

RESEARCH ARTICLE

Shifting corporate mindset from operating cost to strategic capital: A theoretical framework and empirical investigation

Belayihun Shewangzaw*, Muluken Hailu, Fikralem Toma and Zenabu Girma

Department of Marketing Management, Wolkite University, Wolkite, Ethiopia

Abstract: The prevailing operating mindset in contemporary corporate environments, characterized by short-term efficiency optimization, incremental improvement, and tactical responsiveness, has been increasingly identified as a fundamental barrier to sustainable value creation and long-term organizational resilience. This paper introduces the construct of Strategic Capital as a higher-order organizational resource that transcends the traditional dichotomy between operational excellence and strategic intent, arguing that the shift from an operating mindset to a strategic capital orientation constitutes a critical transformation for firms operating in volatile, uncertain, complex, and ambiguous (VUCA) environments. Drawing upon the resource-based view (RBV), dynamic capabilities theory, and upper echelons theory, we develop a multi-dimensional theoretical framework that conceptualizes Strategic Capital as comprising four interdependent dimensions: strategic cognition, strategic resource orchestration, strategic relational capital, and strategic adaptive capacity. Through a mixed-methods research design involving survey data from 312 senior executives across six industries and qualitative case analyses of eight organizations that have undergone mindset transformation, we empirically validate the proposed framework and demonstrate that organizations exhibiting higher levels of Strategic Capital achieve significantly superior performance outcomes across both financial and non-financial metrics. Our findings reveal that the transition from operating mindset to Strategic Capital is neither linear nor automatic but rather a punctuated equilibrium process mediated by leadership commitment, organizational learning mechanisms, and institutional voids. The paper contributes to the strategic management literature by offering a parsimonious yet comprehensive construct that bridges the micro-macro divide in organizational cognition research, and provides practitioners with a diagnostic toolkit for assessing and cultivating Strategic Capital within their organizations.

Keywords: *Operating mindset; Strategic capital; Strategic cognition; Dynamic capabilities; Strategic leadership*

Introduction

The contemporary business landscape is characterized by unprecedented levels of volatility, uncertainty, complexity, and ambiguity, collectively referred to as VUCA conditions (Bennett & Lemoine, 2014). Organizations across industries confront disruptive technological change, shifting geopolitical dynamics, evolving regulatory frameworks, and increasingly sophisticated competitive pressures that demand not merely operational efficiency but strategic foresight and adaptive capacity (Teece, Pisano, & Shuen, 1997; Teece, 2007). Despite widespread recognition that strategic orientation is essential for long-term survival and prosperity, a persistent and pervasive operating mindset continues to dominate corporate decision-making processes, resource allocation patterns, and organizational culture in many firms (March, 1991; Levinthal & March, 1993).

An operating mindset, as conceptualized in this study, refers to a cognitive and organizational orientation that prioritizes short-term operational efficiency, incremental process improvement, and tactical

*Corresponding author: Department of Marketing Management, Wolkite University, Wolkite, Ethiopia
Email: belayshewa4@gmail.com

responsiveness to immediate market demands over long-term strategic positioning and value creation. This mindset manifests in organizational behaviors such as excessive reliance on historical performance metrics, risk-averse decision-making, siloed functional thinking, and a preoccupation with cost minimization at the expense of innovation and growth (Benner & Tushman, 2003; March, 1991). While operational excellence remains a necessary condition for organizational survival, it is increasingly insufficient as a basis for sustainable competitive advantage in dynamic environments (Barney, 1991; Teece, 2007).

The strategic management literature has long recognized the tension between operational and strategic orientations. Porter's distinction between operational effectiveness and strategic positioning laid the foundational groundwork for understanding that performing similar activities better than rivals (operational effectiveness) is fundamentally different from performing different activities or performing similar activities in different ways (strategic positioning) (Porter, 1996). Subsequent research has extended this distinction by examining how cognitive frames, organizational routines, and institutional logics shape the relative emphasis that organizations place on operational versus strategic concerns (Ocasio, 1997; DiMaggio & Powell, 1983). However, the existing literature suffers from several important gaps that limit both theoretical understanding and practical guidance.

First, prior research has predominantly treated the operating mindset and strategic orientation as a binary dichotomy, overlooking the possibility of a higher-order construct that subsumes and transcends both orientations (O'Reilly & Tushman, 2013). Second, the mechanisms through which organizations transition from an operating mindset to a more strategically oriented posture remain under-theorized and under-investigated empirically (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2009). Third, the performance implications of this transition have not been adequately quantified, particularly in the context of VUCA environments where the value of strategic orientation may be amplified (Teece, 2007). Fourth, the role of leadership, organizational learning, and institutional context in facilitating or inhibiting this transition requires systematic investigation (Hambrick & Mason, 1984; Khanna & Palepu, 2010).

To address these gaps, this paper introduces the construct of Strategic Capital, defined as the aggregate organizational capacity to conceive, cultivate, and capitalize upon strategic resources, relationships, and cognitive frameworks that generate sustainable competitive advantage over time. We argue that Strategic Capital represents a meta-capability that integrates and transcends both operational and strategic orientations, enabling organizations to achieve operational excellence as a byproduct of strategic intent rather than as an end in itself. This conceptualization is grounded in the Resource-Based View (Barney, 1991; Wernerfelt, 1984), Dynamic Capabilities Theory (Teece et al., 1997; Teece, 2007), and Upper Echelons Theory (Hambrick & Mason, 1984). The central research question guiding this study is: How does the shift from an operating mindset to a Strategic Capital orientation manifest in organizational practice, what mechanisms drive and mediate this transition, and what are the performance consequences for organizations operating in VUCA environments?

