The Influence of Dynamic Capabilities on Organisational Performance: An Empirical Study on Qatar’s Ministry of Finance

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Abstract- This research aimed to explain the influence of dynamic capabilities on organisational performance in Qatar’s ministry of finance. The research population consisted of top management in which included (managers, vice manager, Department Manager, and Vice Department Manager) in Qatar’s ministry of finance. A complete census method used to collect data based on the small size of the population. Structural equation modelling (SEM) used to analyse data and test hypotheses. The research results indicated that there is a statistically significant influence of dynamic capabilities with their dimensions in which were (sensing, seizing, and reconfiguration) on organisational performance. Accordingly, the research is recommended managers and decision-makers in Qatar’s ministry of finance to motivate its employees to share knowledge between them and design appropriate training to enhance its employees' abilities to identify external changes.

Keywords: dynamic capabilities, organisational performance, ministry of finance, qatar.

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I. Introduction

Organisations operate in a hyper-competitive environment, and thus it should face many of challenges that decrease their performance. However, it is seeking to cope with these challenges by improving its business outcomes to survive (Oyemomi et al., 2019). Organisational performance is a pivotal index to the success or failure of any organisation because it is playing a considerable role for organisations, particularly in that environment where they face problems concerning high rivalry (Nu Graha et al., 2019). Thereby, the success of an organisation depends on its excellent performance in achieving its objectives (Lee and Raschke, 2016). These objectives are attained by the efforts of both employee and departments, that can be measured through quantitative and qualitative methods (Rehman et al., 2019). Moreover, it refers to the effectiveness and efficiency of an organisation in the accomplishment of desired objectives (Mihaiu et al., 2010).

The concept of capability is vastly used and is considered as a central concept. However, it has significant ambiguity with a shortage of consensus about what constitutes capability and how it is utilising (Furnival et al., 2019). From a strategic management perspective, the dynamic capabilities approach in which considered as an extension of the resource-based view of the organisation’s success states that the sustainability of the organisation’s performance based on its ability to rejuvenate resources as its external environment changes (Teece et al., 2016). Further, improving the organisation’s performance is related to its ability to understand the environmental variables that affect its work and harness these variables to create opportunities by adjusting its resources base (Čirjevskis, 2019). Contrary to the resource-based view, the dynamic capabilities approach considers that possessing valuable, rare, inimitable, and non-substitutable resources without the ability to renovate them does not produce to superior performance (Ambrosini and Bowman, 2009).

The Ministry of Finance in Qatar organises financial policies and supervises public finance. Its responsibilities include formulating and implementing the annual budget of the state and managing and improving the financial strategy in line with the Qatar National Vision. Therefore, It seeks to optimal utilise of Qatar's financial resource by adopting successful financial practices, applying intact financial policies, and activating the role of monitoring business performance. Hence, to attain its strategic goals, it does use a set of orientations as the partnership principles with other sectors, supporting the uniqueness and innovation, seeking to human resource development, and focusing on achieving excellent outcomes. Based on the above mentioned, the current research aims to illustrate the influence of dynamic capabilities on organisational performance in Qatar's ministry of finance.

II. Theoretical Background and Hypotheses Development

a) Dynamic Capabilities

Generally, capabilities are indicated as the ability to assume activities, that means they are staying latent until an organisation utilise (Teece, 2009). Hence, dynamic capabilities connotes to a subcategory of abilities pointed toward strategic alteration, both at the organisational and individual scale (Helfat and Raubitschek, 2018). Strategic management domain broadly focuses on the notion of dynamic capabilities to
confrontation the likely rigidities of organisational abilities constructing (Schreyögg and Kliesch-Eberl, 2007). (Teece et al., 1997) considered dynamic capabilities as "ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments", that is indicated as the base described of how to maintain advantages in a complicated and uncertain environment (Zahra et al., 2006).

