Implementation of Dynamic Capabilities to Develop Strategies and Processes-for Digital Transformation

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Abstract: Digital transformation is the process by which organizations leverage technology as a key resource to improve performance, extend reach, and enhance market outcomes. Design/Methodology/Approach - This research aims to analyze how dynamic capabilities are designed and implemented to support the development of digital transformation strategies. Due to its exploratory nature, data collection was conducted using semi-structured interviews with a variety of resource persons to allow for triangulation. Secondary data consisting of company documents, meeting minutes, interim reports and annual reports were also included in the analysis. *Content analysis* techniques were used in data processing. Findings-This study found that dynamic capabilities developed through sensing, seizing opportunities and reconfiguring play an important role in supporting the company's digital transformation. This is realized through strategy reformulation aimed at integrating and coordinating the implementation of new routines, investment in technological and human resources, and efforts to change organizational culture with a focus on digital transformation, while still considering the interests of stakeholders.

Keywords: Dynamic capabilities, Sensing, Scrambling, Reconfiguration, Digital transformation.

1. Introduction

Digital transformation has become a key strategy for companies in facing challenges in the digital era. A company's dynamic capabilities, which include rapid adaptation and innovation, are key in this process. Dynamic capabilities refer to the company's ability to adapt and utilize digital technology to create added value for customers and other stakeholders. According to Vial (2019), digital transformation integrates technology in the company, which affects organizational culture, operations, and the way value is delivered to customers. This transformation also affects business models, including product development and automation of operational processes (Hess et al., 2016). In this context, innovation is considered part of the dynamic capabilities that are vital in surviving rapid change (Messabia et al., 2022). The speed of digital transformation is influenced by consumer demand, which leads to increased efficiency in product design, manufacturing and launch (Rizqi and Himawan, 2022). Digital technologies open up new market opportunities while increasing competitive pressures (Singh and Hess, 2017). Therefore, companies must learn to adapt to these changes and reformulate their strategies to remain competitive in a dynamic market (Zhang et al., 2023).

Digital transformation also contributes to sustainable development by helping companies to develop competencies and maintain competitive advantage (Ardito et al., 2021; Ghasemzadeh et al., 2021). Dynamic capabilities play a critical role in aligning strategies, business models and technologies to adapt to the changing environment (Cordeiro et al., 2023). The dynamic capabilities framework studies three core clusters: (1) sensing opportunities (and threats); (2) capitalizing on these opportunities; and (3) fundamentally changing the organization's business model and broader resource base (Ghosh et al, 2022). The three clusters are pillars for sustainable strategic revitalization, ensuring agility and competitiveness in a rapidly changing environment. Although there are few steps in exploring dynamic capability development for strategic change (Ghosh et al, 2022). This research aims to explore how companies, particularly in the café and eatery industry, implement dynamic capabilities in support of digital transformation. The focus of this research is on dynamic strategies implemented by companies in the digital transformation process. How do café and eatery businesses implement dynamic capabilities to support digital transformation? This research will focus on how companies develop

dynamic strategies needed in digital transformation. Company selection criteria include: "digital" aspect is in the mission, vision, or values of the organization, has a digital transformation strategy and process, the company is in the research focus area. How dynamic capabilities are configured to support the development of strategies and processes required in the digital transformation of businesses.

2. Literature Review

2.1. Dynamic capability

The understanding of dynamic capabilities is becoming increasingly important in the digital age to maintain alignment between strategy, business models, and technology, as they focus on the actions taken by organizations to change their resources and knowledge base to adapt to a dynamic environment (Cordeiro *et al*, 2023). According to Kump *et al* (2018) "the role of dynamic capabilities is to modify a company's existing resource base and change it deliberately and aligned with strategic assumptions in such a way that a new set or configuration of organizational resources is created". Although dynamic capabilities have been defined in various ways, there are two broadly distinct theoretical schools. The first view is oriented towards Teece (2007) the second view is oriented towards (Eisenhardt and Martin, 2000). The first view is rather broad and contains an abstract conceptualization of capabilities on capabilities, namely the seminal tripartite of "generic micro-foundations" (Kump *et al,* 2018) of sensing, seizing, and transforming. The dynamic capabilities of global crisis management, where dealing with the unpredictable, requires rapid adaptation and change in a company's competitive strategy (Cortez and Johnston, 2020). Unpredictable situations trigger the need for organizational reactions to sustain business, thus reinforcing the importance of dynamic (organizational) capabilities, which describe the process of rapid adaptation and organizational change based on organizational reconfiguration and skill development, observing the environment and available organizational resources (Teece, 2018). In the context of this turbulent environment, dynamic capabilities become invaluable, as they enable better responsiveness in the face of change, in addition to enabling improved company performance (Kuipers and Wolbers, 2022).