This paper makes several contributions to the strategic management literature. Theoretically, we develop a multi-dimensional framework for Strategic Capital that draws upon and extends the Resource-Based View, Dynamic Capabilities Theory, and Upper Echelons Theory (Barney, 1991; Teece, 2007; Hambrick & Mason, 1984). Empirically, we provide evidence from a mixed-methods investigation that validates the proposed framework and quantifies the performance effects of Strategic Capital. Practically, we offer a diagnostic toolkit that enables leaders to assess their organizations' current position on the operating mindset-to-Strategic Capital continuum and identify specific intervention points for accelerating the transition.

Theoretical Background and Literature Review

The operating mindset: Conceptual foundations

The concept of an operating mindset draws upon several streams of research in organizational cognition, strategic management, and behavioral strategy. At its core, the operating mindset reflects a cognitive

orientation toward exploitation rather than exploration, efficiency rather than effectiveness, and certainty rather than ambiguity (March, 1991; Levinthal & March, 1993). March's seminal distinction between exploration and exploitation provides a foundational lens for understanding the operating mindset, which privileges exploitation-oriented activities such as refinement, efficiency gains, and incremental improvement over exploration-oriented activities such as search, experimentation, and innovation (March, 1991).

Cognitive psychology and organizational cognition research demonstrate that individuals and organizations develop cognitive frames and mental models that shape attention, interpretation, and action (Tripsas & Gavetti, 2000; Gavetti & Levinthal, 2000). The operating mindset constitutes a particular type of cognitive frame that directs organizational attention inward toward internal processes and efficiency metrics rather than outward toward environmental opportunities and threats. This attentional narrowing is reinforced by organizational structures, measurement systems, and incentive mechanisms that reward operational performance while undervaluing strategic contribution (Ocasio, 1997). The behavioral theory of the firm further explains how organizational routines and standard operating procedures become self-reinforcing, creating path dependencies that make it difficult for organizations to shift from an operating to a strategic orientation (March, 1991; Levinthal & March, 1993).

Institutional theory adds another layer of explanation by highlighting how normative pressures and mimetic behaviors perpetuate the operating mindset across industries (DiMaggio & Powell, 1983; Lawrence & Suddaby, 2006). Organizations that adopt strategic orientations that deviate from industry norms may face legitimacy challenges, particularly in mature industries where operational efficiency is deeply institutionalized as the primary logic of organizing. DiMaggio and Powell's (1983) concept of isomorphic pressures helps explain why the operating mindset persists even when its limitations become apparent: organizations conform to industry norms not because these norms are optimal but because conformity confers legitimacy and reduces uncertainty.

Strategic orientation: From strategy as plan to strategy as capital

The evolution of strategic thinking from the classical design school through the positioning school to the resource-based and dynamic capabilities perspectives has progressively shifted the conceptualization of strategy from a deliberate plan to an organizational capability (Mintzberg, 1987; Porter, 1996). Mintzberg's (1987) distinction between intended, emergent, and realized strategies highlighted the limitations of viewing strategy as a purely deliberate process and drew attention to the organizational capacities that enable strategic adaptation. The resource-based view extended this insight by arguing that sustainable competitive advantage derives not from strategic positioning per se but from the deployment of valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities (Wernerfelt, 1984; Barney, 1991).

Dynamic capabilities theory further advanced the conceptualization of strategy by introducing the notion that sustainable advantage in dynamic environments requires not merely the possession of VRIN resources but the capacity to sense opportunities, seize them through organizational reconfiguration, and transform the organization accordingly (Teece et al., 1997; Teece, 2007). Teece's (2007) three-component framework of sensing, seizing, and transforming provides a process-based understanding of strategic capability that moves beyond the static resource-based view. However, the dynamic capabilities literature has been criticized for being tautological and for insufficiently specifying the microfoundations of dynamic capabilities, particularly the cognitive and behavioral mechanisms through which individuals and organizations develop and deploy them (Priem & Butler, 2001; Eisenhardt & Martin, 2000).

The concept of Strategic Capital introduced in this paper builds upon and extends these theoretical streams by conceptualizing strategy not merely as a plan, position, or capability but as a form of organizational capital that accumulates through deliberate investment in strategic cognitive resources, relational assets, and adaptive capacities. This conceptualization draws an analogy to the economic notion of capital as an accumulated stock that yields a flow of services over time, suggesting that strategic capacity can be built,

invested in, depreciated, and converted into competitive advantage in ways analogous to physical, human, and social capital (Pitelis, 2009).

The resource-based view and strategic capital

The resource-based view provides a foundational theoretical anchor for the concept of Strategic Capital. Barney's (1991) seminal contribution established that resources that are valuable, rare, inimitable, and non-substitutable form the basis for sustainable competitive advantage. Strategic Capital extends this logic by arguing that the capacity to identify, develop, combine, and reconfigure such resources constitutes a higher-order resource in itself, one that satisfies the VRIN criteria more robustly than many individual resources (Wernerfelt, 1984; Barney, 1991). The meta-capability to orchestrate resources strategically is inherently valuable because it enables the firm to adapt its resource portfolio to changing environmental conditions; rare because few firms develop it systematically; inimitable because it is causally ambiguous and socially complex; and non-substitutable because no alternative mechanism can replicate the integrative function it serves (Barney, 1991; Foss & Ishikawa, 2007).

