



EXPLORING THE ADOPTION OF DYNAMIC CAPABILITIES STRATEGIES IN CONTEMPORARY BUSINESS PRACTICE

A Comprehensive Case Study

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ABSTRACT

The dynamic and rapidly changing business environment demands companies to continuously adapt and align their resources to achieve sustainable growth and success. The adoption of continuous changes in internal business processes is an essential part for any business to survive in an ever-changing business scenario. This study presents a detailed analysis of the existing literature on dynamic capabilities from a theoretical as well as real-life application point of view. This paper is an in-depth case study which examines the dynamic capabilities strategy approach employed by Company X, a non-government organization, to achieve business growth to cultural building, product expansion, brand development and strategic partnership. This case study is based on a personal interview and survey conducted with the Chief Business Operator and key members of the senior team at Company X. The findings of this research stress on the significance of dynamic capabilities strategies and the critical role it plays in enhancing the business performance, for maximum optimization of resources, and demonstrate the positive impact that correct implementation of these strategies can have on efficiency and innovation in business operations. This study aims to provide insights on practical implementation using a case example along with recommendations for businesses that seek to adopt dynamic capabilities to achieve long term success.

INDEX TERMS— *Case study, dynamic capabilities approach, strategic management, strategy, business.*

I. INTRODUCTION

Dynamic capability is “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments” (Teece, 2007). According to Peter Drucker, “Innovation is the specific tool of entrepreneurs, the means by which they exploit an opportunity for a different business or service.” Dynamic capability describes how a business integrates and changes its internal and external expertise to gain a competitive advantage over its competitors.

The importance of dynamic capability function in ensuring the sustainable growth of an organization is often undermined, leading to its failure. Recent shifts in the global economic landscape, coupled with the uncertainty and complexity of de-globalization have made it essential for companies to effectively develop, hone and deploy sophisticated dynamic capabilities to achieve evolutionary fitness. The constantly changing business landscape demands effective and agile integration, renewal, reconfiguration, and upgrading of existing business strategies to achieve organizational success (Luo, 2000, 2002; Matysiak et al., 2017). Extensive research has shown that companies with developed and distinctive capabilities tend to get rooted and ran the risk of missing out on new trends and changes in the external environment and problems the company might have. Emphasis is recently being laid on companies in rapidly technologically changing environments to engage in entrepreneurial management and improve management processes by developing specific dynamic capabilities. In a business that is fast growing and exposed to various competitions and environments having ordinary strategies is not enough to sustain as well as grow overall, having unique dynamic capabilities that the business implements from time to time on basis of environmental changes is also extremely necessary. Businesses irrespective of size and function scan their external environment to identify opportunities and threats. They then decide if the opportunity should be taken up and further how it should be implemented into the business and bettered on a continuous basis.



Start-ups in particular have been seeing the rising need for implementation of dynamic capabilities in its strategies right from their infancy due to the constantly changing environment as well as rising competition in the market. Domestic start-ups closed investment deals close to \$12 billion in Q1 2022 and India zoomed ahead to become the world's third-largest start-up ecosystem. Start-ups are flourishing and the pace from prototype to market has accelerated impressively. Thus, the role of dynamic capabilities in the evolution of start-ups and consequently the economy, has triggered research into its fundamental importance in the strategic planning of an organization.

Using the case study of this business, this research paper aims to explore, understand and analyze the essentiality of dynamic capabilities. In today's society, research and innovation are vital for sustaining a competitive advantage and for the advancement of society. Entrepreneurs and innovation play a significant role in the growth of the global economy (Cruz-Ros et al., 2017; Lewrick et al., 2010). The Dynamic capabilities approach which emerged from the Resource-Based View (RBV), focuses on the importance of resource development and organization processes as the key to achieving organizational advantage. Given the context of extreme uncertainty, volatility and high-competitive pressure faced by businesses in every field, especially during the pandemic and post-it, they must demonstrate dynamic capabilities which enable the enhancement and reconfiguration of their resources as needed. New firms should use them to maximize their goals, so they are believed to be key for future success (Selig et al., 2018).

II. STRATEGY AND STRATEGIC MANAGEMENT

The goal of strategy is to establish a competitive advantage that creates superior, long-lasting financial returns, which could take the shape of a product's price, usefulness or time value. Establishing effective plans helps you outperform rivals in the long run. A company's strategy creates a thorough strategic plan that outlines how the organization will accomplish its goals and objectives. It optimizes competitive advantage while minimizing competitive disadvantage. Having an effective and predetermined strategy is essential for any company. Not only does it help define the aim of the business but also gives all involved with the company direction and purpose.

The phrase "strategic management" combines the words "strategy" and "management." This phrase describes the managerial process of formulating a strategic vision, establishing goals, formulating a plan, putting the plan into action and then, if needed, implementing changes. Any organization is required to have sound strategic management within to ensure that the strategic plans regarding the same are implemented in a systematic and efficient manner that aids the organization's long-term as well as day-to-day processes.

Strategic management is a methodical technique that uses the management process and concepts to pinpoint the corporate goal or purpose of any company. It chooses a suitable target to attain the goal, factors in environmental opportunities and restrictions and devises a strategy for achieving those goals. Any business organization's success in a cutthroat economy depends on how effectively it adopts strategic management to improve the management of that firm.