Knowledge-based dynamic capabilities help companies to deal with change and overcome organizational barriers to digital transformation by leveraging digital knowledge within the company. Examples of these capabilities include: digital reconnaissance and digital scenario planning; digital sensing capabilities; digital mindset creation; rapid prototyping; strategic agility; balancing digital portfolios; navigating innovation ecosystems; redesigning internal structures; and improving digital maturity (Sousa et al, 2020). The dynamic capabilities of global crisis management, where dealing with the unpredictable, requires rapid adaptation and change in a company's competitive strategy (Cortez and Johnston, 2020). Unpredictable situations trigger the need for organizational reactions to sustain business, thus reinforcing the importance of dynamic (organizational) capabilities, which describe the process of rapid adaptation and organizational change based on organizational reconfiguration and skill development, observing the environment and available organizational resources (Teece, 2018). In the context of this turbulent environment, dynamic capabilities become invaluable, as they enable better responsiveness in the face of change, in addition to enabling improved company performance (Kuipers and Wolbers, 2022).

Teece (2007) presented the so-called dynamic capabilities

1. Sensing the environment
2. Capitalize on opportunities, and
3. Perform reconfiguration.

These capabilities are supported by micro-foundations consisting of skills, processes, procedures, and routines (Gruchmann *et al*, 2021). Dynamic capabilities allow companies to develop systems to combine, develop, and reconfigure resources and capabilities while considering market threats and opportunities (Leite *et al*, 2019). Teece (2007) states that sensing, capturing, and reconfiguring capabilities together create dynamic capabilities. While Teece (2007) uses micro-foundations to further elaborate on the contents of sensing, seizing, and reconfiguring capabilities, Hilliard and Goldstein (2019) use routines to capture and measure the construct of dynamic capabilities. The three dimensions of dynamic capability are closely intertwined and mutually reinforcing. In an uncertain environment, sensing capabilities are particularly important and can enable the development of opportunity-capturing capabilities, for example by enabling firms to prototype and launch new products or

services quickly in response to market demand (Zabel *et al*, 2023)

2.2. Digital transformation

Digital transformation is a concept that is becoming increasingly important in public and private organizations (ITU, 2019). Digital transformation is the process by which digital technologies transform citizens' experiences by improving their quality of life and how businesses are run, thereby impacting competitiveness, aiming to fulfill the Sustainable Development Goals (SDGs) (OUKSEP, 2019). According to Gartner (2021) "Digital transformation can refer to anything from IT modernization (e.g., cloud computing), to digital optimization, to the invention of new digital business models." In this definition, modernization refers to initiatives to adopt digital technologies capable of changing traditional business models. Digital transformation is the process by which organizations bring together digital technologies, enhanced by *universal* connectivity, seeking the possibility of sustainable competitive advantage, superior performance, and transforming business dimensions, such as business models, customer experience (either digital products or services), and operations (processes and decision-making), and simultaneously impacting people and contact networks (Ismail *et al*, 2017). In this new digital era, new forms of management, strategy, leadership, service projects, and processes are changing (Zaki, 2019; Udovita, 2020). "Digitalization" is the process of applying digital technologies and capabilities to transform existing business processes. Comparatively, "digital transformation" is the drastic transformation brought by digital technology not only to a company's business, but also to the entire economy and society (Kim *et al*, 2021). Digital transformation aims to drive business model changes due to technological advancements and innovations in new social and consumer behaviors. Therefore, it is important to highlight that digital transformation does not only mean implementing new technologies (Koelemam *et al*, 2019). Therefore, the concept of digital transformation can be structured into three dimensions: technological, organizational, and social.

According to the conceptual definition of Vial (2019) digital transformation is "a process that aims to improve an entity by triggering significant changes to its properties through a combination of information technology, computing, communication, and connectivity". This leads to major changes in business processes, operational routines, organizational capabilities, and even business markets (Singh et al, 2021). Many companies fail to see the potential of digital transformation, and many of those who do see the potential still struggle to make enough organizational changes in habits and ways of working to be able to capture the maximum benefits of digital efforts (Parviainen et al, 2017). A common reason why digital transformation efforts fail is that leaders do not create the right sense of urgency for managers to direct their focus or tell them how to act (Fitzgerald et al, 2014). In addition, there are risks associated with the wider adoption of digital technologies such as data security issues, lack of interoperability with existing systems, and lack of control (Schwertner, 2017). If these risks can be avoided, and digital technology is implemented in a way that supports the company's overall strategic and operational goals, then digital transformation can have a significant and positive impact on company performance (McLaughlin, 2017).