The resource orchestration literature further supports the Strategic Capital construct by emphasizing that resources alone do not create advantage; rather, it is the strategic management of resources through structuring, bundling, and leveraging activities that generates value (Sirmon, Hitt, & Ireland, 2007). Sirmon et al.'s (2007) resource orchestration framework provides a process-based complement to the resource-based view that aligns closely with the Strategic Capital construct, particularly the dimensions of strategic resource orchestration and strategic adaptive capacity proposed in this study. However, our framework extends resource orchestration theory by explicitly incorporating the cognitive dimension of strategic capital, recognizing that resource orchestration decisions are fundamentally shaped by the cognitive frames and mental models of organizational leaders (Adner & Helfat, 2003).

Upper echelons theory and strategic cognition

Hambrick and Mason's (1984) upper echelons theory provides the final theoretical pillar for the Strategic Capital framework by establishing that organizational outcomes are partially predicted by the characteristics of top management teams. The theory posits that executives' cognitive bases and values shape their perceptual filters, which in turn influence strategic choices and organizational performance (Hambrick & Mason, 1984). The strategic cognition dimension of Strategic Capital extends upper echelons theory by specifying the cognitive mechanisms through which executives can move beyond the operating mindset and develop more strategically oriented perceptual filters. These mechanisms include strategic sensemaking, systems thinking, temporal horizon extension, and paradoxical cognition (Nadkarni & Barr, 2008; Gavetti & Levinthal, 2000).

Recent advances in the cognitive foundations of strategy further support the importance of strategic cognition as a dimension of Strategic Capital. Research on attention-based views of the firm demonstrates that how organizations allocate attention across issues and answers fundamentally shapes strategic behavior (Ocasio, 1997). The operating mindset can be understood as a particular pattern of attention allocation that over-weights operational issues and under-weights strategic ones. Shifting to a Strategic Capital orientation requires a fundamental redistribution of organizational attention toward strategic issues, long-term horizons, and cross-functional interdependencies (Ocasio, 1997; Nadkarni & Barr, 2008).

Conceptual Framework: Dimensions of Strategic Capital

Based on the theoretical foundations outlined above, we propose a four-dimensional model of Strategic Capital that captures the essential elements of the transition from operating mindset to strategic orientation. The four dimensions are: (1) Strategic Cognition, (2) Strategic Resource Orchestration, (3) Strategic Relational Capital, and (4) Strategic Adaptive Capacity. These dimensions are conceptualized as interdependent and mutually reinforcing components of a higher-order construct, with Strategic Cognition serving as the cognitive foundation that shapes and enables the other three dimensions. The framework

draws upon the Resource-Based View (Barney, 1991; Wernerfelt, 1984), Dynamic Capabilities Theory (Teece et al., 1997; Teece, 2007), Upper Echelons Theory (Hambrick & Mason, 1984), and the attention-based view of the firm (Ocasio, 1997).

Strategic cognition

Strategic Cognition refers to the collective cognitive capacity of an organization's leadership and workforce to perceive, interpret, and act upon strategic opportunities and threats in ways that transcend the immediate operational context. It encompasses four sub-dimensions: strategic sensemaking, which involves the ability to construct meaningful narratives about environmental change and organizational identity; systems thinking, which enables leaders to understand interdependencies and feedback loops across organizational and environmental systems; temporal horizon extension, which involves the capacity to consider long-term consequences and delayed effects of current decisions; and paradoxical cognition, which enables the simultaneous holding and integration of contradictory strategic demands such as exploration and exploitation, efficiency and innovation, or stability and change (Hambrick & Mason, 1984; Gavetti & Levinthal, 2000; Nadkarni & Barr, 2008).

Organizations dominated by an operating mindset typically exhibit weak strategic cognition, as evidenced by short planning horizons, reactive rather than proactive environmental scanning, and difficulty managing strategic tensions (March, 1991; Ocasio, 1997). In contrast, organizations with high Strategic Cognition demonstrate the ability to reframe challenges, identify non-obvious connections between distant environmental trends, and maintain strategic direction while adapting tactical approaches. The development of strategic cognition is not merely an individual-level phenomenon but is embedded in organizational structures, processes, and cultures that either enable or constrain strategic thinking (Tripsas & Gavetti, 2000; Ocasio, 1997).

Strategic resource orchestration

Strategic Resource Orchestration refers to the organizational capacity to strategically structure, bundle, and leverage resources in ways that create and sustain competitive advantage. Unlike operational resource management, which focuses on the efficient allocation and utilization of existing resources within established patterns, strategic resource orchestration involves the creative recombination of resources, the development of new resource configurations, and the divestiture of resources that no longer serve strategic objectives (Sirmon, Hitt, & Ireland, 2007). This dimension includes the capacity for strategic investment decisions that sacrifice short-term returns for long-term positional advantage, the development of resource combinations that generate synergistic value exceeding the sum of individual resource contributions, and the construction of resource barriers that protect competitive positions from imitation and substitution (Barney, 1991; Wernerfelt, 1984).

The transition from operating mindset to Strategic Resource Orchestration requires a fundamental shift in how organizations evaluate investment opportunities, allocate capital, and measure returns. Operating mindset organizations typically employ discounted cash flow and return on investment metrics that favor incremental improvements to existing businesses. Strategic Capital organizations, by contrast, develop complementary evaluation frameworks that incorporate option value, positional advantage, learning potential, and competitive dynamics into resource allocation decisions (Bower & Gilbert, 2005; Sirmon et al., 2007). This does not mean abandoning financial discipline but rather embedding strategic considerations within the resource allocation process itself.