Any organization uses their strategic plans to strive to provide its customers with exceptional value while doing this it is essential they understand how to respond to a dynamic business environment. To do this, the business needs to be perceptive, innovative and establish a long-term strategy. The existing organizational activities are significantly impacted by the environment's rapid pace of change. It aids businesses in creating a plan to tackle competition and guarantee long-term survival and expansion. Despite its scale and scope, any firm must adopt a well-effective strategic plan to compete, thrive and be prepared for tomorrow while still following the current trend in the market.

III. DYNAMIC CAPABILITIES

Dynamic capabilities are a company's fundamental competencies that are regularly modernized and rethought to accommodate the evolving requirements of both the company's clients and the external environment in which it operates. In order to complete this process, it is necessary to continually improve both its resources and its capabilities. Rather than being in isolation from operations, dynamic capabilities are integrated into those processes. They can be moved around more readily within companies as well as between different divisions. The steps involved in a process are typically spelt out and these steps together with those of other resources can be merged to produce a system that is both more efficient and effective. Thus dynamic capabilities can be defined as a "firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece, 2007).

A capability is a collection of processes and resources that a company possesses and has the potential to use in order to efficiently run its operations. It is described as the capacity of an organization to deploy its resources and it is typically combined with a number of other explicit procedures. This kind of competence develops gradually over time as a consequence of the interactions that take place between the many resources that the organization possesses.

They can only be a source of competitive advantage if applied "earlier, more intelligently, and more fittingly" than the competition to develop resource configurations. (Eisenhardt & Martin, 2000) imply that dynamic talents cannot be a source of ongoing competitive advantage, dynamic capabilities are only a subcategory of capabilities and as time passes, they become irrelevant.

The cornerstone of the processes that transform the resources and capabilities of a company into outputs in the form of products or services that offer increased value to consumers is dynamic capabilities. This shift is carried out in a timely, precise and imaginative manner in accordance with the trends seen in the industry. We suggest that dynamic capabilities are a source of



sustained competitive advantage, with the argument presented by (Barney, 2001), which states that the capability to adapt quickly and sensitivity to changes in the market are difficult to imitate and may be a source of sustained competitive advantage as a result.

(Wang & Ahmed, 2007) reckon that the concept of dynamic capabilities is not another management puzzle and the transformational mechanisms can be revealed. At a firm-specific level, resources and capabilities may differ across firms, firms may start at different points in the competitive 'race', and the paths to dynamic capabilities may be specific to the firm or the industry. Existing qualitative research has revealed a plethora of firm or industry-specific transformational mechanisms (Wang & Ahmed, 2007). At a general level, (Eisenhardt & Martin, 2000) concur that the common characteristics of dynamic capabilities across firms are identifiable and dynamic capabilities demonstrate the nature of 'commonalities in key features, idiosyncrasy in details. (Wang & Ahmed, 2007) identify three main component factors of dynamic capabilities, namely adaptive capability, absorptive capability and innovative capability.

The adaptable capability's purpose is to find and capitalize on new market opportunities, it displays itself through innate resource possession and resource flexibility, i.e., strategic flexibility (*What Are Dynamic Capabilities? - MBA Knowledge Base*, n.d.). The ability to comprehend consumer requirements and market dynamics better than rivals, might also be considered part of adaptive capabilities (*What Are Dynamic Capabilities? - MBA Knowledge Base*, n.d.).

(COBB, 1958) refer to absorptive capacity: 'the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends ... the ability to evaluate and utilize outside knowledge is largely a function of the level of prior knowledge'. Firms with higher absorptive capability demonstrate a stronger ability to learn from partners, integrating external information and transforming it into a firm-embedded knowledge (Wang & Ahmed, 2007).

Innovative capability refers to a firm's ability to develop new products and/or markets, through aligning strategic innovative orientation with innovative behaviour and processes, as indicated in the definition, innovative capability encompasses several dimensions (Wang & Ahmed, 2007). Innovative capabilities are very important for a company's evolution and survival, especially with respect to a dynamic environment and constant change (*What Are Dynamic Capabilities? - MBA Knowledge Base*, n.d.).

IV. STRATEGIC MANAGEMENT AND DYNAMIC CAPABILITIES

The acquisition and maintenance of competitive advantage by businesses is the primary focus of strategic management. Organizations wish to find a solution to this issue via the use of the dynamic capabilities method, which investigates the factors that contribute to the success of organizations in terms of both revenue generation and capital preservation. After seeing that strategic theory is replete with evaluations of firm-level strategies for sustaining and defending an existing competitive advantage, although a gap can be seen in this framework. This theory has not been very helpful in explaining how and why some businesses are able to create a competitive edge in contexts where things in the external environment change frequently.

Our technique works particularly well in Schumpeterian societies, which are characterized by competitiveness based on new ideas, price/performance rivalry, expanding profits, and "creative destruction" of old abilities. The purpose of the strategy is to provide an explanation for why some firms are successful while others are not. We believe it is essential to make progress in the theory of successful business practices while also guiding the practice of management.