1. The technological dimension of Digital transformation presents a vision based on the application of new digital technologies (social media, mobile devices, embedded devices) (Liere *et al*, 2018).
2. The organizational dimension of digital transformation includes a vision based on changing organizational processes or creating new business models (Matt *et al*, 2015).
3. The social vision of digital Transformation includes a vision based on the impact of disruption on people's lives holistically, with the aim of improving the experience (Henriette *et al*, 2015). According to Pacheco *et al*, (2020), for an organization to become digitally transformed, it must undergo structural changes in strategy, leadership style, and organizational culture.

Digital transformation modifies ways of working, functions, and business models by promoting changes at the (1) process level: adopting new digital tools that speed up processes and reduce manual steps; (2) organizational level: offering new services and discarding obsolete practices to offer existing services in new ways; (3) business domain level: representing changes in roles and value chains in the ecosystem; (4) societal level: changing structures or ways to influence societal decision-making (Parviainen *et al*, 2017).

4. Research Methods

The research conducted by the author is research with a *case study* approach. In this research, the author analyzed a traditional company that has been established in utilizing dynamic capabilities to apply digital transformation to its business model. This research was conducted through conducting in-depth individual interviews, which were conducted in one session, in person, with a semi-structured approach, and by using a basic question guide to conduct interviews (Brooks, 2019). Yin (2016) reveals the advantage of the case study method is its direct presence in individual cases in real contexts. Case studies allow researchers to get as close as possible to the research subject. The research object in this case study is a *café and eatery*, focusing on its dynamic ability to adopt and use digital technology to improve its business operations and strategies. The research subjects as well as the main sample include various parties involved in the company, such as top-level managers involved in making technology-related decisions, employees who use digital systems, consumers who interact with the company's digital platform, and even external parties such as other companies that collaborate with this *café and eatery*. Individual interviews were conducted in person and in one session, with the owner of the interviewee (interviewee).

5. Empirical Findings

5.1. The case companies

23Kopikantin, founded in 2023 by Debi Dapri Ramadhan, is a coffee shop that prioritizes serving high-quality coffee with Indonesian flavors. The business works closely with local coffee farmers who practice sustainable cultivation, and provides a variety of snacks to accompany the coffee. ESKALA Eatery Bar & Coffee combines the concept of a restaurant, bar and coffee shop with a modern and aesthetic atmosphere. The business offers a variety of local and international dishes and premium coffee prepared by professional baristas. ESKALA also integrates digital technology in its operations, such as digital ordering and payment systems, as well as cloud-based financial management. It'smie & iCeyung, established two years ago at Lotus Streetfood, Bincen, combines traditional and modern flavors in its noodle menu and ice cream-based drinks. With a simple yet attractive stand concept, they have managed to capture the attention of customers through menu innovation and consistent taste quality. The business has started utilizing social media for marketing and continues to strive to improve menu innovation and service.

5.2. Cross case analysis: Identifying emerging patterns across firms

Identification of Dynamic Capability Elements, to maintain business stability, some creative industries are carrying out digital transformation. Each industry carries out this transformation in a different way, according to the line of business it runs. Here are some types of digital transformation carried out by various companies to face the industrial era 4.0, based on the findings obtained.

Sensing Stages

No.	Dynamic capability (Teece, 2007) - *Sensing*	Managerial and organizational processes	Intensity		
			ESKALA Eatery Bar & Coffee	23Copycanthin	It'smie & iCeyung
1	Direct internal work at the place of business	Business SOP available	✓✓✓	✓✓	✓
		There is a clear division of responsibility and authority	✓✓✓	✓✓	✓✓
		Regular briefings are conducted by managers/owners to ensure good communication between teams	✓✓✓	✓✓✓	-
		Staff performance evaluation is carried out every 1-2 months to see the development of Human Resources (HR) capabilities.	✓	✓✓	-

