



**Indian Institute of Management Calcutta**

**Working Paper Series**

**WPS No 874/ March 2022**

**Microfoundations of Dynamic Capabilities: The Moderating Role of the Firm-level Structural Ecosystem<sup>1</sup>**

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<sup>1</sup> I acknowledge the research funding support of IIM Calcutta in undertaking the study.

# **Microfoundations of Dynamic Capabilities: The Moderating Role of the Firm-level Structural Ecosystem**

**Kaushik Roy<sup>2</sup>**

## **ABSTRACT**

I study the microfoundations for developing and exercising dynamic capabilities that are stage-neutral to the ‘sensing – seizing – reconfiguration’ framework. By engaging with three organisations from the same industry as ‘cases’ and studying the response of those organisations to four challenging environmental changes, I inductively derive an emergent framework for those microfoundations. I club the forty six microfoundations into eight aggregate dimensions, namely, organisation structure, functional alignment for resource entrainment, mind-set of innovation and simplified solutions, continuous improvements and the psyche of positive-sum, managing trade-offs, focus on business fundamental, organisational processes and focus on human resources. I label these aggregate dimensions as the ‘structural ecosystem’, and extend the dynamic capabilities literature by explicating the microfoundations that cut across the tripartite classification of ‘sensing – seizing – reconfiguration’.

**Keywords:** case-based research; dynamic capability; environmental uncertainty; microfoundations; structural ecosystem

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## **Microfoundations of Dynamic Capabilities: The Moderating Role of the Firm-level Structural Ecosystem**

### “Health Crisis Slams Disney, But More Bloodletting Ahead

The world’s largest entertainment company said Tuesday the coronavirus pandemic took a \$1.4 billion bite out of its earnings, with more to come as executives detailed how the global economic fallout would affect every part of its business for the foreseeable future... Disney’s net income for the quarter fell 91% to \$475 million, due to both the impact of the virus and accounting for the consolidation of assets acquired in its 2019 deal with 21<sup>st</sup> Century Fox”<sup>3</sup>

“Mysuru-based (a city in southern India) multinational healthcare company Skanray, which in collaboration with DRDO (Defence Research and Development Organisation), an elite Government of India-held R&D enterprise was to produce 30,000 ventilators, has delivered none. Automobile giant Mahindra & Mahindra, which announced with great fanfare that it would help plug the impending demand for ventilators, has done silent”<sup>4</sup>

### **Introduction**

The capacity of certain firms to outperform others and remain competitive in rapidly-changing environments is central to the theory of dynamic capabilities (Teece, 2007; Teece et al., 1997). The earlier debates on the relative importance of dynamic capabilities on firm performance in fast changing versus moderately dynamic environments (Eisenhardt and Martin, 2000) has now been put to rest by concurring on changing, uncertain and dynamic environment as an exogenous challenge (Barreto, 2010) that dynamic capabilities have the potential to address. The current COVID-19 pandemic in which most firms are reeling with existential crisis on one hand, and a few others being able to rapidly modify/tailor their offerings and demonstrating superlative performance on the other, represents a classic setting to underscore the importance of developing and exercising dynamic capabilities.

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<sup>3</sup> Reported on the front page of Wall Street Journal on May 6, 2020

<sup>4</sup> Reported under ‘Ventilators ain’t easy’ in the article titled ‘Favouritism and fake certifications mar India’s ventilator procurement’ of THEKEN.COM on May 5, 2020, excerpted from <https://the-ken.com/story/ventilator-procurement-problems/> on May 7, 2020

To be able to understand the roots of these dynamic capabilities, it is then imperative to study their microfoundations. The microfoundations are the actions at the levels of both individuals and groups, the outcome of which are dynamic capabilities (Eisenhardt et al., 2010). The ‘sensing – seizing – reconfiguration’ framework is an established anchor to study dynamic capabilities, and this framework has been deployed to explicate microfoundations at the levels of the firm (Teece, 2007), managerial cognition (Helfat and Peteraf, 2015), corporate sustainability through circular economy (Khan et al., 2020) and sustainable innovation projects (Mousavi et al., 2019). Research on the microfoundations have, therefore, studied those microfoundations that are idiosyncratic to each of the three stages of sensing the opportunities and threats, seizing the market opportunities, and reconfiguring the assets and addressing threats.

While retaining the firm as the unit of analysis (and not an individual function or project/s), I examine those microfoundations that are independent of the three aforesaid stages. While doing so, I open the edifice of the ‘sensing – seizing – reconfiguration’ framework of dynamic capabilities (Teece, 2007) and investigate the routines, processes and analytical systems that aid firms to navigate through challenging and unforeseen environments. Given the nature of the research question, I employ a multiple-case research design and study the response of three heterogeneous firms each of which faced three triggers of environmental uncertainty spread across different years. The elaborate in-verbatim interview transcripts were analysed through the software ATLAS.ti, with all audit trails being retained for establishing reliability. Public disclosures and archival data formed the secondary sources of information.

I find that there are eight broad categories of the microfoundations. Since these are not mapped to the individual stages of ‘sensing-seizing-reconfiguration’, I label the aggregate dimension as the ‘structural ecosystem’, that is, the facilitating routines, processes, policies and analytical systems that enable firms to effectively develop and deploy dynamic capabilities.

Admittedly, the coinage is motivated by, amongst others, Teece (2007)'s reference to '*elements of an ecosystem*' while explaining the microfoundations for organisational sensing.

## **Theoretical Background**

### The Nature of Dynamic Capabilities

In its most elemental form, dynamic capabilities are viewed as those capabilities or capacities that enable a firm to navigate unforeseen and dynamic environment, and succeed. The concept of dynamic capabilities first emerged (Teece and Pisano, 1994) to overcome the inability of the conventional posture of the resource-based view (e.g., Barney, 1991, 1995; Peteraf, 1993), and explained the sources of sustained competitive advantage in rapidly changing environments. An intermediate research highlighted the formats that often translate core capabilities of a firm to its core rigidities (Leonard-Barton, 1992). Also posited as higher-order capabilities (e.g., Collis, 1994; Roy & Khokle, 2011), dynamic capabilities are the difficult-to-develop and deploy enablers that aid in sensing of the market opportunities and threats, seizing those opportunities, and reconfiguring the resources accordingly (Teece et al., 1997). These activities are undertaken with an intent to systematically solve problems (Barreto, 2010).

Dynamic capabilities are also understood as organisational processes that can be isolated and studied, i.e., product development, strategic decision-making, alliancing, etc. (Eisenhardt and Martin, 2000), or as even 'simple rules' (Eisenhardt and Sull, 2001) or as the epistemology of organisations (Roy, 2020). These capabilities tend to be homogenous across firms situated in similar contexts, and have unpredictable outcomes in high-velocity environments. Alternatively, these capabilities are the routinized activities that are developed by coevolution of experience accumulation, knowledge articulation, and knowledge codification processes (Zollo and Winter, 2002).

## The Microfoundations of Dynamic Capabilities

Microfoundations are generally an outcome of interpersonal interactions (Ogasawara, 2001). These microfoundations refer to individual- and group-level actions that result in dynamic capabilities and ultimately to superior performance (Eisenhardt et al., 2010). The microfoundations of dynamic capabilities have been predominantly studied through the ‘sensing-seizing-reconfiguration’ lens (e.g., Helfat & Peteraf, 2015; Khan, Daddi, & Iraldo, 2020; Mousavi, Bossink, & van Vliet, 2019; Teece, 2007), and a summary tabulation of the stage-specific microfoundations is available in Table 1.

At a firm-level, the microfoundations (Teece, 2007) range from the unique skills, procedures and processes, the organisation structure, to the decision rules and disciplines. To *sense* market and technological opportunities, firms must develop individual capacities and analytical systems to learn and to recognise those opportunities. These require not only swift gathering of information but also meaningful integration of the continuous flow of information (Roy and Khokle, 2016).

*Seizing* the market opportunities and strategy execution requires elaborate skills. It starts with a clear definition of the firm’s business model, including but not limited to identifying the products and its features, target customers, the revenue streams and the mechanisms to capture value. Seizing also requires appropriate resource management, such as the design of asset specificity, control of scarce assets, and the economies of scope. A penultimate pillar involves the choice of decision protocols, to avoid errors and cannibalisation. Those decision protocols should also consciously overcome proclivities for bias and strategic deception. Finally, effective seizing hinges on the ability to manage the human resources, such as their loyalty and commitment.