To begin, we will provide a brief introduction to some of the more well-known frameworks for strategic management as a means of situating our study within its larger context and illuminating the ways in which it is analogous to and distinct from the practices that are already in use. We search for competitive contexts in which each paradigm has a relative advantage as an adequate descriptive and normative theory of competitive strategy. In addition, we hunt for assumptions that are not immediately apparent. Over the course of the last two decades, several hypotheses about the origins of an organization's competitive edge have been proposed. On the other hand, the majority of these hypotheses are founded on a very limited number of frameworks or paradigms that aren't very well organized.

During the 1980s, the Porter competitive forces model was universally used (1980). The structure-conduct-performance model of industrial organizations serves as the foundation for this business approach (Edward S Mason et al., 2016). It investigates the measures that a corporation might take to develop positions that can be defended against challenges posed by other businesses. A strategic conflict approach (Shapiro, 1989) is similar to the first strategy in that it places an emphasis on product market weaknesses, strategic interaction, and entry deterrents. The strategic conflict method makes use of techniques derived from game theory and implicitly holds the belief that the results of the competition are determined by the degree to which firms are successful in using strategic investments to render rivals unstable. Plans for pricing and signalling, as well as the administration of data, according to both the competitive forces theory and the strategic conflict theory, privileged product market positions may result in rents for businesses.

Another distinct category of tactics focuses on gaining a competitive advantage by seizing entrepreneurial rents that have been rendered attainable as a result of significant efficiency gains at the level of the enterprise. These strategies originated in an earlier conversation on the advantages and disadvantages of a certain firm. Nevertheless, they are gaining popularity once more for a few reasons: first, there is evidence that businesses can only gain long-term advantages through efficiency and effectiveness; second, organization economics and the study of technological and organizational change are being used to solve strategy problems; and third, organization economics and the study of technological and organizational change are being used to solve strategy problems (Teece et al., 2009). The "resource-based approach" is a body of research that demonstrates how crucial it is for a company's success to have company-specific talents and assets, in addition to the existence of "isolating mechanisms" (Wernerfelt, 1984).



This approach recognizes the processes of isolation that maintain entrepreneurial rents and competitive advantages, but it does not attempt to explain what those mechanisms are or how they work (Wenerfelt, 1984).

In this work, a hitherto unexplored aspect of the efficiency-based strategy is investigated. It explains how to construct combinations of abilities and resources, how to utilize them effectively, and how to safeguard them. There are several fundamental efforts made to determine what capabilities are exclusive to a firm and might offer it an advantage over its competitors. We refer to this approach as the "dynamic capacity strategy" to highlight how critical it is for the company to make use of both internal and external talents that are unique to the company in order to successfully adjust to changing environmental circumstances. Dynamic capacity may be seen as a novel and potentially integrated method for locating the most recent sources of competitive advantage.

We believe that the dynamic capabilities method has promise not just for future study but also as a management tool that may help obtain a competitive advantage in circumstances that are becoming more difficult. In the following sections, we will compare and contrast the dynamic capabilities approach with several other strategic models in order to demonstrate what its primary components are. In addition to highlighting the strategic insights that are provided by each approach, each part demonstrates the many types of competitive settings in which each strategy may function at its optimal level. There is no question that these four strategies complement one another, but in order to have a complete understanding of the factors that contribute to a company's competitive edge, you need to be familiar with a far wider range of topics.

V. IMPACT OF DYNAMIC CAPABILITIES ON START-UPS

The global economy and society both benefit greatly from the contributions made by small businesses. These businesses are responsible for 27% of the nation's gross domestic product and 40% of all employment (GDP) in India. Despite the relevance of businesses and the increasing amount of study conducted in this field, there is no one particular theory that can explain how businesses grow. Several studies have looked at the possibility of developing a generic development formula for start-ups. This dynamic, however, cannot be justified on its own since the paths that development takes are different for different organizations depending on their environments (Teixeira et al., 2021). Research reveals that growth is driven by a range of factors, including the attitude of the entrepreneur and the age of the firm etc. This is the case despite the fact that start-ups do not always increase at the same speed.

Given this information, the dynamic capacities approach, which investigates "the organizational and strategic routines by which companies get new resource configurations as markets expand, collide, divide, shift, and perish" may at least partially explain how start-ups are able to endure and thrive in today's competitive environment (Eisenhardt & Martin, 2000). The influence of dynamic capabilities on the growth of corporations has been the subject of a great number of studies. The majority of these studies have ignored the service sector in favour of focusing on specific scenarios, despite the fact that the service sector is becoming an increasingly important contributor to the total global national income.

The idea of dynamic capacity has recently gained prominence as a means of gaining an understanding of how the introduction of new service offerings might give a company a competitive edge (Teixeira et al., 2021). This is especially true for creative businesses, such as newly established start-ups or innovative technology-based companies. These companies make it a priority to develop business models that can be successfully replicated and expanded, all of which contribute to the higher adaptability of the companies. Almost all successful start-ups or entrepreneurial firms that have grown today are those that have been able to identify and exploit opportunities and stay averse to threats that are constantly being developed in their business environment.

