



GROWTH THAT COMPOUNDS

Dynamic capabilities are routines, not magic

Dynamic capabilities are identifiable processes, not a synonym for success: test routines, path dependence, and market velocity first.

Sinan Isoglu, MBA (Quantic)

Commercial growth leader, lecturer and doctoral researcher

PUBLISHED

1 September 2026

READING TIME

6 min

WORDS

1,362

<https://isoglu.com/insights/journal/dynamic-capabilities-are-routines-not-magic/>

Management summary	2
Why must dynamic capabilities begin with concrete organizational processes?	3
Why does path-dependent learning differ from unreplicable competitive advantage?	4
How does market velocity alter the structure of organizational routines?	4
Why does possession of dynamic capabilities fail to guarantee commercial success?	5
How should operating teams audit and refine live commercial routines?	5
Which three popular assumptions about dynamic capabilities should leaders avoid?	6
Where are the empirical boundaries of dynamic capability theory?	6
References	7

MANAGEMENT SUMMARY

Calling a firm dynamic can hide the mechanism that is supposed to create change. Eisenhardt and Martin describe dynamic capabilities as specific and identifiable processes such as product development, strategic decision making, and alliancing. These processes can be path-dependent and idiosyncratic in their details while still sharing commonalities across firms. Their form also depends on market velocity: in moderately dynamic markets they resemble detailed and stable routines, while in high-velocity markets they are simpler, highly experiential, and fragile. This article turns the distinction into a synthetic diagnostic. It does not certify a firm's capabilities or imply that a named routine produces superior performance everywhere.

Keywords: Dynamic capabilities · Strategic routines · High-velocity markets · Organizational change

Calling a firm dynamic can hide the mechanism that is supposed to create change.

The short answer is that dynamic capabilities should be inspected as processes, not invoked as a verdict. Eisenhardt and Martin describe them as specific and identifiable processes such as product development, strategic decision making, and alliancing. The label becomes useful when it points to a repeatable way of sensing, deciding, recombining, or changing.

The source also rejects a simple contradiction. Dynamic capabilities can be path-dependent and idiosyncratic in their details while sharing commonalities across firms. In other words, the process may belong to a particular history and still have a recognizable structure or resemble a best practice. The market matters as well. A routine that works in a moderately dynamic market may be too slow or too formalized for a high-velocity market.

Teece et al. (1997) place the process inside a wider framework of organizational processes, asset positions, and evolutionary paths. Their account links advantage to coordinating and combining difficult-to-trade knowledge and complementary assets in changing environments. This adds an important boundary to the label: a routine is not valuable merely because it is dynamic; its role depends on the assets, path, and opportunity it is meant to connect.

Why must dynamic capabilities begin with concrete organizational processes?

“We are agile” is not a capability description. It does not identify the decisions, participants, sequence, information, or feedback that allow a firm to change.

A process description is more demanding. It asks:

Table 1 Why must dynamic capabilities begin with concrete organizational processes?

Process field	Diagnostic question
Trigger	What signal or problem starts the process?
Actors	Which roles make, challenge, and execute the decision?
Sequence	Which steps happen, and in what order?
Recombination	Which resources, relationships, or knowledge are rearranged?
Feedback	What evidence changes the next iteration?
Boundary	In which market and operating conditions is the routine expected to hold?

Table from this essay. Sources and interpretation are given in the article.

Product development, strategic decision making, and alliancing are examples of identifiable process domains. The list is not a universal capability catalogue. It is a reminder to name the work that a broad strategy term is meant to describe.

Table 1 Dynamic capability depends on market velocity

Synthetic diagnostic	Moderately dynamic market	High-velocity market
Capability form	Detailed, analytic, stable routine	Simple, experiential, fragile process
Main coordination asset	Codified sequence and predictable handoffs	Fast judgment and shared experience
Transfer question	Can the routine be documented and adapted?	Which learning signal keeps the process alive?
Main risk	Stability becomes rigidity	Experience becomes fragile when conditions shift
Evidence boundary	Repeatability under relatively stable conditions	Useful action despite unpredictable outcomes

Author's synthetic diagnostic grounded in Eisenhardt and Martin (2000) and Teece et al. (1997). Descriptions are illustrative and do not assess a live firm's routines.

The figure does not say that one market is easy or that experiential processes are always superior. It says that a capability claim has a context. "Transferable" can mean documentation and adaptation in one setting, and rapid judgment under unstable conditions in another.

Why does path-dependent learning differ from unreplicable competitive advantage?

Path dependence means that a capability's emergence is shaped by the sequence through which a firm built it. Prior decisions influence who has experience, which routines are trusted, which partners are available, and which information becomes legible. That history can make the details idiosyncratic.

But idiosyncratic details do not prove that the process is incomparable. Eisenhardt and Martin argue that dynamic capabilities can share commonalities across firms and can resemble best practices. Teece et al. (1997) add that the relevant process has to be read alongside the firm's asset position and evolutionary path. A firm can therefore compare the architecture of a routine without pretending that every detail will transfer.