Continuous alignment and realignment of assets is central to *reconfiguration* pursuits. This requires decentralisation of decision-making so that firms are responsive to the ever-

changing customer needs. The efficacy of such decentralisation is enhanced by necessary integration and coordination, by ensuring loosely coupled structures, and by absorbing open innovation. Effective reconfiguration also mandates co-specialisation of assets to make the latter value enhancing. The governance, i.e., incentive alignment, reduced agency issues and rent dissipation, also enables reconfiguration. And finally, the knowledge management systems that aid in learning, transfer, integration, and protection, are equally crucial for the asset alignments and realignments.

On very similar lines are the microfoundations of dynamic capabilities for sustainable innovation (Mousavi et al., 2019). Sensing is facilitated by within-company entrepreneurial resources, the process of anticipation, and the focus on sustainability to drive innovation strategy. Seizing is effected by developing relevant internal capabilities, analysis of the value chain, engaging customers in the innovation process, market introduction activities, resource allocation and investment, resource co-specialisation, and clear definition of the business model. Likewise, reconfiguration of resources is achieved by focussing on open innovation, the business ecosystem, orchestrated marketing and technology development activities, and market expectations.

The microfoundations of dynamic capabilities for circular economy implementation (Khan et al., 2020) focus on corporate sustainability. Monitoring the market and related technologies, ideation, knowledge creation, and experiential learning, contribute to *sensing*. *Seizing* is an outcome of collaborations, strategic planning, and redesign of business models and the associated governance. And finally, *reconfiguration* is achieved by organisational restructuring, knowledge integration, adaptation of best practices, and upgrades in technology.

The microfoundations at the level of the individual manager lead to the conception of dynamic managerial capabilities (Helfat and Peteraf, 2015). *Sensing* is affected by the managerial cognitive capabilities of perception and attention. Managerial perception helps in

interpreting environmental data and speedy recognition of opportunities and threats. Attention facilitates focus on relevant information that is necessary to detect and create new opportunities. *Seizing* of opportunities and emergent threats require the cognitive capabilities of problem-solving and reasoning. These cognitive capabilities result in controlled mental processing (reducing mental effort and biases), and strategic investments and business model design (for fit and complementarities among activities). Language and communication, and social cognition, are likely to determine *reconfiguration* of assets. Language and communication play an important role in persuading other stakeholders (e.g., approval from the board, inspiring workers, etc.) for undertaking new initiatives. Social cognition elicits cooperation from organisational members by influencing their behaviour.

As is evident, extant dynamic capabilities literature primarily examines the microfoundations that are idiosyncratic to each of the stages of ‘sensing – seizing – reconfiguration’ framework. I seek to extend the current theory, and also generate new insights, by studying those microfoundations that cut across those different stages and are equally crucial for firms (irrespective of its stage in ‘sensing – seizing – reconfiguration’) in responding to uncertain and dynamic environment. Consequently, I ask, *how to firms exercise dynamic capabilities, and specifically, what are the sources of the microfoundations of firm-level dynamic capabilities?* I am particularly imbued to Teece (2007)’s succinct assertion that “*the microfoundations of dynamic capabilities must be necessarily incomplete, inchoate, and somewhat opaque and/or their implementation must be rather difficult.*”

## **Methods**

### Research Design and Setting

To address the research question on hand, I use inductive logic (Eisenhardt and Graebner, 2007; Maxwell, 2009) and multiple-case study-based approach (Eisenhardt, 1989a). The empirics of the three ‘cases’ (Bourgeois III and Eisenhardt, 1988; Eisenhardt, 1989b) led to the emergent



framework (Locke, 2007) to be more compelling for theory building with detailed insights (Herriott and Firestone, 1983; Yin, 1984, 2009). The organisations were chosen from a single industry to ‘control environmental variation’ (Eisenhardt, 1989a), and the count of the cases were chosen basis theoretical sampling (Glaser and Strauss, 1967). Multiple cases allowed for the benefit of incremental insights from each case being treated as experiments (Eisenhardt, 1989b; Santos and Eisenhardt, 2009).

The Indian life insurance industry was chosen as the research setting, as this space was characterised by a series of unforeseen and rapid changes in recent past. Specifically, the regulatory announcements in 2005, 2009 and 2010, and the melt-down of 2008, increased the environmental dynamism for incumbent players. Also, it is established that a researcher’s own professional experience in a certain setting contributes to richer understanding and insights (Maxwell, 2009), and I have worked with the head office operations of a life insurance company. All the aforesaid sources of environmental uncertainty impacted the unit-linked business (ULIPs) of the insurers, and the unit-linked products anyway were the prime business of the insurers till about 2010 (the other product category being ‘traditional’, wherein returns were minimal and the focus of those products were primarily on offering life cover). There were primarily two channels of sales for the insurance companies (i.e., ‘insurers) – the agency force (or retail, constituted of individual advisors) and the bancassurance (i.e., through dedicated tie-up with banks).

## **Data Collection and Data Analysis**

I have studied the attributes of the organisational enablers that aid in addressing environmental uncertainty. Primarily, the data was collected through in-depth interviews. The respondents were typically the members of the top management team and other senior leaders (see Table 1 for details of the respondents, and variation in ‘case’ profile) to avoid retrospective sense-making (Eisenhardt and Graebner, 2007). The interviews were semi-structured (Alvesson, 2003) – this ensured that the respondents could narrate their opinion of the manner in which the respective organisations navigated each of the environmental trigger. The interviews were recorded, and transcribed in-verbatim within 24 hours of the collection to retain its original flavour (Eisenhardt, 1989b). Prior to approaching the companies, a case draft was prepared from secondary sources of information. The draft ensured the discussions to be sharp and fruitful.

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Insert Table I about here  
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The interview transcripts were uploaded on to ATLAS.ti (a qualitative data analysis software) for further analysis. I followed the ‘Gioia Methodology’ (Gioia et al., 2013) to analyse the in-verbatim transcriptions to come up with the hierarchy of codes. Initially, these steps were undertaken for each case, and subsequently, cross-case analysis aided in richer insights from the convergence and divergence in the findings (Miles and Huberman, 1994).

## **Findings: Structural Ecosystem for Organisational Response/s**

Data from this study suggests that there are eight dimensions of the structural ecosystem that affect the dynamic capabilities, and I provide an overview of the theoretical model in Figure 1.

Central Proposition: *Organisational ability to develop and exercise dynamic capabilities in rapidly changing environment is conditioned by the internal structural ecosystem, viz., organisational structure, functional alignment for resource entrainment, human capital, business fundamentals, management of trade-offs, innovation and simplified solutions, continuous improvements and the psyche of positive-sum game, and organisational processes.*

### Organisational Structure

THOR and BLADE had a geography-based structure. A senior HR leader at THOR observed:

“Today, when you talk of the business with anybody, I am sure that even the EDs [Executive Directors] would have spoken in the same language. They would say ‘this region’, and they would never say ‘this channel’. So, bringing the channels on the same platform was a challenge and a conflict. And all this got resolved with that particular intervention wherein we brought a whole lot of structural changes (1:536, L1330).”

Likewise, a Senior Vice President (acronymic as SVP) and Head (Corporate Planning) at BLADE explained:

“we have got 4 zone SVPs, and that is basically the North, South, East and West... they look at the business of the zone, at the end-to-end basis (3:645, L1208)...”

Both the organisations had divided pan-India operations into territories, and the territory head was responsible for end-to-end Operations. They were not just responsible for Sales, but also for back-end processing and other Operations, Compliance, Human Resources, etc. This meant that these territory heads were like the CEOs of their territories, with reporting directly to the Managing Director & CEO at HO. Within the broad ambit of organisation’s deliberate strategy, these territory heads could devise their own strategy; after all, they were better connected to ground reality of their respective regions. Further, the structure ensured that localised market dynamics could be addressed by the territory head itself, without granular guidance from HO. The territory head may then be able to take context-specific decisions. Another benefit of this structure was that it ensured that all functions of the territory work as a well-oiled machinery and as a collective.

THOR’s region-based structure was carved out in accordance with its Indian parent’s structure. The Indian parent happened to be a key bancassurance partner as well, and had significant contribution to the firm’s business. Needless to say, such mapping of the insurer’s

structure with that of the channel partner resulted in better sourcing and servicing of the business. The Head (Products), while indicating that the Products and the Marketing roles are decentralised for other insurers, added:

“We haven’t taken that route - so, marketing and products for us is centralised (1:560, L1429).”

