational slack as an essential resource that enables a firm to tide over environmental dynamism or turbulence. Therefore in a turbulent environment, firms should either have adaptive capabilities or slack or both for a sustained fit. However, the precise linkages amongst adaptive capabilities, slack resources and fit (operationalized as firm performance) had been under researched.

The present research is an attempt to bridge that gap. Using cross sectional data (survey questionnaire) from 184 (usable) samples from the Indian private (including MSMEs) as well as public sectors (that experienced environmental turbulence from high inflation, policy paralysis, current account deficit, plummeting GDP growth and global economic meltdown), I investigated the aforesaid constructs and their linkages in an effort to understand, how and why the Indian firms were able to tide over the crisis, I constructed a structural regression model, with a set of hypotheses and drawing due support from the literature with respect to the linkages. I found reasonable support for my model.

Through my research, at the academic level, I endeavored to contribute by linking the resources and the capabilities view. At the practice and policy level, I attempted to contribute by suggesting the relative merits in nurturing or liquidating firm specific assets/resources and capabilities that may prove useful to adapt to environmental turbulence. I also presented the limitations and future directions of my study.

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