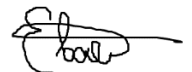


St. Petersburg University
Graduate School of Management
Master in Management Program

**TOPIC: DEVELOPMENT OF STRATEGIC FLEXIBILITY THROUGH
DYNAMIC CAPABILITIES. THE CASE OF RUSSIAN SMES IN THE
SERVICE SECTOR**

Master's Thesis by the 2nd year student
Concentration — Master in
Management
Vasileva Evgenia

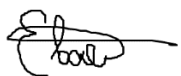


Research advisor:
Dr. Ioannis P. Christodoulou

ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

Я, Васильева Евгения Дмитриевна, студентка второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Развитие стратегической гибкости через динамические способности. Кейс российских малых и средних предприятий в сфере обслуживания», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата. Все прямые заимствования из печатных и электронных источников, а также из защищенных ранее выпускных квалификационных работ, кандидатских и докторских диссертаций имеют соответствующие ссылки. Мне известно содержание п. 9.7.1 Правил обучения по основным образовательным программам высшего и среднего профессионального образования в СПбГУ о том, что «ВКР выполняется индивидуально каждым студентом под руководством назначенного ему научного руководителя», и п. 51 Устава федерального государственного бюджетного образовательного учреждения высшего профессионального образования «Санкт-Петербургский государственный университет» о том, что «студент подлежит отчислению из Санкт-Петербургского университета за представление курсовой или выпускной квалификационной работы, выполненной другим лицом (лицами)».

Васильева Е. Д.

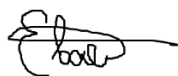


(Подпись студента)

02.06.2024 (Дата)

STATEMENT ABOUT THE INDEPENDENT CHARACTER OF THE MASTER THESIS
I, Vasileva Evgenia, second year master student, program «Management», state that my master thesis on the topic « Development of strategic flexibility through dynamic capabilities. The case of Russian SMEs in the service sector», which is presented to the Master Office to be submitted to the Official Defense Committee, for the public defense, does not contain any elements of plagiarism. All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references. I am aware that according to paragraph 9.7.1. of Guidelines for instruction in major curriculum programs of higher and secondary professional education at St. Petersburg University «A master thesis must be completed by each of the degree candidates individually under the supervision of his or her advisor», and according to paragraph 51 of Charter of the Federal State Institution of Higher Professional Education Saint-Petersburg State University «a student can be expelled from St. Petersburg University for submitting the course or graduation qualification work developed by other persons (persons)».

Vasileva E. D.



(Student's signature)

02.06.2024 (Date)

Аннотация

Автор	Васильева Евгения Дмитриевна
Название Магистерской Диссертации	Развитие стратегической гибкости через динамические возможности. Пример российских МСП в сфере обслуживания
Факультет	Высшая Школа Менеджмента
Научный Руководитель	Доктор наук, Христодоулоу Иоаннис
Цели, задачи и основные результаты	Основная цель данного исследования - выявить связь между стратегической гибкостью (СГ) и динамическими способностями (ДС) малого и среднего бизнеса в сфере услуг в России. Целью исследования также является разработка практических рекомендаций о том, как компании могут повысить СГ. Работа представлена в форме качественного исследования - проведены полуструктурированные глубинные интервью с 10 компаниями общественного питания в Санкт-Петербурге. Полученные данные анализировались с помощью тематического анализа, чтобы изучить связь между СГ и ДС, детерминанты СГ, проблемы, с которыми сталкиваются практики, и их основные рекомендации о том, как достичь СГ. Результаты подтвердили большую необходимость и важность СГ, что было ранее выявлено в обзоре литературы. Респонденты поделились трудностями, с которыми они сталкиваются, такими как неспособность должным образом планировать, зависимость от внешних решений, отсутствие систематизации. Было подтверждено, что ДС являются полезным инструментом для достижения СГ, и были приведены точные примеры действий по эффективному использованию ДС. Особый интерес вызывает выявление значимой роли команды в обеспечении СГ и то, что специалисты-практики готовы уделять этому большое внимание. Исследование завершается разработкой концепции, которая фокусируется на каждой парадигме динамических способностей и предлагает набор действий для достижения СГ.
Ключевые Слова	Стратегическая гибкость, динамические способности, МСП, динамичная среда, разрушительная среда, Россия, сфера обслуживания, индустрия общественного питания

Abstract

Master Student	Vasileva Evgenia
Master Thesis Title	Development Of Strategic Flexibility Through Dynamic Capabilities. The Case Of Russian SMEs In The Service Sector
Faculty	Graduate School of Management
Academic Advisor	PhD, Dr. Ioannis P. Christodoulou
Goal, Tasks and Main Results	<p>The primary objective of this research is to identify the connection between strategic flexibility and dynamic capabilities in SMEs within the service sector in Russia. The research also aims to formulate practical recommendations on the ways companies can foster strategic flexibility. Study is done in the form of qualitative research - semi-structured in-depth interviews are conducted with 10 food service companies in Saint-Petersburg. The collected data is analyzed via thematic analysis to examine connection between SF and DC, determinants of SF, challenges faced by practitioners and their main recommendations on how to achieve strategic flexibility. The results confirmed the great need for and importance of strategic flexibility, previously identified in literature review. respondents shared difficulties they face such as inability to properly plan, dependence on external decisions, lack of systematization. It was also confirmed that DC is a useful tool in achieving strategic flexibility and exact examples of actions were provided on how to use DC effectively. The main insight is the great role of the team in enabling SF and a decent amount of attention practitioners are ready to pay for team creation and managing. The research is finalized with the proposition of a framework that focuses on each paradigm of dynamic capability and proposes a set of actions.</p>
Keywords	Strategic flexibility, dynamic capabilities, SMEs, fast dynamics, disruptive environment, Russia, service sector, food service industry

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1. Introduction

a) Motivation of the research

Modern business world consists of a great variety of business units that supports the development of the field and fuels the national economy. One of the most numerous types is known as SME, which stands for small and medium enterprises. The term is used globally; however, it has a slight shift in meaning in different countries. In Russia there are almost 6.2 million micro, small, and medium-sized enterprises, most of them being micro-firms (41%) and individual entrepreneurs (55 %) ¹. The table below illustrates the criteria of SMEs from the 2007 Federal Law on “Development of Small and Medium Entrepreneurship in the Russian Federation”, which defines the sizes of SMEs as follows:

Type	Employees	Revenue (Rub Million)
Micro	Up to 15	Up to 120
Small	16-100	Up to 800
Medium	101-250	Up to 2000

Table 1 SME's Classification; Source: [OECD (2020)]

The Small and Medium Enterprises (SMEs) play a critical role in driving economic growth and employment creation ². There are few important factors that highlight the significance of SMEs examination and research. SMEs are promoting regional development, as they are often locally owned and operated, they contribute to economic growth in smaller communities. Their presence can lead to increased investments, infrastructure development, and overall advancement of the region. Moreover, SMEs are a breeding ground for innovation and competition ³. They are more willing to experiment with new ideas and take risks, leading to the introduction of new products and services. Their innovative nature keeps larger businesses on their toes, driving competition and forcing them to improve and adapt ⁴. Finally, they contribute to a more competitive

¹Financing SMEs and Entrepreneurs 2020. (2020). In Financing SMEs and entrepreneurs. <https://doi.org/10.1787/061fe03d-en>.

²Bayraktar, M., & Algan, N. (2019). The importance of SMEs on world economies. *Uluslararası Avrasya Ekonomileri Konferansı*. <https://doi.org/10.36880/c11.02265>

³Ng, K., Ahmad, A. R., Wei, K. C., & Rizad, S. H., MD. (2017). SMES are embracing innovation for business performance. *Journal of Innovation Management in Small & Medium Enterprises*, 1–17. <https://doi.org/10.5171/2017.824512>

⁴Galli-Debicella, A. (2021). How SMEs Compete Against Global Giants Through Sustainable Competitive Advantages. *Journal of Small Business Strategy*, 31(5), 13–21. <https://doi.org/10.53703/001c.29812>

marketplace, ensuring that consumers have a wider range of options to choose from. This diversification helps stimulate economic growth and enhances customer satisfaction.

In today's dynamic and competitive marketplace, companies cannot expect to “stay afloat” just by operating in their habitual, experience-proven way. The velocity of external and internal processes is rising all the time, requiring companies to create a tool that would help them adequately manage such changes. Therefore, flexibility is no longer just a desirable attribute for organizations; it has become a necessity for survival - as it really allows them to stand out among competitors and more importantly strive themselves⁵.

All the above is particularly relevant for the service sector, as SMEs require the ability to adapt and respond to new opportunities and challenges, while facing a fierce competition and constant fight for the customers and their preference. These challenges necessitate a proactive and adaptable approach to exploit emerging opportunities and mitigate threats, which aligns with the term strategic flexibility.

It was considered important to narrow down the segment of the research to allow a more “personalized” and detailed approach. It is also obvious that different parts of similar industries can still have various differences and therefore need separate research done. Service sector is presented with many different types of segments, one of the largest being HoReCa segment, which stands for Hospitality, Restaurant, Catering. In other words, acronym offers a way to describe businesses and operations that cater to clients seeking out-of-home food, drink, and lodging experiences. In order to narrow down the scope even more it was decided to mainly focus on the Restaurant industry, which is presented by many different types of organizations. The sphere is considered interesting for the research and relevant due to the number of factors:

- 1) Radical changes are happening in strategic management in the HoReCa sector, highlighting the necessity of flexibility in long-term development plans⁶;
- 2) The need seems even more crucial due to rapid growth of competition, serious shifts in customer preferences, appearance of advancing technologies and their general importance in sustaining competitiveness;
- 3) Regulatory compliance requires to stay alerted and follow specific regulation in a rapid manner, while adopting all of the business processes⁷;

⁵Agrawal, V. (2023, March 21). Flexibility is the new normal. *Forbes*. <https://www.forbes.com/sites/forbesbusinesscouncil/2023/03/20/flexibility-is-the-new-normal/?sh=21be65616353>

⁶Yurovchyk, V., Goblyk-Markovych, N., & Ito, T. (2024). STRATEGIC MANAGEMENT IN HORECA: a MODERN PERSPECTIVE. *Economic Scope*. <https://doi.org/10.32782/2224-6282/190-30>

⁷*Challenges, solutions, and trends for the restaurant industry in 2024 - RizePoint*. (2024, January 26). <https://rizepoint.com/challenges-solutions-and-trends-for-the-restaurant-industry-in-2024/>

- 4) Ongoing labor management challenges create a need for sustainable attraction, retention, teaching and development of the staff to be able to provide competitive services.

All of the above together with the great uncertainty that is specifically present in the Russian segment in the last 4-5 years highlight a great importance of the research and creates a great space for exploration and discussion. We stress the uncertainty and high market volatility due to the latest rapid changes in market regulations, customer demand and their purchasing power. The two latest “disruptions” are Pandemic due to the spread of Covid-19⁸ virus, that struck the industry completely, and Special Military Operation of Russia in the Ukraine, which led to many smaller changes and challenges⁹, that affected various parts of restaurant operations.

Although, we narrow down the scope, we still await for applicable and relatable results, we believe that insights gathered in the food service industry can be relevant for other service sector groups, because the main focuses of the work are common in the service industry in general: Dynamic environment, unpredictable demand, close dependency on the customers, etc.

Management is being studied all over the world, the academic community is constantly “producing” new insights in the theoretical foundation and background of different theories, concepts, frameworks. Although such growth and development are beneficial for the further blossoming of managerial science, such variance brings a disagreement between experts and creates a space for discussion and modifications¹⁰. That is the main argument for continuing the theoretical research of the well-studied subjects as the Strategic flexibility and dynamic capability. These concepts are considered vital and are used to explore various fields of management, therefore need to be reviewed and reconsidered for the specific goals and purposes of the particular research.

Considering the importance of practice-oriented research in business studies, it is vital to keep the flow of the updated exploration going. Newer analysis is always needed in order to combine theoretical and practical, especially in the world of rapid growth and development. Although internationalization is blooming, national peculiarities and various specific local details make it impossible to simply transfer the results of one study to all of the different regions and niches. Russia is quite a specific region, its local culture and rapidly changing business and external

⁸Serova E. G., Vorobyev P. F., Fainshtein E. M. (2023). The impact of the covid-19 pandemic on the restaurant business: recommendations based on an expert interview. *Management consulting*, №2 (170). Pp. 99 - 121.

⁹Restaurateurs have reported a “vacuum” of cooks and bartenders. (n.d.) RBC. <https://www.rbc.ru/business/05/09/2023/64f5cd779a794733d67b3f65>

¹⁰Herhausen, D., Morgan, R. E., Brozović, D., & Volberda, H. W. (2021). Re-examining Strategic Flexibility: A Meta-Analysis of its Antecedents, Consequences and Contingencies. *British Journal of Management*, 32, 435–455. <https://doi.org/DOI: 10.1111/1467-8551.12413>

political environment ask for constant revision of the known concepts and recommendations¹¹. While there is a substantial amount of literature available on the concepts of strategic flexibility and dynamic capabilities in large multinational corporations, the literature on these concepts in Russian SMEs is relatively limited, which restricts the possibility of practical implication of the findings.

b) Research goals and tasks

The primary objective of this research is to identify the connection between strategic flexibility and dynamic capabilities in SMEs within the service sector in Russia. The specific research objectives are as follows:

- a. To identify the key determinants of strategic flexibility in SMEs in the food service sector;
- b. To analyze the role of dynamic capabilities in enabling strategic flexibility;
- c. To identify the possible challenges in enabling strategic flexibility through dynamic capabilities;
- d. To define practical recommendations on fostering strategic flexibility through dynamic capabilities for food service companies.

To fulfill the above objectives, the following steps need to be done:

- 1) formulation of the main research question and its aligning with current research gap;
- 2) analysis of current theoretical background on the main theoretical concepts (strategic flexibility, dynamic capabilities theory) and its comparative study in order to find common basis and misconceptions that allow for further explanation and deeper understanding;
- 3) development of the suitable methodology and its justification;
- 4) conduction of the empirical study;
- 5) analysis of the results;
- 6) formulation of the conclusions and recommendations.

c) Research structure

To reach the objectives identified in this work, we propose the following structure of the paper. Firstly, we will start with the literature review, where the theoretical background of the important concepts is being explored and presented in the form of a report, stating the most important points and introducing the relevant opinions and theories.

