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Creating a dynamic company in times of crisis

Building a dynamic company in times of crisis is more about the intangible elements of the organisation than the financial balance sheet, according to **Mostafa Sayyadi** and **Michael J Provitera**

The capabilities of organisations can, at times, far exceed their potential for profitability. People, teams, and structure are the true drivers of success. The aim of this article is to shed light on the intangible assets of organisations that far surpass their technical and financial components. In this article, it is assumed that the emergence of dynamic capabilities depends on the intellectual foundations formed in the company, and these foundations can be included at three levels – individual, social, and organisational.

The success and growth of any organisation must rely on its people, through hiring them, training them, and retaining them. Talent management is important for the success of any organisation. Financial prowess and operational capabilities cannot guarantee success.

Competitive advantage is not sustainable unless the intangible items found on the balance sheet are managed and adhered to. Many organisations are too focused on environmental factors and conditions governing the industry in which they compete. The ability to respond to the environmental conditions that exist in the marketplace is important, but this is a smaller issue when considering the intangible concerns that are more important for the success of the organisation. The perspective of internal factors considers the factors within the organisation to be effective in gaining a competitive advantage, among which are two prominent perspectives: the resource-based approach and the dynamic capabilities approach.

According to the resource-based approach, valuable, rare, inimitable, and non-substitutable resources are sources of competitive advantage. This approach is based on the principle that all resources in the organisation are heterogeneous. The resource-based approach holds that some organisations can earn extraordinary and sustainable profits. However, the resource-based view has limitations. In fact, this approach is unable to address how some successful companies can respond to environmental changes in time, perform product innovation quickly and flexibly, and have the management ability to co-ordinate and expand the internal and external competencies of the company.

The framework of the dynamic capabilities approach has a stronger position against competitive forces. Dynamic capability is the organisation's ability to integrate, create, and reformulate internal and external capabilities to face rapid environmental changes.

Many companies operating in a turbulent environment cannot be successful with just operational capabilities. Although the capabilities and organisational routines of repetitive activities may appear to satisfy short-term profitability, in the long term, companies will be challenged and may not be as competitive as their rivals.

Over time, the solutions that were somehow successful in different competitive conditions in the short run lose their main functionality. Thus, the dynamic capability approach may help organisations perform dynamically and sustain a competitive business environment.

The proposition

Understanding the surrounding environment, the opportunities, the threats, and taking advantage of business opportunities is not anything new. However, we find that many companies are not using the intangible milestones that will provide revenue. The important dimension of the theory of dynamic capabilities adds value to organisational revenue, but it is not as clean-cut as other more formidable core competencies. The influencing factors (organisational capital, social capital, and human capital) provide opportunity and can be a primary competitive advantage. The theory of dynamic capabilities must be implemented well to affect financial performance.

■ **Human capital and dynamic capabilities:** In competitive advantage, the margins are shrinking if you do not have superior value to develop. When you have a superior competitive advantage that is hard to copy, you can use your human capital, which is hard to emulate by competition. Human capital is organisational capital that contributes to core capabilities. This intangible asset gives you the human element within an organisation. The human capital capabilities include the collective experience of the workforce, their prior learning, and their ability to continuously learn and grow. This issue depends on having knowledge, motivation, skill, experience, and possible judgements of people. In fact, the knowledge of people and their experiences is like a stimulus for the accumulation and use of knowledge. Companies that have higher levels of experienced and skilled employees identify changes faster, create knowledge, and use it to develop a variety of dynamic capabilities and react to potential opportunities and threats.

■ **Social capital and dynamic capabilities:** A second intangible advantage for businesses is social capital. By building strong relationships, organisations can tap into new opportunities and leverage fresh knowledge and expertise to enhance their capabilities. Social capital acts as a mechanism for understanding how knowledge affects a company's ability to adapt and grow. Networks facilitate learning and adaptation, while high levels of social capital empower organisations to effectively communicate, manage relationships, and develop dynamic capabilities.

■ **Organisational capital and dynamic capabilities:** A third intangible competitive advantage component is organisational capital. This is defined as institutionalised

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knowledge and experience that is stored in systems, databases, instructions, structures, routines, patents, and the like. Organisational structure and processes are like a formulated mechanism for learning, benefiting, sharing, and using organisational resources that increase the company's capabilities. Codified knowledge allows organisations to strengthen their technical knowledge and helps develop innovative capabilities. Organisational processes and information technology increase the accumulation of knowledge and its use in an organised manner and are prerequisites for dynamic capabilities. Organisational capital promotes a positive culture, is a continuous factor for learning, encourages people to acquire new knowledge and facilitates a favourable environment that increases the organisation's ability to create knowledge and value.

Human resource management plays a crucial role in creating a learning organisation, which can gain a competitive edge through faster and more effective learning experiences. This approach harnesses the collective strengths of human, social, and organisational capital within the workforce. Such a dynamic is difficult for competitors to replicate, providing a sustainable advantage. In today's rapidly changing environments, managers, particularly those driving innovation, must possess the ability to adapt quickly and understand these shifts. Just like Thomas Edison, who exemplified rapid innovation, effective human resource managers cultivate relationships and skills within their teams to integrate and capitalise on new ideas.

Unlearning and training activities provide valuable experiential learning opportunities, with 'action learning' being particularly effective. This approach involves actively tackling real-world challenges and reflecting on them to gain insights. By identifying what is not working and experimenting with new approaches, individuals can learn and adapt. Action learning encourages collaboration, allowing people to draw from each other's experiences and perspectives to address complex problems and explore new ideas.

We present a view of the approaches with and without AI and chatbots. For instance, an AI-powered Decision Support System (DSS) effectively supports unlearning outside of real-life decision-making scenarios. We can design it specifically to learn how to provide a safe space for employees to unlearn old habits and learn new ones.

In terms of the unlearning process with AI and chatbots, the same approach is used with DSS, only different in the use of technology.

On the other hand, the approach without AI and chatbots includes scenario planning and future back thinking. It involves envisioning futures and working backwards to let trainees use their skills to identify the skills, knowledge, and behaviours needed in those scenarios.

Meanwhile, negative learning is a powerful tool to challenge pre-existing beliefs and assumptions, facilitating unlearning and opening the door to new learning. This is particularly effective in extreme cases where existing behaviours or mindsets may harm existing or future leaders, particularly in negative situations.

This article presents a comprehensive model of competitive advantage from an intangible perspective. Human resource management can be used in the strategic process to create a product or service that cannot be imitated because perfecting intangible assets is hard to imitate. This construct is presented in our model as the foundation of the dynamic capabilities of a company. Patents and governmental subsidies help an organisation keep its products from being copied, but when they expire or end, the product or service can be easily copied or reverse engineered. On the contrary, certain products and services become more challenging to replicate because of the model's implementation. This includes intangible assets such as organisational processes, which present opportunities. In certain instances, these intangible processes can offer superior competitive advantages compared to traditional products and services. Innovating processes in delivering exceptional service can assist an organisation in maintaining a competitive edge. Hence, this article builds upon the aspects of a more dynamic organisation that can provide both tangible and intangible processes in today's highly competitive business environment. **C**·RJ

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