

## **Analysis of Dynamic Capabilities in Businesses of Turbulent Market Conditions: A Longitudinal Analysis**

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### **Abstract**

The purpose of the study is to understand the commercial adaptation models of businesses within the framework of changing market conditions and to comprehend their basic actions regarding management processes over time. The methodology of this research is to analyze the dynamic capabilities of businesses. Data was obtained from different small and medium-sized businesses in 2010 and 2022. Cross-sectional data were analyzed longitudinally to determine growth and development trends. In this context, the information form includes basic descriptive data about businesses, human resource needs, strategic goals of businesses (14 items), determination of strategic areas for businesses (7 items), strategic management model (18 items), determination of competitiveness of businesses (13 items). Data regarding basic data and evaluations in their fields were collected. These data were analyzed and classified with appropriate qualitative and quantitative models. Study findings indicate that the businesses included in the sample during the research process have been monitored since 2010 and the cross-sectional data obtained from different studies have been analyzed longitudinally. In this process, the data were integrated qualitatively and quantitatively and analyzed within the framework of the model in the study, (Day and Schoemaker 2018), and the research data was classified to evaluate the basic approaches of businesses in understanding opportunities, perception and evaluation, capturing and mobilizing opportunities and transformation processes between 2010 and 2022. The data obtained according to the research model were discussed under three dimensions within the framework of this model, and the analyses and evaluations were evaluated especially according to the variance in the data of 2010 and 2022. When generalizing research results, a discussion may arise regarding both the data collection tool and the only limited data collected. Therefore, future research may choose to use more data collection methods and expand the data collection sources to cover larger targets. Practical implications of dynamic capabilities are different from the operational characteristics of businesses that are related to their daily activities. Dynamic capabilities refer to the activities of strategically creating,

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expanding or changing the resource structure. Such strategic alignment models enable businesses to conduct business in a competitive and sustainable manner. Therefore, it is very important for businesses to develop sufficient leadership capacities to develop these capabilities in terms of corporate agility and adaptation. Originality of this study collects comprehensive information about businesses in two different periods. The data obtained in this process was analyzed longitudinally. The longitudinal evaluation of the actions and capabilities of businesses based on the same variables and research structure and longitude date make the research different from other research.

**Key words:** Dynamic Capabilities, Turbulent Markets, Longitudinal Analysis, Competition.

**JEL Code:** M10

## **1. Introduction**

While technology brings new challenges, it also brings a new dimension of opportunity to business management. In less than a generation, we have moved from pen, paper, and mechanical calculators to excel spreadsheets, pentium processors, cell phones, teleconferencing, and electronic money transfers. We moved from the single-song recording of 78 RP M to the iPod, which fits in your shirt pocket and contains hundreds of songs, and then to music applications on smartphones. We still remember the first fax machine that entered our lives approximately 40 years ago. A single page of minimum quality black and white copy took about 30 minutes to send. Today, we can attach hundreds of full color pages to our emails. We scan and fax without thinking. Phonographs, wood stoves, ice boxes, horse-drawn farm equipment, telephone switchboards are almost alien to a generation born after the invention of color television.

These changes in technology are taking place on a global scale. When we look at the technological environment with a trip to a technology museum, it is possible to see how much everything has changed in the last 100 years. As we all know, technology life cycles are getting shorter and innovations are increasing exponentially. This accelerating rate of technological change creates entirely new strategic and organizational challenges. Many of these changes or advancements have created a more comfortable, better life for humanity such as the invention of the polio vaccine, which put an end to the polio epidemics, artificial aortic valve, prostheses and implants. There have been, and continue to be, many important micro-level developments that affect people's lives in these areas. Do we dare to imagine what medical breakthroughs we will experience in the next 20 years? Magnetic Resonance Imaging (MRI) and (CAT) scans have transformed diagnostic medicine from fiction to reality in a relatively short period of time.

Just as the essentials that we all know are essential for the continuation of life, the basic critical factors are equally important for the continuation of the life of companies. The importance of breath in living things for businesses means

making their commercial activities profitable and sustainable. It is also possible for businesses to make their commercial activities profitable and sustainable with their dynamic capabilities. Kumar et al. (2018) and Chowdhury and Quaddus (2021) define dynamic capabilities, which is vital for businesses, as the ability of businesses to cope with dynamic environmental changes through their resources. For Teece et al. (1997), dynamic capabilities is the ability of businesses to integrate, build and reconfigure their internal and external capabilities to address rapidly changing environments. Dynamic capabilities improve the mobility of businesses by increasing their flexibility and adaptability. This expertise makes it easier for businesses to achieve their goals by enabling them to maneuver against variable external conditions. Dangelico et al. (2017) and Kumar et al. (2018) states that the dynamic business environment conditions in the outside world and the dizzying speed of change and the balance between businesses will be possible with dynamic business movements.

Dynamic capabilities are the capacity to make innovations towards consumer demands, take actions against economic fluctuations, adapt to changing technologies, gain competitive power in the market and maintain these with profitability. The adaptation of businesses to the changing business environment is possible with the integration of internal and external capabilities and expertise. Dynamic capabilities, which include the sum of internal and external capabilities, evolve through management skills to develop through activities such as perceiving threats and opportunities in the business world and developing strategies and business models. Sustaining the business model means that the business can achieve long-term success by designing profitable business models and that this model can be changed when necessary and is flexible according to changing conditions.

Today, the concept of sustainability is closely related not only to the profit of the business, but also to its contribution to the natural and social environment without harming. In addition, there is a need for holistic and environmentally friendly business models regarding sustainability in production. At this point, businesses need to have some strategies for sustainability. Conducting value chain analysis is a fundamental issue, and a strategy should be created by taking into account the factors affecting the processes at every stage of this chain. Moreover, developing products or services to understand customer preferences is an important strategy that contributes to the sustainability of the business. It can also be emphasized that a business that plans and implements its activities by taking environmental factors -natural and social- into consideration will have a positive impact on its corporate image and brand perception, and thus, its sustainability may be more long-term.