Besides, (Lessard et al., 2016) argued that dynamic capabilities anchored on both managerial cognition and leadership abilities alongside with organisational routines that an organisation adoption. Moreover, (Adner and Helfat, 2003) explained the dynamic capabilities concept by recognising them as dynamic managerial capabilities, where managers build, amalgamate, and shape organisational resources and competences. Therefore, the management teams in which seeking to perform the horizontal integration strategies need a set of managerial capabilities as identifying and forming the new demand, acquiring new resources, and transforming the organisation's processes toward implementing these strategies (Mostafiz et al., 2019). The dynamic capabilities framework is proposed three categories of capabilities in which shaping the dynamic capabilities dimensions that are sensing, seizing, and reconfiguration capabilities (Čirjevskis, 2019; Maja et al., 2018; Schoemaker et al., 2018; Teece et al., 2016).

Sensing capability referred to an organisation's activities toward scanning business environment and identifying opportunities and changes to building a comprehensive perception about the manners enable to accomplish an organisation's objectives (Čirjevskis, 2019; Teece et al., 2016). Seizing capability indicated to an organisation ability to capitalise of opportunities existing in the business environment by developing novel products, services, or improving on its business models (Mostafiz et al., 2019; Schoemaker et al., 2018). Besides, reconfiguration capability defined as an organisation ability to restructuring, integration, and maintain its resources and competencies in order to enhance continuously development that enables to facing competitors and survival (Furnival et al., 2019; Xin et al., 2018; Zhou et al., 2017).

b) Organisational Performance

A term of organisational performance shaped one of the most complex managerial concepts where it is related to an organisation's nature and objectives of measuring the performance (Duong et al., 2019). Hence, scholars have provided a lot of definitions to describe the organisational performance. (Baah and Jin, 2019) explained that organisational performance as including an organisation's final results compared with its planned objectives. Moreover, (Ilmudeen et al., 2019) stated that organisational performance involves three particular aspects of an organisation's outcomes in which are financial performance as organisation's profits and return on investment, product-market performance as sales ratio and market share, and shareholder return such as total shareholder return and economic value-added.

Besides, organisational performance according to content perspective as an organisation's ability to utilising its resources to achieve goals in effective and efficient manners (Oyemomi et al., 2019). A study of (Chein, 2004) observed that five significant factors were identifying organisational performance, in which were leadership styles, job design, organisational culture, the model of motive, and human resource policies. Thereby, it is extremely substantial for the managers of an organisation to cognise their organisation's performance rate to be able to realise what changes they can introduce to cope with the evolutions (Cania, 2014). Without the awareness of the performance, it will be complicated for the organisation's managers to realise the changes accurately needed organisation (Lee and Raschke, 2016). (Mihaiu et al., 2010) identified organisational performance in the public sector by adopting an optimal management system, in which is understood all employees within an organisation, as organisational performance is the result of the simultaneous exercise of efficiency, effectiveness and adequate budgetary process.

c) Dynamic Capabilities and Organisational Performance

Dynamic capabilities function a critical role of an organisation, where they are emphasising the accumulation of embedded abilities in an organisation, and it is directly associated with seeking on goals accomplishment (Hsu and Wang, 2012). Organisations are now working in a dynamic environment, so they need to continue developing their products and services for getting a sustainable competitive advantage and excellent performance for gaining appropriate opportunities (King et al., 2008). However, exploiting these opportunities necessitate organisation to be equipped with robust dynamic capabilities as well as stimulation towards innovation (Zhou et al., 2017).

(Barreto, 2010) contend that dynamic capabilities systematically find solutions to organisations' dilemmas, thus enabling them to make appropriate decisions, and inserting creative changes to their resource base (Schilke, 2014; Teece, 2014). Dynamic capabilities permanently develop ordinary capabilities which are more probable to result in premium efficiency (Winter, 2003). Simultaneously, they include the establishment of new resources and problem-solving unique manners for coping future challenges (Danneels, 2016). (Zott, 2003) discusses that systematic modulation on the resource base could result in considerable performance differentials due to
activities enable the organisation to gather knowledge about how to cope with changes by fewer costs, and thus raise compatibility with its environment. Accordingly, we anticipate that dynamic capabilities could be positively associated with organisational performance, hence the research hypothesis formulated as:

\( H: \) There is a significant positive influence of dynamic capabilities on organisational performance.