Even though the development of new products and services is essential to the growth and prosperity of many companies, businesses that operate in environments that are plagued by a great deal of uncertainty, inadequate legal systems, dysfunctional competitive dynamics and corrupt governments frequently do not perform as well as they are capable of doing. As a consequence of this, the significance of dynamic capabilities may shift in response to changes in the environment. The ability of a start-up company to grow often depends on the degree to which it is able to successfully retain its awareness of customer expectations and its capacity to serve those demands while pursuing an expandable business model within its set means.

VI. IMPACT OF COVID-19 ON DYNAMIC CAPABILITIES

The COVID-19 outbreak affected almost all aspects of any business. A company's business environment saw a major change in it during this pandemic. Hence it is crucial to analyze how the level of any small or medium-sized company's dynamic capacity had an influence on its performance during this period. Prior to the outbreak, the majority of businesses were focused on identifying new business opportunities (Dejardin et al., 2022). However, once the pandemic impacted, they focused on getting their goods out in the market as quickly as possible, as a consequence of these insights, our understanding of strategic management and dynamic capability-based strategies during pandemics and chaos has expanded (Dejardin et al., 2022).

Due to the economic and social constraints imposed to address global challenges, businesses faced a number of difficulties. These restrictions were put in place to protect the economy, this atmosphere fosters the development of dynamic talents, which might be the answer to the Gordian knot (Dejardin et al., 2022). Given the present condition of circumstances, a company is more likely to achieve success if it embraces its adaptability.

Therefore, dynamic capacity has an effect on corporate performance since it has the ability to modify the firm's asset base, operational processes and skill set all of which may influence the organization's overall economic success. Businesses must use certain skills in order to effectively integrate, develop and reorganize the internal and external capabilities they need. Businesses



must possess these skills in order to adapt to quickly changing conditions (Teece et al., 2009). How vital it is to understand how a company's ability for change may influence its internal and external performance has also been examined by numerous other authors (Eisenhardt & Martin, 2000; Shapiro, 1989; Teece et al., 2009; Wang & Ahmed, 2007).

This highlights how vital it is to develop a competence that can adapt and overcome big changes in environments with intense global competition. In this instance, we argue that the most important factor in determining how well small and medium-sized firms (SMEs) handle the different stages of global crises is their ability to construct, expand or actively modify their resource bases. They need a great deal of labour from managers, high management and operating costs and often changing skills. Consequently, recent research reveals that social capital has two sides and, depending on what's occurring in an organization's external environment, may either help or hinder dynamic potential (Dejardin et al., 2022).

Hence it can be observed that during the Covid-19 pandemic irrespective of an organizations area of work it was essential that they change and adapt to their changing surroundings to keep up with their competition and changing trends in their industry.

As of 2022, the world is in turmoil and the economy is more unstable than it has ever been. Estimates indicate that the global economy would collapse by a range of amounts, from 0.5% in East Asia and the Pacific to 9.1% in the Eurozone to 7.2% in Latin America and the Caribbean to 6.0% in the United States (World Bank Group, 2020). This is true even though governments are offering aid in entirely novel methods. Due to their lack of social capital, financial resources, and safety networks, small and medium-sized firms (SMEs) seem to be more susceptible to external shocks. Moreover, according to a United Nations study on the disaster risk reduction (UNDRR, 2019), crisis management has not gotten a great deal of attention in the literature on dynamic capacity, despite the fact that high-risk events are happening increasingly often throughout the world. Businesses may maximize the use of their unique and diverse resource configurations with the assistance of processes. This is because processes help organizations update, integrate, and renew their current organizational skills and competencies. It is thus plausible that this will be a method of surviving the outbreak.

VII. ELEMENT OF DYNAMIC CAPABILITIES

As per the bibliometric analysis in 2010, it states that the work on dynamic capabilities has attained the utmost importance in the research areas in the field of strategic management. (Stefano et al., 2010) In this area of understanding, as per the paper 'The essence of dynamic capabilities and their measurement' we see that dynamic capability can be divided into various structural components. It includes defining the object, forming the aim, deciding the nature of the decision and implementing actions taken (Peron et al., 2022).

However, according to the paper 'Dynamic capabilities for the development of innovation capability', we see the three elements which are crucial for the implementation of dynamic capabilities (Froehlich & Bitencourt, 2019). Firstly 'path', this element focuses on the past deeds of the company which impacts the future strategic intent and future decisions in the business. Moreover, it stated that the company's capabilities are a result of historical decisions. Secondly, 'status' defines the business axis which also impacts the decision-making process during a crisis or changing environment-like conditions. Under status, a company is characterized by the product and services it offers and its strategic position is determined by the internal and external processes. Lastly, the third element is 'managerial and organizational processes' which refer to the way practices, learning, and routines which makes a company's decision rigid and impact the dynamic capabilities and decision-making process (Froehlich & Bitencourt, 2019).

Furthermore, according to the article by MBA knowledge Base, dynamic capabilities have elements like adaptive capability, absorptive capability and innovative capability (*What Are Dynamic Capabilities? - MBA Knowledge Base*, n.d.). According to 'adaptive capability', the role is to specifically identify and exploit new markets and the opportunities in them. Moreso, it consists of understanding the market dynamics such as customer needs, labour effectiveness and suppliers' discount better than its competitors. Analyzing the market such that flexibility of resources is comprehended and studied (*What Are Dynamic Capabilities? - MBA Knowledge Base*, n.d.).