## **2. Literature Review**

There are scientific studies and research in order to reveal the subject in its multifaceted dimensions, define it, explain it, and detail it with examples. The issue of how businesses adapt to changes in their external environment is actually a subject that has received permanent attention from business researchers. In Türkiye,

there are a wide variety of research and articles on the subject from different perspectives. Bektaş, Erdemir, Sayılar (2022) comprehensively evaluated the literature on dynamic capabilities in Turkey and the world in their study. The study emphasizes that research on dynamic capabilities has been carried out over a period of approximately 25 years and that strategic management is one of the main research areas. In the study, where the dynamic capabilities literature is discussed in two phases, it is emphasized that more of the conceptual framework of the subject was created between 1997 and 2012. In the second phase, it is emphasized that studies are mainly carried out on the basic dimensions and variables of dynamic capabilities. It is stated that after this process, especially the increasing number of empirical studies contributed to the deepening of the subject.

Businesses organize performance criteria to achieve their vision and mission. It determines performance criteria based on efficiency in resource use to demonstrate the performance of its dynamic capabilities. Key performance indicators (KPIs) are created in line with the targets they set. KPIs control revenues and expenses against targets and measure the efficiency of resource use. KPIs tell management how its activity is performed on a 24/7, daily or weekly basis. Thus, management can significantly improve performance by acting. KPIs are indicators that focus on the performances most critical to current and future success. To evaluate current performance and derive possible improvement measures, many companies use performance measurement approaches (Harrington,1991). These factors can also be defined as the dynamic capabilities of businesses. Dynamic capability is the ability to achieve profitable growth in a complex business world, purposeful strategic change and to adapt to changing markets and technologies, and restructure organizations.

In the 1930s, Nobel Prize-winning economist George Stigler defined the concept of organizational agility, which is closely related to the concept of dynamic capabilities and used almost in the sense of flexibility, as the ability to manage flexibility and demand uncertainties. In addition to managing Stigler's demand shocks, agile businesses must also manage supply-side uncertainty. Again, according to Stigler (1930), businesses demonstrate their organizational agility by adjusting their strategies as necessary and desired. Doz and Kosonen (2008) define strategic agility as the capacity to continuously adjust and adapt the direction of key strategies to create value for a business. Weber and Tarba (2014) define organizational agility as the ability to remain flexible and adaptable in the face of new developments.

When evaluated in the light of all these studies, the ability to make sustainable and effective organizational changes at the right time emerges with the combination of organizational agility and dynamic capabilities. These capabilities are sources of institutional capacity that businesses can use at any time. While dynamic capabilities are the ability of businesses to perceive, exploit and transform opportunities, according to Teece, Peteraf, Leih (2016), agility is the capacity to redistribute/redirect resources by using them effectively, create value and maintain (and capture) higher return activities as required by internal and external conditions.

In their studies on the concept of dynamic capabilities, Teece, Pisano, and Shuen (1997) developed a model on the conceptual framework of capabilities. The methods and approaches by which businesses increase their profitability, create assets and develop competitive advantage in the rapidly changing technological environment are comprehensively examined in the study. The study has created a framework in which businesses coordinate and execute their activities in gaining competitive advantage, positioning the company's competitive position in the market, and capabilities in the market throughout the historical process. The paths developed by businesses allow their returns and profitability to increase or cause them to lose the advantageous situations they have gained over time, depending on certain factors. With the conceptual framework developed by the researchers, it has been determined that the technological, organizational and managerial processes of businesses have a determining effect on their activities in the market.

Focusing on how business can be sustained in economic conditions such as Covid-19, the Russia-Ukraine war, high inflation and a global recession, Hadi (2023) explains the impact of the dimensions of dynamic capabilities ('perception', 'capture' and 'transformation') on the sustainability and dexterity of businesses. He found that the detection and capture dimensions affect sustainability and dexterity, but the transformation dimension does not. Sustainability is linked to high profits, long-term return on investment and business success. Although many businesses are successful in controlling the market for a certain period, they cannot maintain this in the long term. One of the important factors for the sustainability of business and enterprises is dynamic capabilities.

There is a qualitative difference between the concepts of risk and uncertainty. For Clampit et al. (2022), coping with risk can be learned by drawing conclusions from experiences. However, coping with uncertainty is possible with the management ability of entrepreneurs who can harmonize and integrate rapidly changing technologies and structures. Managers and entrepreneurs with dynamic capabilities are better positioned to overcome the uncertainties of variable business life, the disruptive effects of digital transformation and market obstacles. Hopkinson et al. (2018) emphasized the need to develop capabilities and capabilities to address complex and highly dynamic factors. The concept of circular economy, like the concept of dynamic capabilities, is one of the current research topics that attracts a lot of attention. Circular economy is based on transformation and recycling instead of production, use and destruction processes. According to Yalçın (2023), the circular economy, whose importance increases day by day with the deepening of the climate and environmental crises, is, in the most basic terms, an alternative to the linear economy, based on the minimization of production and production wastes and the recovery of the resulting wastes. Dynamic capabilities are capabilities that support organizations in structural changes required for corporate sustainability and the evolution of industrial linear economies into a circular economy.

Exploring the capabilities of businesses that support circular competitive advantages, Coppola, Vollero, Siano (2023) developed the framework of dynamic

capabilities required for circular transition using the theoretical lenses of a natural resource-based perspective. In this research, the effect of dynamic capabilities on pollution prevention, product management and sustainable development strategies were studied. The circular economy and the transition to a circular economy, which are seen as the path to global sustainability, occur faster and healthier with the perception, capture and transformation dimensions of dynamic authority. According to this research, the key factors of the economy are the corporate operations of businesses, the roles of sub-actors in the supply chain, the dynamics of creation with external actors and the social potential of the circular economy. Managers can implement projects that aim to increase the environmental performance of their companies and expand their circular business with their dynamic capabilities.

Felin and Powell (2016) focused on the power of organizational design with the article in which businesses study the application models and processes of dynamic capabilities. The study revealed the impact of managers' capacity to perceive, capture and transform opportunities in applying dynamic capabilities and how to benefit from new organizational forms. Such self-organizing processes in research require managers to design and execute them. Emphasis was placed on the opportunities that new design principles provide for organizations to create dynamic capabilities for sustainable innovation in dynamic environments. According to this study, dynamic capabilities recognize the importance of capabilities such as product design and manufacturing but argue that success in volatile economies requires more than basic capabilities. They advocate the need for adaptable processes and structures that allow companies to change their core capabilities, anticipate changes in market demand, develop and integrate new technologies, read the market, learn and anticipate new market opportunities, capture and transform opportunities.