HULK followed a different structure. The organisation had a vertical structure, with all functions in the regions reporting directly to their functional head in HO. With this structure, the firm was able to quickly pass information from HO to the respective resources in remote locations, and was also able to control the ground-level operations better. The Chief Strategy Officer (CSO) noted:

“We have the CEO and his direct reports, I mean COO, CFO, Head of HR, Head of Actuary, Head of Investments, Head of Strategy and Products (2:105, L150). And then, there was a head of sales and marketing together (2:105, L152). The Head of Sales and Marketing is responsible for the pan-India sales, across channels and for the entire country... the channels are full verticals. E.g., for agency, we have the north, east, south (2:106, L156)... Each of the 7 agency sales zones were headed by a person of the level of Vice President, and the latter would in turn report to the Head of Agency in HO (2:569, L906). Likewise, there were 4 Zone Heads of bancassurance, and they would report to the Head of Bancassurance in HO (2:569, L910)”

All the three firms had their niche roles centralised at HO. For Operations, THOR and BLADE followed a hub-and-spoke model. They had a centralised hub, and then there were regional processing centres. HULK had two main hubs, and entire pan-India business processing would happen at those hubs.

THOR’s current structure was a result of a 2-stage restructuring exercise undertaken, starting 2005. Likewise, BLADE’s present structure was a result of multiple previous iterations. Earlier, BLADE had a zone-based structure with functional matrix reporting to HO, followed by a vertical structure. HULK offered a similar evolutionary trend in its structure.

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### Functional Alignment for Resource Entrainment

All the three organisations, viz., THOR, HULK, and BLADE, had a sense of alignment between the functions, to varied degrees. The latter two organisations had a stronger sense of this alignment as compared to THOR. Nonetheless, the organisations recognised, in an explicit fashion, about the existence of the functional alignment, and this enabled access to resources across functions. The organisations also suggested that a strong alignment and a smooth inter-departmental functioning were beneficial for their sustainable competitiveness.

A number of enablers to the apt functional alignment for resource entrainment came to fore. THOR's structure itself was an enabler. An Assistant Vice President (acronymic as AVP; HR) explained:

“So, if you ask me what that one single implementation which brought in this kind of concept or understanding to this organisation, the solution that was implemented about the structural changes at the organisational level (creation of the Executive Director position, creation of the regions and Regional Directors as like the CEOs of those regions, creation of the Country Head position which is strategic in nature) would be the answer. Since now you have the CEO at the regional level who is responsible for the entire operations and all the channels, there has some sort of integration that has happened. And now, the four channels are talking to each other, and there is no compartment. Earlier, there were clear compartments, even at pan-India level (1:537, L1330).”

A second enabler was the existence of separate and dedicated functions/roles with the KRA of enabling resource entrainment amongst different departments. THOR had functions like the Business Reengineering Group, the Products Strategy, and the Projects function. HULK had a dedicated Strategy function, and the role of this function was to coordinate resources of different functions in a synchronous fashion. BLADE had the Programme Management office, to oversee key projects such that these cross-functional strategic projects drive organisational change and build new capability. The SVP and Head (Operations, Systems and Facilities) illustrated:

“As part of my job profile, I am required to be closely involved with the distribution management teams, and with the rest of the core management teams of the organisation, to ensure that the overall plans are executed in a timely fashion with minimum overruns (3:327, L698).”

Third, system backbone with necessary design elements enabled proper functional alignment and facilitate resource entrainment. THOR had rolled out a CRM backbone in 2009, and entire processing and back-end activity was necessarily captured into this, and automatic heuristic-based allocation of tasks to departments ensured that all the functions work smoothly. HULK had automated the entire workflow in-house. This pursuit integrated sales personnel with back-end underwriting, issuance and servicing of policies.

Fourth, structured processes aided realignment of capabilities for THOR. Owner functions were responsible for initiating design changes, and facilitation role was played by a Projects team. Such a process-based approach ensured smooth resource entrainment across-functions, and the intervention of Projects team ensured that realignment across functions is achieved well. Even HULK focussed on areas of functional alignment and would design processes for those delivery areas. BLADE even ensured that organisational learning is imbibed into processes on a continual basis “through enterprise-wide committees (3:328, L698)”

There were still other enablers. HULK had designed a concept of shared responsibility, and could achieve very high persistency figures (i.e., continuity of business as renewal premiums from current customers) by assigning the responsibility to role-holders spanning across the organisation. The Head (Products) noted:

“We engage with the sales and we engage with the operations team and then the persistency and the customer services team... so, we do all those particular actions as well... like say, why a particular mode of product is selling more and what is really causing lapsation, is the ticket size really responsible for this or is there anything else that is the reason, what are the operational bottlenecks? These are not necessarily your own area but this gives you a view and covers every aspect. So, that is where we sit. Very often, we give insights to operations and IT (2:207, L309)”

At the same time, clear segregation of roles nullified chances of any friction of confusion during testing times. In testing times, BLADE would design deliverables that overlapped across roles, and this required different resources to realign in a seamless fashion.

A sixth enabler was the existence of cross-functional teams that spearheaded the change process. BLADE labelled them as enterprise-wide committees. Seventh, detailed preparations

ahead of actual execution enabled HULK to accurately ascertain the required resources and resulted in apt entrainment. Eighth, HULK would set up pilot projects, to gauge the success and implications. Only after its success and impact assessment would they decide for pan-India expansion. A final enabler was the succession planning. We evidenced this in THOR as well as BLADE, especially for the top post of Managing Director. This resulted in clear alignment of roles.

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### The Mind-Set of Innovation and Simplified Solutions

THOR accorded very high importance to innovation. The firm even linked innovation to performance of its role-holders. The Deputy CEO explained:

“We try to have and introduce a good set of products and trends... to ensure that the product introduces some innovation (1:33, L98)... It is not just 2 guys, or 4 guys, sitting in a HO discussing this, but the entire sales force in the market. And in this parameter, we are quite ahead (1:85, L142)... we try to differentiate in the way we introduce some innovation here and there, and this can be evaluated as a parameter (1:72, L136)”

There were instances of innovation, though limited, in HULK as well, such as the ‘loyalty channel’ (2:507, L782). The mind-set of innovation helped BLADE to not only come up with unique products (such as unit-linked pension, guaranteed NAV plan, guaranteed NAV pure pension plan and the unit-linked health plan) (3:137, L391) but also to engage with banks for business in a novel manner (in absence of a material bancassurance partner).

Customers benefitted as a direct outcome of the mind-set of innovation. This is because, the mind-set of innovation directed organisational resources towards designing simplistic solution to the customers. With reference to THOR’s launch of the 1<sup>st</sup> ULIP, a ED elaborated:

“it was an automatic asset allocation-based kind of a thing (1:167, L294)... So, it was beneficial more for the people who did not have much financial knowledge, such as redirection, switch, reallocation, and what all to do, when to do, and when to come out, and so on (1:166, L292)... Automatically, this automatic asset allocation was the biggest USP that none of the players had (1:217, L414).”

Interestingly, even with its limited focus on innovation, HULK ensured that simplified solutions to customers. The firm did not charge any FMC at all, with an aim of making pricing easy for customers to understand. Also, proposed policyholders were elaborately guided in instances of medical pending requirements at the stage of pre-issuance. Further, as the Head (Products) added:

“we started with a product called Simply Life, and it was a very templated product, with fixed set of premium and it was fixed that there would be no underwriting and it will be in a simple form (2:236, L347).”

BLADE furthered our understanding. Therein, the organisation could anticipate the future needs of its customers by employing its mind-set of innovation. As a result, the firm was equipped with tools to develop products that were sharper, and faster than the introduction by competition. The CEO explained:

“...we are now operating strongly in the mortgage-covered credit life business. And the mortgage-covered credit life business does not necessarily require such a bancassurance tie-up. Any insurer can sell to any bank because that is separated from the corporate agency tie-up (3:748, L1512).”

For all the three organisations, the mind-set had a long lasting benefit. As an immediate outcome, the organisational response during turbulent times did not result in any adverse outcomes. The organisations ensured that the entire business model remains simple and easy to comprehend. Therefore, whenever there was a need for change in resource allocation, decision-making was fast, and the outcomes from the decision-making were easy for customers and distributors to understand.

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### Continuous Improvements and the Psyche of Positive-Sum Game

All the three organisations had active focus on continuous improvement pursuits. THOR had constantly improved, and some of the pursuits include a) graduation to a need-based selling psyche, b) comprehensive evaluation of sales personnel, c) aggressively outsourcing non-core activities, and d) rolling out the CRM package. The Deputy CEO explained:



“We believe in the CBI - the customer-based benefits’ administrator, which was not our practice before (1:86, L142)... The next challenge forward is what we call the ‘need-based selling’. That’s close to us right now. But we would also take advantage of the systematic tools so that all the parameters are taken into account, and then propose the best product possible by using (but not limited to) the best skills of the sales guy (1:82, L142)... monitoring the sales guys, and giving them scores, and giving feedback to the guys doing wrong sales, and then getting rid of the guys doing wrong stuff. And then, we have introduced the concept of conservation ratio, and related incentives (1:136, L204).”

