Hierarchical Decomposition vs. Dynamic Capability Bundling: A Comparative Assessment of Resource Allocation Architectures Under Volatility-Induced Strategic Drift

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Abstract. This study examines two dominant paradigms in corporate resource allocation—hierarchical decomposition (HD) and dynamic capability bundling (DCB)—under conditions of volatility-induced strategic drift in multinational enterprises. Drawing on a mixed-methods design integrating longitudinal panel data from 214 firms across six industries (2018–2023) with executive-level semi-structured interviews, the research empirically evaluates each paradigm's adaptive fidelity, rent-generation efficiency, and organizational resilience outcomes. Findings indicate that DCB architectures consistently outperform HD models in high-turbulence environments, whereas HD retains superior cost-governance advantages in stable oligopolistic contexts. Moderation analyses reveal that managerial cognition breadth and absorptive capacity significantly amplify DCB returns. These results contribute to the resource-based view by delineating boundary conditions under which capability orchestration supersedes hierarchical control as the dominant value-creation logic.

Keywords: dynamic capability bundling, hierarchical resource decomposition, strategic drift, volatility-induced turbulence, capability orchestration, absorptive capacity, resource-based view, rent-generation efficiency, multinational enterprise strategy

Introduction

The governance of strategic resources within large-scale enterprises has long constituted a central problematic in the field of strategic management. As the global competitive landscape enters a phase characterized by compounding volatility drivers—including geopolitical fragmentation, accelerating technological discontinuity, and post-pandemic demand restructuring—the question of how firms architect their internal resource allocation mechanisms has acquired renewed empirical urgency. Between 2024 and 2026, forecasts from the World Economic Forum and McKinsey Global Institute consistently identify organizational adaptability and resource reconfiguration velocity as primary determinants of sustained competitive advantage, displacing prior emphases on static asset accumulation and market positioning alone. Against this backdrop, the strategic management literature has bifurcated along two influential yet undercompared paradigms: hierarchical decomposition (HD), rooted in transaction cost economics and Chandlerian divisional logics, and dynamic capability bundling (DCB), emerging from Teece, Pisano, and Shuen's seminal sensing-seizing-reconfiguring framework. Despite their theoretical prominence, direct comparative assessments of these paradigms under empirically controlled, volatility-rich conditions remain conspicuously absent from the literature. Hierarchical decomposition posits that value is optimally generated through the systematic disaggregation of complex strategic objectives into nested, accountable sub-units governed by formal authority structures and performance-linked incentive cascades. This model's predictive strength is well-documented in stable, asset-intensive industries such as utilities, traditional manufacturing, and regulated financial services. Conversely, dynamic capability bundling contends that superior performance under environmental turbulence derives not from structured decomposition but from the firm's meta-level capacity to sense emergent opportunities, reconfigure heterogeneous resource clusters, and synchronize cross-functional capability streams in real time. Empirical support for DCB has predominantly emerged from knowledge-intensive and platform-based industries, yet its generalizability across diversified multinational enterprises remains contested. The theoretical gap is further complicated by moderating variables—specifically managerial cognition breadth and organizational absorptive capacity—that prior studies have inadequately incorporated into comparative frameworks. This article addresses these lacunae through a rigorous mixed-methods empirical design, combining longitudinal panel data analysis with qualitative executive inquiry across six industry verticals. The remainder of this paper is structured as follows: Section 2 presents a systematic review of the theoretical antecedents underpinning both paradigms. Section 3 details the research methodology, sampling strategy, and analytical procedures. Section 4 reports the quantitative and qualitative findings. Section 5 engages in cross-paradigm discussion and delineates boundary conditions. Section 6

concludes with theoretical contributions, managerial implications, and directions for future research.

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