Teece, Pisano, Shuen (2007), regarding the sub-dimensions of dynamic capabilities, categorized opportunities as 'perception', 'capture' and 'transformation'. These dimensions include businesses perceiving opportunities in market conditions and moving to the implementation phase, adapting their organizational structures according to changing market conditions, and restructuring and updating activities. Perceiving opportunities is the activity of scanning, researching, discovering, shaping, creating, learning and interpreting. To find, detect, identify and shape opportunities, businesses must constantly monitor, scan, identify and shape local and global markets. Perceiving opportunities is not just about R&D investments and the hunt for technological opportunities based on demand. It is the process of examining the structural situation of competition, potential demands, suppliers and competitors. During this examination and research process, businesses gain information about new technologies, competitors and demands, while also obtaining a wide scale of sectoral data. We can say that the perception dimension of dynamic capabilities is a journey of discovery consisting of environmental monitoring, research and scanning activities to find new business opportunities and ways to improve organizational processes.

According to Day and Schoemaker (2018), who researched what capabilities entrepreneurs and managers need to develop to be successful in today's world where change is central, the ability to perceive threats and opportunities is essential for businesses' ability to adapt to variable markets, technological uncertainty and unpredictable competitors. According to the research, dynamic capabilities go beyond the operational capacities of businesses regarding their daily operations. Dynamic capabilities refer to the capacity to create, expand or change for strategic purpose. This is possible by developing a leadership capacity that will cover all dimensions of dynamic capabilities. Gaining dynamic capabilities is a powerful way to navigate deep choppy and stormy waters.

The capture size is, for Teece et al. (2016), a skill that allows business employees and top management to quickly focus on opportunities to perceive resources and create value from them. Accordingly, after perceiving opportunities, top management must decide how to use these opportunities in favor of their business.

The seizing dimension involves businesses making decisions about how to use that opportunity after perceiving it (Teece, 2007). Capture is the ability of a business to implement business opportunities or improvements. It is meaningless for businesses that do not have capture skills to have high detection skills. It becomes meaningful when it is activated with the ability to perceive and capture. Thanks to their ability to capture, businesses gain an advantage in turning perceived opportunities into investments (Hodgkinson & Healey, 2011).

Teece (2007) states that perception and capture abilities are two different actions that complement each other. The researcher states that businesses may perceive opportunities but may not capture them correctly. Because, during the capture of opportunities, some factors such as organizational inertia (O'Reilly III & Tushman, 2008), bureaucratic decision-making processes, and hierarchical structures may come into play that may hinder innovation or slow down decision-making.

Emphasizing the role of top management in renewing themselves, Dobnia and Sand (2018) argue that businesses should be allowed to increase, improve and transform their ability to innovate in order to achieve their strategic goals. The study emphasized the importance of dynamic capabilities and open innovation required when making operational strategy changes. In this context, he argues that businesses with dynamic capabilities can use innovation to integrate it into their strategic processes. Top management needs to focus on how to create and support a culture of innovation and how to use their dynamic capabilities in strategy design and implementation. This process begins by considering how employees should think and behave to achieve set organizational goals. According to this study, top management should make conscious choices for a framework that optimizes the relationship between strategy and innovation. Such choices may be met with resistance at first. It may even cause negative effects on the effectiveness of existing organizational processes in the short term. However, in the medium and long term,

these choices will contribute to the development of dynamic capabilities. According to researchers, these choices are no longer an option, but a necessity.

### **3. Methodology**

The purpose of the study is to understand the commercial adaptation models of businesses within the framework of changing market conditions and to comprehend their basic actions regarding management processes over time. In this context, the data collected regarding business processes on the sample we worked on in different time periods were analyzed and the change and transformation processes occurring in market conditions were analyzed in many aspects. The management processes of businesses are influenced by many factors. Over time, some structures adapt to this while others disappear. The main reason for his situation, which we call 'company death', is the lack of development of dynamic capabilities or failure to adapt to market conditions. Based on this, dynamic capabilities emerge as very important elements that have versatile effects on the market actions of businesses.

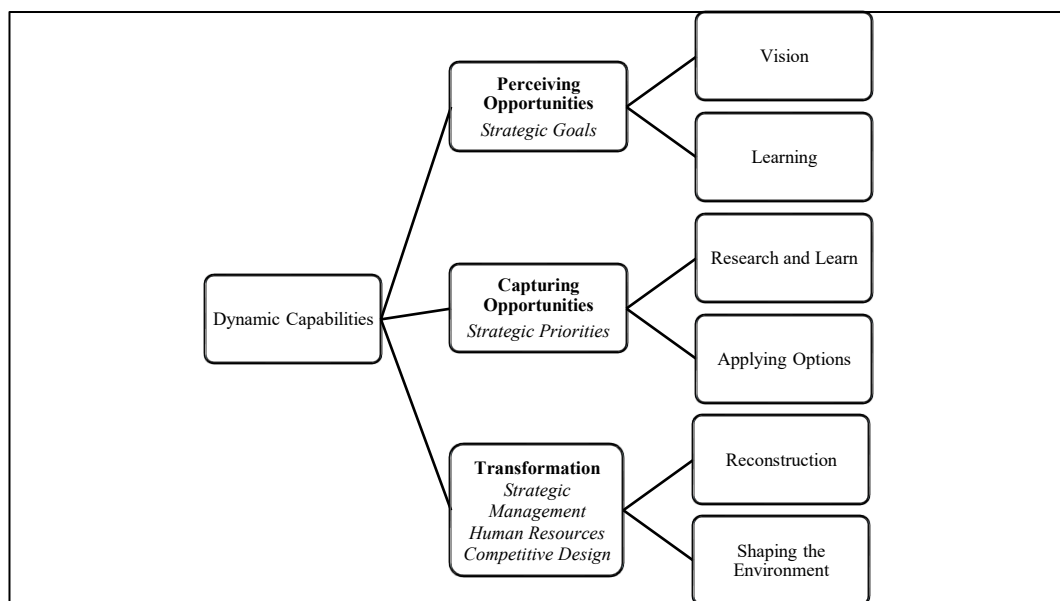
Cross-sectional data were used to determine the basic approach for analyzing the dynamic capabilities of businesses. Cross-sectional data is a quick and easy approach that helps predict business activities, especially transactions, over a certain period of time. In addition, six different focus group meetings were held, and business owners and top managers were evaluated comprehensively, especially the basic activities of the businesses. In accordance with the cross-sectional data collection method, the endogenous and exogenous factors of the enterprises were evaluated, and their different commercial capabilities were determined in two different time periods and the areas in which the variances were determined. Considering the businesses' priorities, human resource needs, strategic preferences, dynamic capabilities were analyzed in terms of basic factors, including priorities, management systems and competitiveness factors, and processes were evaluated with cross-sectional data.