Strategic relational capital

Strategic Relational Capital encompasses the network of strategic relationships that an organization cultivates with external stakeholders, including customers, suppliers, alliance partners, regulatory bodies, academic institutions, and community organizations, for the purpose of accessing resources, knowledge, and legitimacy that extend beyond organizational boundaries. While operating mindset organizations tend

to view relationships primarily through transactional and efficiency lenses, Strategic Capital organizations invest in relational assets that provide strategic optionality, market intelligence, and collaborative innovation potential (Pitelis, 2009; Lawrence & Suddaby, 2006). This dimension recognizes that in an increasingly interconnected and interdependent business environment, competitive advantage increasingly derives from the quality, diversity, and strategic positioning of an organization's relational network rather than solely from internal resources and capabilities.

Strategic Relational Capital differs from conventional conceptualizations of social capital in several important respects. First, it emphasizes the strategic positioning of relationships rather than merely their quantity or density. Second, it incorporates both bridging capital, which connects the organization to diverse and distant networks, and bonding capital, which deepens relationships within strategic partnerships. Third, it explicitly recognizes the dynamic nature of relational capital, which must be continuously maintained, renewed, and reconfigured as strategic conditions change. Fourth, it acknowledges that relational capital can depreciate through neglect, disruption, or changes in the strategic relevance of particular relationships (Lawrence & Suddaby, 2006; Pitelis, 2009).

Strategic adaptive capacity

Strategic Adaptive Capacity refers to the organizational capability to detect, interpret, and respond to environmental changes in ways that preserve strategic coherence while enabling strategic evolution. It encompasses the capacity for strategic renewal, which involves the fundamental reconfiguration of organizational strategy, structure, and systems in response to environmental shifts; strategic resilience, which enables the organization to absorb and recover from strategic shocks while maintaining core purpose and identity; and strategic agility, which permits rapid reallocation of resources and attention in response to emerging opportunities and threats (Teece, 2007; Helfat & Peteraf, 2009).

This dimension is particularly critical in VUCA environments, where the pace and unpredictability of change render static strategic plans obsolete and demand ongoing strategic adaptation (Teece et al., 1997). The relationship between Strategic Adaptive Capacity and the other three dimensions of Strategic Capital is reciprocal and reinforcing. Strategic Cognition provides the perceptual and interpretive foundation for detecting environmental changes and formulating adaptive responses. Strategic Resource Orchestration provides the resource flexibility needed to execute adaptive responses. Strategic Relational Capital provides access to external resources, knowledge, and perspectives that enhance the organization's adaptive potential. Conversely, the exercise of adaptive capacity strengthens each of the other dimensions by providing experiential learning opportunities, testing and refining cognitive frameworks, and demonstrating the value of strategic resource and relational investments (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2009).

Table 1: Dimensions of strategic capital: Operating mindset versus strategic capital indicators

Dimension	Sub-dimensions	Operating Mindset Indicator	Strategic Capital Indicator
Strategic Cognition	Sensemaking, Systems Thinking, Temporal Extension, Paradoxical Cognition	Short-term, reactive, siloed	Long-term, proactive, integrative
Strategic Resource Orchestration	Structuring, Bundling, Leveraging, Divesting	Efficiency-focused allocation	Position-focused configuration
Strategic Relational Capital	Bridging Capital, Bonding Capital, Relational Positioning	Transactional relationships	Strategic network positioning
Strategic Adaptive Capacity	Renewal, Resilience, Agility	Resistance to change	Dynamic reconfiguration



Figure 1: Conceptual framework

Hypotheses Development

The Strategic Capital framework suggests that organizations that successfully transition from an operating mindset to a strategic orientation are better positioned to achieve superior organizational performance. Drawing on the Resource-Based View (Barney, 1991; Wernerfelt, 1984), Dynamic Capabilities Theory (Teece et al., 1997; Teece, 2007), and Upper Echelons Theory (Hambrick & Mason, 1984), we argue that Strategic Capital functions as a higher-order capability that enables firms to create, sustain, and renew competitive advantage.

Strategic Cognition enables organizations to anticipate environmental changes, identify strategic opportunities, and formulate responses that extend beyond short-term operational concerns. Prior research suggests that managerial cognition and strategic attention significantly influence organizational outcomes and strategic effectiveness (Ocasio, 1997; Nadkarni & Barr, 2008). Therefore:

H1: Strategic Cognition positively influences organizational performance.

Strategic Resource Orchestration facilitates the effective structuring, bundling, and leveraging of organizational resources to create value and sustain competitive advantage. Resource orchestration theory emphasizes that competitive advantage depends not only on resource possession but also on how resources are managed and deployed (Sirmon, Hitt, & Ireland, 2007). Therefore:

H2: Strategic Resource Orchestration positively influences organizational performance.

Strategic Relational Capital provides organizations with access to external knowledge, resources, legitimacy, and innovation opportunities through strategically managed stakeholder relationships. Research suggests that relational networks contribute significantly to organizational learning, adaptability, and competitive advantage (Lawrence & Suddaby, 2006; Pitelis, 2009). Therefore:

H3: Strategic Relational Capital positively influences organizational performance.

Strategic Adaptive Capacity enables organizations to respond effectively to environmental uncertainty, disruptions, and emerging opportunities. Dynamic capabilities research emphasizes that adaptive organizations are better able to sustain performance in turbulent environments (Teece, 2007; Helfat & Peteraf, 2009). Therefore:

H4: Strategic Adaptive Capacity positively influences organizational performance.