The current workflow and the productivity of its agency channel represented similar illustrations for HULK. Even BLADE demonstrated an array of continuous improvement pursuits, along the dimensions of backend processing, sourcing of business, and after-sales servicing. A VP (Operations) narrated:

“Earlier, it used to something in the range of 10 to 15 days... And now, it is anywhere around 2 to 3 days. And then, there are instances when the same day, the policy is issued (3:423, L855).”

The continuity of these organisational pursuits was important – after all, these organisations operated in rapidly changing environment. Hence, there was an eternal need for improvement, so that they continue to achieve a better fit with the ever-changing environmental conditions. BLADE’s MD and CEO underscored:

“And yes, are we saying that these are good enough or are these not good enough, or should we be doing it more, I would say that this is continuous (3:728, L1474).”

THOR indicated another realisation. The continuous improvement pursuits made sense only if the moves were mutually beneficial to all the primary stakeholders, i.e., the shareholders, customers and channel partners. All the improvement actions were undertaken with the psyche of ‘mutual benefit’. Even HULK reoriented its value proposition to customer-centric in mid-2008, keeping in mind the same philosophy. The organisation also realised, in around 2006-07, that customer requirements of traditional policies remained unmet. As a result, the insurer realised the importance of traditional policies at a time when the entire industry was focussed on selling ULIPs, and this in turn, partially buffered them against the uncertainties of 2009 and 2010 ULIP regulations. The ED and COO said:

“And this is when we decided to move it out of the actuarial, saying that besides the customer segmentation, we also need a much more outward looking product development view by

looking at what the customer wants rather than taking only an inside view. And now, we are talking a lot more to channel partners like this is what we have in mind and what do you think, what will work, or you have these segment of customers in the bank that you deal with and so what kind of products that you think that you can wrap around that banking product, and so on and so forth (2:459, L698).”

Likewise, BLADE had a psyche that business decisions should be taken in a manner that they are mutually beneficial to all the stakeholders. The firm had undertaken a pursuit to develop a wealth of information on the needs and wants of customers and distributors, and their respective appeals. This matrix enabled them to balance the needs of customers and distributors, without losing shareholder focus.

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### Managing Trade-offs

Resources, by their very definition, are scarce. Hence, allocation of these resources is always associated with an amount of trade-off, especially with respect to capability development/realignment. Similar is the output-based dimension, and there is always a trade-off regarding distribution of the surplus between channel partners on one hand and the shareholders on the other.

Successful management of such trade-offs is necessary if organisations are to succeed, more so in rapidly changing environment. This is because in such turbulent times, there are many conflicting demands that an organisation needs to tackle, and it is the manner in which limited resources are allocated for tackling those demands is what dictates venture success. Take the example of THOR. The Deputy CEO elaborated:

“They [foreign owner] was keener on focussing on bancassurance since it is a good model though it will take a little more time to develop. We need to be more cautious on the agency force. [Indian parent] was more pushy and would say that though bancassurance would take a little more time, [our] agency force is the most productive and has given better results in the industry (1:39, L100).”

Senior respondents of the firm attributed this diverse owner aspiration as a contributor to its success. Specifically, conservative outlook of the foreign parent ensured that growth is checked for strong business fundamentals, whereas aggressive outlook of the Indian parent steered the firm towards fast growth. HULK's extent of dynamism in organisation's capability realignment was itself a matter of trade-off. The EVP (L&D) noted:

“Agility will lead to better performance, or it may sometimes lead to, sometimes, situations like ‘you are too early in the market’ or ‘too ahead of time’ (2:245, L390).”

A second trade-off was observed in the relative focus on new business versus profits. HULK's Head (Products) discussed the importance of his role:

“See, we sit in a role where we often play the role of a devil's advocate, you know. I mean, we are not purely sales and we are not purely actuaries. We create a fine-tune balance so that the product is an actuarially sound product and it makes profits ... and then, try to understand if it does justice to the requirements of the customer and the sales team. We have to balance their aspirations as well. And while playing that role, we have to put these checks and balances (2:158, L247).”

BLADE's SVP (Operations, Systems, and Facilities) and Appointed Actuary added, respectively:

“There is a 3-way tie-up that happens - what does the shareholder needs, what does the consumer needs and what does the distributor needs, and while doing that, what is the best balance that can be arrived at (3:350, L716).”

“And our products, both in terms of launching the products that we wanted to, we were trying to do innovation but we had to take what is there in the market to compete well... however, what we did not do well was making margins on those products, while others made good margins in terms of fund management charges or on surrender charges or policy administration charges (3:237, L536).”

Likewise was the fine balance that the firms had to demonstrate with respect to business continuity on one hand, and economies of scale on the other. The Deputy CEO at THOR explained:

“But higher cost is paid off. Better upfront service to the customer, and agent, is a result of this model, which results in a repetitive business for me, new business addition, higher retention of agents, and pulse also. The local underwriter has a better pulse of which customer is genuine, and for frauds also, you get a better intuition (1:830, L2285).”

On similar lines, the choice of product mix also involved a trade-off, and all these trade-offs facilitated apt response to uncertain environments. The Head (Products) at HULK cited:

“Traditional policies had the ability to buffer against regulatory shocks, more so since most of the regulatory dynamism pertained to ULIPs. However, ULIPs had always been the flavour of the market and at the top of customer preference. I think that a healthy mix would be around 75:25... and it always gives you enough latitude to correct yourself, in case there is some kind of regulatory or macroeconomic change, which are mainly on ULIPs... And then, you cannot ignore the customer sentiment, because they still need ULIPs, and their standing is improving day-by-day. So, you cannot say that okay, I will only work in traditional, because people will not just buy it (2:234, L343).”

THOR’s Appointed Actuary added:

“Now, when we talk of limiting expenses, it also involves, putting, some kind of limit and constraints on your branch expenses - your basically channel recruitment, and those things related to sales and network expansion. And there were other things like reducing management expenses and related things (1:248, L534)... And secondly, even after lowering the charges, how do we maintain our profitability. And there was no easy solution to this. The only solution was a long term solution. What we did was, we reduced commissions (1:249, L532).”

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### Focus on Business Fundamentals

There are different dimension of the IJV insurer’s business fundamentals, and herein, we discuss the impact of focus on those dimensions as a precursor to organisational success. The relative focus on the different dimensions itself was conditioned by parental ethos.

The first business fundamental that we investigated was the existence of multiple and balanced distribution channels. Traditionally, there are two major contributors, the agency and the bancassurance channel. Each of the channels has their unique advantages, and having a balanced contribution hedges any possible risk. THOR, in spite of having the Indian parent as

its bancassurance partner with massive presence spread across the nation, had a balanced channel contribution. The Deputy CEO recollected:

“we focused on launching the agency force because the increase in business was earlier taking too much time from the bancassurance, as per the expectation of [Indian parent] especially (1:38, L98)... So, we started enlarging the space for the retail agency channel to make the bigger thing. So, today, you have the right mix of bancassurance channel, the retail channel, and then the corporate solutions channel, even IA, that’s the institutional alliances channel... these are the five channels which are there, which takes care of all the distribution network of the company (1:152, L274).”

The Head (NCI) added:

“This company, fortunately, had two to three platforms. We have agency platform, we have banca and then we also have the corporate solutions platform. For the corporate solutions platform, till 2-3 years back, some people in the industry would laugh on this existence, but now, we have around 28-30% of our business coming from here (1:599, L1676).”

Interestingly, the resource allocation was aligned to the business numbers, and the firm had the unique benefit of following a low-cost bancassurance distribution model. For HULK, the relative contribution of the bancassurance channel had steadily increased, but notwithstanding so, the resource allocation was more in favour of agency. A senior HR leader explained:

“We have around 8000 employees in agency channel itself, and that is how our network is spread in 500 locations and we have our branches in those 500 locations, though agency does around just 40% of the business, not even 70% (2:536, L852)... there existed only around 1200-1500 in the bancassurance channel (2:537, L852).”

For BLADE, the bancassurance partner entered into manufacturing and “actually migrated towards another insurance company (3:36, L124)”. The firm came to know of the development “over a year back prior to that, because they had gone on record on this (3:654, L1242).” The MD & CEO confessed:

“We would have been better off if we had one or two more banks, because most of the life insurance companies today have at least one very credible bank which gives them a steady state business (3:745, L1502).”

Nonetheless, a few unique benefits worked to the favour of the firm. The agency architecture was a tier-system which optimised resource utilisation. And then, a separate unit manager channel and the broking channel ensured that the channel contribution was balanced.