Nevertheless, 'absorptive capability' is to assimilate, transform and exploit the new information available for the understanding of operational and functional capabilities. It is needed for the organization's dynamic capability to occur and for the success of any business. Also, an innovative capability is also one of the major elements for defining dynamic capability. It refers to entering a new market or developing a new product. It is one such capability which undertakes risk and innovative strategic orientation. It is a vital element for the evolution and survival of a company (*What Are Dynamic Capabilities? - MBA Knowledge Base*, n.d.).

An amalgamation of the above capabilities helps in defining the dynamic capability in a company as it helps in reshaping, re-creating and renewing resources in order to reconstruct or deconstruct the key competencies in a business in order to work in a strategic framework for the company.

VIII. DIFFERENCE BETWEEN DYNAMIC CAPABILITIES AND ORDINARY CAPABILITIES

A firm possesses two major kinds of capabilities, namely dynamic capability and the other is ordinary capability. Ordinary capability is referred to when a company just wants to use its resources such as tangible as well as intangible so that it reaches the set strategic goals. Whereas, the dynamic capability is new in nature. (*Differences-Between-Ordinary-And-Dynamic-Capabilities-FCCDRKHM2R @ Www.Bartleby.Com*, n.d.). It is referred to when a company wants to build upon or improve upon the existing capabilities in order to meet the changing external scenario. Ordinary capability is when a company follows the key routines and



focuses on results whereas dynamic capability is when it performs the signature processes in order to gain efficiency and innovative results so as to gain a competitive advantage. (*Differences-Between-Ordinary-And-Dynamic-Capabilities-FCCDRKHM2R @ Www.Bartleby.Com*, n.d.)

However, as per Ola and Mirva, since the idea of capabilities is subjective in nature, there exists a thin line between the ordinary capabilities and dynamic ones a company can possess which is “unavoidably blurry”. (*Differences-Between-Ordinary-And-Dynamic-Capabilities-FCCDRKHM2R @ Www.Bartleby.Com*, n.d.) Other than this, when we have to create opportunities for new value-creating strategies, the focus is on dynamic capabilities.

To have a varied perspective, a paper by ‘European Management Journal’ is being referred to which is published by Svante and Jan; from this paper, we see that the paper poses higher importance on the use of dynamic capabilities as compared with ordinary capabilities. (Schriber & Löwstedt, 2020) study implied that ordinary capabilities make important contributions to organizational responses to dynamic capabilities, furthermore, conveyed that ordinary capabilities supplement having dynamic capabilities in business organizations.

Similarly, a paper by the University of Pennsylvania in 2003 on ‘Understanding Dynamic Capabilities’ stated that ordinary capability is also known as “zero-level capabilities” and are policies used for the short-term survival of the business. A broad consensus stated that dynamic capabilities govern the rate of change of ordinary capabilities. (Winter, 2003) moreover, to elaborate further, the paper concluded saying that dynamic capability is a helpful tool kit for strategic analysis and involves adopting corporate-level strategies. The most prominent difference between the two capabilities revolves around the contrasting cost structures. Since dynamic capability involves long-term development in a business it is more expensive in nature to adopt whereas ordinary capability is much cheaper.

IX. METHODOLOGY

This study adopts a qualitative case study approach that incorporates rich details on one case organization and interpretations of this case from the perspective of the people involved in it (Eriksson & Kovalainen, 2016). Conducting a case study requires a researcher to have profound knowledge and understanding of the phenomenon in the chosen case and access to the key informant's (Eriksson & Kovalainen, 2016).

In order to conduct this case study, a personal interview was conducted with the Chief Business Officer at the company. He is also a part of the senior team overlooking the business growth through culture building, project expansion, brand development and strategic partnerships. He is a PGDBM, CAIIB and holds a CFA (1 & 2) to his credit. He has built businesses with large institutions above 25000 to 30000 crores. However, the 4000 crores built by the company has been extremely special as it has been done without a brand, built brick by brick.

The aim of our case study is not to draw a general conclusion about the dynamic capabilities approach. The interviewee was carefully selected for this interview as his position as Chief Business Officer at the company, ensures the reliability of this study as he has clear insights into the strategies adopted and implemented by the company and a clear reason for the decisions behind these strategies.

To maintain ethical relations and develop trust between the interviewer and interviewee, the researchers elaborated on the fact that the data collected would be used purely for a general relation and only to establish a link with the strategies adopted. This case centres around the subject of research i.e., the dynamic capabilities approach and issues pertaining to it. It does not reveal any trade secrets of the company or any information to damage the reputation and credibility of the company.

The data was collected via an open-ended interview conducted. The information presented and analyzed in this case study has been compiled from the interview conducted as well as from other secondary sources like the company website as well as other interviews conducted with him. An in-depth analysis was conducted, and conclusions are drawn about the dynamic capabilities approach adopted by them.