#	Category	Item	Col1	Col2	Col3
		HR performance observations are conducted directly by managers to ensure performance is up to standard.	✓✓✓	✓✓	-
2	Choosing new technology	Developing an online shopping system	✓✓✓	✓✓✓	✓✓
		Machine coffee making for the right result	✓✓✓	✓✓	✓✓
		Adding technology application development to the company mission	✓✓	✓	✓
		Provide digital payment tools such as QR codes and e-wallets for more practical transactions.	✓✓✓	✓✓✓	✓✓✓
		Implementation of a technology-based employee management system to organize staff schedules, tasks, and evaluations.	✓✓	✓	✓
		Providing free Wi-Fi and other supporting technology facilities for customer convenience.	✓	-	-
3	Leverage relationships with suppliers	Supplier	✓✓✓	✓✓✓	✓✓✓
		Focusing on improving product quality to ensure high-quality raw materials.	✓✓✓	✓✓✓	✓✓✓
		Prioritize support in sustainability by working with suppliers who support environmentally friendly practices.	✓✓✓	✓✓	✓✓
		Availability of new product updates or new flavors	✓✓✓	✓	✓✓
4	The process of knowing the development of science and technology	Utilizing technology that is currently still widely used by the community, such as social media, WhatsApp, etc.	✓✓✓	✓✓	✓
		Implement a barcode-based cashier system for efficient recording of stock items and transactions.	✓✓✓	✓✓	✓✓
5	Identifying target market segments	Conduct *benchmarks* with competitors in the surrounding environment regularly every 2 months	✓	✓✓✓	✓✓
		There is a division of market segments that covers the entire community, ranging from students, workers, to families.	✓✓✓	✓✓✓	✓✓
6	Process change and innovation for customer needs	The innovation process is based on competitor benchmark results, consumer requests, surveys through social media.	✓✓	-	-
7	Leverage relationships with others	Holding regular live music every week as part of the strategy to attract customers and create a cozy atmosphere.	✓✓✓	-	-

In terms of identifying broad market segments, E.S.K.A.L.A. Eatery Bar & Coffee has demonstrated maturity in its marketing strategy by successfully identifying market segments that include a wide range of people, from families, young people, workers, to students. This strategy allows the business to remain relevant and attractive to a diverse group of customers. 23Kopikantin is in the stage of developing an approach to understanding broader market segments by utilizing existing customer data, although the results are not yet optimal. In contrast, It'smie &

iCeyung does not appear to be actively pursuing a strategy to comprehensively understand or reach out to market segments. In the aspect of process change and innovation for consumer needs, E.S.K.A.L.A. Eatery Bar & Coffee has also successfully carried out data-based innovations, such as benchmarking competitors, studying customer needs, and utilizing social media to communicate with consumers. This supports product and service development to stay in line with customer expectations. Meanwhile, 23Kopikantin is trying to make changes and innovations by taking customer feedback as a basis, but has not yet optimally integrated social media or competitor data. It'smie & iCeyung are still in the early stages and have yet to show consistent innovation efforts to meet customer needs.

In terms of leveraging relationships with other customers, E.S.K.A.L.A. Eatery Bar & Coffee consistently carries out activities that strengthen relationships with customers, such as organizing weekly live music events and other activities that support a comfortable atmosphere in the establishment. This increases customer loyalty and attracts new visitors. 23Kopikantin is trying to increase interaction with customers through specific events, but the frequency is still limited and the impact is not yet significant. It'smie & iCeyung, on the other hand, have not actively utilized this strategy as part of their business approach. Furthermore, in terms of improving managerial and operational processes, E.S.K.A.L.A. Eatery Bar & Coffee has a systematic approach, such as conducting regular performance evaluations, optimizing HR management, and supporting internal training efforts to improve team competencies. This reflects a more structured and measurable management approach. 23Kopikantin is heading in the same direction by implementing some of these measures, but is not yet fully integrated into managerial processes. It'smie & iCeyung, on the other hand, does not yet have a strong managerial structure in place and tends to be in the planning stages of implementing the measures.

In terms of utilizing technology for operational convenience, E.S.K.A.L.A. Eatery Bar & Coffee has successfully integrated technology into various aspects of its business, from digital payment systems, technology-based management, to promotion through social media. This provides added value in operational efficiency while increasing business attractiveness. 23Kopikantin has started to try adopting technology, such as digital payment and online communication, but its implementation is still limited to certain aspects. In contrast, It'smie & iCeyung has not actively utilized these technologies, which makes it lag behind the other two businesses. With this analysis, it can be seen that E.S.K.A.L.A. Eatery Bar & Coffee has consistently demonstrated superior capabilities in integrating management, technology, and marketing strategies. 23Kopikantin is still in the development stage with several steps underway, while It'smie & iCeyung requires more time and strategy to reach the same level of implementation. This reflects the importance of careful, technology-oriented planning and customer needs to improve business competitiveness.