Second, we discuss the fundamental tenant of smooth channel operations. Structurally, THOR had region-based reporting, and by institutionalising business heads at regional levels, potential channel conflict was nullified. Also, there were Country Heads to facilitate smooth channel operations. These role-holders nurtured the company's relationship with bancassurance partners, and interfaced with the partners to facilitate sales. Except for the roles of Country Heads, BLADE followed a similar sales structure. Additionally, when the organisation conceived the UM channel in 2007, appropriate measures were taken to avoid conflict with the existing agency-BA model. HULK had a vertical structure, where channels operated independent of each other. Nonetheless, they had installed elaborate control measures to avoid the potential pitfall of channel cannibalisation.

A third and related dimension of business fundamentals was a motivated channel. THOR faced certain difficulties, as the MD & CEO suggested:

“<bank employees> require a fair amount of intervention from us, for them to sell this insurance product - mainly from the training angle and from the angle of desire for sale. These are two things necessary for the business (1:346, L918).”

The company would motivate the channel partners by introducing non-monetary schemes (1:514, L1284) and creating recognition forums for awards and prizes (1:550, L1411). One of the mechanisms that HULK had installed was explained by the CSO:

“We have our people stationed at the banks, we do a huge amount of training for the people in the bank, and we do provide support in terms of advertising and marketing, and we provide help in terms of incentives and rewards. We have also provided them an online access through a particular system... there is process-level integration and there is people integration and technology integration... there is a lot of effort that go into making sure that this engine really works well to the best of its ability, which we do (2:104, L144).”

Similar approach existed in BLADE as well, such as a) rewards for performing advisors, b) exploring ways to engage the agents in a ‘full-time career path’, and c) developing ways to ensure that distributor pay-out is not hampered even in light of adverse regulations.

Another important dimension of the business fundamentals is the cost control and productivity. THOR had always been very conscious on this front, as explained by the Appointed Actuary:

“I would say, our expenses, in today’s time, are almost comparable with that of LIC. Now LIC has existence for a long time now (1:259, L564)... it’s like doing things efficiently and meticulously, doing things fast (1:325, L834)... How efficiently these codes are written, so that they don’t do things repetitively, and how quickly in terms of run-time does it delivers results. If I write something which will take 10 hours, someone else may write it so that it delivers results within 2 hours (1:329, L842).”

Various elements of THOR’s business model contributed to such a landmark controlled cost. Needless to say, such a focus ensured that the regulations of 2009 and 2010 did not have any adverse impact on the organisation. Cost structure of HULK had shot up to around 30% in FY 2008-09, but was later capped to around 16% in FY 2010-11. The ED & COO discussed the core issue:

“The fact that cost overruns have continued beyond what we had expected and this is because the productivity didn’t scale up to the acceptable levels (2:438, L664)... we have revised its target, and aim to book first profit by end of year 2011-12 (2:517, L802).”

BLADE had traditionally been a high cost company, but managed to enhance its productivity as they recently rationalised workforce and branches, but still was able to maintain its business volume. The SVP (Strategic Planning and Alliances – Distribution) pointed out the root cause:

“For the [bancassurance partner’], we support their sales with our own people, who work with the specialised person of the bank and assist them in terms of various sales problem, etc. The sale is done by the bank staff, but our staff is there to support them (3:42, L156)... However, in the [bancassurance partner] environment, there was no such support (3:46, L170).”

Likewise was the renewal business. BLADE’s VP (Operations) elaborated:

“Maintenance of the persistency is a key criteria of a lot of sales-related practices like the convention or foreign trip and so on (3:456, L929)... signing of the SIS, we started using it as early as in 2003, even before the regulator kept it. So, what has happened is that a lot of sales which could have otherwise been a wrong sales, has got discontinued, because when a customer is signing the SIS, he will obviously read it, and then if the customer is reading and signing, the willingness to pay is very high (3:458, L929)... to ensure that the customer pay at his own convenience. E.g., we are doing new tie-ups like the Easy Bill, and it is available at 4000 locations, and then a Sky Pak drop-box. If I have only 400 branches, how do I enable that the customer has a choice between 3500 locations, and so such initiatives (3:451, L923).”

Basis these business fundamentals, viz., cost control, productivity, and persistency, THOR had proved itself to be the most profitable private life insurer, and with no financial liability to either of the owners. Even BLADE had started reporting profits, for the last two financial years. BLADE recent emphasis cost control contributed to its embedded value in a big way, and received the highest analyst multiple for the said value.

Focussing on business fundamentals had another benefit, apart from its obvious contribution to the shareholder value. These fundamentals, if in place, shield organisations from external shocks and act as buffers. THOR was least impacted when the regulatory shocks happened, as the MD & CEO suggested:

“The top-line and the bottom-line, both being healthy places us at an advantageous position. This has helped us tackle whatever regulatory changes have come about in the last one and a half years (1:344, L914)... Now, this translates into two or three factors. One is that we always had a charge structure which was normal, and so the impact of these regulatory changes were not as extensive on us as it was on some of the present players. Our adjustment levels had to be much less than the competitors... Number two, the surrender charges etc., has been quite, quite low... So again, when these are withdrawn, the impact on us, is not much. So, overall, we did not have to do too much of course correction (1:379, L1002).”

BLADE was marginally shaken by the regulations, as it had already internalised the basics of unit-linked capability. HULK’s SVP (Operations, Systems, and Facilities) explained:

“We were pioneer in launching whole life products like [traditional product], we were the ones to start the upsell or cross-sell campaigns which was called the ‘Office of the Customer’ at that point of time,



and so the core beliefs were that you have to sell health or A&H policies, you have to sell [traditional product] because it is a great product, and you need to be able to upsell and cross-sell to existing customers, and protection element is something very important (3:351, L710).”

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### Organisational Processes (Including Innovation)

In certain crucial processes of THOR, efficiency and innovation were inherently clubbed together. Take the product development process, wherein efficiency of Actuaries and innovation of Products Strategy had a fine balance. To foster innovation as a process, the firm even managed an ‘innovation ID’, whereby any employee could touch-base with the Products Strategy with his/her ideas towards a commercial end. HULK’s Head (Products) discussed the product launch process:

“It includes the readiness of at least the training module on the Day 1 of a launch. Say, e.g., if I am launching a product in March, then I will have done the TTT <train the trainer> before that... So, when we get an approval from IRDA, then we get a window of ‘n’ number of days for the launch. Within that window, we test the system, I mean live, and the environment, and we get the final content ready for the training, we get the marketing collaterals ready, I mean that we give the designs for printing, and then they are ready and dispatched, and then we look at the website readiness, and then the sales illustration... the ‘train the trainer’ has already happened. That first lot is ready, and then they go and travel to the zones and deliver (2:184, L282).”

The SVP and Head (Distribution Training, Marketing and Product Development) at BLADE added:

“So, for all major programmes, national TTTs will be held, and for all smaller programmes, zonal TTTs are held, regional TTTs are held and then the programmes are rolled out (3:505, L1007)...”

THOR demonstrated ample rewards for the process innovations, and many processes were simply aligned to foster the culture of innovation therein. The Deputy COO explained:

“We created something called a Projects department in CPC. The idea of this Projects department was that herein, all will think laterally on what needs to be done for the company; there is no boundary. When this department was set up, the line administrator who were also doing creative thinking had two advantages. One advantage was that they could now lean upon a person in a project department, who you throw the idea at him and tell him you come with something and you discuss together. The second, the very fact that an innovation department came into CPC promoted an intense competition for innovation. The line managers felt threatened that I either do something which this person suggests or better start innovating myself - if the former happens, then I loose territory. I then become a guy who does the job and somebody else takes the cream. We welcomed both. Let there be competition. So, the Projects department carved out a niche space for thinking laterally on various areas outside the sphere (1:898, 2351)... Innovation is rewarded in our KRA structure (1:903, L2353)... One reason is very simple, you create a culture of innovation. I know that is simple to say. Of course, we always hired people who wanted to do innovation. Most of the guys who are very creative walked into our outfit (1:895, L2351).”

THOR also displayed the format in which process innovations and process optimisations followed a recursive cycle. The Head (Operations) said:

“So when we set such targets and these targets will be ambitious in terms of whatever is being achieved today, and when we set such targets, then automatically people realise that just an increase in current processes may not be sufficient to meet the new requirements. And so, they have to think, on how to take care of particular processes to make them meet the new targets. And this process such target setting itself leads to new things coming out - automation may come out, new ways of doing things may come out (1:467, L1200).”

The Deputy COO added:

“And then, another way in which it is rewarded is by not adding manpower by us (1:904, L2353)... for the last 3 years, we have not added manpower. So, motto is very simple in our company - same manpower but double the volume; so, how to do, and the only answer is through innovation. So, people come with various innovations. MIS has developed so well in our company, because people say that I won't do excel work. So, over a period of time, people have starting building on MIS themes, today it is no longer a challenge for us. We will definitely handle 150 % of our volume with the same manpower. That culture has been set-in (1:905, L2355).”