### III. Methodology

#### a) Population and Sample

The ministry of finance in Qatar is considered as the vital engine of Qatar's economy by formulation financial regulations and implementation of Qatar's budget to attain its strategic goal. Therefore, the current research population consisted of all top managers in Qatar's ministry of finance, in which are (160) managers in positions (Manager, Vice Manager, Department Manager, and Vice Department Manager). Based on the small size of the population, the research adopted on the complete census method to collect data needed in this research. Table (1) is providing an overall view of the population characteristics:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Categories</th>
<th>Frequencies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>125</td>
<td>78.13%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>35</td>
<td>21.87%</td>
</tr>
<tr>
<td>Qualification</td>
<td>Bachelor</td>
<td>113</td>
<td>70.63%</td>
</tr>
<tr>
<td></td>
<td>Master</td>
<td>36</td>
<td>22.50%</td>
</tr>
<tr>
<td></td>
<td>Doctorate</td>
<td>11</td>
<td>6.87%</td>
</tr>
<tr>
<td>Experience</td>
<td>Less than 5</td>
<td>22</td>
<td>13.75%</td>
</tr>
<tr>
<td></td>
<td>From 5 to 10</td>
<td>59</td>
<td>36.87%</td>
</tr>
<tr>
<td></td>
<td>From 10 to 15</td>
<td>65</td>
<td>40.63%</td>
</tr>
<tr>
<td></td>
<td>More than 15</td>
<td>14</td>
<td>8.75%</td>
</tr>
</tbody>
</table>

#### b) Instrument

The research instrument used to collect data was the questionnaire which developed based on previous studies related to the field of this research and its variables, then a translation of this questionnaire to the Arabic language for easy understanding the items by the population.

The questionnaire consists of three sections; the first section involves questions to collect demographic data about the population. The second section related to the independent variable, which is the dynamic capabilities developed according to (Čirjevskis, 2019; Maja et al., 2018; Mostafiz et al., 2019; Schoemaker et al., 2018), where it consists of 12 questions to measure this variable and its dimensions. Sensing capability measured through questions from 1 to 4, seizing capability measured through questions from 5 to 8, and reconfiguration capability measured through questions from 9 to 12. The third section contained seven questions to measure the dependent variable in which is the organisational performance that developed by the studies of (Oyemomi et al., 2019; Rehman et al., 2019; Tran et al., 2018).

#### c) Conceptual Model

- The research conceptual model expresses the hypothesised relationship among two variables, the independent variable which is dynamic capabilities and its dimensions that are representing sensing, seizing, and reconfiguration, and dependent variable which is organisational performance. Figure (1) is shown this hypothesised relationship

![Figure 1: Research Conceptual Model](image-url)
d) Reliability and Validity

Validity refers to the ability of the instrument to measure what is assumed to be measured for a construct. At the same time, reliability indicates to the extent of how reliable the said measurement model is estimating the intended latent constructs (Ahmad et al., 2016). The instrument validity is determined by the convergent validity using Average Variance Extracted (AVE) where the value of AVE should be higher than 0.5 to achieve this validity and the discriminant validity which is measured using the square root of average variance extracted (√AVE) for the construct should be higher than the correlation between the respective constructs (Al-Hawary and Batayneh, 2015; Zenk et al., 2019).

Besides, the instrument reliability is determined through the internal reliability using Cronbach’s Alpha value which should equal or higher than 0.6 and the construct reliability that measured using the coefficient omega where it should be higher than 0.6 based on studies of (Al-Hawary et al., 2011; Kim and Lee, 2019). The results that achieved are presenting in the table (2) as follow