In conclusion, E.S.K.A.L.A. Eatery Bar & Coffee has successfully implemented the steps in the Sensing stage very well, including internal management, adoption of new technologies, managing relationships with suppliers, understanding technological developments, and building close relationships with customers. This reflects their readiness and strategic maturity in dealing with market dynamics. 23Kopikantin is in the process of developing these aspects. Although they have started some steps such as internal management and technology adoption, their implementation is not yet fully optimized. They still need improvement and consistency to achieve maximum results. Meanwhile, I'mie & ICeyung is lagging behind in various aspects of development. They have not started or implemented most of the steps required at the Sensing stage, so they need to focus on strategic planning and implementation to improve their competitiveness and business sustainability.

Seizing Stages

No.	Dynamic capability (Teece, 2007) - *Seizing*	Managerial and organizational processes	Intensity		
			E.S.K.A.L.A. Eatery Bar & Coffee	23Copycanthin	It'smie & iCeyung
1	Selection of target customers	Target customers include office workers and students, who need a quick and convenient coffee.	✓✓✓	✓✓✓	✓✓✓
2	Delivery of innovation values to consumers	Through printed media such as leaflets, banners, billboards and banners for new products or flagship products from the unit.	✓✓✓	✓✓✓	✓✓✓

3	Company norms against copycat competitors	Provide the best quality products, neat, comfortable to wear and competitive prices	✓✓✓	✓✓✓	✓✓✓
4	Innovation activities in the face of copycat competitors	Improvement in HR capabilities as a solution provider for consumers	✓✓✓	✓✓	-
5	Allocation of resources in work units	Allocation of human resources is done by direct or indirect observation by the manager to his team.	✓✓✓	✓✓✓	-
6	Routines build employee loyalty and commitment	Salary and bonuses are increasing over time	✓✓✓	✓✓✓	
		Availability of other facilities such as leave flexibility	✓✓✓	✓✓✓	-

In the aspect of selecting target consumers, E.S.K.A.L.A. Eatery Bar & Coffee has successfully determined its target consumers by targeting office workers and students who need fast and practical coffee. This strategy has been consistently applied in their operations. 23Kopikantin is in the process of developing to expand their target market with a strategy that still needs to be improved and expanded. Meanwhile, It'smie & iCeyung does not yet have concrete steps in determining their target consumers specifically. In terms of delivering innovation values to consumers, E.S.K.A.L.A. Eatery Bar & Coffee has actively utilized print media such as leaflets, banners, billboards, and banners to promote their product values to consumers. These efforts strengthen their brand image in the eyes of customers. 23Kopikantin is trying to use some promotional media, but the implementation is still in its early stages and needs further improvement. In contrast, It'smie & iCeyung has not been seen to utilize these communication strategies significantly.

In terms of corporate norms against copycat competitors, E.S.K.A.L.A. Eatery Bar & Coffee has shown consistency in maintaining the best quality of their products and services, neat, comfortable, and competitive in terms of price. This approach has been an effective way to deal with copycat competitors. 23Kopikantin is trying to improve the quality of their products and services, but has not fully focused on sharp differentiation to face the competition. It'smie & iCeyung has not prioritized this as a key strategy in competing with competitors. On the aspect of innovation activities in facing copycat competitors, E.S.K.A.L.A. Eatery Bar & Coffee has improved the capabilities of their human resources to be a better solution for consumers, through internal training and coaching. This strategy helps them maintain their position in the market. 23Kopikantin is starting to introduce some new innovations, but the implementation is not yet comprehensive or well integrated. It'smie & iCeyung have not implemented similar initiatives to counter competitors. In terms of allocating resources in the work units, E.S.K.A.L.A. Eatery Bar & Coffee has done HR allocation by direct observation, which is done regularly by managers to ensure work efficiency and effectiveness. This helps them optimize their existing resources. 23Kopikantin has not yet fully developed a structured HR allocation strategy, but is trying. Meanwhile, It'smie & iCeyung does not appear to have made significant strides in human resource management. Regarding the routine of building employee loyalty and commitment, E.S.K.A.L.A. Eatery Bar & Coffee has provided a system that supports employee welfare, such as the provision of increasing salaries and bonuses, as well as other facilities such as leave allowances. This step provides more motivation for employees to remain loyal and contribute. 23Kopikantin is in the stage of developing an employee loyalty program, but the implementation is still on a small scale. On the other hand, It'smie & iCeyung have yet to start significant efforts in building employee commitment. Overall, E.S.K.A.L.A. Eatery Bar & Coffee has shown a mature and structured implementation of the various aspects of the Seizing stage. 23Kopikantin is in the process of developing these steps, although it needs further improvement. Meanwhile, It'smie & iCeyung still need to strengthen their strategy and implementation in all these aspects. Based on the analysis of the Seizing stage in the table, it can be concluded that E.S.K.A.L.A. Eatery Bar & Coffee shows maturity and excellence in implementing managerial strategies, ranging from clear determination of target consumers, effective delivery of value innovation, optimal management of human resources, to building