¹¹Ivanova, N. I. (2019). SHS Web of Conferences. *Entering the Russian Market: The Peculiarities for Foreign Companies*, 62. <https://doi.org/https://doi.org/10.1051/shsconf/20196209005>

We started with the strategic flexibility concept and studied its interpretation by six main scholars, which allowed us to combine their definitions and create a complex explanation that serves as a basis for the next part of the work. Similarly, we introduce the dynamic capabilities Theory, combining the existing knowledge and deriving the combined definition as well as the precise explanation of different dimensions of it.

We then moved to conducting an empirical part of the research, which was chosen to be done by the qualitative research method. We conducted a series of semi-structured in-depth interviews, which allowed us to get valuable insights into the practical side of enabling strategic flexibility. As the tool for analysis we choose thematic analysis, which seems to be the most suitable in terms of insightful exploration of the topic. The final results allowed us to formulate a list of practical recommendations with precise examples and thorough descriptions from the respondents, which grant the answer to the main research question: “How can SMEs foster strategic flexibility through dynamic capabilities in the service sector in Russia?”.

We continue with the discussion of results, presenting a framework that can serve as a guidance for both academic and practicing community, focusing on the way dynamic capabilities can be combined to help create a strategically flexible environment in the company. The limitations and possible themes for the further research are also identified in the final part of the work.

References can be seen at the end with all the relevant links. Appendices chapter includes all the supplementary material, that may be useful, except for the transcripts of the interviews, that can be found via the online depository link : <https://docs.google.com/document/d/1zuIBpam6RzbvKeHEv-D2dkcsLtmAkvkOdzdQj6rKSp4/edit> .

2. *Theoretical background*

a) *Strategic flexibility*

Originally the term "strategic flexibility" gets its roots from the field of strategic management. The concept of strategic flexibility generally refers to an organization's ability to adapt and modify its strategy and resources to respond effectively to the changing market conditions, competitive dynamics of the environment, and other external factors.

One of the earliest mentions of the term seems to be tracing back to the 1980s and 1990s, when scholars began exploring the need for companies to develop flexible strategies to navigate the growing uncertainties and rapidly changing environments that intensifies with time. Later on strategic flexibility became a central theme in the strategic management literature, as researchers sought to understand how exactly organizations can create and more importantly maintain a competitive advantage by being adaptable and responsive to the external irritants.

The work that seemed to have first mentioned the term and therefore started further research is the book "Strategic Flexibility: Managing in a Turbulent Environment" by Charles C. Snow and Raymond E. Miles, published in 1978. This work introduced the concept of strategic flexibility, claiming that it is a key factor for organizational success in dynamic environments. Since then, numerous scholars and researchers have further developed and refined the concept of strategic flexibility, exploring its various dimensions, antecedents, and consequences.

Strategic flexibility is a crucial concept for organizations aiming to achieve sustainable competitive advantage. There are several theoretical frameworks that arose from the original discussion of the topic. It is important to look closer on those frameworks and various perspectives to compare similarities and highlight the conceptual mismatches. Below, there are 6 main interpretations of strategic flexibility that were analyzed and considered when finalizing the understanding of the concept and its details in this work for the particular aims of research.

1. **Resource-based view:** This perspective, developed by Barney (1991), emphasizes the role of firm-specific resources and capabilities in achieving competitive advantage. From this viewpoint, strategic flexibility encapsulates a firm's capacity to continuously adapt and reform its resources and capabilities following the evolving market conditions and competitive dynamics. That way Strategic capability focuses not only on the leveraging and reconfiguration of existing resources to address existing opportunities, but also on the acquisition, development, and integration of novel resources when necessities arise (Madhok, 1997).

Embedded within the resource-based view framework, strategic flexibility emerges as a vital factor for firms aiming to sustain their competitive advantage and achieve continuous success. By creating a climate of agility and responsiveness to external disruptions, firms can support the existing number of valued, rare, and inimitable resources, that way creating a fundament for sustained competitive advantage (Barney, 1991; Peteraf, 1993) All in all, from the point of the resource-based view theory, strategic flexibility emerges as a basis strategy, bringing firms on the path to not only strengthen their competitive positioning in the present but also seed the grounds for sustained relevance and prosperity (Barney, 1991).

2. **Dynamic capabilities perspective:** This perspective was proposed by Teece, Pisano, and Shuen (1997), the authors explore the concept of dynamic capabilities and its implications for strategic management. The work mainly focuses on the firm's ability to integrate, build, and reconfigure internal and external resources to address changing market conditions. It emphasizes the role of strategic flexibility in enabling firms to sense and seize new opportunities.

The authors define dynamic capabilities and argue that these capabilities are essential for firms to adapt and thrive in today's dynamic and competitive business landscape. The article discusses how firms can develop and leverage dynamic capabilities by continuously scanning and responding to market changes, building and renewing organizational routines, and fostering a culture of innovation and learning. The authors emphasize the importance of aligning these capabilities with the firm's strategic goals and values to achieve sustainable competitive advantage.

Furthermore, the article highlights the role of top management in driving the development of dynamic capabilities and fostering a flexible and adaptive organizational culture. It also discusses the challenges and potential pitfalls that firms may face in building and leveraging dynamic capabilities, such as inertia, resistance to change, and resource constraints.

Overall, the article makes a compelling case for the importance of dynamic capabilities in today's fast-paced business environment and provides valuable insights for strategic management practitioners looking to enhance their firm's ability to adapt and thrive in an ever-changing market.

3. **Real options theory:** This theory, developed by Myers (1977) and extended by Trigeorgis (1996), suggests that firms should view strategic decisions as options, allowing them to

delay or change their decisions based on market conditions. The theory of Real options creates an important framework for understanding and evaluating strategic flexibility. It compares strategic decisions with a form of financial options, proposing that a firm obtains a right rather than an obligation to perform different actions (e.g. investments or changes in the future).

Real options theory creates a tool to assess the value of various strategic decisions and identify the best course of action in uncertain and dynamic environments. The concept specifically focuses on the great value of flexibility and therefore adaptability to the changing environment. This approach recognizes that in today's dynamic and uncertain business world, having the flexibility to respond to unexpected opportunities or threats can be a key driver of success.

The distinctive feature of real options theory is its huge focus on the future value of present decisions and possible opportunities that are to arise in the coming times.

3. Ambidexterity: Scholars like O'Reilly and Tushman (2004) argue that firms need to balance exploration (seeking new opportunities) and exploitation (leveraging existing capabilities) to achieve strategic flexibility. This literature highlights the challenges and strategies for organizations to simultaneously pursue both exploration and exploitation and the nuanced strategies required to effectively manage this dual pursuit (Lavie et al., 2010).

Authors in a way combine both previous points of view, merging processes and products of the past and the proactive search of innovative initiatives, representing a fundamental base of strategic management in today's fast-evolving business landscape (Lumpkin et al., 2009).

5. Organizational learning: Researchers like Levinthal and March (1993) initially explore how organizations learn and develop knowledge that enables them to be more flexible strategically. They emphasize the importance of absorptive capacity, knowledge transfer, and knowledge creation processes in enhancing strategic flexibility.

Organizational learning theory generally states that the acquisition, interpretation, and dissemination of knowledge within an organization are vital for fostering strategic flexibility (Argyris and Schön, 1978). This perspective emphasizes the role of knowledge creation, sharing, and application as foundations for adaptive behaviors and decision-

making processes that underpin strategic flexibility (Lane et al., 2006). Academic society emphasizes the importance of not only leveraging existing knowledge and capabilities but also proactively seeking, assimilating, and leveraging new insights and external information to facilitate strategic adaptation (Levitt and March, 1988)

Moreover, organizational learning theory supports the significance of fostering a learning culture and knowledge-sharing mechanisms within an organization to facilitate strategic flexibility (Senge, 1990).

6. Institutional theory: This stream of literature, that originally begins from the work of DiMaggio and Powell (1983), mainly explores how companies respond and adapt to the external forces of institutional norms.

This theory focuses on influence of such factors as regulatory structures, societal norms and cultural practices¹². Oliver (1991) continues the discussion on how in the context of strategic flexibility, institutional theory defines the ways for organizations to navigate the “pressure” and expectations, while maintaining the necessary responsiveness to disruptions in their own environment.

The theory, similarly to the concept of ambidexterity, emphasizes the essential balance between institutional norms and the inner ability of the firm to adapt to those fluctuations and shifts.

Strategic flexibility is seen as a mandatory mechanism for organizations to conform to the influence of institutional norms while simultaneously ability to adjust and innovate in a response to changes in the institutional environment.

These are some of the main theoretical perspectives and studies shaping the academic knowledge on strategic flexibility. Researchers and practitioners continue to investigate various dimensions of strategic flexibility, providing valuable insights on how organizations can adapt and thrive in dynamic business environments. In general, the concept of strategic flexibility, although, has variations, still remains focused on the creation of a resilient environment through combining capabilities and internal resources of the firm. In order to fulfill one of the objectives of the current research a common definition is formulated the following way:

¹²Scott, W. R. (2014). W. Richard SCOTT (1995), Institutions and Organizations. Ideas, Interests and Identities. *Management*, 17(2), 136. <https://doi.org/10.3917/mana.172.0136>

Strategic flexibility defines a firm's capacity to adapt to the changes that may appear inside or outside of the organization. External factors involve evolving market conditions, competitive dynamics, uncertain political or economic environment and changes in institutional norms. Among internal factors there are changes to structure, allocation of resources, organizational culture and operational processes.

The main objective of the strategic flexibility approach is to learn to adapt and react to disruptions. Combination of different theories creates a following action plan:

1. Identify the change/opportunity
2. Come up with possible solutions
3. Evaluate the options
4. Choose the one, that focuses on sustaining competitive advantage and innovation
5. Learn from the process and incorporate it via learning mechanisms for the future.

The main part of Strategic flexibility creation is aligning and combining the right capabilities to design an adaptive and resilient organization. The next part of the theoretical exploration is finding out what those capabilities are and how they can be created and sustained.

b) Dynamic Capabilities Theory

Although Dynamic Capabilities is one of the most researched concepts in the modern strategic management field, it still remains under explored, leaving some questions, misconceptions and interpretations to the whole theoretical background. That is why, it is crucial to try and look more closely into the theory and its main conceptual pillars – to formulate the current understanding of the concept for the following research and dig deeper into really understanding the core meaning and sense of it.

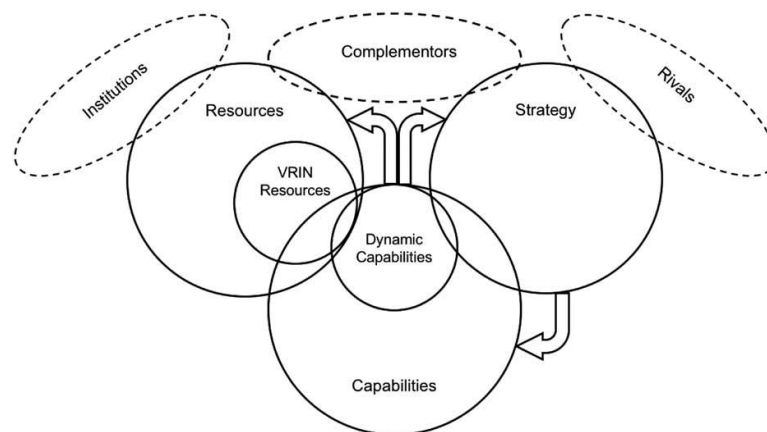
While conducting the thorough literature analysis among the available research of the recent years, it became obvious that there is an existing level of slight divergence between the understanding of the nature of the dynamic capabilities. However, there is a possibility to combine those visions and rule out the common version, that would suit the future research. The goal was achieved by comparing and contrasting various versions and assessing them. It is important to note that accurate interpretations of such concepts can help with the flow and direction of future research.

Being the first to discuss the subject, Teece et al. (1997) describes Dynamic Capabilities as “the firm's ability to integrate, build, and reconfigure internal and external resources/competences to address and shape rapidly changing business environments”. Authors claim that dynamic capabilities are a tool to sustain competitive advantage and emphasize the role of these capabilities

in shaping a firm's long-term strategy. In his theory he tries to combine the need to balance out two opposing strategic directions. Companies must possess the stability to carry on adding value in their own unique way, as well as stay resilient and adaptable to quickly alter direction when necessary.

Following the appearance of the basic theory, Eisenhardt & Martin (2000) define Dynamic capabilities as “evolutionary” processes of adaptation within organization according to the changing times and environments over time. Authors finalize their perception of the theory with the following statement “competitive advantage does not lie in the dynamic capabilities themselves but rather in the resource configurations that managers build using these dynamic capabilities¹³”. They also identify the need for “transformation” of the capabilities and their interpretations in the different environments and conditions.

As another example of the slight transformation of the theory that aims at a better explanation and usability there is a framework formed by Teece as a follow up to his previous theoretical works in 2018 – Teece finalizes his report by saying that the dynamic capabilities framework can assist and guide managers toward greater possibilities for sustained high performance over the long term perspective by establishing the important components and interrelationships more evident. The observed framework is presented on the picture below:



Picture 1 DC Framework; Source: [Teece 2018]

Overall the majority of authors agree that Dynamic Capabilities in the end of the day creates a set of “processes/routines/ordinary capabilities”. In general, they are seen to be combined and transformed in order for companies to be able to adapt to the changing environment.

It is important for the current research to not only formulate the general definition, but also look deeper into some exact examples and practical propositions of dynamic capabilities introduced into the business environment. Formulations of such specific processes and routines is vital for the usability of the theoretical concept in the real business world.

¹³Eisenhardt, Kathleen & Martin, Jeffrey. (2000). Dynamic Capabilities: What Are They? Strategic Management Journal. 21. 1105-1121. 10.1002/1097-0266(200010/11)21:10<113.0.CO;2-E.