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Factor Loading</th>
<th>Coefficient Alpha</th>
<th>Coefficient Omega</th>
<th>AVE</th>
<th>√AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensing Capability</td>
<td>SE1</td>
<td>0.74</td>
<td>0.858</td>
<td>0.855</td>
<td>0.598</td>
<td>0.773</td>
</tr>
<tr>
<td></td>
<td>SE2</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SE3</td>
<td>0.77</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SE4</td>
<td>0.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seizing Capability</td>
<td>S1</td>
<td>0.78</td>
<td></td>
<td></td>
<td>0.867</td>
<td>0.793</td>
</tr>
<tr>
<td></td>
<td>S2</td>
<td>0.83</td>
<td></td>
<td></td>
<td>0.871</td>
<td></td>
</tr>
<tr>
<td></td>
<td>S3</td>
<td>0.84</td>
<td></td>
<td></td>
<td>0.630</td>
<td></td>
</tr>
<tr>
<td></td>
<td>S4</td>
<td>0.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconfiguration Capability</td>
<td>RE1</td>
<td>0.81</td>
<td></td>
<td></td>
<td>0.877</td>
<td>0.795</td>
</tr>
<tr>
<td></td>
<td>RE2</td>
<td>0.76</td>
<td></td>
<td></td>
<td>0.873</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RE3</td>
<td>0.78</td>
<td></td>
<td></td>
<td>0.633</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RE4</td>
<td>0.83</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational Performance</td>
<td>OP1</td>
<td>0.81</td>
<td></td>
<td></td>
<td>0.902</td>
<td>0.796</td>
</tr>
<tr>
<td></td>
<td>OP2</td>
<td>0.79</td>
<td></td>
<td></td>
<td>0.923</td>
<td></td>
</tr>
<tr>
<td></td>
<td>OP3</td>
<td>0.76</td>
<td></td>
<td></td>
<td>0.634</td>
<td></td>
</tr>
<tr>
<td></td>
<td>OP4</td>
<td>0.78</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OP5</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OP6</td>
<td>0.84</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OP7</td>
<td>0.77</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy = 0.791

The results show in the table (2) that all items are accepted due to loading on their construct was higher than 0.50 (Zainudin et al., 2019), while the instrument validity results indicated that convergent validity is achieved because of all values of AVE was higher than 0.50, and the discriminant validity is also attained due to all values of square root of average variance extracted higher than the correlation between the respective constructs. Moreover, the instrument reliability tests referred to internal reliability was achieved due to all coefficient Cronbach’s Alpha was higher than 0.6, and construct reliability is also attained because of coefficient omega was higher than 0.6.

e) Goodness of Model Indices

Confirmatory Factor Analysis (CFA) is suitably used when the researcher has some knowledge of the underlying latent variable structure. Based on the knowledge of the theory, empirical research, or both (Byrne, 2010). CFA is providing indicators to judge how the model is fit, these indicators are including: Chi-square ratio (CMIN/DF), the goodness of fit index (GFI), the comparative fit index (CFI), the adjusted goodness of fit index (AGFI), the Tucker-Lewis index (TLI), and root mean square error of approximation (RMSEA). Figure 2 is shown confirmatory factor analysis results (Brown, 2015).
CFA results that are shown in the table (3) indicated that all indices refer a good value, which CMIN/DF was less than 3, CFI, TLI, and AGFI were higher than 0.90, and RMSEA was less than 0.05, in which is the model fit (Al-Hawary et al., 2018).

![Diagram of Confirmatory Factor Analysis (CFA)](image)

**Table 3**: Summary for CFA Result

<table>
<thead>
<tr>
<th>Category</th>
<th>Index</th>
<th>Index Value</th>
<th>Accepted Value</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parsimonious fit</td>
<td>CMIN/DF</td>
<td>1.72</td>
<td>CMIN/DF &lt; 3</td>
<td>within the permissible range</td>
</tr>
<tr>
<td>Incremental fit</td>
<td>CFI</td>
<td>0.91</td>
<td>CFI &gt; 0.90</td>
<td>within the permissible range</td>
</tr>
<tr>
<td></td>
<td>TLI</td>
<td>0.95</td>
<td>TLI &gt; 0.90</td>
<td>within the permissible range</td>
</tr>
<tr>
<td>Absolute fit</td>
<td>GFI</td>
<td>0.94</td>
<td>GFI &gt; 0.90</td>
<td>within the permissible range</td>
</tr>
<tr>
<td></td>
<td>RMSEA</td>
<td>0.025</td>
<td>RMSEA &lt; 0.05</td>
<td>within the permissible range</td>
</tr>
</tbody>
</table>

**IV. Data analysis and Results**

Correlation is a statistical process applied to evaluate a potential linear association between two continuous variables, as well as it used to ensure that the independent variable does not multicollinearity problem (Jiang, 2018). Table (4) is presented the correlation coefficient scores and descriptive analysis results.
Table 4: Means, Standard Deviation and Correlation Coefficients

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SDs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Sensing Capability</td>
<td>3.48</td>
<td>0.912</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2- Seizing Capability</td>
<td>3.74</td>
<td>0.896</td>
<td></td>
<td>0.518*</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>3- Reconfiguration Capability</td>
<td>3.52</td>
<td>0.922</td>
<td>0.701**</td>
<td>0.622*</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>4- Organisational Performance</td>
<td>3.81</td>
<td>0.877</td>
<td>0.640*</td>
<td>0.521*</td>
<td>0.682**</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes: ** Correlation is significant at (α≤0.01). * Correlation is significant at (α≤0.05).