employee loyalty through adequate incentives. These strategies enable them to compete effectively, face copycat competitors, and maintain their position in the market. 23Kopikantin is in a fairly progressive stage of development. They have initiated several important steps, such as expanding their target customers, utilizing promotional media, and improving service quality. However, their strategy implementation still needs to be strengthened and optimized, especially in the aspects of innovation and HR management, in order to reach the same level of effectiveness as E.S.K.A.L.A. Eatery Bar & Coffee. Meanwhile, It'smie & iCeyung is still lagging behind in many aspects, with no significant implementation of almost all steps in the Seizing stage. This shows the need for better strategic planning, investment in human resource development, and innovation in the face of competition to improve their competitiveness.

Transforming stage

No.	Dynamic capability (Teece, 2007) - *Transforming*	Managerial and organizational processes	Intensity		
			E.S.K.A.L.A. Eatery Bar & Coffee	23Copycanthin	It'smie & iCeyung
1	Efforts to increase company agility	Provide the best service to consumers	✓✓✓	✓✓✓	✓✓✓
		Build good relationships with customers	✓✓✓	✓✓✓	✓✓
		Responsive and fast in meeting consumer needs	✓✓✓	✓✓✓	✓✓✓
		Rolling/rotation of employees accordingly	✓✓✓	✓✓	-
		Always provide new products that are up to date	✓✓✓	✓✓✓	✓✓✓
2	Meeting the challenges of rapid technological change	Technology changes are phased in according to needs and priorities	✓✓✓	✓✓	✓✓
		Governance and knowledge management both internal and external to the business	✓✓✓	✓	-
3	Unique use of resources	Human resources who are able to serve well and provide solutions	✓✓✓	✓✓	-
4	How to improve manager/owner skills	Training to improve skills and insights for owners	✓	✓	-
5	Governance and knowledge management both internal and external to the company	Encourage a culture of innovation by giving employees the space to come up with new ideas or solutions.	✓✓	✓✓✓	-

In the aspect of efforts to increase company resilience, E.S.K.A.L.A. Eatery Bar & Coffee has carried out various strategic steps, such as providing the best service to consumers, building good relationships with customers, and being responsive in meeting their needs. In addition, they also actively rotate or adjust employees according to operational needs to maintain company stability. 23Kopikantin is in the process of improving its resilience, by starting to build good relationships with consumers and trying to be more responsive, but this implementation is not yet fully optimized. In contrast, It'smie & iCeyung has not yet implemented significant measures to improve its resilience. In terms of responding to the challenges of rapid technological change, E.S.K.A.L.A. Eatery Bar & Coffee has succeeded in delivering new products that are relevant to market needs, and has planned to adopt new technologies to support its operations. They have also been able to manage internal and external knowledge to

ensure readiness for change. 23Kopikantin is in the stage of adapting to technological change, by trying to understand consumer needs, but its application is still limited and requires improvement. It'smie & iCeyung, on the other hand, are yet to take meaningful steps to deal with technological change.

On the aspect of unique use of resources, E.S.K.A.L.A. Eatery Bar & Coffee demonstrates effective HR management, by placing employees according to their expertise and utilizing their potential to provide solutions to the company's needs. This improves operational efficiency and productivity. 23Kopikantin has started to try adjusting employee roles to the needs of the company, but implementation is still in its early stages and needs to be expanded. In contrast, It'smie & iCeyung does not appear to have implemented these measures to any significant extent. In terms of how to enhance the capabilities of managers/owners, E.S.K.A.L.A. Eatery Bar & Coffee has successfully provided skill- and insight-building training to managers and owners. This helps create better leadership and supports informed strategic decision-making. 23Kopikantin is trying to conduct some training or capacity building programs, but the scale is still limited and requires further development. It'smie & iCeyung have not yet initiated similar measures to improve their managerial capacity. In terms of governance and knowledge management both internal and external to the company, E.S.K.A.L.A. Eatery Bar & Coffee has created a strong culture of innovation, by encouraging employees to come up with new ideas as well as documenting successful solutions for future reference. This approach ensures continuous and relevant knowledge transfer. 23Kopikantin is building knowledge governance, but its implementation is still not well integrated in daily operations. On the other hand, It'smie & iCeyung has yet to show significant strides in internal and external knowledge management.