This is a useful middle position. Treating every capability as unique blocks learning. Treating a published play-book as plug-and-play hides the path through which it was developed and the conditions under which it works. The right question is not "Is this capability unique?" It is "Which parts are structural, which parts are historical, and which parts must be relearned here?"

How does market velocity alter the structure of organizational routines?

In moderately dynamic markets, the source says dynamic capabilities resemble traditional routines: detailed, analytic, stable processes with predictable outcomes. Documentation, stage gates, decision rights, and post-decision review can make the capability more repeatable.

In high-velocity markets, dynamic capabilities are described as simpler, highly experiential, and fragile, with unpredictable outcomes. A long sequence can become obsolete before the process completes. The capability may depend more on rapid interpretation, direct experience, and a small number of decision rules than on a comprehensive manual.

The distinction is a boundary condition, not a market label to copy into a strategy deck. A company can operate in more than one velocity regime at once. Product development, regulatory work, pricing, and alliancing may each have different degrees of predictability. A routine should be tested against the environment in which it is used.

Why does possession of dynamic capabilities fail to guarantee commercial success?

The phrase “dynamic capability” is often used retrospectively: a successful firm changed, so the routines that preceded the change are called dynamic. That shortcut confuses a process with an outcome.

The source’s contribution is narrower and more useful. It identifies process types and explains how their form varies by market context. A routine can be identifiable without being effective in every setting. It can also be effective for one objective and harmful for another. A fast decision process may improve adaptation and weaken deliberation. A stable product-development sequence may improve reliability and slow a response to a discontinuity.

A capability review should therefore record the outcome separately:

Table 3 Why does possession of dynamic capabilities fail to guarantee commercial success?

Layer	What to record
Capability claim	Which process is supposed to create change?
Context claim	Under which market and operating conditions?
Process evidence	What does the process actually do and repeat?
Outcome evidence	Which declared result changed, and compared with what?
Learning evidence	What did the organization revise after feedback?

Table from this essay. Sources and interpretation are given in the article.

This separation protects the word “capability” from becoming a synonym for “good management.”

How should operating teams audit and refine live commercial routines?

Use the following review sequence:

- 1 Name one process instead of one abstract capability.
- 2 Identify the trigger, decision rights, handoffs, and feedback.
- 3 State whether the operating environment is moderately dynamic, high velocity, or mixed.
- 4 Mark which parts of the process are historical and which can be transferred.

- 5 Define the outcome boundary before declaring success.
- 6 Record the learning mechanism that changes the routine.

The sixth step is critical. A routine that never changes is not automatically a dynamic capability. It may be a stable operating procedure, a capability that has become rigid, or a process that has not faced the conditions it was designed to navigate.

Which three popular assumptions about dynamic capabilities should leaders avoid?

First, do not say that a firm has dynamic capabilities because it is growing or because it uses the word “agile.” Name the process.

Second, do not infer that a successful routine transfers unchanged. Path dependence shapes its emergence, and market velocity shapes its usable form.

Third, do not treat the distinction between moderately dynamic and high-velocity markets as a binary diagnosis for an entire company. Test the boundary at the level of the process and the environment.

For adjacent decisions, compare the proven playbook in a new market with what AI changes in revenue operations.

Where are the empirical boundaries of dynamic capability theory?

Eisenhardt and Martin provide the process-based definition, the role of path dependence and commonalities, and the distinction between moderately dynamic and high-velocity markets. Teece, Pisano, and Shuen provide the organizational-process, asset-position, and evolutionary-path boundary. The diagnostic table and review sequence are author-owned translations. They do not certify a capability, rate a firm, or establish that a particular routine will create competitive advantage.

REFERENCES

- Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10-11), 1105-1121. DOI
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533. DOI

END OF ESSAY

HOW TO CITE THIS ESSAY

Isoglu, S. (2026, September 1). Dynamic capabilities are routines, not magic. Sinan Isoglu.
<https://isoglu.com/insights/journal/dynamic-capabilities-are-routines-not-magic/>

KEEP READING

Growth that compounds

The playbook study never asked who made the tools

<https://isoglu.com/insights/journal/the-playbook-study-never-asked-who-made-the-tools/>

Growth that compounds

Programmatic M&A: the claim that outlived its test

<https://isoglu.com/insights/journal/the-claim-that-outlived-its-test/>

Growth that compounds

What is activation rate? The first value event must be observable

<https://isoglu.com/insights/journal/what-is-activation-rate/>



Sinan Isoglu, MBA (Quantic)

Commercial growth leader, lecturer and doctoral researcher

© 2026 Sinan Isoglu · isoglu.com · All rights reserved

Online version: <https://isoglu.com/insights/journal/dynamic-capabilities-are-routines-not-magic/>