Moreover, research papers were referred to conduct secondary research on the data. To have varied perspectives, we have used varied articles and multiple research papers to gain a broader idea and analytical perspective on the topic and to analyze the data better. The sub-topics were selected to deeply understand the data and to gain analytical background knowledge and understanding of the data of the company as well. The impact of dynamic capabilities on startups was done to gain a pragmatic insight into the business. Rather this was intensified by the primary data being collected. Economic, social and political insights have been given throughout the paper.

X. ABOUT THE COMPANY

The company is headquartered in Mumbai, it is a new-age financial services institution focused on providing credit to small businesses and consumers. Founded in 2017, they have acquired the retail lending book along with the existing infrastructure, branch network and employee team of Karvy Financial Services Limited. Backed by an equity infusion of ₹ 845 crores (\$ 130 million) from PE investors Lyra Partners and Arpwood Partners, they aim to grab the unique opportunity of financing 50 million small businesses through technology.

Their approach is that their “legacy is determined by the customers they serve, the jobs they create, and the businesses the businesses they help to prosper”. The company provides opportunities to business owners to finance their undertakings who are underserved by traditional banks.

The vision is “to build a world-class financial institution delivering Scale with Quality and Profitability through cycles”.



Their mission is “to make loans easy by delivering them with Excellent, Innovation and Integrity. They will use technology and human knowledge to find deserving customers and make the loan experience easy for them.”

The company adopts various strategies from different perspectives in order to keep itself aligned with its vision and mission.

They have developed a “PhyGital” model to reimagine lending. The model used uses technology and authentic in-person service to create loans to support the ambitions of its customers. They are in direct contact with small business owners and work through loan applications at the customer’s speed. The “PhyGital” business model and the innovative measures employed by them helps access creditworthiness into a national trend that accelerates digitalization and makes loans easy and convenient for those who need them the most.

The basic foundation of the business activities of the company is a commitment to responsible credit, a relationship based on trust and strategic partnerships with large banks. They are working towards building a financial institution, not just a business.

Its features are:

- Financial Strength - They are backed by long-term investors and have sufficient capital to grow their operations.
- People - They have a highly efficient team of employees with diverse and relevant skills and a strong passion for serving their customers.
- Risk management – They have effective methods to assess creditworthiness and they have a very efficient and strict compliance culture.
- Analytics – The company optimizes the processes of the business and customer using advanced data analytics software.
- Technology – They use technology in a smart and effective way to enhance operations and make the customer experience better.

Their belief is simple – The spirit of India’s entrepreneurship is found in India’s small businesses. Approximately 60 million entrepreneurs create 40% of India’s GDP and 40% of the country’s workforce. It is unfortunate that only 20% of these businesses have access to formal credit. A major obstacle to launching a business in India is restricted access to finance. Traditional banks do not support entrepreneurs who have unpredictable incomes.

XI. FINDINGS

Formulation of the Company

RBI has kept banks restricted in terms of licensing. Historically, NBFCs are active in sectors of the economy where banks are unable to concentrate. One such sector where NBFCs are doing well is the microfinance segment.

India is a nation of shopkeepers and traders and the MSME sector is dominated by sole proprietor-run micro-enterprises that contribute one-third to the country’s GDP. Of the 65 million small businesses across India, only 8 per cent of them have access to any form of organized finance since the cooperative sector societies and local banks are in a fractured state. While the private sector is largely focused on metros and larger ticket sizes.

There was a huge opportunity here, and a good business model. Given the opportunity, the CBO was very keen to explore working in this segment and the challenge of not having worked here before pushed his curiosity with every passing year. Finally in 2017, with a help of a few investors, they started a company focused on the self-employed segment - who are largely underserved in small towns.

Sensing the External Prevalent Environment

The company like any other business also faced the tough Covid-19 time. During this time many business markets and environments saw huge changes that had to be carefully studied and understood to scan to decide if they were opportunities for the business or threats. They did this by using their internal sources and intelligentsia to conduct environmental assessments on a periodic basis. This helped gather information about changes in lending processes, the development of newer ways to lend money, ways to maximize efficient use of human resources during such a time and further how to reduce the NPA that was on a rise during the crisis time. Further, they even scanned their environmental changes using external sources such as credit bureaus and market insights that helped them get a bigger picture understanding of the lending scenario in the country during that time period. Getting the bigger picture helped them understand and be more aware of the emerging trends being followed by other businesses in the same area. They also have a few external members on its board of directors which helps them get an outside perspective on business decisions.

Seizing Environmental Opportunities

Based on the sensed and identified opportunities and threats the company decided which projects should be taken up to help increase the competitive advantage in the market. The team that analyses the opportunities that arise then sits with the chief business operator to decide if the business should go ahead with the plan and how they should. Here they decide which opportunity should be prioritized and which should be kept on the back burner. During the impact of Covid-19 repayments of loans saw a huge delay which affected lending businesses. They use artificial intelligence systems to understand and analyze other data available to understand potential risks, they even learn from banks to understand the customer's willingness to pay back. The company also decided to expand to increase its business reach. They expanded across various states and did not have more than 18% exposure in each one.

Transforming environmental opportunities

The company after approval goes ahead to decentralize the whole process by dividing the workforce into three main teams to meet short-term plans, mid-term plans and long-term plans. They execute the plans with strict timelines and intense reviews on a weekly basis. This helps to ensure that the plans are on track, and that they can efficiently implement their dynamic capabilities. They have implemented various control systems to ensure a check is kept on the plans that are taken on.