To analyze the dynamic capabilities of enterprises, cross-sectional data obtained from different small and medium-sized enterprises in 2010 and 2022 were analyzed longitudinally and growth and development trends were determined. In this context, the data form includes basic descriptive data about businesses, human resource needs, strategic goals of businesses (14 items), identification of important factors of strategic areas for businesses (7 items), determination of the strategic management model (18 items), determination of the competitiveness of businesses. Basic data and evaluation data in the fields (13 items) were collected. These data were analyzed and classified with appropriate qualitative and quantitative models. In this framework, dynamic capabilities were determined through cross-sectional data of two different periods of the companies in the same sample ecosystem, and the competitive and sustainable business models of the companies were revealed longitudinally.

When we look at the main areas where data were collected, firstly, the needs that emerged in two data frames in human resource needs that determine the basic

operations of organizational structures were analyzed. The second basic dimension of the data form is designed as the strategic goals of the enterprises. In this field, it has been determined what kind of long-term growth strategies businesses have. This basic title consists of factors aimed at determining what the basic visions of businesses are in their growth processes, and especially what their basic actions will be in the processes of perceiving and capturing opportunities.

**Figure 1.** Dynamic Capabilities Research Model



Due to the basic structure of business life, opportunities are constantly changing in a dynamic framework, and it is of great importance for businesses to shape their stance, attitudes and actions against these changing market conditions. For this reason, the data form is of great value, especially in terms of future designs and commercial actions of businesses. The basic approach they take in obtaining data and achieving strategic goals is of great importance in terms of dynamic capabilities capacity. Strategic goals are also discussed within the framework of vision and learning. Another critical factor for businesses is the process of capturing existing and new opportunities, in other words, the process of evaluating these opportunities. Here, especially the activities of businesses within the framework of examining and activating markets, sectors and structures are evaluated. The last factor among dynamic capabilities is the transformation dimension. This dimension is based on the capabilities that improve the corporate agility of businesses in line with market conditions. It includes design activities for the strategic management model of businesses, human resources-talent structure, and competitive structure. With these capabilities, businesses always have to restructure within the framework of market conditions, and they take an active role in shaping the market conditions they are in.

### Mathematical Model of Analysis of Longitudinal Data

Dynamic capabilities are different from the operational characteristics of businesses that are related to their daily activities. They refer to the activities of strategically creating, expanding or changing the resource structure. Such strategic alignment models enable businesses to conduct business in a competitive and sustainable manner. Therefore, it is very important for businesses to develop sufficient leadership capacities to develop these capabilities in terms of corporate agility and adaptation.

$$Factor_t = \frac{\sum_{i=1}^n f_{ti}}{n},$$

*i*: industry,

*t*: time,

*Factor<sub>t</sub>*: Industry average of the priority rankings of factors in year *t*,

*f<sub>ti</sub>*: Factor *i* in year *t* priority ranking in the sector,

$$\Delta = \frac{(Factor_t - Factor_{t-a})}{Factor_{t-a}} * 100,$$

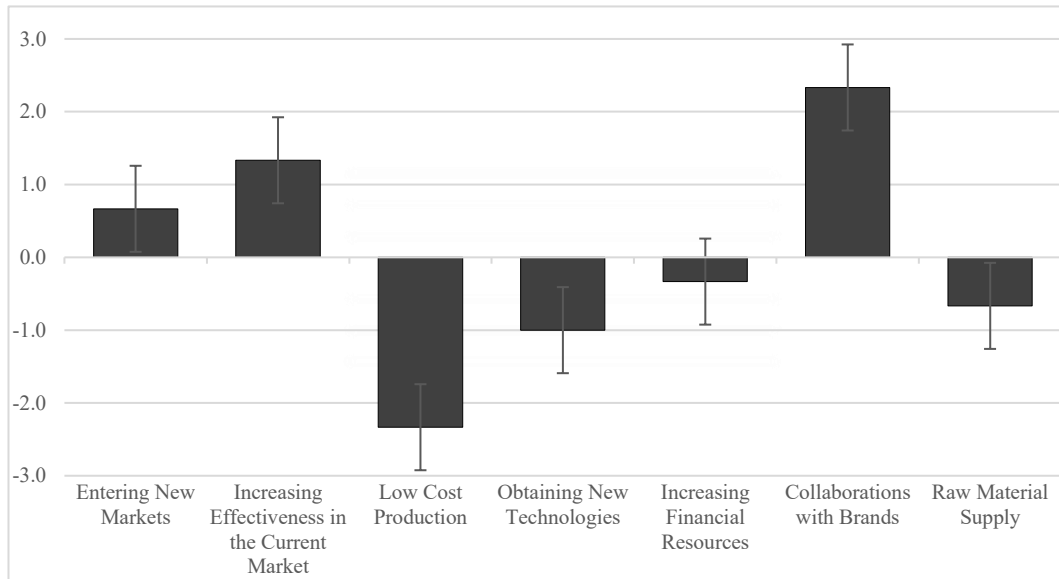
*Factor<sub>t-a</sub>*: The value of the factor *a* year ago

$\Delta$ : Proportional change in the priority rankings of factors in year *t* compared to year *t-a*.