E.S.K.A.L.A. Eatery Bar & Coffee shows superior ability in the Transforming stage, with mature strategies and consistent implementation. 23Kopikantin is in the developing stage, with some steps underway but still in need of improvement. Meanwhile, It'smie & iCeyung needs to focus more on strategic planning and implementation to compete and grow. E.S.K.A.L.A. Eatery Bar & Coffee has successfully implemented strategic measures in the Transforming stage. They have shown excellence in increasing company resilience, adopting new technology, effective human resource management, developing managers' capabilities, and knowledge governance both internally and externally. This reflects their readiness to face business changes and challenges with a mature and structured strategy. 23Kopikantin is in the development stage and has started some important steps, such as building good relationships with consumers, trying out technology adoption, and managing human resources. However, their implementation is still limited and needs strengthening to achieve maximum effectiveness. Meanwhile, It'smie & iCeyung is lagging behind in various aspects of the Transforming stage. They have not executed most of the critical steps needed to improve competitiveness and business sustainability. The company needs to focus more on planning, technology adoption, and human resource development in order to compete and thrive in the market. Overall, success in the Transforming stage depends on the company's ability to respond quickly to change, optimally manage resources, and continuously innovate. E.S.K.A.L.A. Eatery Bar & Coffee can be the best example of implementing this strategy.

Dynamic Capability Development Process for Digital Transformation

No.	Digital transformation strategy	Intensity		
		ESKALA Eatery Bar & Coffee	23kopikantin	It'smie & iCeyung
1	Digitalization of Ordering and Payment Process	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓
2	Digitalization of Operational Processes	✓✓✓✓	✓✓✓✓	✓✓✓
3	Effective Digital Marketing	✓✓✓✓✓	✓✓✓✓	✓✓✓✓
4	Digital Financial Management	✓✓✓✓✓	✓✓✓	✓✓✓
5	Technology-driven Customer Experience	✓✓✓	✓✓	✓
6	Data-driven Decision Making	✓✓	✓	✓
7	Technology-based Product	✓✓✓✓✓	✓✓✓✓✓	✓✓✓✓✓

	and Service Innovation			
8	Use of Automatic Coffee Machine	✓✓✓✓	✓✓✓✓	✓✓✓✓

This table illustrates the differences in the implementation of digital transformation strategies by three business entities: ESKALA Eatery Bar & Coffee, 23kopikantin, and It'smie & iCeyung. All three show a major focus on digitizing the ordering and payment processes, with intensive implementation to improve customer convenience and operational efficiency. ESKALA and 23kopikantin also have high intensity in digitizing operational processes and financial management, including the use of cloud-based systems and accounting software, which support transparency and data-driven decision-making. In addition, both also implement effective digital marketing and technology-based customer experiences, such as self-ordering apps and digital loyalty programs, to strengthen their competitiveness. On the other hand, It'smie & iCeyung are still at an early stage in some aspects of digital transformation. While they have adopted digital marketing and automated coffee machines, both businesses are more selective in implementing operational digitalization and financial management. It'smie & iCeyung appears to still be in the process of developing to optimize the use of data analytics and strengthen technology-based customer experience.

Technology-based product and service innovation is a priority for all three businesses. All entities show high intensity in this strategy, reflecting their commitment to continuously bring innovative solutions to customers. For example, they might develop new menus with the help of technology or offer app-based services to improve customer experience. This strategy shows how technology is not only used for efficiency, but also to create added value to their products and services. The use of automated coffee machines is also an important step for all three businesses to improve efficiency and product consistency. ESKALA, 23kopikantin, and It'smie & iCeyung all showed significant implementation in this aspect. Automated coffee machines allow them to serve drinks with consistent quality, reduce customer waiting time, and optimize manpower. This is a concrete example of how technology can support daily operations while providing a better customer experience.

Overall, this table shows how the three businesses have different approaches to digital transformation, depending on their needs, scale and resources. ESKALA seems to be leading the way in overall technology adoption, followed by 23kopikantin, while It'smie & iCeyung are more selective in their application of technology. These differences reflect how digital transformation strategies should be tailored to the unique characteristics of each business to achieve optimal results.