Teece (1997, 2001) comes up with the fundamental description of the concept and the three mandatory dimensions. The table with the description and explanation of each of the necessary dynamic capabilities is presented below:

Dynamic Capability	Explanation in terms of achieving strategic flexibility	Business world example
Ability to sense and shape opportunities and threats (Sensing)	Organization's capacity to detect, identify, and interpret changes in the business environment. They enable firms to spot emerging market trends, competitive threats/opportunities, therefore serving as a foundational element for future strategic flexibility.	IBM creates four processes that are fulfilled by the monthly meetings in order to identify, combine and share the existing understanding of the current market state, as well as the internal environment. Four Processes include gathering insight with the help of: <ul style="list-style-type: none"> - Technology team (assesses the market readiness and the potential of emerging technologies); - Strategy team (examine the market results of existing unit strategies as well as to explore new growth areas); - Integration and values team (group of 300 key leaders, selected annually by the CEO, who are considered responsible for integrating IBM through company-wide initiatives); - Deep Dive (structured process, typically requested by a general manager confronting a performance or opportunity gap and staffed jointly by the operating unit and the strategy group)¹⁴.
Ability to seize opportunities (Seizing)	When potential opportunities/threats are identified, seizing capabilities allow firms to take proactive actions in a timely manner to capitalize on these opportunities or avoid possible threats. Among those are the ability to make quick strategic decisions and effectively apply new initiatives, allowing organizations to	Apple changed the way people listened to music and set the stage for its future dominance in the digital music market with the release of the iPod in 2001. As the pioneer in the portable media player industry, Apple gained a substantial market share by introducing a user-friendly gadget with an integrated online music store (iTunes). After sensing the market gap - Apple managed to employ proactiveness and made a fast decision, followed by the rapid execution, which allowed Apple to overtake the competitors and win the niche completely ¹⁵ .

¹⁴Harreld, J. B., O'Reilly, C. A., & Tushman, M. L. (2007). Dynamic Capabilities at IBM: Driving Strategy into Action. *California Management Review*, 49(4), 21–43. <https://doi.org/10.2307/41166404>

¹⁵Seizing Opportunities: First Mover Strategies for Business growth. (2024, April 21). [fastercapital.com](https://fastercapital.com/content/Seizing-Opportunities--First-Mover-Strategies-for-Business-Growth.html). <https://fastercapital.com/content/Seizing-Opportunities--First-Mover-Strategies-for-Business-Growth.html>

	convert opportunities into tangible competitive advantages.	
Ability to maintain competitiveness through enhancing, combining, protecting and reconfiguring the business enterprise's intangible and tangible assets (Transforming)	Such capabilities help companies to rapidly reconfigure their resources, competencies, routines and processes, involving reallocation of human, financial, and technological resources, leveraging partnerships, alliances, and collaborations to line up with new strategic objectives and respond to disruptive market dynamics, while facilitating strategic flexibility..	Originally, Netflix was only a DVD rental service, therefore in order to service its users, it had to rely on the physical stores. But when it turned its attention to streaming services, Company was able to attract a larger audience and increase its global reach - becoming a number one streaming giant. Netflix's success can be linked to its rapid implementation of digital transformation strategies, which enabled it to optimize new technologies. Its evolution from a DVD rental business to a top streaming provider by reorganizing its assets and redefining its core skills in response to evolving customer demands and technical breakthroughs is a great example of transformation capability ¹⁶ .

Table 2 Dynamic Capabilities and description of dimensions

Following the logic of the fundamental theory, Teece (2001) claims that in order to face new problems, three dynamic capabilities are required. Organizations and their staff members require the capacity to pick up new skills rapidly and develop strategic assets. The organization must include new strategic assets like capability, technology, and customer feedback. The configuration or transformation of current strategic assets is also required. The ability to restructure the firm's asset structure and complete the necessary internal and external transformation is required in fast-changing markets (Amit and Schoemaker, 1993). Because change is expensive, businesses must create procedures for identifying low-risk, high-reward improvements. The ability to adapt depends on the speed with which one can quickly complete reconfiguration and transformation in order to gain an advantage over rivals.

The explanation of the dynamic capability concept lets us assume its tight relationship with the strategic flexibility concept. Following the basic description, Teece highlights corporate agility as something that really matters for business, linking its achievement with the ability to foresee opportunities, follow them and transform the existing resources when necessary. That statement completely aligns with the whole strategic flexibility framework reviewed in the previous part of the chapter.

¹⁶Bismarck, A. (2023, January 16). *How Netflix achieved digital Transformation: a case study*. Digital Socius. <https://digitalsocius.co.uk/from-a-small-ecommerce-model-to-a-fortune-500-saas-company-a-comprehensive-case-study-on-how-netflix-leveraged-digital-transformation/>

It is also important to mention another dimension at explaining and defining dynamic capabilities. First stated by Helfat et al. (2007) definition of the concept included the word ‘purposeful’ to all the previous versions of definitions. It was made in order “to make explicit what previously was implicit”¹⁷. The word purposeful specifies a minimal desired degree of intentionality, in order to distinguish a capability that was specifically aimed for from pure luck.

Current research will focus on linking dynamic capability concept to strategic flexibility, the presumptive relationship links both concepts as a tool and a resulting “power”. Therefore, it seems important to dive deeper into the measurement of the results of Dynamic Capability inclusion in a firm's organization. Research into dynamic capabilities usually aims at clarifying the sources of competitive advantage - it indicates that firm performance is an important aspect of the theory and is typically thought of as the end goal of dynamic capabilities. Ordinary capabilities or the firm's larger resource base may change as a result of dynamic capabilities, and this change may eventually result in a change in performance. Therefore, performance cannot be explained by dynamic capabilities; rather, performance changes must be considered (Laaksonen O., and Peltoniemi M. (2018)). After conducting their thorough research and a study in 2018 Laaksonen O and Peltoniemi M. came up with the 4 categories, assessment of which would give a good understanding of ways and possibilities to measure Dynamic Capabilities and their “workability”. The categories and a short explanation is presented in the table below:

Category	Description
Dynamic capability operationalized by managers' evaluations	operationalizations are based on managers' views and evaluations concerning how well their firm performs particular tasks or how good their firm's ability in given tasks is, either relative to competitors or in an absolute sense.
Dynamic capability operationalized using financial data	operationalizations are based on numerical data that can be found in the firm's account books, profit and loss statement or balance sheet.

¹⁷Helfat, C. E., & Peteraf, M. A. (2009). Understanding dynamic capabilities: progress along a developmental path. *Strategic Organization*, 7(1), 91–102. <https://doi.org/10.1177/1476127008100133>

Dynamic capability operationalized through a company's experience, actions, and performance	Operationalizations track the past experience (e.g. number of years operated in a given product market), actions (e.g. number of product introductions or adoption of a particular innovation model) and performance (e.g. number of patents or number of industry awards) of the firm
Dynamic capability operationalized using managers' or employees' experience, actions, and performance	operationalizations track the characteristics and actions of executives or employees (e.g. education or publishing activity)

Table 3 Categories of DC measurement; Source: [Laaksonen O., and Peltoniemi M.]

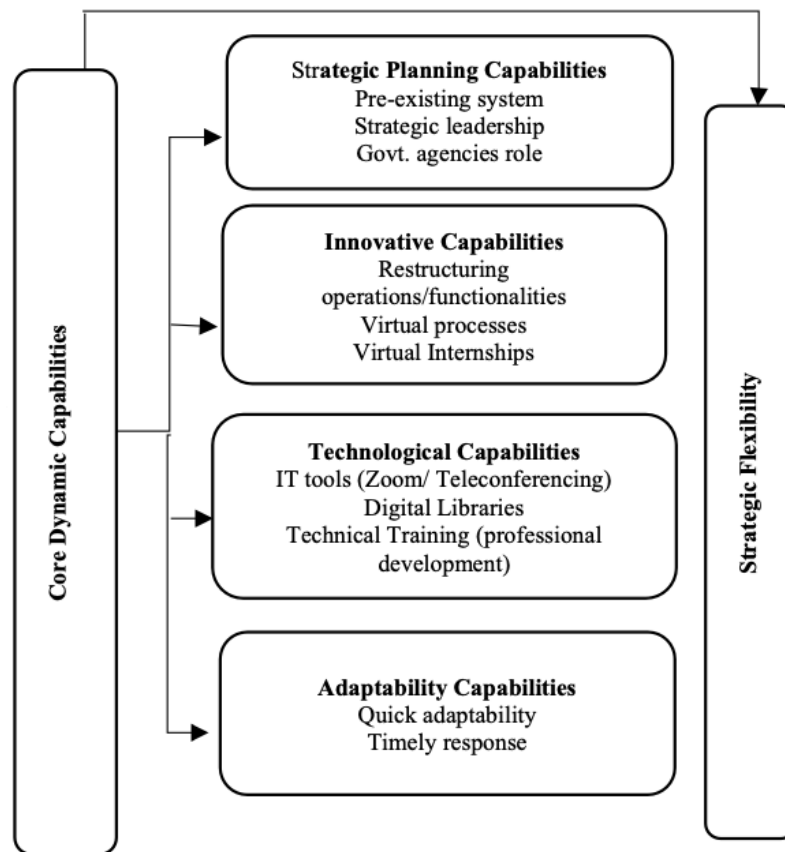
The current research will mostly focus on the third dimension - Dynamic capability operationalized through company's experience, actions and performance. This can be explained by the initial motivation to look into the internal processes and perceptions of the employees on the front line. It is especially vital to look deeper into the specific actions that can drive the development of the company. Such examples can be of great use to the academic community as well as the practitioner in the field.

Finalizing the theoretical overview of dynamic capability theory, it is vital to mention that although all 3 dimensions of capabilities are important, some of the previous research found out that there may be a different level of usefulness for a firm¹⁸. That is the reason for aiming at finding the exact capabilities that are considered useful from the perspective of practitioners and not generalize the concept.

Connecting the concept of Dynamic capability with strategic flexibility concepts, creates an understanding of the theoretical basis of their relationship. As it becomes obvious that dynamic capabilities' implementation addresses the rapid environment and aims to achieve strategic flexibility - therefore being an instrument or a tool for creating one. The study by Muneeb et al. (2022) formulates this interrelation as follows : "DC serves as a foundation for achieving SF¹⁹". Researchers also propose the framework that perfectly illustrates the tense linkage between the two concepts and leaves no space for interpretation:

¹⁸Dhaheri, M. A., Ahmad, S. Z., Bakar, A. R. A., & Papastathopoulos, A. (2023). Dynamic capabilities and SMEs competitiveness: the moderating effect of market turbulence. *Journal of Asia Business Studies*, 18(2), 277–298. <https://doi.org/10.1108/jabs-03-2023-0106>

¹⁹Muneeb, D., Khattak, A., Wahba, K., Abdalla, S., & Ahmad, S. Z. (2022). Dynamic capabilities as a strategic flexibility enabler: organizational responsiveness to COVID-19. *Journal of Asia Business Studies*, 17(4), 824–849. <https://doi.org/10.1108/jabs-01-2022-0023>



Picture 2 SF through DC; Source: [Muneeb et al. 2022]

These findings fully align with the recent systematic literature review on strategic flexibility performed by Brozovic in 2018, confirming that dynamic capability implementation is the important driver of strategic flexibility.

This finalizes the overview on Dynamic Capabilities Theory and its recent developments, drawing down a conclusion of its great relevance in modern management theory and practice and a well observable linkage between the Dynamic capabilities and strategic flexibility, which will serve as a basis for the current research.

c) Research on DC and SF in SMEs

Strategic flexibility and dynamic capabilities are two important concepts in the field of strategic management and organizational theory. While there is a substantial amount of literature available on these concepts in the context of large multinational corporations, the literature on strategic flexibility and dynamic capabilities in SMEs is relatively limited. However, there are some studies that have explored this topic in the particular context, confirming the main points of the conducted literature review.

Study by G.Hai and C.Zhi, (2013) explores the example of Chinese SMEs and the importance of Strategic flexibility. In study results they confirm the overall direction of such

importance, that tightly links the performance of the firm and its ability to achieve strategic flexibility. Researchers also verify the close relationships between the dynamic capability theory and strategic flexibility, highlighting that one is achieved through the employment of the other.

Another example is taken from the study of Borch O. and Madsen E (2007). They have concentrated their exploratory study on the challenges that well-established small businesses face while trying to come up with innovative strategies. The connections between flexible strategies and dynamic capabilities are emphasized in this research. When it comes to selecting a flexible strategy factors like internal flexibility, external reconfiguration, and integration capabilities were strongly encouraged.

Another relevant study by P. Georgzén and H. Palmér (2014) researched two Swedish firms trying to explore the possibility for balance between strategy (as a long-term stable object) and flexibility (adaptive and changing). In their conclusion, authors mention that organizations can expand strategic flexibility, which supports the development of competitive advantages. Their findings have also revealed that no particular firm has fully embraced strategic flexibility as a whole due to the lack of fully realizing flexibility potential.

The research on the concepts of Dynamic capabilities and strategic flexibility has many interesting cases and findings, however highlights the lack of practical conclusions and recommendations together with exploration of different regions and particular industries, limiting the possible benefit for the business community.

3. *Research Methodology*

a) Research questions and propositions

After the thorough analysis of the existing literature on the theoretical backgrounds of the topics of dynamic capabilities and strategic flexibility, the consideration of foreign articles based on the empirical research of the topics, and a limited access to the similar data and research regarding Russian SMEs in the service sector, the main questions of the research were formulated as follows:

1. What are the key determinants of strategic flexibility in Russian SMEs in the service sector?
2. What is the connection between strategic flexibility and dynamic capabilities?
3. How can SMEs foster strategic flexibility through dynamic capabilities in the service sector in Russia?

The main propositions and assumptions of the upcoming research are as follows:

1. Awareness of strategic flexibility and focus on fostering it enables SMEs to thrive and sustain their positions in the long - term perspective;
2. There are certain dynamic Capabilities that can lead a company to developing strategic flexibility during difficult times.
3. There are procedures, processes and routines that may allow service sector SMEs to develop strategic flexibility through the creation and maintenance of dynamic capabilities.

b) Research Method

Qualitative methods, such as interviews will be used to gain in-depth insights into the determinants and outcomes of strategic flexibility as well as the relationship between strategic flexibility and dynamic capabilities. The empirical part of the current research will be performed in a form of in-depth interview. It is important to explain the particular fit of such a method to the stated research questions and specifics of the research subject. In cases where a phenomenon needs to be explored, understood or looked into from a new perspective qualitative research method is thought to be the best option. Qualitative method is specifically applicable in the situation when the researcher does not have enough information about the important variables to examine, as well as in conditions when little research has been performed in the field or because

it involves an understudied sample²⁰. This type of approach may be needed because the topic is new, the subject has never been addressed with a certain sample or group of people, and existing theories do not apply with the particular sample or group under study (Morse, 1991).