## 4. Findings

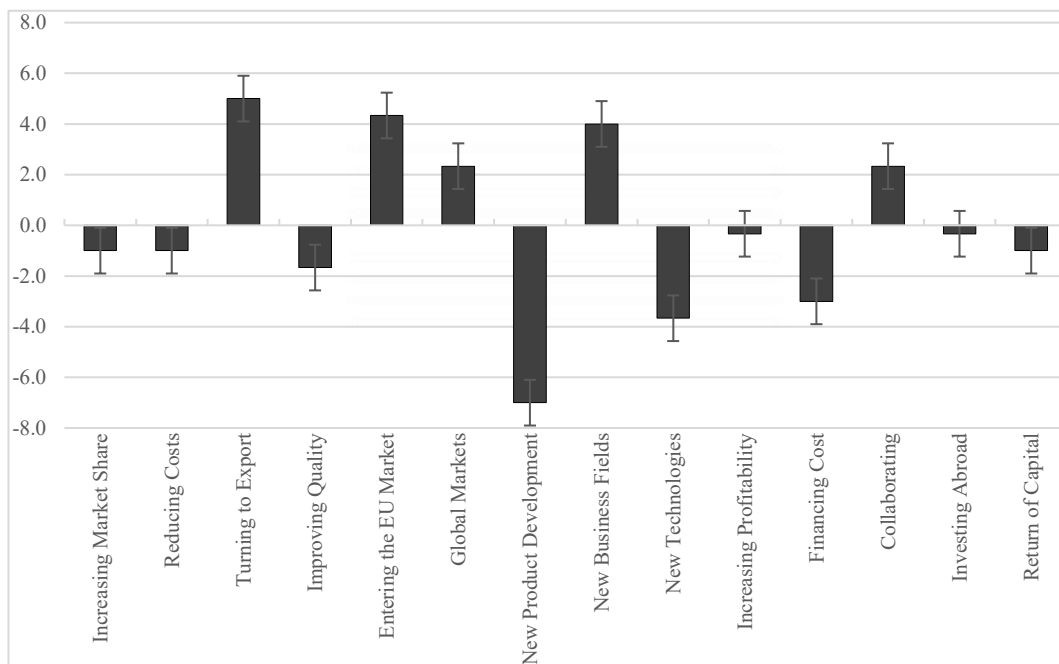
The study was analyzed within the framework of data obtained from 1200 businesses in 2010 and 2022. Analyzes were made within the framework of cross-sectional data collected within the framework of the research conducted in Kasımoğlu et al. (2010) and Kasımoğlu et al. (2022). The businesses included in the sample during the research process have been monitored since 2010 and analyzed within the framework of cross-sectional data obtained in different research. In this process, the data were integrated qualitatively and quantitatively and analyzed within the framework of the model in the study of Day and Schoemaker (2018), and the research data was classified to evaluate the basic approaches of businesses in understanding opportunities, perception and evaluation, capturing and mobilizing opportunities and transformation processes between 2010 and 2022.

**Chart 1. Business Preference Changes: Understanding Opportunities-2010-2022**



The data obtained according to the research model were discussed under three basic headings within the framework of the research model, and the analysis and evaluations were evaluated especially according to the variance in the data of 2010 and 2022.

**Chart 2. Change in Strategic Goals of Companies-2010-2022**



**Perceiving Opportunities:** This competency refers to the basic features of detecting long-term actions, micro, meso and macro level data that may arise in the

market in the context of the core capabilities of businesses. In this context, it is very important for businesses to develop their muscles, especially in terms of vision and learning. Vision can be expressed as foreseeing the changes and developments that occur in business models in the medium and long term. Learning can be expressed as helping businesses gain capacity in operations, sales, supply and technology and acting in these areas. In the study, the differences in the preferences of businesses in perceiving opportunities in two different time periods were evaluated. In this context, the data were analyzed descriptively according to the basic changes and preferences of the seven factors between their preference rankings in 2010 and their preference rankings in 2022, and the following findings were obtained.

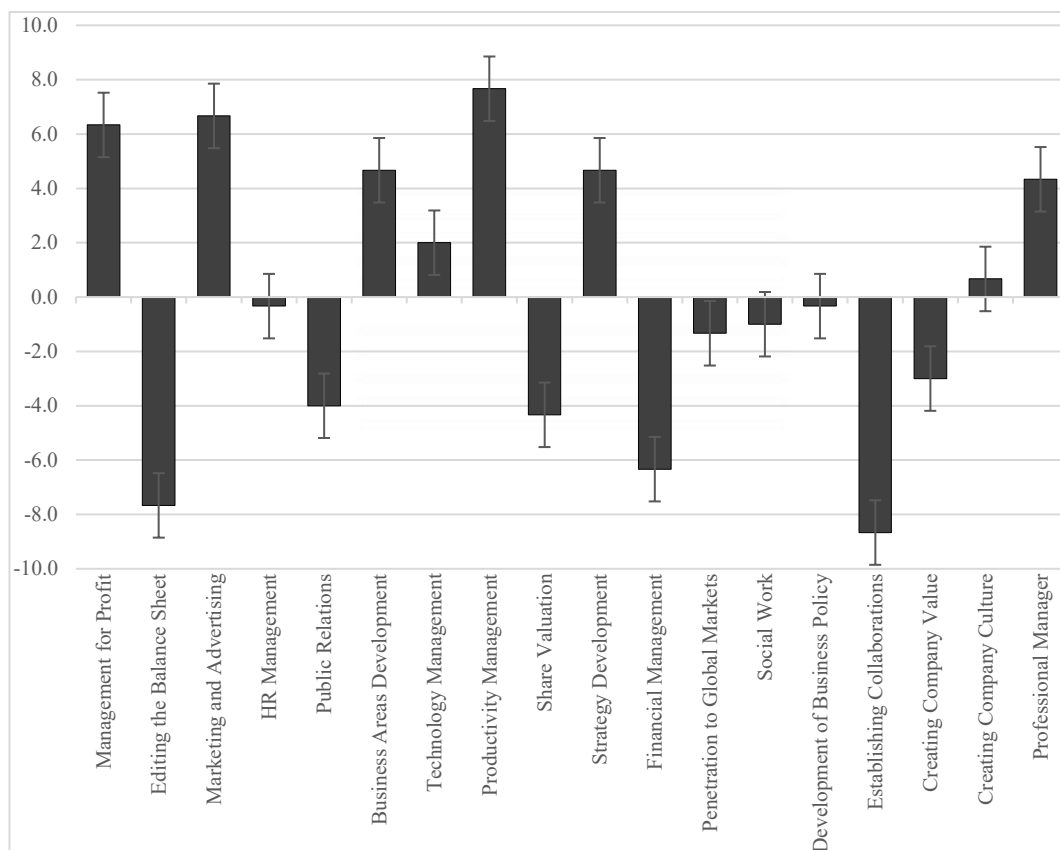
When data from two different periods are analyzed, the main differences that emerge over time in how businesses strategically evaluate and interpret opportunities can be briefly expressed as follows. The four main factors are variables that regress from the perspective of vision and learning according to 2010 data. Accordingly, there have been differences in the perspectives of businesses regarding low costs, new technologies, financing and raw materials in 2022. In 2022, businesses will especially need to perceive and evaluate opportunities will have adopted a focused approach to entering new markets, increasing their power in the market, and developing cooperation with other brands. Accordingly, especially in 2010, low cost, new technologies, financing and raw material factors came to the fore as critical factors in evaluating and directing opportunities for businesses in understanding, interpreting and analyzing opportunities, while in 2022, growth in markets, business development and other factors will come to the fore. Collaborating with businesses and brands are important factors. In the context of dynamic capabilities, a significant paradigm differentiation has emerged.