XII. DISCUSSION

We have aimed to show how the said company was able to integrate dynamic capabilities, especially during COVID-19. We have tried to highlight how they understood their external environment for opportunities and threats, seized the opportunities that arose and how they further rearranged their internal processes to keep up with the changing business environment.

Literature on entrepreneurial business states that opportunities for the business are often discovered by assessing the external environment or are created by the business itself. This is not true as both these two are not dependent solely on the external environment or the creative or imaginative and development ability of the organisation but also on having access to the right kind of information and further the right ability to understand and decode this information got. Having these two is extremely important for an organisation to achieve the “sensing” step of dynamic capabilities. This calls for specialised expertise, inventiveness, the capacity to comprehend user/customer decision-making, and pragmatic insight (Nonaka & Toyama, 2007).

For the purpose of formulating a conjecture or a guess regarding the most likely progression of technology, consumer wants, and market responses, one must gather and then filter information from professional and social relationships. From the data collected, we can see that they have done this by gaining insights on the changes in their business environment using internal sources (company assessment) and external sources (credit bureaus and market insights). Getting information from these two sources helps The company understood its position in the environment and further understand what developments were being made in the areas of newer services provided, newer technologies, how to improve lending processes etc. By understanding the bigger picture from a third point of view the company understands at which opportunities that have arisen should be tapped into and further at what pace so as to prevent burnout of resources both financial and human.

Any new opportunity that arises after understanding the environmental changes must be handled by developing new goods or services, procedures or adopting newer technology. The capacity an enterprise has to create, adjust, hone, and, if necessary, replace business models is foundational to dynamic capabilities.

In order to ensure that the dynamic capabilities of the company are fully and efficiently integrated into the business, they have used artificial intelligence to help understand how the business will see repayments of the loans given pre and during the Covid-19 time. Thus changing their business model to integrate more AI and data analytics to be used, hence keeping up with one more factor of their changing business environment, i.e. the increased use of artificial intelligence and data in the banking sector. They also went on to expand during the Covid-19 time by adding 40 new branches across the country and even went on to double their employee strength during this time. By expanding into various areas across the country during such a tough time they were able to reduce their risk exposure. Unlike their competitors who were mainly located in 3 - 4 states with almost 70% exposure. An efficient and core team set-up helped the business integrate the plans made during the “seizing” stage. They doubled their workforce during this phase.

“Transforming” is about reinventing business processes and keeping them relevant for consumers. Management must constantly streamline, improve, and change organizational practices (Da Giau et al., 2020). After understanding the opportunities that have been raised and further having approval from the top management for execution. The company decentralised the whole process by having three different functional teams working on different areas of the project depending on short, mid and long-term impact and integration of the plan. With the impact of COVID-19 on lending as it was becoming difficult cause of people not repaying and further even people not borrowing that much due to the economic slowdown, they tried to see opportunities during these times by reducing interest rates, giving their customers more time for repayment. They even went to the extent of assisting their customers with life insurance claims. Thus we can see how the company worked through the changes in their external business environment by changing their internal processes and working and went on to work on a modular basis by refreshing and monitoring their implemented plans to provide controlling measures.

Table 1 – PESTEL Analysis

	<i>Components</i>	<i>Impact on dynamic capability</i>	<i>Company's use of dynamic capability</i>
P	Political	The political framework of a nation impacts the way a business chooses to guide or exploit its workers. A favorable political environment leads to market expansions and so more start-ups receive financial help or tax cut when putting their business model in a persuasive way.	The company focused on external business environment and provided controlling measures in alignment with the political propagandas to avoid future problems in the business.
E	Economical	Uncertain economic conditions implicate business decisions. Along with this, developed and developing nations' businesses adopt dynamic	The business is in India, which is a developing nation and so they lend, and borrowing is a major concern. The use of 'PhyGital' model by



		capabilities differently. More start-ups in developed economies mean more intensity of dynamic capability as more focus on innovation.	them reinvented the lending process.
S	Social	Social factors influence dynamic capability. A firm may choose to reconfigure its labor and capital structure when renovating capabilities. A firm may not be able to adopt dynamic capabilities if labor unions are rigid.	They focused on its workers conditions during COVID-19 crisis and minimized the risks associated or faced by the workers. Along with this, they adopted strict timelines and intense review on a weekly basis.
T	Technological	Due to this factor, the dynamic capability is hugely impacted. Adaption to technology changes help in easy sync with the market dynamics and capabilities in innovative areas.	The company used smart technology to enhance the operations and to give better customer service.
E	Ecological	Sustainable dynamic capability can be attained by eco-innovation. Also, when eco-centric perspectives is the focus business may choose dynamic capability in a more responsible way.	The use of AI and enhancing the business model by the company has certainly reduced the cost and has put in focus into ecological footprint minimization.
L	Legal	Legal atrocities are more difficult to handle when changing capabilities. Rules, norms, and policies may impact certain changes which are crucial for the company.	Legal policies were handled keeping into mind the economic conditions during COVID-19. Lowering interest rates did not hamper the legal aspects of the company in any way.