The result in the table (4) indicates that there is a correlation among research variables, where the values were between r= 0.518 and r= 0.701 with significance level less than 0.05, and thus there is no multicollinearity problem due to all correlation values less than 0.80 according to (Hair, 2010).

Also, the results refer that Qatar’s ministry of finance has a moderate level of dynamic capabilities (M=3.58, SD=0.931), in which the sensing capability was at a moderate level (M=3.48, SD=0.912), and the reconfiguration capability was also a moderate level (M=3.52, SD=0.922). While, the seizing capability was a high level (M=3.74, SD=0.896), and regarding of organisational performance, it was a high level (M=3.81, SD=0.877).

Structural Equation Modelling (SEM) is an inclusive and flexible approach that used to identify the relationships between variables in a hypothetical model, whether they are measured or latent. SEM considers a multivariate statistical manner that combines the inputs from factor analysis and that of methods based or derived from multiple regression analysis methods and canonical analysis. Moreover, it is flexible because it is a method that allows not only to identify the direct and indirect effects among variables but also to estimate the parameters of varied and complicated models, including latent variable means (Byrne, 2010). Therefore, SEM was used in this research to testing the hypothesis that addresses the impact of dynamic capabilities on organisational performance, where the result is as shown in figure (3).

Figure 3: Structural Equation Modelling Results

The result shown in Figure (3) indicates a statistically significant effect of dynamic capabilities in organizational performance, where the value of this effect (β=0.57) at a level of significance (P-value=0.002). Thereby, dynamic capabilities have a significant positive influence on organisational performance.

V. Results Discussion

This research aimed to explain the influence of dynamic capabilities on organisational performance in Qatar’s ministry of finance. The results indicated that the level of dynamic capabilities was moderate, that means Qatar’s ministry of finance has procedures to build their
capabilities and utilise them to accomplish its goals. Also, the organisational performance was a high level refers that Qatar’s ministry of finance adopting a set of effective and efficient activities to achieve its objectives.

Furthermore, the results refer that there is a statistically significant influence of dynamic capabilities on organisational performance in Qatar's ministry of finance. Therefore, Qatar's ministry of finance enhances its employees' abilities to learn how to monitor the changes in its environment to discover new methods that help to improve its accomplishment. Moreover, it motivates to share knowledge which acquired both internally and externally among all departments that lead to developing the work manners which reflected on its outcomes.

Besides, the ability of Qatar's ministry of finance to determine the processes that are adding value to its customers helps to focus on activities that ensure achieving its goals. moreover, they emphasise on restructuring their resources to enable them to develop their services and business models to provide unique services to their customers.

VI. MANAGERIAL IMPLICATIONS

Based on the research results, we are recommending managers and decision-makers in Qatar's ministry of finance to develop their employees' abilities to sense the changes in the environment by providing them with appropriate training. Moreover, motivate them to improve their work methods by utilising new technologies which help to achieve high productivity. Also, enhancing them to share knowledge acquiring among departments that lead to building organisational culture characterised with intensive learning.

VII. LIMITATIONS AND FUTURE RESEARCH

This research is contributed to adding a lot of literature regarding its variables. However, it includes some limitations. Firstly, this research is conducted in Qatar's ministry of finance, so we are suggesting implementing the same research but in other population, which enable to more generalisation the results. Secondly, this research is aimed to investigate the influence of dynamic capabilities on organisational performance; we recommend future studies to search on the impact of dynamic capabilities on other variables as competitive performance, innovation behaviour, and organisational ambidexterity. Finally, this research sample consisted of top managers in Qatar's ministry of finance which has the same culture. Thus, we are oriented future studies to apply the same research on other countries to discover the relationship among variable if the culture changed.

REFERENCES Références Referencias