**Seizing Opportunities:** These variable dynamic capabilities, which are especially effective in businesses' ability to capture and realize opportunities, manifest itself in the form of research-learning and applying options. In this field, the dynamic capabilities of enterprises were evaluated in terms of fourteen factors, and the effects of these factors in evaluating and activating opportunities of enterprises were evaluated in 2010 and 2022. When graph 2 is examined, it shows us that in the process of capturing and activating opportunities in businesses in 2010, basic factors such as new product development, new technologies, financing cost, return of capital, improving quality, reducing costs, increasing market share are effective in evaluating opportunities in the market. It seems to be effective in realizing opportunities such as turning to foreign markets, the European market, new businesses, global markets and cooperation in 2022. Considering the analyzes obtained within the framework of these evaluations from businesses, it is seen that there are a significant change and transformation in evaluating opportunities. While in 2010, the development of factors such as corporate factors, operations and financing costs was mainly taken as a basis in terms of dynamic capabilities, in 2022, we see that factors such as market development, opening up to global markets, and doing business in the European market will come to the fore in the context of dynamic capabilities of businesses. When this process is evaluated, it is

seen that there is a shift away from the structure and system-oriented logic of businesses towards the focus on market, growth and business development.

In the development of dynamic capabilities, especially the perception of opportunities in the market, the vision and learning processes actively offering different opportunities to businesses, and the process of realizing these opportunities in the second stage is a very important factor in terms of agility. The reactions of businesses to developing and changing market conditions vary significantly.

**Chart 3.** Transformation Management Model of Companies 2010-2022



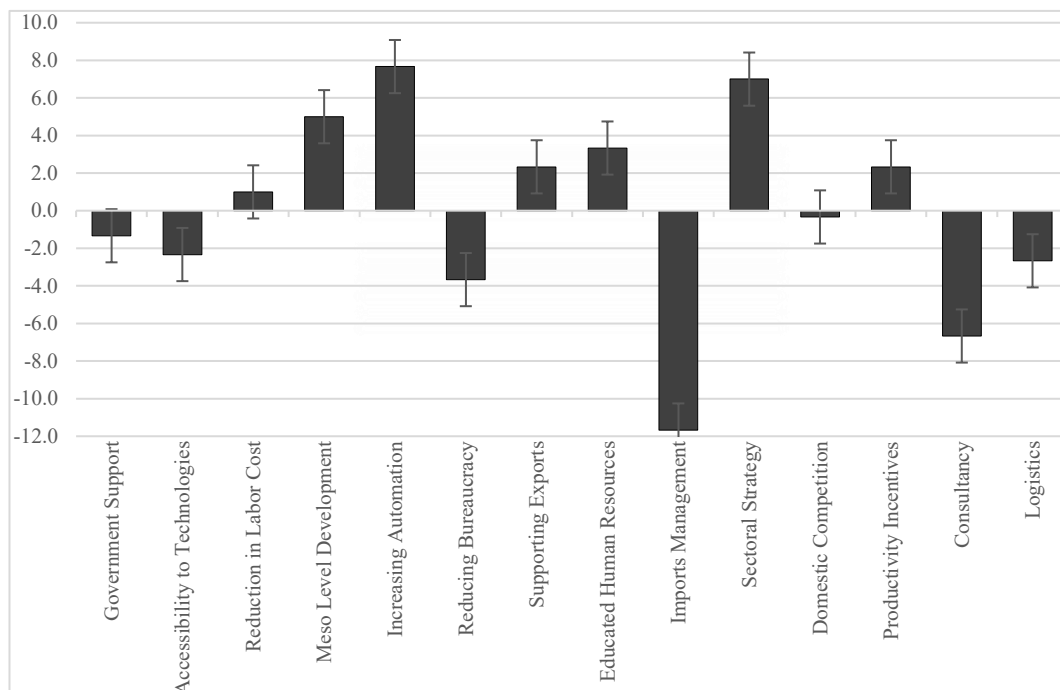
The main reason for this is the nuances that emerge in the field of dynamic capabilities in every business. While businesses take very rapid action due to the development of their entrepreneurial muscles, especially in opportunity perception, some businesses can also develop an effective operational capacity to realize opportunities. In competitive and agile businesses, these two factors work both ways and develop at a very strong level, supporting the market actions of businesses. It is observed that some businesses are slower than others in perceiving and implementing opportunities and that they are somehow behind in adapting to the market. Such structures, especially institutionally, are slow to develop their muscles and do not keep up with change. For this reason, companies with strong

dynamic capabilities can operate more effectively by handling their business models at a more competitive level compared to others.

The performance of businesses in perceiving opportunities over time and determining the most suitable models for their structure in terms of commercial operations directly affects the results they will achieve in the market, thus, enabling them to produce much better results in meeting the expectations of both shareholders and stakeholders. For this reason, businesses with dynamic capabilities make their activities sustainable with more profitable and competitive business models compared to other businesses. Developing the dynamic capabilities muscles of corporate systems provides a strategic advantage for businesses to continue their work by taking advantage of these important advantages in the medium and long term.

Transformation in Businesses: We have now entered an era where everything changes. The only constant thing is change. The business that cannot afford to change is faced with the choice of changing or disappearing, being under the influence of the market in every way. Change in businesses often leads to a change in the distribution of power. To understand how businesses change, it is essential to understand how power is lost. For the individual, the loss of power and position can be painful, even devastating.