The four dimensions collectively constitute the higher-order construct of Strategic Capital. Organizations that possess stronger Strategic Capital are expected to demonstrate superior financial and non-financial performance because they can better align resources, capabilities, relationships, and strategic decision-making processes with environmental demands (Barney, 1991; Teece, 2007). Therefore:

H5: Strategic Capital positively influences organizational performance.

Organizations characterized by a dominant operating mindset tend to emphasize short-term efficiency, routine exploitation, and operational control at the expense of strategic flexibility and innovation (March, 1991; Levinthal & March, 1993). Consequently, the operating mindset is expected to inhibit the development of Strategic Capital. Therefore:

H6: Operating Mindset negatively influences Strategic Capital.

Research Methodology

Research design

This study employs a sequential mixed-methods research design combining quantitative survey research with qualitative case analysis. The mixed-methods approach was selected for several reasons. First, the nascent state of the Strategic Capital construct required both quantitative validation of the proposed measurement framework and qualitative exploration of the mechanisms and processes underlying the operating mindset-to-Strategic Capital transition. Second, the complexity of organizational mindset transformation demanded methodological triangulation to ensure the robustness and credibility of findings. Third, the practical objective of developing a diagnostic toolkit necessitated both the identification of quantifiable indicators and the understanding of contextual factors that shape the transformation process.

The research proceeded in three phases. Phase one involved expert interviews and focus groups with 24 senior strategists and organizational development professionals to refine the theoretical framework and develop the measurement instrument. Phase two comprised a large-scale survey of senior executives across six industries to quantitatively validate the Strategic Capital construct and test the proposed hypotheses. Phase three involved in-depth qualitative case studies of eight organizations selected on the basis of their position on the operating mindset-to-Strategic Capital continuum, including four organizations that had recently undergone significant mindset transformation and four organizations that remained predominantly operating mindset-oriented.

Sample and data collection

The survey sample consisted of 312 senior executives from organizations across six industries: financial services, information technology, manufacturing, healthcare, energy, and professional services. Industries were selected to represent variation in environmental dynamism, competitive intensity, and regulatory complexity. Within each industry, organizations were selected using stratified random sampling based on firm size and geographic location. Potential respondents were identified through professional associations, industry directories, and executive education alumni networks. The target respondents were C-suite executives, senior vice presidents, and directors with strategic decision-making authority. The final response rate was 38.7 percent, which is within the acceptable range for executive surveys.

Table 2: Sample distribution and descriptive statistics by industry

Industry	N	Percentage	Mean SC Score	Mean OM Score
Financial Services	58	18.6%	4.32	3.18
Information Technology	54	17.3%	4.67	2.89
Manufacturing	52	16.7%	3.78	3.95
Healthcare	50	16.0%	3.91	3.67
Energy	49	15.7%	3.85	4.02
Professional Services	49	15.7%	4.21	3.34

Measurement

The Strategic Capital construct was measured using a 32-item scale developed through the expert interview process in Phase one and refined through a pilot study with 45 executives. Each of the four dimensions was measured by eight items reflecting the sub-dimensions identified in the conceptual framework. All items were measured on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). The operating mindset was measured using a 12-item scale adapted from existing measures of exploitation orientation and operational effectiveness focus. Organizational performance was measured using a balanced scorecard approach incorporating financial performance (return on assets, revenue growth, market-to-book ratio), customer performance (customer satisfaction, market share), internal process performance (operational efficiency, innovation output), and learning and growth performance (employee development, knowledge management).

Control variables included firm size (measured by number of employees), firm age, industry environmental dynamism (measured using a composite index of market volatility, technological change, and regulatory change), and CEO tenure. Leadership commitment to strategic transformation was measured using a six-item scale assessing the extent to which senior leadership actively championed strategic thinking, invested in strategic capabilities, and modeled strategic behavior. Organizational learning mechanisms were measured using an eight-item scale assessing the presence and quality of formal and informal learning structures, knowledge sharing processes, and experimentation cultures. Institutional voids were measured using a five-item scale adapted from Khanna and Palepu's institutional void framework, assessing the degree to which market intermediaries, regulatory frameworks, and talent markets were underdeveloped.

Analytical approach

Quantitative data were analyzed using structural equation modeling (SEM) with maximum likelihood estimation. The measurement model was assessed through confirmatory factor analysis (CFA) to establish convergent and discriminant validity of the Strategic Capital construct. The structural model was then estimated to test the hypothesized relationships between Strategic Capital, its antecedents, mediators, and performance outcomes. Model fit was evaluated using conventional criteria including chi-square to degrees of freedom ratio, comparative fit index (CFI), Tucker-Lewis index (TLI), root mean square error of approximation (RMSEA), and standardized root mean square residual (SRMR). Qualitative case data were analyzed using a combination of pattern matching, explanation building, and cross-case synthesis techniques following Yin's case study methodology.

Results

Measurement model validation

The confirmatory factor analysis provided strong support for the four-dimensional model of Strategic Capital. The measurement model exhibited excellent fit indices: chi-square/df = 2.14, CFI = 0.96, TLI = 0.95, RMSEA = 0.041, SRMR = 0.032. All factor loadings were statistically significant at the 0.001 level and exceeded the 0.70 threshold, with standardized loadings ranging from 0.74 to 0.93 across the four dimensions. Convergent validity was established through average variance extracted (AVE) values exceeding 0.50 for all dimensions: Strategic Cognition AVE = 0.68, Strategic Resource Orchestration AVE = 0.62, Strategic Relational Capital AVE = 0.59, and Strategic Adaptive Capacity AVE = 0.65. Discriminant validity was confirmed using Fornell and Larcker's criterion, as the square root of the AVE for each dimension exceeded the inter-dimensional correlations.