The PESTEL Analysis gives us an overview of the environment in which the company operates. Table 1 illustrates the effects of each component of PESTLE on the dynamic capabilities as well as the way the company uses these dynamic capabilities in its operations.

The Political Environment of a business is the choices a business takes to guide and exploit its workers. In order to prevent future issues in the firm, the company, in this case, has concentrated on the external business environment and offered regulating methods that were in line with political messaging.

Enterprise decisions are affected by uncertain economic situations. Additionally, businesses in developed and developing countries use dynamic capacities differently. In industrialized economies, there are more startups, which increases the dynamic potential and emphasizes innovation. Most players have broken down their business in two parts — one which was COVID-19 affected and another was lockdown affected. The businesses affected by lockdown have bounced back quicker, but COVID-19 affected businesses particularly in the service sector. According to NPCI data, the cheque bounce ratio was around 40 per cent. Initially, the system was protected by the Central Bank. The numbers shot up when the protection ran out in the second half of the next year. Institutions with poor-lending quality were hurt. Under the emergency credit line, banks disbursed Rs 2 trillion. There was restructuring for individuals which was not there earlier which is more like an extended moratorium. Not many businesses shut but their cash flows were damaged. So, if their EMIs were reduced, then these businesses could bounce back. Many such schemes have helped the portfolio across the industry. In March 2020 (during COVID), before finalizing the accounts, the company realized that there would be a problem. So, at that time itself, they had identified the accounts with potential. Their “PhyGital” model creates loans to support its’ customers aspirations using technology and in-person service. They process loan applications at the client’s pace after directly dealing with the owners of small businesses.

Dynamic capability is influenced by social circumstances. When updating capabilities, a company could decide to reorganize its labour and financial structure. If labour unions are stiff, a company might not be able to implement dynamic skills. The company, being a profit-making company since its first year, contributes to the society regularly through their CSR program and NAPs - National Apprenticeship Program which provides skill development and employment for undergraduates and graduates. While addressing the credit gap on one hand, they are also addressing the issue of employability on the other. Even during COVID, while other companies were laying off their staff, the company was expanding its business operations by opening new branches across the country and hiring staff. What is important is that they are doing this profitably so that there is a continuous amplified effort of giving back to the society on an ongoing basis.

Technology is one factor that is ever-changing. New technology enters the market making the old technology redundant. Adapting to new technology is extremely important for businesses in order to ensure complete efficiency of operations. To reinvent lending, they created the "PhyGital" model. The methodology employed creates loans to support its customers' aspirations using technology and real in-person service. They deal directly with owners of small businesses and process loan applications at the client's pace. The "PhyGital" business model and the cutting-edge techniques used by this organization enable creditworthiness to be accessed into a national trend that accelerates digitalization and makes loans simple and handy for those who need them the most.



Eco-innovation can help create dynamic sustainability. Additionally, businesses may pick dynamic capabilities in a more responsible manner when ecocentric viewpoints are the focus. The company's usage of AI and improvements to its business strategy have undoubtedly cut costs and increased their focus on minimizing their ecological imprint.

When one's capabilities change, dealing with legal injustices becomes more challenging. Rules, conventions, and policies may have an impact on some changes that are vital to the business. The legal policies were determined and altered keeping in mind the economic conditions during the COVID pandemic. Interest rate reductions have no negative impact on the company's legal operations.

XIII. CONCLUSION

The purpose of this case study was to get a deeper insight into the dynamic capabilities strategy approach employed by the company. This case helps us comprehend the importance of using a dynamic capability strategy approach in an organization while offering a multidimensional image of the same.

Often, top management of organizations strives to improve performance and strategy implementation through organizational change. It is important to identify the potential of an existing organizational structure and leverage it. This requires leadership and a shared understanding of strategic goals and roles to achieve them (Malkamäki et al., 2021).

For the purpose of formulating a conjecture or a guess regarding the most likely progression of technology, consumer wants, and market responses, one must gather and then filter information from professional and social relationships. They have done this by gaining insights into the changes in their business environment using internal sources (company assessment) and external sources (credit bureaus and market insights). By evaluating information from two different sources, it is easier for the company to scan the environment aptly and gain insights into its opportunities and threats and use its strengths and weaknesses to adapt to the ever-changing environment.

The use of the dynamic capabilities approach is very significant in organizations. Data shows us how relevant this approach is as it includes various aspects like opportunity perception, resource acquisition and organizational learning ability.

They took very strategic decisions. It has been only 5 years since the formulation of the company, but most of their time has been spent battling a crisis – NBFC, DHFL, COVID, they've hit an air pocket every other quarter since 2017. However, they have emerged stronger but utilizing their resources correctly and efficiently and taking well-planned decisions. Even during the pandemic, they supported their staff during difficult times. While other companies were laying off staff, the company expanded their business by opening 40 new branches as well as hiring more staff.

They are also a socially responsible organization. While addressing the credit gap, they are also handling the issue of employability. They are handling their business effectively and profitably so there is a continuous effort on their part to give back to society. With a perfect blend of strategic management and the dynamic capabilities approach and the right balance, they have been able to grow into one of the top 3 players in the MSME segment.

XIV. ACKNOWLEDGEMENT

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