**Chart 4.** Competitive Structure Design 2010-2022

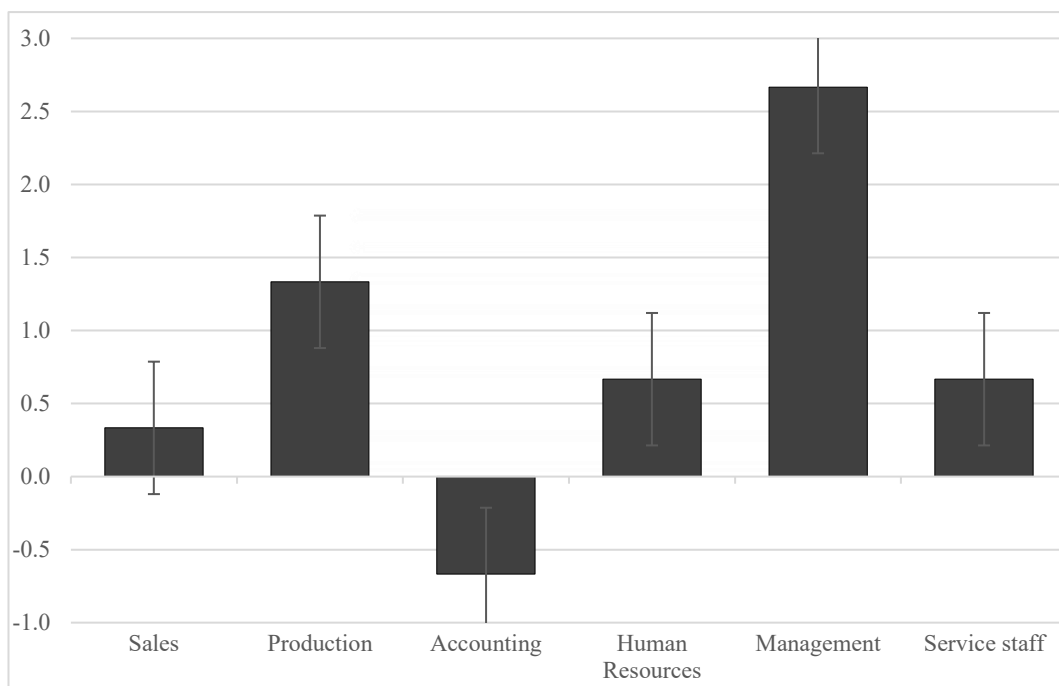


The business models and structures of the businesses included in the research process were compared in terms of eighteen factors to ensure their adaptation to market conditions, and within the framework of these factors,

dynamic capabilities were discussed in the context of the transformation processes of the businesses. In this context, while factors such as reorganization of the balance sheet, establishment of collaborations, financial management, public relations, and company value were at the forefront in the context of dynamic capabilities in 2010, the main factors directing the transformation models of businesses in 2022 will be efficiency management, profit-oriented management, marketing and advertising, and development of strategies and the establishment of the management team are the basic elements. During the process, especially the corporate structures of businesses were shaped within this framework.

For businesses, management changes often create a healthy effect, allowing new ideas and new information to come into play and solve problems that may have arisen during previous management. Of course, there is no guarantee that management handovers will change the organization for the better, but such shifts in influence are almost always linked to change and at least the ability to adapt. Management changes are certain to occur sooner or later, and there is a great possibility that we may eventually lose the authority we have gained. Being in the spotlight and being at the center of events often pushes others into competition with us and, if nothing else, causes everyone to have their eyes on us and our actions.

**Chart 5.** Human Resources Strategy 2010-2022

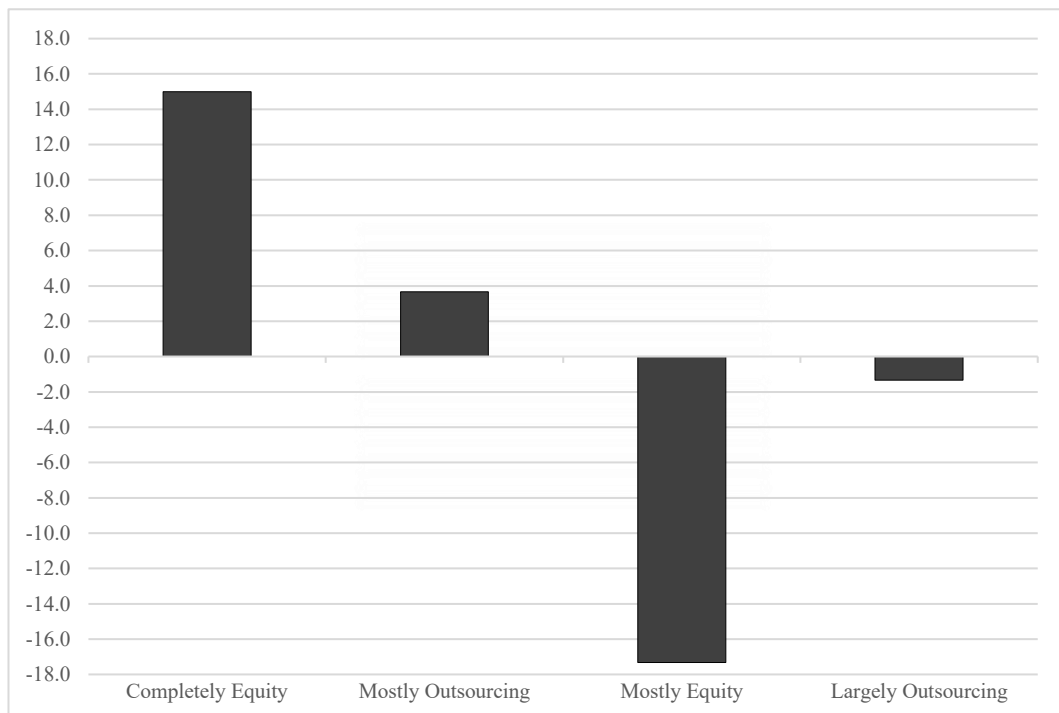


Another important factor in terms of the dynamic capabilities of businesses is the competitive organizational structure design. There is a total of fourteen basic factors in our research model in this field. In this context, while the evaluations regarding the control of imports of businesses come to the fore, consultancy support and reducing bureaucracy are the main factors that come to the fore for the

development of the management system. Another important variable within the framework of the research model is that in 2022, basic factors such as automation, sector strategy, and meso-level analysis appear to be at the forefront. These fundamental differences between institutional capacity and market actions are of great importance, especially in analyzing the basic activities of businesses. In this process, the importance and role of human resources in corporate transformation in businesses has further developed. In this context, the issue was evaluated in terms of the years 2010 and 2022 regarding the human resources process, which has an important place in terms of the management system. While the demand for accounting staff was high in 2010, it is seen that this demand has decreased today.