Some of the characteristics of the Qualitative research approach are particularly important for the current research - as they help justify the chosen method and its perfect fit to the topic. Some of those features are:

- One of the main features of qualitative research is the in-depth data that is obtained by actually speaking with individuals and observing how they behave and act in their surroundings. When gathering data, qualitative researchers typically go to the location where participants encounter the topic or problem they are studying.
- Emergent research methodology is used by qualitative researchers. This implies that the initial study plan cannot be strictly outlined, and that after the researcher enters the field and starts gathering data, some or all of the process phases may alter. These changes indicate that the researchers are getting more and more in-depth with the subject or phenomenon they are investigating. Understanding the problem is the main goal of qualitative research, therefore having this flexibility could be helpful in gaining important insight.
- The goal of qualitative research is to paint a nuanced picture of the subject or problem being studied. This entails summarizing several viewpoints, pointing out all the variables at play, and generally illustrating the bigger picture that becomes apparent.

Qualitative method does seem like a great tool for the desired research. Since this research is aimed at answering a “how question”, a quantitative approach is not considered.

After a thorough consideration, face-to-face one-on-one in-depth Interviews were chosen to be the main instrument for collecting data. Their semi-structured outline would also allow for an open discussion and dialogue, rather than a simple Q&A session.

The study involves data collection from a sample of SMEs in the service sector, specifically foodservice industry, selected using a purposive sampling technique. The choice of the selective

²⁰ Creswell, J. W. (2003). Research design: Qualitative, quantitative, and mixed method approaches. London: Sage Publications, Inc.

approach rather than the random will allow for more focused and fruitful results²¹. The final list of companies includes those that were eager to share their knowledge and experience, taking part in the in-depth interview. It was also important for the goals and objectives of the research to include companies that exist at least since 2020. Such a sample would allow for a retrospective view, especially it was especially important to hear the thoughts and insights on strategic flexibility in terms of Covid-19 crisis - which serves as a great example of external disruptions that test the agility of the company²². The particular choice of food service industry is justified by the rapid velocity of growth in the industry, its blooming state in Russia nowadays²³ and a personal interest of the researcher. The chosen list of SMEs included companies (restaurants/cafes) situated in Saint-Petersburg. Among the respondents there are representatives of famous chains, as well as smaller venues, with a very limited guest flow. We were aiming at talking with very different respondents, allowing for broader and a more comprehensive representation of the field.

The particular respondents were aimed to be the managing owner of the venue or the CEO/business manager/ commercial manager etc. It was important to talk with someone who is directly involved in the decision making process and can share valuable insights on the business' specifics. The list with some details is presented in the table below:

²¹Nyimbili, F., & Nyimbili, L. (2024). Types of Purposive Sampling Techniques with Their Examples and Application in Qualitative Research Studies. *British Journal of Multidisciplinary and Advanced Studies*, 5(1), 90–99. <https://doi.org/10.37745/bjmas.2022.0419>

²²Hasan, F., Bellenstedt, M. F. R., & Islam, M. R. (2022). Demand and supply disruptions during the COVID-19 crisis on firm productivity. *Global Journal of Flexible Systems Management/Global Journal of Flexible Systems Management*, 24(1), 87–105. <https://doi.org/10.1007/s40171-022-00324-x>

²³Martseva T. G., Voblaia I. N., Fomenko V.V. (2020). Trends in restaurant business development in Russia. *Management accounting*. №12–4. Pp. 1126–1132. <https://doi.org/10.25806/uu12-420221126-1132>

Name of the Company	Type of food service	Duration of the interview	Respondents role
1) Marchellis	City restaurant (spaghetteria)	45 min.	Operational manager
2) Cafe at the car dealer center (Avtopole)	Service provider for car dealer	55 min.	owner/manager
3) Hachapuri & Vino	City restaurant (georgian cuisine)	40 min.	founder/manager
4) Bureau Burgers	City restaurant	35 min.	founder/manager
5) Italy & co	City restaurant	40 min.	Manager
6) Ikigai/bento	Food Court points	35 min.	Manager/owner
7) Volchek catering	catering service company	40 min.	founder/owner
8) Mazapark	Cafe at an entertainment center	55 min.	operational manager
9) Ognivo	city restaurant	30 min.	founder/owner
10) Pizzeria X	city restaurant	40 min.	founder/owner

Table 4 Respondents of in-depth interviews

In the beginning of the research we aimed at gaining 20 responses, however in the end we got 10 respondents. That way the response rate is 50 %, which suits our research and lets us consider the results valid and representative. It is vital to mention, that although the number of respondents is rather small, the variety of “managing styles”, service concepts and different “levels” of the companies, the sample can be considered representative.

The collected data will be analyzed to provide a comprehensive understanding of the research objectives. In-depth interviews will allow us to find some exclusive insights and won't be restricting the results with existing tools and knowledge. It is important to discuss some of the vital steps that will be taken at the stage of analyzing the data.

- 1) Winnowing the data. Due to the fact that text data is dense and complex, all of the information should not be used in a qualitative study (Guest, MacQueen, & Namey, 2012). Winnowing is the process of purposefully focusing on some of the data and disregarding other parts of it (Creswell, 2013).
- 2) Defining qualitative validity. Validity can be considered as one of the major strengths of qualitative research. It is built on finding out whether the findings are

accurate from the standpoint of the researcher, the participant, or the readers of an account (Creswell & Miller, 2000).

- 3) Interpretation. In qualitative research interpretation includes several approaches: providing a summary of the results, contrasting them with existing research, expressing personal opinions on the results, outlining their limits, and suggesting areas for further study. The question “What were the lessons learned?” captures the essence of this idea (Lincoln & Guba, 1985).

After the data collection was done, the primary data acquaintance was performed by going through voice recordings. In order to simplify the process of gathering the data together, the website *riverside.fm* was used for the purpose of transcription. Raw transcribed text was then reviewed and the process of winnowing was started. Mainly unnecessary details, pauses, introductory phrases and repetitions were deleted. Then roles were prescribed and divided into “Interviewer” and “Respondent” for convenience.

The data set appeared to be quite massive, so it was decided to store it in an online depository. Both Russian transcript and translated English version, that was later used in the thematic analysis itself can be accessed via the following link:

<https://docs.google.com/document/d/1zuIBpam6RzbvKeHEv-D2dkcsLtmAkvkOdzdQj6rKSp4/edit> .

Thematic analysis was chosen to be the main tool for the analysis of the qualitative dataset. Thematic analysis is a technique for methodically locating, classifying, and providing context for meaningful patterns (themes) within a dataset. Thematic analysis helps the researcher see and understand shared or collective meanings and experiences by concentrating on meaning across a dataset²⁴. The flexible nature of thematic analysis enables the researcher to concentrate on the data in a variety of ways. With Thematic Analysis, it is acceptable to concentrate on assessing meaning throughout the whole dataset or to thoroughly investigate a single facet of a phenomena²⁵. This method perfectly suits the goals of exploring different particular practices and experiences together with common thoughts and perceptions of the respondents.

²⁴Braun, V., Clarke, V. (2012). Thematic analysis. *APA handbook of research methods in psychology*, Vol. 2: Research designs: Quantitative, qualitative, neuropsychological, and biological (pp. 57-71). Washington, DC: American Psychological Association

²⁵Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>

In conclusion, this research seeks to contribute to the existing literature by exploring the relationship between strategic flexibility and dynamic capabilities in SMEs in the service sector. By exploring the thoughts and experiences of the practicing professionals, this research targets identifying the role of strategic flexibility for Russian SMEs in the foodservice sector, recognizing its relationship with dynamic capabilities and presenting some valuable insights on the practical ways to insert Dynamic capabilities as a part of strategy for SMEs to enhance organizational resilience and competitiveness.

c) Data collection

The main idea behind conducting in-depth interviews was to have a flowing discussion that would allow us to get as much insights and practical recommendations from the respondents as possible.

The approximate plan of the questions and the questions themselves were drawn from the details and conclusions from the theoretical background review. Most of them focus on highlighting and finding the confirmation of the tight relationship between strategic flexibility and dynamic capabilities concept. Some of them also aim at finding out the practical examples of what strategic flexibility means for the company and its managing team. The questions were designed to search for dynamic capabilities examples and identification of the “most important” one, if it would be relevant for the respondent. The set of questions is finalized by the request to give some practical recommendations, which can bring out the wisdom and experience of the business practitioners and be of great value to both academic and business community. The plan goes as follows:

1. Introduction of the project, objectives and the researcher.
2. What, in your own words, is strategic flexibility for your company? Do you consider it important?
3. Introduction of the theoretical definition of strategic flexibility and dynamic capabilities (identified in literature review):

Strategic flexibility	Dynamic capabilities
Strategic flexibility defines a firm’s capacity to adapt to the changes that may appear inside or outside of the organization. External factors may involve evolving market	The firm's ability to integrate, build, and reconfigure internal and external resources/competences to address and

<p>conditions, competitive dynamics, uncertain political or economic environment and changes in institutional norms. Among internal factors there can be changes to structure, allocation of resources, organizational culture and operational processes. The main focus is aligning and combining the right capabilities to design an adaptive and resilient organization</p>	<p>shape rapidly changing business environments.</p> <p>In general they are seen to be combined and transformed in order for companies to be able to adapt to the unpredictable environment.</p>
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Table 5 Explanations of concepts (SF and DC)

4. Do you want to elaborate more on the strategic flexibility, do you recognize it in your company?
5. If the answer is yes, what would you say is the main tool (tools) for achieving Strategic flexibility?
6. Can you identify any Dynamic capability that helps you achieve and/or sustain strategic flexibility?
7. Would you consider your firm surviving some hard times/ disruptions/ crises?
8. What was something that helped you stay afloat?
9. Among three dimensions of dynamic capabilities which is the most important one and why (descriptions are taken from the literature review and are used to explain the meaning in detail):

Sense	Seize	Transform
<p>Organization's capacity to detect, identify, and interpret changes in the business environment. They enable firms to spot emerging market trends, competitive threats/opportunities, therefore serving as a foundational element for future strategic flexibility.</p>	<p>Seizing capabilities allow firms to take proactive actions in a timely manner to capitalize on the opportunities or avoid possible threats. Among those are the ability to make quick strategic decisions and effectively apply new initiatives, allowing organizations to convert opportunities into tangible competitive advantages.</p>	<p>Such capabilities help companies to rapidly reconfigure their resources, competencies, routines and processes, involving reallocation of human, financial, and technological resources, leveraging partnerships, alliances, and collaborations to line up with new strategic objectives and respond to disruptive market dynamics, while facilitating strategic flexibility.</p>

Table 6 Explanations of DC dimensions; Source: [Teece, 1997]

10. What would be your top recommendation to similar ventures in terms of achieving strategic flexibility?
11. Conclusion, gratitude, invitation to see the results, when the research will be ready.

All of the interviews were conducted in Russian language, all the translation was done manually and with the help of an online dictionary beforehand and aligned with the terms from Russian academic literature. Questions in Russian are presented in the appendix.

This is an approximate outline, which will be used as a map, rather than a strict manual. It is specifically important for the research objective to hear out the thoughts of the respondents, as we believe it may bring a lot more insights rather than a simple questionnaire. That is why, the dialogue is expected to be led in a relaxed manner, letting the respondents elaborate on the topics they find interesting.

Theoretical definitions will also be used to create a common ground and a fundamental understanding of the concept of discussion to make sure respondents fully comprehend the topic.

In general, all of the interviews lasted 35–60 min and mostly took place at the informants' firms, with the exceptions of a few respondents that were only available online. In that case it was important to provide similar conditions as in face-to-face meetings. It was achieved by the usage of technology - conversations were held in telegram and Zoom, respondents were asked to switch on their cameras and the atmosphere was more or less similar to the offline conversations. As the research also aimed for talking to key individuals who could provide the most relevant insight, it was decided to interview only owners and CEOs (one per firm). This decision was taken due to them being considered knowledgeable informants with a holistic view of the firm (Creswell, 2013), which ensured the relevance of the responses.

During the interview, respondents were asked to be voice recorded. This was done in order to get a thorough transcription with all the necessary details. All of the participants agreed, which allowed us to get a massive data set. Hand-writing notes were also used, to highlight the main thoughts and conclusions, as well as the approximate structure of the interview.

d) Thematic analysis

The exact approach to thematic analysis was taken mostly from the explanatory work of Braun et al., 2012. The article proposes a step-by-step instruction, which helps to align the structure of the analysis and helps maintain the logic behind it.

In the process of analysis, we used a mixture of the approaches - inductive and deductive. It was specifically important to include both paradigms, as they allow for a more detailed and diverse result. An Inductive approach, also known as “bottom up” method, is mostly operated by

what is in the data itself. That means that codes and themes come from the content of the data and closely match it. On the other hand, in the deductive approach, a “top down” method, a series of topics and concepts are brought to the data, which are used in the coding process. As a result, a mixture of methods allowed us to answer the exact theoretical requests and questions that were shaped by the preliminary theoretical background check, and simultaneously get many practical insights from the respondents, described in their own terms and manner.

The following is the description of stages of the thematic analysis and some insights into how the exact stage went:

1. Data familiarizing

This step included reading and re-reading the transcripts of the interviews. The process consisted of highlighting potentially interesting phrases, taking notes and getting to know the structure of each interview, which would then allow for a quick search of the needed part etc.

2. Initial codes generation

Generating the initial codes was a long process, which combined both searching in the data and in the previous parts of the research work. For example, the codes “sense”, “seize” and “transform” came directly from the literature review and reflected the desire to collect the data on dynamic capability perception and usage by the practitioners. Whereas, codes like “meetings” and “professional traits” were included after the complete data familiarization, as it turned out to be a repeating theme throughout all the interview sessions. In order to simplify and accelerate the process, the online tool “Dovetail.com” was used. Although coding was still generated and done manually, the tool helped with the grouping, highlighting and citing.