There were dedicated teams to facilitate these process changes. A senior HR leader at HULK’s noted:

“We have the Process Management and Quality, and their job is to write processes (2:529, L846).”

The Head (Underwriting) and the Head (PS) at THOR added, respectively:

“The rest of them are here because apart from underwriting, we do a lot of other activities. E.g., our system development is fully in-house, so there are a set of people who keep on understanding gap in the system and suggesting changes (1:729, L1965).”

“Here is a fluid structure - this organisation is not top heavy, everybody has security and space to grow. So we could innovate the processes. The problem with reengineering in established companies is that the top heavy structure itself will not allow the innovation to happen because they see threat to their structures. Here the advantage was that we were a new company (1:907, L2355).”

Both THOR and BLADE had built-in flexibility in their processes. This flexibility required some system slack. Nonetheless, this flexibility had a positive impact on the firms’ capability development pursuit. BLADE’s VP (Actuaries) elaborated:

“So, what we do is that for the people who are working in the executive to AM <assistant manager> level, we don’t ask them to follow what we are saying. We give a lot of freedom to them, let me take one example. Suppose there is a case of pricing, now once the specifications come, then there is a team of 4-5 people who have to work on it. So, to some of them, we will say that this is the product that we need to price, so develop the model (3:582, L1125)... We used the software for pricing and valuation both. And then people in the pricing left, then I shifted the person from valuation to pricing, but that was easy because both are being done on Prophet and then there was rotation (3:601, L1153),”

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### Focus on Human Resources

All the three firms expressed belief that employees as the single biggest resource, but notwithstanding so, followed very different approaches to the human resources. BLADE

carried the philosophy that “all organisations are driven by people as a collective (3:694, L1430)”. THOR’s Deputy COO explained the approach, even during uncertain times:

“We decided that those people who joined us should remain with us. Somewhere all our capability building, all the processes, all the restructuring, the entire decentralization/centralization were never done thinking of the bottom line, nor did we think of the process optimization. All along the line, we never thought of a benchmark TAT and worked... recently, we asked the Projects team to tell us about the comparison of us with the industry players for TAT, and realized that we have already achieved it... We always thought that there is a resource which has come in, that this resource to be tuned, capability has to be built (1:924, L2371)... when the market came down, there was lot of challenges. People were not happy, but [we] sustained all those. We didn’t retrench anybody, even when other players were doing so. We had a consistent growth and we stood by that, and so our people stood by us (1:786, L2136).”

All the three firms consciously focussed on growth and career progression In BLADE, the VP and Zone Head (Agency Sales – North) indicated that he would “prefer to promote people internally (3:819, L1683).” Likewise, the SVP and CFO added:

“...people have developed in my team, right from a manager to the Comptroller (3:249, L546)... you have to prove yourself into that role to get into a bigger role, and that is how promotions are calibrated, that you have proven your expertise in the given role for two years and then you have proven yourself into another area, so now in the 3<sup>rd</sup> area when you come and prove yourself, you will be promoted (3:248, L546).”

THOR reaped benefits of maintaining a delicate balance between formal and informal relationships. The Head (Customer Complaints) explained:

“at the first level, my team members interact with the concerned department, and there are set people there for this. E.g., in new business team, there are 2 people who are set for interacting with the relationship team. If they fail, then it gets highlighted to us at departmental heads, and then we both sit and try to resolve it. And then, if we both don’t see eye-to-eye, then it is the COO who comes into picture (1:660, L1800).”

Dialogue and deliberations ensured that the informal structure continues to exist in working order. While the Head (Customer Complaints) recollected that “we meet everyday in the morning and discuss what all are our difficulties and this resolves the issue (1:549, L1627”, the VP (Actuaries) at BLADE added:

“Quite a few iterations happen in between, and they will say something and then we will test it, and normally we work very closely, so I don’t see any conflict of interest happening at any point of time. So, we work very closely and we say that this is happening, and we explain... if they are insisting on something, then we explain them the logic, and that this is the concern and these are the reasons for why is it not working, and based on what you are asking, this is the result that is coming, and then we do the iterations. And we rationally explain all those things, and till you explain rationally, I don’t think that much issue will happen (3:642, L1189).”

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## **Discussion**

I add to the study on the microfoundations of dynamic capabilities. The central theoretical contribution is the emergent and holistic framework that explains the overall structural ecosystem that enables a firm to develop dynamic capabilities to address dynamic and uncertain environments (see Figure 1 for details). These microfoundations collectively explicate how firms exercise dynamic capabilities that cut across the tripartite classification of ‘sensing – seizing – reconfiguration’.

A more fundamental contribution of this study is the identification of the ‘structural ecosystem’ that enables a firm to exercise dynamic capabilities. The original introduction of the concept of ‘ecosystem’ in social sciences was credited to Hawley and subsequently in the strategic management literature by Moore (Kapoor, 2018). Hawley defined an ecosystem as ‘arrangement of mutual dependencies in a population by which the whole operates as a unit and thereby maintains a viable environmental relationship’ (Hawley, 1986). Likewise, a business ecosystem of a firm spans across a number of industries wherein companies coevolve and includes capital, customer interest and talent (Moore, 1993). As is evident, both the

preconditions of ‘mutual dependencies’ and ‘coevolution’ underline the importance of complementarities and interdependencies. Herein lie my key argument – all the eight elements of the structural ecosystem in a firm, viz., functional alignment for resource entrainment, organisation structure, focus on human capital, organisational processes, innovation and simplified solutions, continuous improvements and the psyche of positive-sum game, managing trade-offs, and focus on business fundamentals, are interdependent and also complement each other. Consequently, this research doesn’t argue in favour of a pecking order of those microfoundations for a firm’s ability to address dynamic and uncertain environments. Rather, I maintain that these microfoundations of dynamic capabilities are a system of interconnected choices. Interestingly, there are traces of this coinage in extant literature. For example, Teece (2007) refers to ‘*elements of an ecosystem*’ while explaining the microfoundations for organisational sensing of the environment.

The functional alignment for resource entrainment is determined by the reporting structure, dedicated resources to oversee synchronous capability development, the system backbone, structured processes for resource realignment, the overlap of deliverables across roles that require employees to work together, organisational learning as imbibed in processes, succession planning, ensuring detailed preparation and running pilot projects prior to a scaled launch, and responsibility being shared across employees. This finding corroborates the importance of co-alignment between functions (Camuffo and Wilhelm, 2016; Venkatraman, 1990) and the strategic fit between activities (Porter, 1996) for superior performance.

Fourth, the remaining of the seven categories of microfoundations, i.e., organisation structure, focus on human capital, certain organisational processes, innovation and simplified solutions, continuous improvements and the psyche of positive-sum game, managing trade-offs and focus on business fundamentals, converses simultaneously with the literature on organisation design, dynamic capability, and innovation. The role of organisation design as a

competitive choice is now established (Sengul, 2019). Also, organisation design influences innovation along structures and processes, governance and incentives, managerial characteristics, and search processes (Ahuja et al., 2008). And finally, the exercise of dynamic capabilities require innovation and entrepreneurial skills (Teece, 2007). I, thus infer, that the seven categories of microfoundations are essentially the building blocks of organisation design that enable a firm to build and exercise dynamic capabilities.

A limitation that besets this study is the choice of firms in the same industry. While this choice controls for the environmental triggers that affected the studied firms, and also represents a setting that faced a number of uncertainties in recent past, the emergent findings will require to be corroborated across contexts. This is all the more relevant, as the results of an emerging market setting might not necessarily be valid in developed economies (Prashantham and Dhanaraj, 2010). Recent studies have operationalized and tested dynamic capabilities (Danneels, 2016); however, the microfoundations and their impact on firm performance remains to be deductively examined. This sets a direction for future research.

## **Conclusion**

This paper examines those microfoundations that enable a firm to effectively exercise dynamic capabilities. By studying the response to three triggers of environmental uncertainty that each of the three heterogeneous firms faced, using the inductive case-based research, I propose an emergent framework of the structural ecosystem and the detailed microfoundations that enable firms to respond to challenging environments. I opened the edifice of the ‘sensing – seizing – reconfiguration’ framework of dynamic capabilities (Teece, 2007) to explicate those microfoundations that are independent of the stages of development of dynamic capabilities.

Much research has focussed on either functional dynamic capabilities or the microfoundations of the aforesaid three stages of exercising dynamic capabilities. The structural ecosystem framework emphasizes eight categories of microfoundations, such that

those are generic in nature and are equally important across the three stages of sensing-seizing-reconfiguration. Practitioners in the current paradigm of increasingly uncertain world may ensure that the eight pillars of the structural ecosystem, which are largely endogenous to a firm, are balanced by deploying the corresponding microfoundations to be able to achieve sustained competitive advantage.