The second-order factor structure, with Strategic Capital as a higher-order construct subsuming the four dimensions, was also supported. The second-order factor loadings were: Strategic Cognition = 0.89, Strategic Resource Orchestration = 0.84, Strategic Relational Capital = 0.78, and Strategic Adaptive Capacity = 0.82. The fit indices for the second-order model did not differ significantly from the first-order model (delta CFI = 0.01), supporting the contention that Strategic Capital constitutes a coherent higher-order construct. Composite reliability values ranged from 0.88 to 0.93 across the four dimensions, exceeding the 0.70 threshold.

Table 3: Measurement model: Reliability and validity statistics

Dimension	Cronbach's Alpha	Composite Reliability	AVE	Factor Loadings Range
Strategic Cognition	0.92	0.93	0.68	0.78-0.93
Strategic Resource Orchestration	0.89	0.90	0.62	0.74-0.90
Strategic Relational Capital	0.87	0.88	0.59	0.75-0.88
Strategic Adaptive Capacity	0.90	0.91	0.65	0.76-0.91

Structural model results

The structural model results provided strong support for the hypothesized relationships. Strategic Capital had a significant positive effect on overall organizational performance ($\beta = 0.47, p < 0.001$), explaining 22.1 percent of the variance in performance. When decomposed by performance dimension, Strategic Capital had the strongest effect on learning and growth performance ($\beta = 0.53, p < 0.001$), followed by internal process performance ($\beta = 0.49, p < 0.001$), customer performance ($\beta = 0.42, p < 0.001$), and financial performance ($\beta = 0.38, p < 0.001$). These results suggest that the performance benefits of Strategic Capital flow through a causal chain beginning with enhanced learning and growth, which improves internal processes, which in turn enhances customer outcomes and ultimately financial performance.

The operating mindset had a significant negative effect on Strategic Capital ($\beta = -0.31, p < 0.01$), confirming that organizations dominated by operating mindset are less likely to develop Strategic Capital. However, the relationship was moderated by environmental dynamism: the negative effect of operating mindset on Strategic Capital was stronger in highly dynamic environments ($\beta = -0.44, p < 0.001$) than in moderately dynamic environments ($\beta = -0.22, p < 0.05$). This finding is consistent with the theoretical argument that operating mindset is particularly detrimental in VUCA environments where strategic agility and adaptability are paramount.

Mediation analysis

Leadership commitment significantly mediated the relationship between operating mindset and Strategic Capital. The indirect effect through leadership commitment was -0.14 (95% CI: -0.23 to -0.06), indicating that operating mindset organizations tend to have leaders who are less committed to strategic transformation, which in turn inhibits Strategic Capital development. Organizational learning mechanisms also served as a significant mediator, with an indirect effect of -0.11 (95% CI: -0.19 to -0.04). Operating mindset organizations were less likely to invest in learning structures and experimentation cultures, which constrained their Strategic Capital development. Institutional voids moderated the operating mindset-Strategic Capital relationship, with the negative effect of operating mindset on Strategic Capital being amplified in contexts with higher institutional voids (interaction $\beta = -0.18, p < 0.01$). This suggests that the operating mindset is particularly constraining in environments where market and institutional support structures are weak.

Table 4: Structural model results (SC=strategic capital, OM=operating mindset)

Path	Coefficient	SE	t-value	p-value
SC -> Overall Performance	0.47	0.06	7.83	< 0.001
SC -> Financial Performance	0.38	0.07	5.43	< 0.001
SC -> Customer Performance	0.42	0.06	7.00	< 0.001
SC -> Process Performance	0.49	0.06	8.17	< 0.001
SC -> Learning Performance	0.53	0.06	8.83	< 0.001
OM -> SC	-0.31	0.08	-3.88	< 0.01
OM $\times$ Dynamism -> SC	-0.18	0.06	-3.00	< 0.01
Leadership Commitment (indirect)	-0.14	0.04	-	< 0.01
Organizational Learning (indirect)	-0.11	0.04	-	< 0.01

Qualitative case findings

The qualitative case analysis revealed three key patterns in the operating mindset-to-Strategic Capital transition. First, the transition was best characterized as a punctuated equilibrium process rather than a gradual linear progression. Organizations typically experienced extended periods of operating mindset dominance punctuated by crisis events or leadership changes that created windows of opportunity for strategic reorientation. These triggering events included competitive disruption, regulatory change, technological discontinuity, financial distress, and leadership succession. The critical factor was not the

nature of the trigger itself but rather the organization's capacity to seize the window of opportunity for strategic transformation.

Second, successful transitions were characterized by a sequence of interdependent changes across multiple organizational dimensions simultaneously rather than sequential changes in individual dimensions. Organizations that attempted to change cognitive orientations without corresponding changes in resource allocation patterns, organizational structures, and measurement systems typically experienced regression to the operating mindset. Conversely, organizations that pursued structural changes without addressing underlying cognitive frames found that new structures were quickly subverted by existing mental models. The most successful transformations addressed all four dimensions of Strategic Capital concurrently, using changes in one dimension to reinforce changes in others.

Third, the transition required the development of organizational ambidexterity at the strategic level. Organizations did not simply abandon operational concerns in favor of strategic ones but rather developed the capacity to simultaneously pursue operational excellence and strategic innovation. This strategic ambidexterity was achieved through structural differentiation, where distinct organizational units focused on exploitation and exploration activities, combined with senior leadership integration, where the top management team actively managed the tensions and synergies between operational and strategic orientations.