3. Themes search

This stage is concentrated at making sense out of the codes by grouping them into some significant category that ideally would answer a research question or some part of it. Finding similarities and overlaps in codes allow to also merge some of them to create a simpler, but more sophisticated grouping. Beginning to investigate the connections between themes and to think about how themes will cooperate to construct a larger story about the data is another crucial component of this stage. Correct themes must function as a cohesive unit even though they are unique and can stand alone to some extent. That is when we tried to reconfigure some themes and in the end we aimed for the list of themes to be placed incrementally answering the research objectives and questions. That way the first theme is “awareness and

perception of Strategic flexibility”, which can be considered a starting point of the discussion and the research in general, and the finalizing theme is “effective practices”, which consist of the answers on the “final” question - What are the ways to develop strategic flexibility by using dynamic capabilities effectively?

4. Potential themes review

In this stage, the evolving themes are examined in light of the coded data and the complete dataset through a recursive process. The goal is to compare the themes to the compiled data extracts and investigate whether the theme makes sense in light of the data. Some codes might need to be removed or moved to a different theme. For example, in the initial list of themes included the theme “Importance of Strategic flexibility”, which listed the codes “Trend”, “Necessity” and “Importance”. After some consideration, it was decided to merge this theme with the “awareness and perception of strategic flexibility” and move the codes there, because assessment of importance and “popularity” can be considered as a part of manager’s perception and such data will benefit the theme making it deeper and complete.

5. Themes naming and defining

It's important to be able to articulate what makes each theme distinct and special when defining them (a good test is to sum up each topic in a few phrases). Themes should ideally have a single purpose; therefore, they shouldn't attempt to do too much. While they may expand on earlier themes, they must be connected but not overlap in order to avoid being redundant. They should also specifically answer the research question.

6. Reporting

This step is focused on the description and thorough analysis, which will be presented next in the form of a general theme and code table and description of each theme, together with results and conclusions.

Theme	Codes	Description	Quotes examples
Awareness and perception of strategic flexibility	Uncertainty of the meaning	This theme aims at exploring Respondents' comprehension and general understanding of strategic flexibility and its role in their company and industry in general	<i>Yes, I agree that strategic flexibility is important, another question is, what is it in reality?</i>
	SF definition		
	Trend		<i>Strategic flexibility is the ability to quickly rebuild, rebuild the company's structure, rebuild the company's strategy, based on some, say, unexpected changes</i>
	Necessity		

	Importance		
Strategic flexibility through dynamic capabilities	Dynamic capabilities	This theme is devoted to discussing three main dimensions of dynamic capabilities, their "ranking", importance and perception by respondents	<i>And this is a rather unique set of these processes. And actually, the more unique it is, the more competitive our company strategy is</i>
	Sense		<i>The primary thing is the sensing. One hundred percent. Because if you don't sense what's going on around you, you won't be able to react. If you don't feel that something is changing, then you won't react</i>
	Seize		
	Transform		
Navigating through disruptions	Fast dynamics	This theme addresses the idea of "disruptive environment" and explores the various situations and crises together with the measures that were taken by the respondents	<i>Today there is one portrait of the candidate, and two weeks later there is another</i>
	Pandemic (Covid 19)		<i>I would say that the only crisis that really had a big impact was the Pandemic, obviously, because we have an offline business and we had been developing delivery for a long time before. And it was a crisis that we really felt on our skin</i>
	Overcoming crisis		
Main challenges	Need for fast innovation	This theme focuses on several difficulties and problems that arise in front of the practitioners on their path to foster strategic flexibility or align relevant dynamic capabilities	<i>Let's say the dollar has risen. Well, it would seem, yes, it is not related to catering. The dollar has grown. It's just that half of the employees who came from neighboring countries went home because it's not profitable for them to work. You won't be ready for that either</i>
	Dependence on external decisions		
	No system		
	Wrong Focus		<i>There are disadvantages. It's chaos. Chaos, when no one understands exactly who is responsible for what, someone may not know about some solutions that have already been introduced</i>
	Inability to plan		
People as sources of strategic flexibility	Recruitment	This theme centers around people and their part in achieving strategic flexibility. It explores the possible ways of interaction between people in the company and some necessary skills/practices	<i>We most often pay much attention to the employee's ability to be flexible to circumstances, to be flexible in relationships with colleagues, to be flexible in relationships with managers and subordinates</i>
	Personal traits		
	Management		
	Meetings		<i>There is training, there are constant meetings, discussions. We share our thoughts, we share many things in terms of work, in terms of life</i>
	Building a team		
Effective practices	Responsiveness	This theme concentrates on some effective tools and processes, that help respondents' companies stay afloat and reach strategic flexibility	<i>There should be a constant revision of what you do</i>
	Acting fact		
	Readiness to learn		<i>We are probably trying to be deep enough in the operating system to quickly influence the decision-making process, understanding some requests as business owners</i>
	Innovation/experimentation		
	Discussion		

Table 7 Thematic analysis overview. Themes and codes

The table above represents all the themes that emerged from the analysis of the primary data, themes are aligned with the particular codes that are related to the topic. There is an explanation of each of the themes and some examples of relevant quotes that suit the theme.

4. Empirical research results

a) Awareness and perception of strategic flexibility

The outline of the interview lists a question on “what is strategic flexibility” aiming at assessing the level of awareness and therefore suppose a level of understanding and importance of the concept for practitioners. Most respondents, when asked about their personal reflection of strategic flexibility and its practical meaning, managed to provide a suitable definition. They mostly focused on words like “adaptation”, “response”, “fast reaction” and etc. respondents highlighted strategic flexibility to be an ability to react to some external factors:

“Strategic flexibility is the ability to respond, to respond quickly to changing external and internal conditions and factors.” (Italy&Co)

“Strategic flexibility is the ability to adapt your medium-term, long-term strategy to the changing realities of the external environment.” (Bureau Burgers)

“Strategic flexibility is the ability to adapt to specific tasks and changes.” (Volchek Catering)

It is interesting to note that some of the respondents were quite skeptical about providing a direct and “simple” explanation. They doubted that strategic flexibility is something easily describable:

“Scientifically, everything is always very beautifully described, but the current realities are not so prescribed.” (Avtopole)

“I don't often use this phrase in my work, I don't hear it among colleagues and the community that works in the field, It's quite theoretical” (Marchellis)

The most interesting and rather relevant example was brought to light by the manager of Mazapark, when he compared strategic flexibility to the Newtonian fluid. He explained that the changing of states as a reaction to various impacts is something that make these two concepts similar:

“With a strong impact it does not absolutely change its state, it turns out to be quite dense and rigid. And at the same time, when it is necessary, it can smoothly rebuild or start flowing into another part, this happens at the moment when there is no such strong impact.”

These thoughts illustrate the explanations of all the other respondents quite well. They all claim that the main idea behind strategic flexibility is this ability to react accordingly to different situations that require different responses.

According to all of the respondents, strategic flexibility does play a crucial role in sustaining a company's positions. With different wording and some differences in the details all of the respondents came to the conclusion that strategic flexibility is an important tool for food service

companies. Almost all of the respondents connected the term with “surviving” hard times, some even called it a necessity, claiming that food service company cannot exist in the long-term perspective without strategic flexibility: “*very, very important*” (marchellis), “*very necessary now*” (Hachapuri & vino); “*without it, companies do not know how to survive*” (Italy&Co).

Owner of Ognivo was very passionate about adaptation mechanisms and skills, he specifically focused on its importance for the entrepreneurship:

“I can say that flexibility and adaptation should be present, especially when we talk about entrepreneurship. There should definitely be flexibility in entrepreneurship, and it is flexibility that helps entrepreneurs survive, create and strengthen. Flexibility allows you to be on the crest of a wave, not to die, to feel, to make decisions and so on.”

100% of the respondents claimed to be implementing strategic flexibility or at least trying to, they all agreed that existing in the current market is almost impossible, if a company ignores strategic flexibility development.

We can also conclude that high awareness of strategic flexibility and deep understanding of its meaning for the company and survival of business in general has a great effect on the practitioners and their venues. Considering that we are talking with those who manage to survive the disruptions of the last 5 years, it indicates that their awareness and desire to implement strategic flexibility have a positive effect.

b) Strategic flexibility through dynamic capabilities

After settling on the common understanding of strategic flexibility, the respondents were provided with the explanation of the dynamic capabilities theory, they were asked to reflect on their thought and requested to try and determine the most important or rather most prioritized group of dynamic capabilities. It was of specific interest to find out what instrument the practitioner would consider crucial and why. The table below illustrates the distribution between the chosen priorities:

Sensing	Seizing	Transforming
0,5	0,33	0,17

Table 8 distribution of importance between DC, respondents' answers

As we can see, sensing was chosen to be the most important dynamic capabilities, half of the respondents were quite passionate in explaining, why sensing has to be the main focus of the practicing manager of the food service company:

“Primary thing is the sensing. One hundred percent. Because if you don't sense what's going on around you, you won't be able to react. You can be very cool in reacting. It can be a very relevant reaction and the ability, for example, to get out of some difficult situation or quickly transform. But if you don't catch it, if you don't feel that something is changing, then you won't react. Therefore, sensing is the most important thing” (Italy & Co)

We can still see the speaker doesn't “cancel” the remaining capabilities, however he is eager to prove that a decent level of prioritization should be done. Following his words, manager implies that there are ways companies can promote this sensing instrument and learn to do it better:

“It can definitely be cultivated. But this can be achieved by work experience, observation, and education. You watch how other people work. What's going on in general? Thus you are constantly growing and you begin to feel these threads, yes, strings, you feel these vibrations and, accordingly, you already see changes that need to be reacted to.”

Some respondents also agreed on sensing being the most important step in this path, highlighting that sensing comes from experience and deep understanding of the processes, therefore letting you feel “the right” preconditions:

“Of course, you have to anticipate if you are a leader, and rely on your experience, on your feelings, because feelings, they also don't seem to come from the sky. Everything that arises in our head, like some kind of premonition, is just a collection of our subconscious experience. That's why I listen to my feelings. And if it seems to me that something is possible, I already have to make a decision based on this.” (Ikigai/Bento)

There were some other opinions, some respondents think that transformation has to be the most important step, as it allows for fast regrouping of the resources and processes and is vital in disruptive environments as it grant the ability to admit your mistakes as a leader and follow up with a change that may help stabilize the situation:

“And I'm not saying that my decisions are always right. But as practice shows, I'm not afraid to make mistakes. And even if I make the wrong way out of the situation now, I can replay everything in an hour. Even though the staff will blink their eyes, I say no, comrades, we are going the wrong way.” (Avtopole)

However, the main point of all the respondent was to try and combine all three of these dimensions as they play a role of preliminary stage for one another allowing for a seamless transition leading to the correct decision:

“First you need to feel what can be done in order to improve the situation. Next, it needs to be integrated, decisions must be made quickly and clearly. And accordingly, it is necessary to completely transfer activities to another channel, let's say, as in our case, in the pandemic, we switched production to the production of buffet delivery and proper nutrition.” (Volchek Catering)

It turns out that choosing is not an obvious option, rather aligning all of the dimensions to serve the common goal and to create a “flowy” process that is responsive enough. It is interesting that many respondents provided examples of actions that help them stay afloat and connect those actions with one or two different dynamic capability dimensions, which confirmed that this concept can be effectively used to navigate strategic flexibility creation.

c) Navigating through disruptions

This topic emerged naturally as a continuation of the discussion of strategic flexibility and dynamic capabilities. All of the respondents communicated clearly that their industry and economic environment, together with the generally high speed of life and everyday processes is the main motivation to create a strategically flexible company. They claimed that such a disruptive environment is an inevitable part of their business and therefore one will do anything in his power to stay afloat and save the business and company’s positions on the market.

The most valuable part of this theme is the great amount of real examples, real business cases on how exactly companies managed to survive during hard times. Most of the speakers expectedly focused on the survival of Pandemic during 2020.

To begin with, in the spring of 2020, the whole country went into isolation (lockdown). The restaurants were completely closed, and there was no one to serve, everyone was at home. The most disturbing thing was the lack of specific deadlines and a lack of understanding when and how this situation would be resolved. No sooner had the restaurants recovered from the spring isolation, then the local authorities announced the introduction of new restrictive measures. Since November 2020, restaurants, bars, cafes, clubs and other entertainment establishments have been prohibited from serving visitors at night due to the situation with the spread of coronavirus infection, there were new strict guidelines on the safety measures.

Not everyone managed to return to pre-quarantine life after the spring lockdown and summer restrictions. The Minister of Industry and Trade of the Russian Federation stated that "up to 20% of cafes and restaurants were closed, because they did not survive the restrictions."

According to other estimates, after the first wave, the catering market lost up to 40% of establishments²⁶.

The pandemic and its consequences affected everyone, regardless of the scale of the business: both large chain restaurants from the expensive segment and small cafes were affected. The owners of catering establishments immediately noted a rapid drop in revenue. The influx of guests in restaurants has sharply decreased: the absence of tourists and the devaluation of the ruble have made things worse.

In such circumstances, the respondents had to make important decisions quickly and try to keep their venues alive. Different solutions were used, mostly companies tried to adjust to delivery, but this also happened in different ways for everyone.

For example, Hachapuri&Vino was saved by the delivery, however, as the founder says, before pandemic their delivery was working poorly and they were thinking of closing it down:

“I would say that the only crisis that really had a big impact was Covid, the Pandemic, obviously, because we have an offline business and in fact it only worked out for us because we have been developing delivery for a long time before it. Covid was straight tough, for the first time in the history of the company, we had a negative revenue. We actually had the delivery itself for many years before that, we actually kept it like a black swan, it was just a feeling that delivery was needed, but there were no objective figures and in Covid it was just ready to work, it was as loaded as possible. Our waiters went out on bicycles to deliver food. We gave almost everyone who needed a job, and it was only at the expense of delivery. That's it. There were no other options.”

Most definitely, the ability to reconfigure their resources at such a velocity, gave the company a chance to survive. As the founder happily claims now, it is a great example of a crisis bringing on the problems together with the opportunities that the company managed to see and use:

“I think we would have closed the delivery if it hadn't been for covid, but we just managed to use it. And now it is already generating great money, that is, in fact, covid has promoted it so much that it is a good separate business now.”