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Figure 1: Framework for microfoundations of the ‘structural ecosystem’ for dynamic capabilities

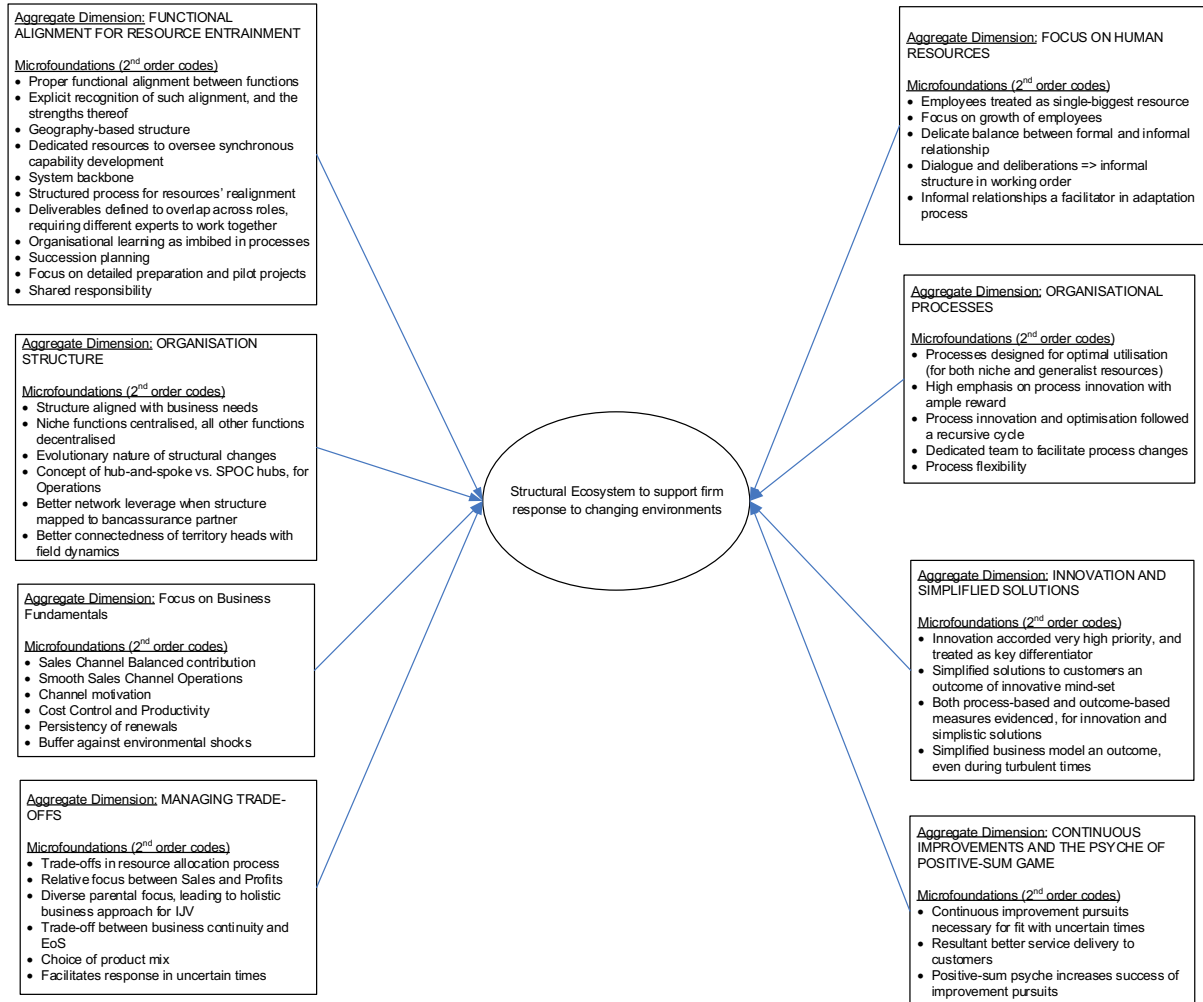


Table 1 – Snapshot of the indicative literature on the microfoundations of dynamic capabilities (through the ‘sensing-seizing-reconfiguration lens)

<b>Current View/ Author(s)</b>	<b>Unit of Analysis</b>	<b>Sensing</b>	<b>Seizing</b>	<b>Reconfiguration</b>
Teece (2007)	The firm	Related analytical systems and individual capacities corresponding to the processes for a) directing R&D, b) tapping external innovation and other developments, c) identifying customer segments and changing needs	Defining precisely the customer solution, the business model, the basis of decision-making, the firm boundaries to manage related ecosystem; building loyalty	Managing resources through a) apt decentralisation and decomposability, b) governance structures, and c) strategic fit and co-specialisation; knowledge management
Helfat & Peteraf (2015)	Managerial cognition	Perception and attention	Problem-solving and reasoning	The language and communication, and social cognition
Mousavi et al. (2019)	Sustainable innovation	Within-company entrepreneurial resources, sustainability driving innovation strategy, and anticipating processes	Developing internal capabilities, value chain analysis, engaging customers, market introduction activities, resource allocation, co-specialisation, defining the business model	Pursuing open innovation, managing the business ecosystem, coordinating marketing and technology development, and integrating market expectations
Khan et al. (2020)	Circular economy	Market monitoring and technology scanning, idea generation, knowledge creation, and experiential learning	Strategic planning, business model and governance, and collaboration	Organisational restructuring, technological upgrade, knowledge integration, best practices adaptation

Table 2: Details of Sample Firms and Case Data<sup>5</sup>

		<b>Thor</b>	<b>Hulk</b>	<b>Blade</b>
<b>Characteristic</b>	Month/Year of inception	March 2001	October 2000	February 2001
	Parentage	Jointly owned by an Indian state-owned bank with extensive branch network (also the bancassurance partner) and the insurance arm of a French bank	Jointly owned by an Indian private-sector bank (also the bancassurance partner) and a UK-based MNC insurer	Jointly owned by an Indian diverse business group with presence in all major industries ( <i>except banking</i> ) and a publicly listed Asia-based life insurer with roots in China
	Expatriates present <sup>6</sup>	#1	#1 - 5	>5 (till 2008); #1 (2009 onward)
	Sales FY 2016-17 <sup>7</sup> (INR Billion)	101.43	86.21	31.71
	Management Expense Ratio FY 2016-17	0.12	0.16	0.33
	Key Informants' Profile	The incumbent CEO, one retired CEO, Deputy CEO, nine functional heads (CXOs) reporting directly to the CEO, and two functional managers	The incumbent Principal Officer <sup>8</sup> , four functional heads (CXOs) reporting directly to the CEO, , and two functional managers	The incumbent CEO, twelve functional heads (CXOs) reporting directly to the CEO, and three functional managers

<sup>5</sup> Pseudonyms have been used (instead of actual names of the firms)

<sup>6</sup> Consistent headcount during the entire period of study

<sup>7</sup> As new business premium

<sup>8</sup> The Principal Officer was touted to be a role parallel to that of the CEO

**Table 3 (A): Illustrative Data Structure for the Aggregate Dimension titled ‘Organisation Structure’ as a Structural Ecosystem**