6. Discussions: Enfolding with literature

23Kopikantin is a business that focuses on coffee as its main product with a simple and friendly concept. Carrying a cafeteria-like atmosphere, it is designed to create a relaxing space for customers who seek comfort while enjoying coffee. Its characteristics lie in its simplicity and warm approach towards visitors, making it a great place to socialize or work casually. 23Kopikantin's main target market is students, who need quality coffee at affordable prices. With a low-key yet cozy design, 23Kopikantin provides added value for customers who prioritize social experience over luxurious aesthetics. This makes it relevant for those who need a space that is both practical and affordable.

ESKALA Eatery Bar & Coffee combines two main concepts, coffee and bar, with a more modern and elegant approach. It offers a premium experience that focuses not only on coffee offerings, but also food and alcoholic beverages. This concept makes ESKALA a multifunctional venue, suitable for various moments ranging from casual to formal events. Targeting the upper-middle class, ESKALA features an aesthetic and Instagram able interior design, complete with a luxurious yet cozy hangout atmosphere. This makes it a choice for young adults, working professionals, and communities who prioritize experience. In addition, the varied menu, ranging from signature coffee to cocktails, provides additional appeal that broadens the scope of customers.

It'smie & iCeyung is a business that combines two main elements, noodles and coffee, to create a different culinary experience. With a focus on food that is easily accepted by various groups, this concept is unique because it serves a combination of traditional and modern menus. Coffee here is not just a complement, but a main companion that supports the character of the business. It'smie & iCeyung's target market is broader than the

previous two case studies. They target families, young couples, and students who are looking for food and drinks in one place. With relatively affordable prices and a casual concept, this place is suitable for casual visits without the pressure of formality. It'smie & iCeyung's forte is innovation on the menu, where the combination of distinctive noodles with coffee variations can attract customers looking for something different. However, the challenge is how to maintain the innovation and differentiate themselves from other conventional noodle restaurants or coffee shops with similar market segmentation.

These three case studies show how culinary businesses can utilize unique concepts to appeal to different markets. 23Kopikantin successfully capitalizes on the simplicity and concept of the canteen as a social space for the community. This strategy is effective for a market that seeks an informal and friendly atmosphere at affordable prices. The advantage lies in the emotional closeness with customers, although it needs to be more innovative in the face of more modern competitors. Meanwhile, ESKALA Eatery Bar & Coffee emphasizes on creating a premium and multifunctional experience. The concept of combining eatery, bar, and coffee shop provides added value for young and upper-middle class professionals who prioritize aesthetics, comfort, and menu variety. The main challenge is to ensure quality consistency and maintain uniqueness amidst fierce competition. It'smie & iCeyung, on the other hand, takes a different approach through an unusual combination of food and beverages. By bringing together noodles as the main dish and coffee as a complement, the business targets a wider market, from families to the younger generation. Its success depends on its ability to maintain menu innovation and create unique experiences that are hard to find elsewhere.

Overall, these three businesses reflect the importance of understanding the target market, developing relevant concepts, and delivering consistent experiences that create customer loyalty. In the context of increasingly fierce competition in the culinary business, the ability to adapt to trends and customer needs is a key factor to survive and thrive. Each of these case studies can serve as inspiration for other businesses looking to build strong differentiation in the food and beverage industry.

7. Conclusion

The digital transformation of the three coffee shops shows the importance of dynamic capabilities as a core element in supporting adaptation to technological and market changes. The elements of dynamic capabilities identified include the ability to integrate technology into business processes, the ability to adapt digital strategies based on customer needs, and the ability for continuous innovation in products and services. These elements are the main pillars in supporting the successful implementation of digital transformation. From the research results, the intensity of digital transformation implementation differs among the three establishments. Coffee shops with larger scale and resources tend to have more mature dynamic capabilities and more structured development processes. In contrast, smaller businesses still show selective implementation, which is generally influenced by limited resources and technological capacity.

Furthermore, with the ability to capture opportunities, organizations can implement new strategies that are aligned with business model restructuring. This capability enables companies to adjust to the demands of digital transformation effectively. In addition, through reconfiguration capabilities, organizations can strategically manage change by ensuring alignment between the transformation undertaken and organizational goals, including in terms of cultural change. As such, dynamic capabilities are developed through sensing, seizing opportunities and reconfiguring. This process supports the development of strategies and processes needed to achieve digital transformation in the company's business, making the organization more adaptive and competitive in the digital era. The success of digital transformation depends largely on the ability of each business to develop dynamic capabilities that are flexible, innovative and technology-oriented. The three coffee shops can improve their competitiveness through strengthening the elements of dynamic capabilities and implementing a consistent development process. This is an important step to face the challenges of digital change and customer needs in the future.

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