Discussion

Theoretical implications

This study makes several theoretical contributions to the strategic management literature. First, the introduction and empirical validation of the Strategic Capital construct addresses the longstanding limitation of treating operational and strategic orientations as a binary dichotomy. By demonstrating that Strategic Capital constitutes a higher-order construct that integrates and transcends both orientations, we provide a more nuanced theoretical lens for understanding how organizations can pursue operational excellence as a byproduct of strategic intent rather than as an alternative to it. This reconceptualization has implications for the exploration-exploitation literature, which has struggled to explain how organizations can simultaneously pursue both orientations without suffering from the coordination costs and cultural conflicts typically associated with ambidexterity (March, 1991; O'Reilly & Tushman, 2013).

Second, the four-dimensional framework of Strategic Capital provides a comprehensive and parsimonious taxonomy of the components necessary for strategic orientation that integrates insights from the Resource-Based View, Dynamic Capabilities Theory, and Upper Echelons Theory (Barney, 1991; Teece, 2007; Hambrick & Mason, 1984). This integrative contribution is significant because prior research has examined these theoretical perspectives in relative isolation, with resource-based scholars focusing on resource stocks, dynamic capabilities scholars focusing on organizational processes, and upper echelons scholars focusing on leadership characteristics. The Strategic Capital framework demonstrates that these perspectives are complementary rather than competing and that a complete understanding of strategic orientation requires attention to cognitive, resource, relational, and adaptive dimensions simultaneously. This finding is consistent with research emphasizing the interaction between managerial cognition, organizational capabilities, and strategic resource deployment in shaping firm performance (Adner & Helfat, 2003; Nadkarni & Barr, 2008).

Third, the finding that the operating mindset-to-Strategic Capital transition follows a punctuated equilibrium pattern contributes to the organizational change literature by demonstrating that mindset transformation is not a gradual, incremental process but rather one characterized by periods of stability interrupted by episodic bursts of change. This finding aligns with prior studies suggesting that organizational transformation often occurs through discontinuous shifts triggered by environmental or internal pressures rather than through continuous adaptation (Tripsas & Gavetti, 2000; Henderson & Clark, 1990). Furthermore, our results extend existing theory by identifying leadership commitment,

organizational learning, and institutional context as critical mechanisms that determine whether a triggering event leads to successful transformation or regression to the operating mindset (Hambrick & Mason, 1984; DiMaggio & Powell, 1983).

The significant positive relationship between Strategic Capital and organizational performance further supports the central propositions of the Resource-Based View and Dynamic Capabilities Theory. Specifically, organizations that develop superior cognitive, resource, relational, and adaptive capacities are better positioned to create and sustain competitive advantage under conditions of uncertainty and change (Barney, 1991; Teece et al., 1997). The results also reinforce previous findings that organizational adaptability and strategic flexibility are increasingly important determinants of long-term performance in dynamic environments (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2009).

Practical implications

The findings of this study have several important practical implications for organizational leaders. The validated Strategic Capital framework provides a diagnostic tool that enables leaders to assess their organizations' current position on the operating mindset-to-Strategic Capital continuum and identify specific dimensions requiring development. The four-dimensional structure suggests that effective transformation requires attention to multiple dimensions simultaneously rather than focusing on any single dimension in isolation. Leaders should begin by assessing the cognitive dimension, as strategic cognition provides the foundation for the other three dimensions, and then develop integrated transformation initiatives that address resource orchestration, relational capital, and adaptive capacity in a mutually reinforcing manner. This recommendation is consistent with prior research emphasizing the role of managerial cognition and strategic attention in organizational adaptation and performance (Ocasio, 1997; Nadkarni & Barr, 2008).

The mediating role of leadership commitment highlights the critical importance of visible, sustained, and authentic leadership engagement in the transformation process. Leaders who merely articulate strategic aspirations without modeling strategic behavior, investing in strategic capabilities, and rewarding strategic contributions are unlikely to catalyze genuine mindset change. This finding supports Upper Echelons Theory, which argues that executive cognition and values significantly influence organizational outcomes (Hambrick & Mason, 1984). It also aligns with evidence that strategic leadership plays a central role in enabling organizational renewal and change (Adner & Helfat, 2003).

The mediating role of organizational learning mechanisms underscores the need to invest in formal and informal structures that promote experimentation, knowledge sharing, and reflective practice. Organizations that rely solely on formal strategic planning processes without creating a broader culture of strategic learning are unlikely to develop the depth of Strategic Capital needed for sustained competitive advantage. This observation is consistent with organizational learning research, which highlights the importance of balancing exploration and exploitation while continuously updating organizational knowledge and capabilities (March, 1991; Levinthal & March, 1993).

Limitations and future research

This study has several limitations that should be acknowledged and addressed in future research. First, the cross-sectional survey design limits causal inference. While the structural model results are consistent with the hypothesized causal relationships, they cannot definitively establish causation. Longitudinal research tracking the development of Strategic Capital and its performance effects over time would strengthen causal claims and provide insight into the temporal dynamics of the transformation process (Miller & Tsang, 2011).

Second, the reliance on single-respondent survey data raises concerns about common method bias, although the Harman single-factor test and marker variable analysis did not indicate significant bias. Future

studies may benefit from collecting data from multiple respondents and organizational levels to enhance the robustness of findings and reduce potential response bias (Fornell & Larcker, 1981).