Respondent is sure that if the delivery wasn't already in the process of development, they would have failed. However, an example of Ikigai/Bento shows that anything is possible if the managing team is focused on reaching the goal and finding the place for fact innovation:

“As you know, food courts have been closed the longest. Three days later, we decided that since the entire market was closed, we could use it as a delivery shop. We quickly found couriers

²⁶Norkina, E. (2020, December 21). Not everyone will survive 2020: how the restaurant business suffered from coronavirus in the past year. Vc.ru. vc.ru/food/189414-2020-yy-perezhivut-ne-vse-kak-postradal-restorannyi-biznes-ot-koronavirusa-v-uhodyashchem-godu.

and quickly came up with a design. We discussed it with the team and found those who want to stay at work. Someone became a courier. In general, we have transformed positions in the company to meet the needs of this particular delivery. We assembled it ourselves, because we had such knowledge, layouts, and a website and started rocking this delivery on our own.”

Another example of a flexible approach to crisis mitigation was demonstrated by the owner of the cafe “Avtopole”. This story focuses on fast reaction, creative thinking and ability to risk and experiment for the purpose of survival. Our respondent owns a very lively cafe in the dealership center, which makes her dependent on the dealership center itself and their decisions. That is why during pandemic she had no other choice but to recreate her style of work and invent a new “purpose”:

“Before the pandemic, I was considering formats to increase sales, I considered franchise formats. I was negotiating with Mazapark. They have released an amazing pizza. They had a delicious one, but they only sold it in Mazapark. We talked in a circle of, let's say, entrepreneurs. And when all this happened, it was probably my sociability and quick instinct that worked here. We called them on the day when the pandemic was announced. I'm saying, guys, you're closed and we're closed. I can deliver your pizza to save my staff and my job. They say, listen, we will at least earn some money for our salaries due to this. And just two days later, they brought me all the pizza equipment. We helped them out, they helped us out, we survived, then we shook hands, that was the end of this franchise story.”

This is a great story of being able to turn things around in days and just shows how crisis times can help you realize your flexibility potential.

In general, all the stories of survival from the respondents sound similar. They were shocked, they had limited time to create something new or transform the existing routines and were facing the problems with confidence and with hope, that their project will manage to live. Their readiness to fight the disruptions seemingly comes from the specifics of the service sector industry and realization, that the dynamics are always going to be there:

Company	Quote
Marchellis	<i>“In catering, as such, now, if we are talking about our field, now the word "long-term plan" sounds rather comical”</i>
Hachapuri & Vino	<i>“It is simply impossible to predict any circumstances”</i>
Avtopole	<i>“It turns out that you have to constantly think not only within the framework of your company, but within the framework of global changes, changes in some strategic actions of the country.”</i>
Bureau Burgers	<i>“In general, we live in waves of renewal in catering”</i>
Italy&co	<i>“If we take the restaurant business by itself, it is not fixed at all, it is not written in stone, it generally focuses on changes.”</i>
Ikigai/Bento	<i>“There's also, you know, history, the restaurant industry, it's never stable at all.”</i>
Volchek Catering	<i>“The moment of flexibility is key here, be ready to adjust, always solve something.”</i>
Ognivo	<i>“You don't know if the global Internet will be turned off tomorrow, or Swift will be turned off the day after tomorrow, or a nuclear war will start the day after tomorrow, but you can't predict it.”</i>
Mazapark	<i>“But today's situation shows that you will never have a second chance. It is here and now. And if you don't try it today, then maybe you won't need it tomorrow.”</i>
Pizzeria X	<i>“It is just a part of the deal - being ready for disruptions and being ready to solve them anytime”</i>

Table 9 Quotes on "Fast dynamics" code

All of the above only highlights the high necessity of strategic flexibility for the food service industry and makes flexibility a desirable state of the company's resources and processes. It is also interesting that all of the respondents have survived and managed through some serious critical situations and all of them at the same time admit that strategic flexibility should be the desired state of the company in order to operate in such a disruptive environment. It leads to the

conclusion that their awareness of strategic flexibility and successful attempts to incorporate it at the time of rapid changes helps them thrive. And it poses as a supporting proof for the assumptions proposed at the beginning. So, as we understand that strategic flexibility is desirable and well-needed, we want to look deeper into the possible hardships of attaining it. Therefore, moving forward, we aim at finding the most frequent difficulties to foster strategic flexibility.

d) Main challenges

When talking about strategic flexibility, its creation and sustainability many respondents shared some of the challenging obstacles that they face. It is interesting that such obstacles can be considered the drivers, the main motivation behind becoming flexible. While struggling with various external and internal factors, practitioners also realize the great necessity for such flexibility and are eager to reach it even more. It is important to look into some of the most frequent challenges in order to fully understand the nature of strategic flexibility and the process of its gaining.

The 2 main challenges in attaining strategic flexibility for the food service companies appeared to be **dependence on the external decisions** and **lack of system**. First difficulty directly aligns with the changing environment and just general volatility of the market and current economic situation.

The owner and founder of Bureau Burgers claims that it's the specifics of the field they work in, being always dependent on others' choices, decisions and regulations:

“We have a fairly volatile business, unstable, very much dependent on contractors, on the external environment, on guests, on regulations, from competitors, from suppliers, from clients, from everything”

Respondent from Ikigai/Bento agrees on that point, adding that they are forced to be flexible in the situation of constant change and are pressed to design all their processes around it:

“As for the current situation, we have a very shaky market, prices are constantly rising randomly, we have items falling out of the menu, because they just don't supply anything else there anymore.”

Among all the respondents, the specifics of the sphere of Avtopole (cafe in a dealership center) stands out the most. Being the servicing organization to the dealership center, the founder is caught in the situation, where the borders of her flexibility is controlled by another organization,

which adds a great amount of unpredictable regulations and decisions, requiring relevant strategic decisions and constant review of the environment around it:

“No one tells me anything about their thoughts. How does this happen? I come to the center after the weekend, and our entire center is covered with Chinese brands. I go into an institution and realize that there are a lot of people, because the price in China is still lower than for a foreign car. And the people went, just went abruptly, because there are seasons, for the new year, for the summer. And the cooks are sewn up.”

Therefore, the owner states:

“All my maneuverability and strategic thinking is to pick up what is happening in dealerships, anticipate, understand customer demand and, accordingly, arrange.”

Moving to the next significant challenge - lack of system, it is important to state, that mainly respondents see flexibility as something lively, “gut feeling, fast, lightning-fast,” (Avtopole), *“it's more likely in some kind of conditional DNA of the business”* (Bureau Burgers). However, strategy itself is usually considered as something “set in stone”, static and built into the system processes. Therefore, some respondents highlight that there is a conflict between those meanings. Accordingly, when they thrive for flexibility, they adapt to the volatility so much that the lack of a system creates turmoil.

For example, founder of Bureau burgers states that their roles in team are quite fluid and it allows for fast decision making, however he is worried about the possible problem arising from it:

“There are disadvantages. It's chaos. Chaos, when no one understands exactly who is responsible for what, someone may not know about some solutions that have already been introduced.”

Operating manager of Marchellis focuses on creating a flexible team, trying to bring agility to their company through recruitment and internal education. However, as she admits it has been a challenge to create a whole system out of it:

“There is a need that we see, but we have not yet been able to turn it into a system. But today there is one portrait of the candidate, and two weeks later there is another. And these static documents, business processes that used to be used as a regulatory apparatus, are not quite relevant now.”

The similar concerns were observed in the interview with the founder of Hachapuri & Vino. Admitting that the huge part of strategic flexibility lies in the people they hire, the owner still was

hesitant on how structured and fixed the process is. He states that with the growth of the company and demands for their staff, they lost the possibility to “go with the flow” and are faced with a challenge to create some kind of a structured process out of the recruitment:

“Earlier people just came with similar values, and it was not difficult to find such people. And now, of course, everything is more complicated. For us this year, our goal is to understand how we can improve the quality of hiring at such volumes, so I can't answer this question yet, but we have it in the process.”

The next set of “popular” problems, met by the representatives of the business, consists of two similar features that can be considered different sides of the same issue. 60% of the respondents’ experience pressure from the fact that their operations and measures **cannot be planned**. The manager of Marchellis ironically mentions, that:

“Now the word "long-term plan" sounds rather comical. And almost everyone kind of grins and laughs when they hear about long-term planning.”

She gives an example of how the planning has to be very limited in time otherwise it will need serious correction and there is no point in even doing it in the first place:

“We manage to forecast for the year ahead. But, let's say, if we plan for two years, most often in the second year we are faced with some huge changes in conditions.”

Similar thought is communicated by the founder of Ikigai/Bento, who is very confident that the time frame of planning is shortened significantly and now are the new norm for the industry:

“Now the planning horizon can no longer be in a year or two. Six months — this is the deadline.”

Owner of Avtopole finalizes the discussion of the hardships of planning nowadays with a fresh and relevant example, stating the current situations with currency fluctuations:

“Let's say the dollar has risen. Well, it would seem, yes, it is not related to catering. The dollar has grown. It's just that half of the employees who came from neighboring countries went home because it's not profitable for them to work. You won't be ready for that either.”

Similar problem lies in the constant need for fast innovation. Although it may seem as a great motivating factor, respondents say that sometimes it is the matter of days and hours, when a company is pressed to make a decision, that will decide their future. Manager of Marchellis says:

“You need to constantly come up with something in order to somehow maintain yourself profitable.”

And that direction of thought is present in all of the interviews. Examples of Pandemic and measures that were taken by the practitioners just prove that they were faced with a need to act *“Lightning fast”* (Avtopole).

The last challenge that arose in the discussion was mentioned by 30% of the respondents, however interpreting some of the responses, we may find a hidden appeal to this exact problem - **wrong focus**. This factor describes the situation, when a company is faced with some disruptive events and they lose their focus, being distracted by the non-important things. For example, the founder of Bureau Burgers reflects on how back in the days their team was aiming at developing the restaurant chain and they assert their flexibility and resilience by the amount of restaurants they have. After surviving the crisis of pandemic, they realized that the priority has shifted to the productivity of each point and not the general number of them:

“We began to pay more attention not to growth, but to efficiency.”

The similar thought is present in the speech of the operating manager of Marchellis. She states that when faced with long crisis and destruction, companies risk to lose the right focus and act ad hoc, which she sees as a threat to the future operations:

“How many companies and network businesses have closed down due to the inability to overcome those long crisis circumstances, because they were too focused on solving the problem here and now, looking for money and so on.”

Finalizing the talk about challenges and problems, respondents mostly were optimistic, claiming that these problems are constant and therefore become the part of their operating activity and do not strike them as much. They also notice that by knowing the obstacles and understanding them, it becomes easier to navigate through unexpected changes.

e) People as sources of dynamic capabilities

All of the interviews were held in a semi-structured way, we assumed that if there is an unspoken important “theme” that is inevitably present in the field of achieving strategic flexibility, it will reveal itself automatically. That was exactly what happened with this theme. We were not aiming at exploring human resource issue and role in strategic flexibility and dynamic capability creation, however, 100% of the respondents not only mentioned their employees and teams as one of the key “tool” at enabling flexibility, but had a passionate description on how they manage

people in a way that helps them promote resilience and how they see the major role of this resource in their company. The discussion of this topic arose in every interview, proving that there is a significant need for purposeful team building in the direction of flexibility.

In this theme, respondents mainly talked about ways to attract the specific type of people, ways to successfully manage teams leading them to fostering flexibility and some instruments used to support such flexibility and nurture it inside the company.

For example, the owner of Ikigai/Bento is sure that the team is one of the main factors of success and actual survival of the venue, when things go unplanned. She highlights the need to be attentive and responsible toward your team to create a right environment:

“Because, of course, in any stressful situation, the team is your support. The team comes first. You need to be socially responsible. It is very important.”

This thought is clearly supported by another respondent - owner Volchek Catering, who focuses on building noble relationships with his employees as a part of enabling trust among team members:

“In general the whole business is built on people, and I always build such relationships with my employees so that they respect me and do what I say out of respect and understanding of common goals.”

In terms of recruitment respondents had some different opinions. Some advocate for systematization and purposeful search for the “right” people. While others were claiming that the “right” team ends up forming itself through some adjustments and naturally flowing processes. Operational manager of Marchellis states that they try to insert their specific requirement in the interviews with candidates:

“There are conditional questions or cases that we ask an employee at the stage of the primary interview”.

Similar approach is used by Ikigai:

“First, I ask candidates to solve some kind of case - I throw them 10 situations that our company really had, and listen to how they will solve them. Why is it convenient for me? Because I already know what, based on what they say, would have happened in reality.”

Her point is that she can already predict the “effectiveness” of one’s decisions and therefore filter the desired candidates. Although such a method seems legitimate, some respondents claim

that the whole process can be and should be done differently, listening to gut feeling and letting the time do its thing.

Bureau Burgers’ owner feels that the ideal team forms itself due to the inability to accommodate people with different values:

“It’s a very natural process, actually. One way or another, people who simply do not agree on the style of work with you, on values, on the mode of work, on efficiency, on the approach to the whole business, they just leave. And those who are close to it, stay.”

The discussion on the importance of recruitment and selection, that will allow for an effective team building in the future is finalized as follows:

“Firstly, it is important to know exactly what the team is, and secondly, it is for sure that finding your people is really a Radar. If you manage to sense a person and you are in the same boat with him, and he, working for you, being your employee, does it the same way you do, this is already luck.” (Ognivo)

In general, this theme allowed respondents to reflect on their managing practices and share their knowledge on how exactly teams can be nurtured and used as an enabling mechanism of strategic flexibility. While they had different thoughts on processes and tools to be used, mostly all of the respondents agreed on the necessity of a purposeful and attentive team building as a part of general adaptiveness.