During the research process, the basic needs for human resources, which is the basic production input that is thought to be very important in terms of dynamic capabilities, were revealed. In the study, especially the management, operation, human resources management and service personnel needs of businesses were evaluated in 2022. One of the critical values here is that businesses must have and support a middle and senior management system in order to experience development and change, especially in their management systems.

**Chart 6.** Financing Growth 2010-2023



The financing of growth in businesses is largely provided by equity capital. In 2022, equity capital will be an important source of growth financing. Especially due to intense fluctuations in the markets, companies stay away from using foreign resources. In this process, there is a slight tendency towards external resources. However, it is relatively low. Developments in the market have brought the

financing of strategic growth, especially in companies, to a very critical point. This issue has become very important with the increase in financing costs at the global level. Companies must find creative and low-cost solutions to finance growth in the medium term.

## 5. Conclusions

Companies are clustered in five separate categories, regardless of the number of employees and turnover. These segments are generally shaped around business models, competitive structure, approaches to change and transformation, and criteria for innovation and R&D investments. The first group shows the group of companies whose desires and desires are not clear in line with the specified criteria, which do not update their business model. The second group is related to the group of companies that ignore market risks and prefer to take positions according to the behavior of their competitors and prioritize competition based only on price. The third group is the companies that prioritize corporate change and transformation, which requires turning to this process by realizing the importance of growing and gaining prestige. The last group is the companies that care about expanding their scale by emphasizing innovative approaches, preferring to achieve a pioneering and corporate company structure, and take the benefits of globalization into consideration.

Considering external environmental conditions, macroeconomic performance and economic policies of the country or countries in which we operate, it is recommended to analyze the effects of the behavior of competitors, suppliers and customers on basic financial indicators. In this process, cash flows, non-performing receivables, net profit margin, cost and pricing approaches and financial sufficiency emerge as critical areas that companies attach importance to. In order to manage the effects of external environmental conditions, companies show that it would be appropriate to obtain economic research and analysis, road maps to be followed under different conditions, checklists to be followed, strategic documents and action plans. Advances in external environmental conditions emphasize the importance of making the budgeting process and the economic and financial analysis of companies within the framework of the previously stated criteria.

Company-specific issues are a very important component that affects the further transactions and activities of companies. In this context, financial and non-financial performance indicators are considered as leading indicators regarding the sustainability of companies' activities. The proper functioning of this critical function depends on the integration quality of companies' internal audit and control mechanisms and external audit systems. One of the important issues that companies focus on is identifying risks and strengthening management mechanisms. Compliance risks, financial risks, strategic risks, operational risks and sustainability risks are among the critical determinants for companies of all categories and sizes.

Management: The management structure of the companies within the scope of the research is far from professional. There is no "C" level manager structure in

the company's organizational chart and revisions need to be made in the organization chart. Company management is formed by family and friend groups, which causes intra-family conflicts and intergenerational transition problems in company management. The presence of family and friend groups in company management causes companies to exhibit a conservative and shy attitude when it comes to creating a vision. In addition, the hierarchy within the family prevents a transparent and open attitude in management and decision-making in companies. The lack of a transparent management organization and policy causes groupings within companies, which in turn creates internal communication and coordination problems. In addition, there is no internal control and audit mechanism in companies, the practices are aimed at saving the day, and no strategic management model can be created for the medium and long term. By creating a family constitution, administrative and authority problems that may occur within companies can be prevented. These identified issues reveal that institutionalization should be an urgent priority for Turkish companies in terms of management.

**Production and Supply:** In the companies covered within the scope of the project, the supply of raw materials is mainly done through imports, which creates the problem of dependence on suppliers due to the small number of companies from which purchasing and selling are made. In order to increase the production line efficiency of companies, workflow processes and workflow diagrams need to be created. For this purpose, support was provided within the scope of the project from consultants experienced in the sector.

**Marketing and Sales:** Failure to create or effectively use a customer relationship management system in the companies covered within the scope of the project negatively affects customer loyalty and sales. In addition, following too liberal sales policies by marketing and sales departments creates stress in internal departments at planning and process points, and in this case, affects communication and coordination. Feedback from customers is not followed by companies, and customer relationship management cannot be used effectively.

**Finance:** Not enough importance is given to cash flows in companies: equity capital does not grow in parallel with the growth rate; there is lack of effective receivables collection; excessive debt is incurred at high costs; there is excessive investment in fixed assets; the capital structure is not an optimal level, with capital costs being ignored; and companies engage in foreign currency borrowing. Poor financial literacy is the main financial problems identified.

**Human Resources:** A high personnel turnover rate was observed in the companies evaluated within the scope of the project. Companies prefer to use cheap labor overqualified and experienced personnel in their human resources policies due to financial concerns. This approach reduces the competitiveness of companies in the medium and long term and reduces loyalty to companies.

**Digital Transformation:** It seems to be a fundamental problem that the companies included in the project cannot perceive and manage the change.

Businesses cannot use corporate resources effectively. For this, a functional ERP system must be established end-to-end. In addition, the companies' websites do not display a commercial appearance that supports sales and marketing. Online sales channels either do not exist or appear to be quite weak. It is necessary to raise the awareness and consciousness level of companies regarding both internal and sector-related data. Based on the saying that an unmeasurable situation cannot be managed, the company's activities must be monitored through key performance indicators, and these indicators must be updated at regular intervals.

**Business Development and Innovation:** The external perspective is weak in the companies included in the project. Failure to follow the developing technologies in the world causes businesses to fail to adapt to new technologies, fall short of diversifying their activities, and have difficulty developing innovative products and services. In this regard, it is of urgent importance for companies to be able to see their companies' future visions through "big data", which is expressed as the main management model of our age, and to internalize and adopt the corporate governance approach in order to take the necessary steps.

As a result, in times of turmoil, companies refer to two actions for critical performance areas such as profitability, competition and sustainability: Activity-based cost approach and revenue per transaction optimization approach. In order to support these actions, it emphasizes the need to focus on the core business, increase the capabilities of employees in developing alternative products and markets, and acquire a set of financial risk and audit strengthening strategies. The chance of success of your strategies depends on the company's existing opportunities and resources, operational capabilities, organizational dynamics and innovation capacity, which collectively indicate its capacity.

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