Third, the study focused on six industries in a limited geographic context, which may limit the generalizability of findings to other industries and institutional environments. Future research should examine Strategic Capital in a broader range of contexts, including emerging economies, state-owned enterprises, and non-profit organizations, where the dynamics of the operating mindset-to-Strategic Capital transition may differ (Khanna & Palepu, 2010).

Fourth, the measurement of Strategic Capital, while demonstrating strong psychometric properties in this study, requires further validation and refinement across diverse organizational populations. Future research should also investigate potential negative consequences of excessive Strategic Capital, such as strategic overreach, analysis paralysis, or the neglect of operational fundamentals. Such investigations would contribute to identifying optimal levels and configurations of Strategic Capital under varying environmental conditions and organizational contexts (Teece, 2007; O'Reilly & Tushman, 2013).

Conclusion

This paper has introduced and empirically validated the construct of Strategic Capital as a framework for understanding and facilitating the shift from operating mindset to strategic orientation in contemporary organizations. Through a mixed-methods investigation combining survey data from 312 senior executives and qualitative case analyses of eight organizations, we have demonstrated that Strategic Capital, comprising strategic cognition, strategic resource orchestration, strategic relational capital, and strategic adaptive capacity, is a coherent higher-order construct that significantly predicts organizational performance across financial and non-financial metrics. The transition from operating mindset to Strategic Capital follows a punctuated equilibrium pattern mediated by leadership commitment, organizational learning mechanisms, and institutional context, and is most critical in VUCA environments where operational efficiency alone is insufficient for sustainable competitive advantage.

The theoretical contribution of this research lies in its integration of the resource-based view, dynamic capabilities theory, and upper echelons theory into a unified framework that transcends the traditional dichotomy between operational and strategic orientations. The practical contribution lies in the provision of a diagnostic toolkit that enables organizational leaders to assess and develop their organizations' Strategic Capital across four interdependent dimensions. As organizations navigate increasingly complex and uncertain environments, the capacity to shift from an operating mindset to a Strategic Capital orientation may well determine not only their competitive position but their very survival.

References

- Adner, R., & Helfat, C. E. (2003). Corporate effects and dynamic managerial capabilities. *Strategic Management Journal*, 24(10), 1011–1025.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Benner, M. J., & Tushman, M. L. (2003). Exploitation, exploration, and process management: The productivity dilemma revisited. *Academy of Management Review*, 28(2), 238–256.
- Bennett, N., & Lemoine, G. J. (2014). What VUCA really means for you. *Harvard Business Review*, 92(1/2), 27.
- Bower, J. L., & Gilbert, C. G. (2005). *A revised model of the resource allocation process*. Harvard Business School Working Paper.
- DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147–160.
- Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10–11), 1105–1121.
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39–50.
- Foss, N. J., & Ishikawa, J. (2007). *Towards a dynamic resource-based view: Insights from Austrian economics and Schumpeter* (DRUID Working Paper No. 07-06).

- Gavetti, G., & Levinthal, D. (2000). Looking forward and looking backward: Cognitive and experiential search. *Administrative Science Quarterly*, 45(1), 113–137.
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 193–206.
- Helfat, C. E., & Peteraf, M. A. (2009). Understanding dynamic capabilities: Progress along a developmental path. *Strategic Organization*, 7(1), 91–102.
- Henderson, R., & Clark, K. B. (1990). Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. *Administrative Science Quarterly*, 35(1), 9–30.
- Khanna, T., & Palepu, K. G. (2010). *Winning in emerging markets: A road map for strategy and execution*. Harvard Business Press.
- Lawrence, T. B., & Suddaby, R. (2006). Institutions and institutional work. In S. R. Clegg, C. Hardy, T. B. Lawrence, & W. R. Nord (Eds.), *Handbook of organization studies* (2nd ed., pp. 215–254). Sage.
- Levinthal, D. A., & March, J. G. (1993). The myopia of learning. *Strategic Management Journal*, 14(S2), 95–112.
- March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization Science*, 2(1), 71–87.
- Miller, K. D., & Tsang, E. W. K. (2011). Testing management theories: Critical realist philosophy and research methods. *Strategic Management Journal*, 32(2), 139–158.
- Mintzberg, H. (1987). The strategy concept I: Five Ps for strategy. *California Management Review*, 30(1), 11–24.
- Nadkarni, S., & Barr, P. S. (2008). Environmental context, managerial cognition, and strategic action: An integrated view. *Strategic Management Journal*, 29(13), 1395–1427.
- Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, 18(S1), 187–206.
- O'Reilly, C. A., & Tushman, M. L. (2013). Organizational ambidexterity: Past, present, and future. *Academy of Management Perspectives*, 27(4), 324–338.
- Pitelis, C. N. (2009). The co-evolution of organizational value capture, value creation and sustainable advantage. *Organization Studies*, 30(10), 1115–1139.
- Porter, M. E. (1996). What is strategy? *Harvard Business Review*, 74(6), 61–78.
- Priem, R. L., & Butler, J. E. (2001). Is the resource-based view a useful perspective for strategic management research? *Academy of Management Review*, 26(1), 22–40.
- Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32(1), 273–292.
- Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28(13), 1319–1350.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533.
- Tripsas, M., & Gavetti, G. (2000). Capabilities, cognition, and inertia: Evidence from digital imaging. *Strategic Management Journal*, 21(10–11), 1147–1161.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171–180.
- Yin, R. K. (2018). *Case study research and applications: Design and methods* (6th ed.). Sage.