The following table consists of some Team building practices that are used by respondents and that appear effective and crucial to them:

Team building practices	Quotes
Educational programs	<p><i>“I believe that educational programs in the company should be treated more systematically. And yet, the task here is not to teach an employee to act according to regulations, but here, again, the task of educational programs is to broaden their horizons.” (Marchellis)</i></p> <p><i>“Trainings to maintain team building not from the point of view of uniting each other, but where people can really share their experiences, providing with therapists and conducting various assessments on the HR side, they are no longer aimed at finding some weak link or finding a person who is dragging the company to the bottom, but at identifying some strong qualities of the same outsiders, in order to retrain more strongly and form a team.” (Mazapark)</i></p>
Discussions	<p><i>“It is important to be able to listen to the people who work in the</i></p>

	<p><i>restaurant. There is a very large gap between top management and line employees, who, in fact, make revenue. And that's the task, it seems to me, of companies to learn to hear their employees and try to hear the guests and the ability to simply broaden their horizons.” (Marchellis)</i></p> <p><i>“Key factor here is agreement with all points of the strategy of all departments, because I and my partners can come up with anything, but if at least one department does not agree with this, then the process will not go ahead, so here we need this advice from all participants that they agree” (Hachapuri & Vino)</i></p>
Meetings	<p><i>“It is created through sessions where we discuss with key employees in general what a strategy is, what it consists of and where adjustments are needed - this is the first first step.” (Hachapuri & Vino)</i></p> <p><i>“We have started the practice of monthly meetings for all managers at one big table. Even when there is no clear agenda on what to tell, we just meet, the guys tell some stories that they had at work during the month, funny, ordinary, different. We share our opinions, discuss some new dishes together. It's just at the level of such group therapy.” (Bureau Burgers)</i></p> <p><i>“There is training, there are constant meetings, discussions. We share our thoughts, we share many things in terms of work, in terms of life” (Italy & Co)</i></p>
Standardization of processes	<p><i>“I want to always go more and more into systematization, automation, clear strict regulations, this can apply to absolutely anything, some business processes. Standardization plays a huge role in terms of security, not so much the business, but the security of the employee himself. If an employee sees that the company is currently moving very chaotically, not understanding any of its specific goals for the next 5 years, then he will be uncomfortable.” (Mazapark)</i></p> <p><i>“It is important to regulate our relations, our interaction. I am referring here to the period of meetings, how long they are, what format these meetings are, of course, all this must be done, one hundred percent.” (Ognivo)</i></p>

Table 10 quotes on team building practices

To conclude the discussion, some respondents referred to the personal skills of employees and managing units as a critical part of enabling strategic flexibility. They mostly agree that personal characteristics matter, as there could be people that are more or less suitable for different tasks and situations. However, respondents agreed that it can be trained and achieved by purposeful learning and getting experience and practice.

f) *Effective practices*

At the end of each interview we specifically asked our respondent to reflect on some practices they implement in their business, that appear to help them stay afloat and overcome all of the challenges on their path. We were also eager to hear some recommendations from the practitioners to other similar venues on the market. That way we believed they would not only talk about something that is already implemented in their company, but highlight some important features they want to administer in the future. Important to notice, that we also took some examples from the previous themes, such as “Navigation through disruptions” and “People as a source of strategic flexibility”. The list of recommendations and examples of effective practices was rather significant, that is why we will only focus on the recurring advice. We will consider recurring practices; which codes were used by at least 30% of the respondents.

The list of recommendations with short explanations and examples of quotes is presented below:

Effective practice (code)	Brief explanation	Example quotes
Responsiveness	This recommendation focuses on being ready to receive any kind of information and to prepare to work with it. Practitioners highlight the importance of being present and noticing all the little details and prerequisites.	<i>“You should always have your hand on the pulse, always. We are talking not only about external facts, but also about internal ones.” (Avtopole)</i>
		<i>“We cultivate the task of noticing, seeing and solving the problem not when it is already burning, but in advance. When you try to foresee any scenarios in advance. There are usually three of them - negative, positive and average.” (Marchellis)</i>
Acting fast	This recommendation centers on the necessity to act immediately. Respondents state that the speed and abruptness of your reaction can be a key factor of success.	<i>“Yes, in fact, if something is discovered, immediately take some measures abruptly.” (Ikigai/Bento)</i>
		<i>“First, you need to be fast, you need to act and think fast. You need to be relevant.” (Bureau burgers)</i>
Readiness to learn	This recommendation aims at promoting education and continuous acquiring of knowledge and skills.	<i>“If we are suddenly open, we are in the position of a student, there is a prospect for all this.” (Marchellis)</i>

	Practitioners say that the position of a “student” helps see the new opportunities and always look for better options.	“This can be achieved by work experience, observation, and education. You do not stand still, you develop, you read, you look at what is happening around, you walk, you try.” (Italy & Co)
Experimentation/Innovation	This recommendation encourages businesses to experiment and implement creative initiatives. Practitioners prove that new things need to be attempted in order to really show their strengths and weaknesses.	<i>“We just don't mind implementing some creative ideas that don't really have a profit financially. That is, it seems to us that, for example, it is good for the company's image, but it does not bring money yet. So we're doing it. There are some non-obvious things, we spend money on them simply because we need to check projects.” (Hachapuri & Vino)</i>
		<i>“We believe that it is still better to try to do something than to do nothing. If you do nothing, the result is 100% zero. If we do something, maybe we'll get something out of it.” (Ikigai/Bento)</i>
Discussion	This recommendation aims at boosting the practice of constant discussion and meetings inside the company. Practitioners state that such opinion exchanges can play a meaningful role in establishing the right goal and aligning other processes around it.	<i>“There is training, there are constant meetings, discussions. We share our thoughts, we share many things in terms of work, in terms of life.” (Italy & Co)</i>
		<i>“It is created through sessions where we discuss with key employees in general what a strategy is, what it consists of and where adjustments are needed - this is the first first step.” (Hachapuri & Vino)</i>

Table 11 effective practices with explanations and quotes

We will go through each of the recommendations in order to highlight some important details and nuances that were shared by our respondents. Although some names of the practices are rather broad, they have concrete meaning and examples behind them, which leads to a valuable insightful list of recommendations.

The first recommendation is **Responsiveness**. This practice refers to creation of capability to reasonably react to some disruptions. When practitioners mentioned it, they used words like:

“Having your hand on pulse”, “collect feedback and statistics”, “preliminary consider force majeure circumstances”. It is obvious that all those citations relate to the need to foresee and more importantly prepare to act. It seems crucial for the practitioners to be able to take in any kind of information and be able to come up with relevant responses. This practice will probably grant confidence and liveliness of the organization, that always exists in the environment of changing conditions.

Next recommendation is focused on **Acting Fast**, which is basically the following step of the previous step. Most of the respondents were sure that the speed of one’s reaction and ability to do things “right here right now” can grant the achievement of strategic flexibility. They talked about the vitality of timely reactions that can decide the fate of the company in some cases. For example, owner of Ikigai/Bento recommend acting as soon as you feel the right direction for it:

“Yes, in fact, if something is discovered, immediately take some measures abruptly.”

This principle is supported by the owner of Avtopole. She claims that flexibility is indeed all about fast reactions:

“Here it is necessary to take very quickly and carefully received information about what happened. to rebuild an activity almost in a day, in an hour, even like this. Either you're ready or you're not ready. Business is generally a very flexible thing.”

There is a practical example from Bureau Burgers on how they implement fast reaction into their daily processes. They follow a “chaotic” regime, working on the go and letting the team make decisions right when they are needed. The owner highlights that even such an important and complex procedure of menu layout change can be done remotely and in very short period:

“For example, we approve the layout menu like this - The designer sends the layout menu to the chat, everyone opens it, gives their edits, and we can agree on the layout in an hour without meeting, without organizing an afternoon meeting. A huge number of things are done remotely in chat rooms, in telegram, without any meeting schedules.”

Such speed, as they say, allows for a more relaxed state of mind for the team in general, as they know that any disruption will be addressed immediately to try and find the right solution and shorten the period of uncertainty.

Many respondents highlighted the great role of **innovation/experimentation** in their pursuit of strategic flexibility. They claimed that risking and making unobvious decisions may seem challenging, but in the end, it fueled the development of the company and let the business survive on some new processes, sometimes turning them into new profit generating procedures. For example, the story of Hachapuri & Vino validates this point. Before the pandemic, delivery was an unprofitable process, that was rather close to being canceled, however fast reorientation and being able to reform the delivery, when it was most needed, led the company to master it and

later shift this activity to a separate profitable unit. So, the founder is sure, that making innovation a routine part of business creates zones for growth and creativity:

“We just don't mind implementing some creative ideas that don't really have a profit financially. That is, it seems to us that, for example, it is good for the company's image, but it does not bring money yet. So, we're doing it. There are some non-obvious things, we spend money on them simply because we need to check projects. It is impossible to understand in advance whether they are workers or not.”

Owner of Ikigai/Bento totally support the idea of “trying” as it brings opportunities and can finally turn into something interesting:

“We believe that it is still better to try to do something than to do nothing. If you do nothing, the result is 100% zero. If we do something, maybe we'll get something out of it.”

The last two recommendations have a common goal - broadening the horizons and letting new information in. These concepts were touched upon by all the respondents, proving that they truly have a positive effect and provide a valuable improvement to the ability to be flexible. Those two recommendations are **Readiness to learn** and **Discussion**. They correspond with each other to some extent because they can be implemented together. For example, manager of Mazapark states that sharing knowledge with other practitioners is crucial, especially if one is ready to absorb new knowledge:

“It's very cool when entrepreneurs visit each other's businesses because it's very sobering, a person can give themselves high-quality feedback and say, oh, buddy, I've come across this. And in this there is this certain flexibility of the entrepreneur.”

The manager of Marchellis provides an example of emergency meetings, that are held in the company, when they feel a specific need for opinion sharing and learning the perspectives of each other:

“We usually feel something, and then we hold meetings where we voice our concerns. We have regular meetings where you just share your thoughts. There are emergency meetings that happen unscheduled when you suddenly see the shadows of the background. Some new draft law or some new introductory tax regulations. And you have to react to it promptly.”

Similar thoughts are presented by the manager of Italy&Co. He advocates for the important of educating yourself as a decision maker and as company in general, absorbing feedback and learning to react accordingly:

“That is, you do not stand still, you develop, you read, you look at what is happening around, you walk, you try. You watch how other people work. What's going on in general? And that's the way you communicate. Of course, with all sorts of people. You listen to uncomfortable feedback, you give feedback and thus you are constantly growing, and you begin to feel these

threads, yes, strings, you feel these vibrations and, accordingly, you already see changes that need to be reacted to.”

By learning practitioners meant various things, not only learning to listen and to observe, but also learning to be a part of the company, being able to implement in any process and correct it from the inside:

“Just become a part of this mechanism, this system, to see where exactly it fails. And it's very sobering when in your world you consider yourself a cool businessman, and that all your processes are working. Sometimes it turns out that some gears just simply need to be lubricated.”

This can be used not only by the managers and owners, but rotating your team and letting people see new perspectives can benefit the whole company to achieve some fresh thoughts and directions.

To conclude the analysis of recommendations, it is safe to say that although different companies face various challenges and therefore have different experience, the practical advice from the practitioners aligns similarly, which can let us generalize and use these recommendations as a standardized approach.

5. *Conclusions and limitations*

a) *Research results discussion*

Research results allow us to address the preliminary research questions, as well as the assumptions, that were put forward before conducting the study. First of all, the results provide us with. Before the conduction of the study, we formulated the list of questions. The results of the research let us answer them and therefore can be considered satisfactory.

1. What are the key determinants of strategic flexibility in Russian SMEs in the service sector?

The determinants of strategic flexibility were mainly gathered from the theoretical part, however, we strived to provide practical confirmation with specific examples. It was achieved when talking with the respondents. All of them showed great awareness of strategic flexibility in general and were eager to provide their overview on the possible factors. They used words and concepts such as “adaptability”, “smooth rebuilding”, “quick response”, “maneuverability” and continued with naming some enablers as: “teamwork”, “cooperation”, “innovation”, “planning”, “decision making processes” which aligns with the theoretical understanding, where all those factors are named as parts of the strategic flexibility enabling process. The table developed by Escrig-Tena et al. in 2011 can be found in the Appendix 2.

2. What is the connection between strategic flexibility and dynamic capabilities?

Connection between strategic flexibility and dynamic capabilities was addressed in the literature review, stating that “DC serves as a foundation for achieving SF”. Conducted the research we wanted to prove or disprove the following and find exact examples from the perspective of our respondents. Our research provides a great number of examples, proving that strategic flexibility is seen as a vital state and dynamic capabilities are used as a way to achieve it. All of the respondents agreed that the proposed classification of DC - sense, seize and transform (Teece et al. 1997) reflect the main path of accomplishing strategic flexibility.

3. How can SMEs foster strategic flexibility through dynamic capabilities in the service sector in Russia?

The last research question was considered to be the main goal for us, as it provided us with the practical answer and therefore presents a great value to our work. It was answered with the list of recommendations that were shared by our respondents. The consistency and repeating nature of the responses allowed us to consider the advice general enough for the industry, providing a great insight that connects theory with practice.

Although our results align with previous findings and confirm assumptions that were made on the stage of literature review, we identified some unexpected results that can bring great value to the

academic discussion and shift the focus of the researchers. As mentioned before, we were aiming at exploring practices of our respondents on their achievement of strategic flexibility. Such recommendations usually focus on internal processes and routines, which are created and reconfigured to adapt to the changes. However, our respondents brought our attention to the topic of human resources and their critical role in enabling strategic flexibility. It was especially interesting that interviews that were held separately, still arrived at similar results. 100 % of respondents insisted on the discussion team and its formation as a key step to strategic flexibility.

b) Limitations

The main limitations of the research relate to the composition of the data samples for the qualitative research methods. Although our qualitative analysis using semi-structured in-depth interviews focused on companies from various segments of the foodservice industry and was for that reason rather broad, it did not go very deep into each sector's specifics. This could limit the final value to the practitioners from the fields that were not addressed in the sample.

Furthermore, the methodology is focusing solely on the foodservice industry, however it is possible that the results and thus the implications may be transferred to some other service industry, which could allow for a broader study and a more representative set of results. Although, we suppose that results are broad enough to be applicable for the service sector in general, we believe it would still allow for deeper understanding and more focused niche-oriented results, if the respondents were representing various industries inside the sector.

Lastly, the design and specifics of the current study didn't allow for a broader approach to examining dynamic capabilities' affiliation (e.g. organizational, team, individual), which can limit the practitioner's ability to systemize the results and implement them.

Therefore, we can say that there exist several limitations of the results of this research, which may limit its applicability for various audiences. However, these limitations can be overcome in future studies and serve as a way to broaden the current results and conclusions.

c) Theoretical contribution

The main idea of the literature review chapter in this research was to dive deeper into the concepts of Strategic flexibility and dynamic capability theory and produce a consolidated definition of the concept to simplify and itemize its meaning. It was specifically important to create a common explanation that would combine theoretical depth and practical directness. This was achieved by comparing and joining together descriptions and explanations of various scholars,

which allowed us to find a well-needed common ground for the further discussion and exploration. Different perspectives were combined to formulate the well-diversified explanation. The Resource-based-view by Barney (1991), served as a basis for it, stressing the firm's ability to use its resources to adapt to the changing environment. We then added the Dynamic capabilities theory by Teece, Pisano, and Shuen (1997), which links the two main concepts of the work, providing the perspective of their tight connection. We continued enriching the common understanding by aligning some details as Real options theory (Myers, 1977), Ambidexterity (O'Reilly and Tushman, 2004).

Moreover, the results of the literature review allowed us to see the great connection between strategic flexibility and dynamic capabilities. It highlights the role distribution clearly, placing dynamic capability in the role of a tool/practical instrument to achieve the desired result - strategic flexibility. Our research contributes to the broad spectrum of literature reviews that may allow for continuation of the discussion and provides a renewed understanding of the close connection of the two concepts - strategic flexibility and dynamic capabilities.

There has been a contradiction with the existent direction of research. In most of the explored theories in concepts, Strategic flexibility and dynamic capabilities viewed as a concrete term, that is usually linked with materialistic, financial, and strategic resources, however our finding add an issue of rather looking into intangible assets. This perspective opens offers a space for further discussion.

Literature review has also shown a lack of research in Russia, isolating the Russian academic and business community from the rather "hot" topic of the recent research. Which we attempted to address by conducting research in the local environment. Our research adds to a low-explored field, opening a direction for future research and providing the academic community with the new findings in the unexplored context of the Russian service sector.

d) Prospects for further research

We suggest that future research focuses on some data deficiencies identified in the current research and on the opportunity to broaden the results. Thus, future works could focus on one or couple of service sector segments in more specifics to find out new insights of strategic flexibility and dynamic capabilities implementation in each industry separately. We can also offer to look deeper into the challenges faced by the practicing community and possible ways they can be overcome.

The research is conducted in the spring of 2024, when the business environment still exists in the atmosphere of uncertainty and "shock" from the recent events (e.g. Pandemic in 2020, SMO starting in 2022). We propose that conducting research in the future may allow for retrospective

view from both practitioners and researchers, which can bring some valuable insights or oppose some current findings.

e) Practical Recommendations

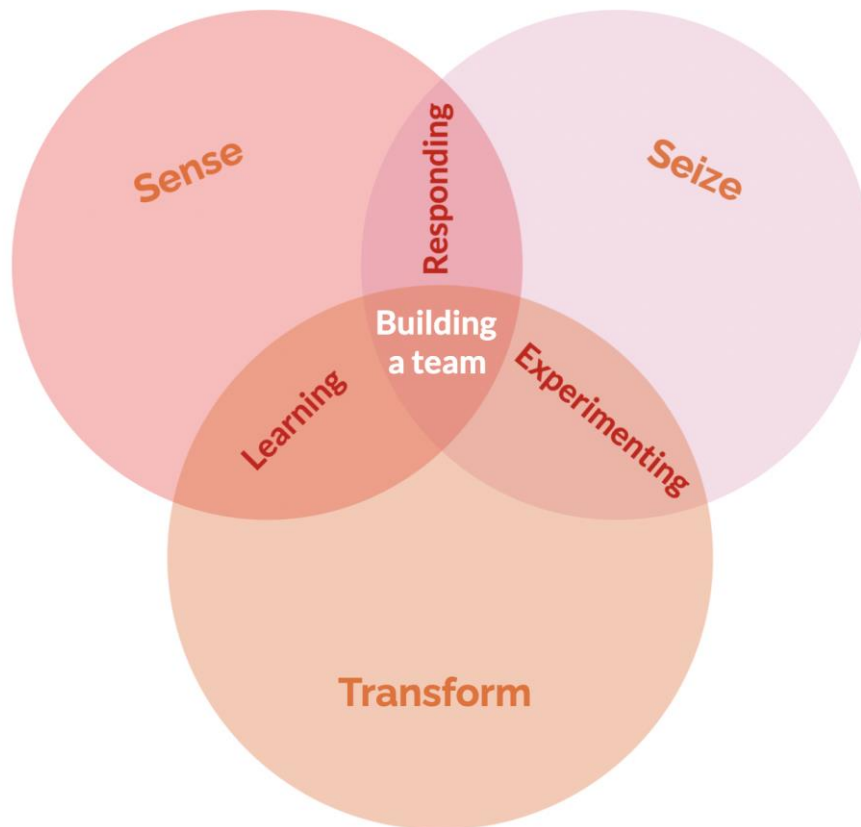
Practical contribution of the research can be considered rather significant and was the focus initially. The results provide an interesting insight into a “new” perspective for the decision-makers of the food service companies in Russia. That is why we consider the results applicable for the local practitioners. Moreover, Russia has been a very “disruptive” environment for the past 5 years; therefore we consider the results of the current work to be of interest to the foreign practitioners and researchers, providing examples of solutions to phenomenal cases of unpredictable changes.

The list of practical recommendations was presented in the chapter with thematic analysis. We formulated 5 “actions” or better say features that should be implemented by the companies to obtain strategic flexibility through dynamic capabilities. We consider the 5th theme in the analysis to be a recommendation of sorts, adding it to the common roster. The list goes as follows:

1. Responsiveness
2. Fast Acting
3. Innovation/ Experimentation
4. Discussion
5. readiness to learn
6. Building a team

These features are described in detail with examples from real business and with thorough explanation. We assume the list and its description to be the answer to our main research question: How can SMEs foster strategic flexibility through dynamic capabilities in the service sector in Russia?

It was important for our research to focus on presenting the results in the simplest and most practical way possible, as we aimed to combine deep theoretical concepts with the direct and pragmatic experience of practitioners. That is why we combined the findings of the qualitative research and aligned the findings into a framework that can be used in both academic and practical fields:



Picture 3 Framework SF through DC. Effective practices

The framework focuses on each paradigm of dynamic capability and proposes a set of action that combines two groups of strategic flexibility and appears at its intersection. The middle intersection of all three dimensions' focuses on the main recommendation of the current research - focusing on team creation and nurturing as on the main force and source of future strategic flexibility.

We suppose such a framework can be an illustrative tool for the further exploration of the topic and can hopefully serve as a guiding instrument on how companies can achieve strategic flexibility through dynamic capabilities implementation. It is important to state that our framework was derived from the results of the current research and therefore is an innovative product. We found a great interconnection with the existing frameworks (Peeters, C., & Arnst, B. 2021) on strategic flexibility that lets us assume that our findings are consistent with the general direction of the research on the topics.

f) Conclusion

We live in the world full of disruptive events and unpredictable changes. Such dynamics influence all the different spheres of business, creating a need for companies to become resilient to be able to effectively respond to the challenges. That way, strategic flexibility is no longer just

one of a possible way of operation, it rather becomes a necessity for survival. This research aims at discovering the connection between strategic flexibility and dynamic capabilities, as well as attempting to discover how can service sector SMEs in Russia implement strategic flexibility through dynamic capabilities.

In order to meet the main goal a set of objectives was proposed at the beginning. The literature review mainly focused on combining the existing knowledge and proposing a complex in-depth explanation of the main concepts (strategic flexibility and dynamic capabilities), which later served as a foundation for the empirical part and creation of results-based framework.

The objective to analyze the role of dynamic capabilities in enabling strategic flexibility was met by the theoretical literature analysis and reaffirmed by the results and in-sight of the empirical part, when all the respondents confirmed, that strategic flexibility is viewed as a desired state and dynamic capabilities should be considered as an effective tool to reach that state.

Initially, when the formulation of the goals and objectives was done, qualitative research was chosen to be the suitable method as it would allow to gather in-sights of professional and align the definitions and theoretical propositions with the real business examples and recommendations, which would allow for a fruitful practical and academic contribution. Precisely, the semi-structured face-to-face in-depth interviews were chosen as a tool. We managed to gather 10 representatives of the food service industry, focusing on attracting practicing professionals (e.g. founders, owners, operational managers), who take part in decision making.

The chosen method allowed us to get a descent amount of the data, that was later analyzed using the Thematic analysis method. The choice is justified by the search for exploration of meanings and patterns. It was important to be able to rule out all the various opinions and measures of professionals and combine them with the shared understanding of concepts. We believe it has allowed for proposition of recommendations, that are both unique in terms of experience and broad in terms of possible application.

The paper was also aiming at identifying key determinants of strategic flexibility of strategic flexibility. Which were formulated in a form of associations and interpretations gathered from the respondents. All of them aligned perfectly with the theoretical understanding, proving the high need for strategic flexibility implementation, while highlighting the lack of simple explanation and practical solutions from the academic community.

It was also important to get the detailed explanation of the main challenges in enabling strategic flexibility through dynamic capabilities as it would provide a deeper understanding of the practices and approaches used by the practitioners and would also serve as a foundation for the set of recommendations. Among the challenges, that are frequently met by the respondent we identified: *dependence on the external decisions, lack of system, inability to plan, wrong focus.*

Finally, the objective of defining practical recommendations on fostering strategic flexibility was met and allowed us to propose a set of recommendations, that were gathered from the interviews with practitioners: responsiveness, acting fast, discussion, readiness to learn and experimentation. The final proposition, that was identified by 100% of respondents is the great importance of team as a key factor in strategic flexibility. That finding serves as a main valuable insight of the work and proposes a renewed look on the subject. When all the results were formulated, we felt the possibility to propose a simple yet insightful framework, that would reflect the results and allow for further discussion. It focuses on the combination of theoretical understanding and practical contribution.

All in all, we assume that this paper may be used as a starting point for the deeper exploration of the topic of strategic flexibility and dynamic capabilities in Russian service sector and will hopefully provide motivation for researchers to provide more industry-specific results or explain/contradict the findings by assessing the proposed recommendations on a broader sample. This research is also an extension to the previous studies of strategic flexibility, that broadens the scope of possible interpretations of theoretical concepts combined with the practical recommendations.

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Appendices

Appendix 1 - interview outline in Russian

1. Представление проекта, целей и исследователя.

Тема: Развитие **стратегической гибкости** за счет **динамических способностей**. Кейс российских малых и средних предприятий в сфере услуг

Каковы наиболее важные динамические возможности российских МСП в сфере услуг?

Каковы ключевые детерминанты стратегической гибкости российских МСП в сфере услуг?

Какова связь между стратегической гибкостью и динамическими возможностями?

Каковы способы развития стратегической гибкости за счет эффективного использования динамических возможностей?

2. Что, по вашему мнению, является стратегической гибкостью для вашей компании?
Считаете ли вы это важным?
3. Введение теоретического определения стратегической гибкости и динамических возможностей

Стратегическая гибкость - способность адаптироваться и реагировать на резкие изменения во внутренней и внешней среде умение верно комбинировать различные способности или ресурсы для создания устойчивой организации.

Динамические способности - способности **Создавать, интегрировать, Реконфигурировать** внутренние и внешние компетенции для реагирования на меняющуюся среду

*Предполагается, что СГ это цель, а ДС это инструмент

Среди ДС выделяют :

- Способность ощущать грядущие перемены или требования среды
- Способности интегрировать приводить в действие
- Способность менять существующие
- Способность обучаться (обучать)

4. Давайте подробнее остановимся на стратегической гибкости? Видите ли вы ее наличие в своей компании?
5. Если ответ «да», что бы вы назвали основным инструментом (инструментами) для достижения стратегической гибкости?
6. Можете ли вы определить какие-либо динамические возможности, которые помогут вам достичь и/или поддерживать стратегическую гибкость?

7. Считаете ли вы, что ваша фирма пережила трудные времена/переломы/кризис?
8. Что помогло вам остаться на плаву?
9. Среди трех динамических способностей какая самая важная и почему?

- ощущать (способность обнаруживать, идентифицировать и интерпретировать изменения в бизнес-среде. Они позволяют фирмам выявлять тенденции развивающихся рынков, конкурентные угрозы/возможности,)

- захватывать (позволить фирмам своевременно принимать упреждающие меры, чтобы извлечь выгоду из этих возможностей или избежать возможных угроз. Среди них способность быстро принимать стратегические решения и эффективно применять новые инициативы,)

- трансформировать (быстро реконфигурировать свои ресурсы, компетенции, процедуры и процессы, включая перераспределение человеческих, финансовых и технологических ресурсов, использование партнерских отношений, альянсов и сотрудничества для достижения новых стратегических целей и реагирования на разрушительную динамику рынка, одновременно способствуя стратегической гибкости)

10. Что бы вы порекомендовали аналогичным предприятиям с точки зрения достижения стратегической гибкости?

Appendix 2 - Enabling factors of strategic flexibility.

Source: [Escrig-Tena, A. B., Bou-Llusar, J. C., Beltrán-Martín, I., & Roca-Puig, V. (2011).]

QM elements	Enabling factors of strategic flexibility	Authors
Leadership	Leadership	Upton [4], Hitt et al. [6]
Strategic planning	Strategy as an incubator for change	Prastacos et al. [29], Shimizu and Hitt [8]
Information and analysis	Measure and monitor decision outcomes Use of new manufacturing and information technologies	Shimizu and Hitt [8], Volberda [18], Das and Elango [28], Hitt et al. [6], Prastacos et al. [29], Zhang [31], Palanisamy [119], Celuch et al. [32]
Human resource management	Develop human capital Comprehensive training Teamwork	Youndt et al. [61], Das and Elango [28], Manz and Stewart [101], Volberda [18], Hitt et al. [6], Kara et al. [33], Prastacos et al. [29], Shimizu and Hitt [8], Gilson et al. [65]
Supplier management	Use of cooperative strategies or belonging to a network Create dynamic mechanism to gain new ideas from outside the firm	Liebeskind et al. [30], Das and Elango [28], Hitt et al. [6], Bahrami [69], Prastacos et al. [29], Shimizu and Hitt [8]
Processes management	Processes management	Prastacos et al. [29], Worren et al. [7], Shimizu and Hitt [8]
Customer focus	Customer orientation in product and service development	Prastacos et al. [29], Johnson et al. [21], Javalgi et al. [120]
	Exploit global markets	Hitt et al. [6], Das and Elango [28]
	Develop new organisational structures and culture	Hitt et al. [6], Shimizu and Hitt [8]
	Stimulate decision-making processes by incorporating a devil's advocate approach	Shimizu and Hitt [8]
	Consider decisions portfolios	Shimizu and Hitt [8]
	Recognise the limitations of static governance systems	Shimizu and Hitt [8]
	Build dynamic core competences	Hitt et al. [6]