First order codes (in-verbatim terms from key informants)	Second order themes (Microfoundations)
<ul style="list-style-type: none"> <li>• “We haven’t taken that route - so, marketing and products for us is centralised (1:560, L1429).”</li> <li>• “the company took a major decision that all processing would go to a decentralised location (1:406, L1116).”</li> <li>• “Channel-wise first and then geography... So, the channels are full verticals (2:106, L156).”</li> <li>• “we have got 4 zone SVPs ... they look at the business of the zone (3:645, L1208)”</li> </ul>	Structure aligned with business needs
<ul style="list-style-type: none"> <li>• “4% happens from here &lt;Underwriting&gt;...These require some kind of financial expertise to handle, and so they come here (1:723, L1943).”</li> <li>• There were two centralised ‘Hubs’ where the entire end-to-end processing and servicing of policies would take place... (2:387, L582).”</li> <li>• “Procurement and Spend Management... we created a central procurement team for better cost efficiency and higher margins, and also this will lead to standard product that we will get everywhere (2:530, L846).”</li> <li>• “And here, we have the Chief Financial Officer, we have the Appointed Actuary, we have the Head of Legal and Compliance, then there is the Internal Audit team (3:647, L1212)”</li> </ul>	Only niche functions centralised
<ul style="list-style-type: none"> <li>• “There was something that we used to call the Life Profit Centre, and then we used to have something that we used to call the Accident and Health Profit Centre, and then there was an IRS (International Retirement Services) Profit Centre (3:99, L333).”</li> <li>• “And prior to this vertical structure, we were a zone structure with a matrix reporting (3:656, L1256).”</li> <li>• The Product Management would focus on the inclusion of features for better customer acceptance, and the Product Pricing would deal with the back-end pricing of the product for optimal profitability (3:61, L213).</li> </ul>	Evolutionary nature of structural changes
<ul style="list-style-type: none"> <li>• “Central Processing Centre is, as such, the nervous system, of Operations in here (1:463, L1188).”</li> <li>• “the branch sends it to operator in Chennai or Mumbai depending on where they are attached to. Then, we will look at the proposal and depending on the medical condition (2:387, L582).”</li> <li>• “The processing jobs are done at either this office (HO) or in regional processing centres. We have created 17 regional processing centres (3:405, L768).”</li> </ul>	Hub-and-spoke concept for Operations
<ul style="list-style-type: none"> <li>• “What [we] has done is to bring about a structure that mirrors more or less the structure of [partner] (1:387, L1030).”</li> <li>• “There were 9 circles (the ‘regions’) and these were exactly mapped to 14 circles of the parent [bancassurance partner] (1:931, L2465)”</li> <li>• “Herein, we had to ensure that there is more like the banking-type of set-up for us to leverage the strength of [partner] (1:931, L2465).”</li> </ul>	Structure mapped to the bancassurance partner
<ul style="list-style-type: none"> <li>• “Now, both the EDs and all the 9 Regional Directors have complete responsibility. So, they are like the CEOs of their respective areas (1:391, L1032)”</li> <li>• “We have say 20 regions and 4-5 zonal managers, and they report to their business functional heads (2:571, L918).”</li> <li>• “Operations/Compliance/Training/Sales/Finance has representation at the zone (3:650, L1218).”</li> </ul>	Better connectedness of heads with field dynamics

**Table 3(B): Illustrative Data Structure for the Aggregate Dimension titled ‘Functional Alignment for Resource Entrainment’ as a Structural Ecosystem**

First order codes (in-verbatim terms from key informants)	Second order themes (Microfoundations)
<ul style="list-style-type: none"> <li>• “Even before a new product was approved by IRDA, the company ensured that all training material was in place and IT enhancements were in order (1:309, L730)”</li> <li>• “Each one of those boxes &lt;the four functions of the product offering, the sales and distribution, the finance, and the product design &gt;... The important thing is that how much are you able to synchronise those 4 boxes (2:17, 38).”</li> <li>• “The training team does the content and then it goes to the products team, and they then have a look at it, and then the actuaries takes a look at it, and the legal and compliance team takes a look at it (3:497, L997).”</li> </ul>	<p>Proper functional alignment between functions</p>
<ul style="list-style-type: none"> <li>• “So, it is for you and your products to tide through and your investment team to look after your client-base (1:242, L510)”</li> <li>• “And only after the code comes that you can actually prepare the proposal forms. So, you have to print it and then start dispatching it to all the branches, so that the sales people start selling it using the proposal form (2:67, L86).”</li> <li>• The alignment between the different functions was “a pretty, pretty well oiled (3:764, L1522)” one</li> </ul>	<p>Explicit recognition of such functional alignment</p>
<ul style="list-style-type: none"> <li>• “The solution that was implemented (creation of the Executive Director position, creation of the regions and Regional Directors as like the CEOs of those regions, creation of the Country Head position which is strategic in nature) would be the answer (1:537, L1330)”</li> <li>• “I have 9 teams here, and each will take care of the 9 regions that we have in this company for the complaints (1:641, L1772)”</li> </ul>	<p>Geography-based structure (enabler)</p>
<ul style="list-style-type: none"> <li>• “They &lt; the Business Re-engineering Group &gt; interfaced with the Products team, as well as drove decentralisation and various automation, especially the Operations department, at that time (1:427, L1144).”</li> <li>• “Companies have found it difficult to understand the &lt;regulatory&gt; changes and re-synchronise them. And that is where the ‘strategy’ role is important (2:19, L38)”</li> <li>• “Programme management is a mechanism where you use basically the projects as key catalysts to drive change in the company. (3:652, L1224).”</li> </ul>	<p>Dedicated resources to oversee synchronous capability development (enabler)</p>

<ul style="list-style-type: none"> <li>• “In CRM, we assign the cases to the concerned departments. So now, everything is getting captured and the follow-up is better (1:662, L1804).”</li> <li>• “Workflow essentially automates that entire process. It also permits me to measure turnaround time at every stage (2:389, L582).”</li> <li>• “Consultant Corner, which allows them to see they have done and where the prospects are... there is process-level integration and there is people integration and technology integration, which makes the things reasonably interlocked (2:97, L144).”</li> </ul>	<p>System backbone (enabler)</p>
<ul style="list-style-type: none"> <li>• “Most of these changes come out of the various concerned departments itself... we decide which are the ones that are most important and then take them up based on a project listing. And then, that particular listing is given to the Projects team. This Projects team then interacts with all the stakeholders to see how to take it forward and to see that there is consensus about the roll-out (1:472, L1202).”</li> <li>• A classic case-in-point was the existence of “enterprise-wide committees (3:328, L698).</li> <li>• “We had a good policy implementation committee (PIC) in place and processes in place, right from the beginning, which is a mix of people from all departments (3:370, L732).”</li> </ul>	<p>Structured processes for resource realignment (enabler)</p>
<ul style="list-style-type: none"> <li>• “The line administrator who were also doing creative thinking had two advantages. One advantage was that they could now lean upon a person in a project department... The second, the very fact that an innovation department came into CPC promoted an intense competition for innovation. (1:899, L2351)”</li> <li>• “We had a separate project team which, after the project was complete was patient to hand-hold this entire team for a couple of more months (2:267, L412).”</li> <li>• “I have someone who does the policy contract. Now, we are not the only owners of the contract. But a lot of the product-related provisions, so sometimes it is difficult for the legal team to structure the product features, and so we are the owners for that (3:679, L1397).”</li> <li>• “So, I am a part of the product development committee, and I’m a part of the expense management committee, and the market conduct committee, and these are more enterprise-wide committees, and I’m a part of two board governed committees (3:329, L698).”</li> </ul>	<p>Deliverables overlap across roles; different experts to work together (enabler)</p>
<ul style="list-style-type: none"> <li>• “We used to get at least 3 months to develop a product. But we were able to move from that because there was a general feeling that we have done this a couple of times, so we were able to stretch and able to find the resources, both internal as well as within the organisation, we were able to put these resources in such a way that we were able to do 5 products in this period, one after the other (3:123, L367)”</li> </ul>	<p>Organisational learning as imbibed in the processes (enabler)</p>
<ul style="list-style-type: none"> <li>• “I joined here with a clear indication that this is just a transitory step towards the leadership, and at that time, [Earlier MD, an expatriate] was going out (3:693, L1428).”</li> </ul>	<p>Succession planning (enabler)</p>



<ul style="list-style-type: none"> <li>• “We &lt;Strategy function&gt; figure out if there are certain things that we already need to start planning for. This is what I meant by agility, that the ability to synchronise and act fast compared to the others (2:47, L62)”</li> <li>• “We have taken the retail channel which is the biggest piece as of now, and we are trying to do a lot of reorganisation based on a lot of pilots now (2:549, L861).”</li> </ul>	<p>Detailed preparation and pilot projects (enabler)</p>
<ul style="list-style-type: none"> <li>• “We &lt;Products team&gt; engage with the sales and we engage with the operations team and then the persistency and the customer services team... Very often, we give insights to operations and IT (2:207, L309)”</li> <li>• “So, we have our people stationed at the banks, we do a huge amount of training for the people in the bank, and we do provide advertising and marketing, and we provide incentives and rewards...(2:97, L144)”</li> </ul>	<p>Shared responsibility (enabler)</p>

**Table 3 (C): Illustrative Data Structure for the Aggregate Dimension titled ‘Mind-set of Innovation and Simplified Solutions’ as a Structural Ecosystem**

First order codes (in-verbatim terms from key informants)	Second order themes (Microfoundations)
<ul style="list-style-type: none"> <li>• “It is not just 2 guys, or 4 guys, sitting in a HO discussing this, but the entire sales force in the market. And in this parameter, we are quite ahead (1:85, L142).”</li> <li>• “We try to differentiate in the way we introduce some innovation here and there, and this can be evaluated as a parameter (1:72, L136).”</li> <li>• “We are also now looking at something that we call as the loyalty channel which is selling to our existing customer base, I mean the premium existing customers (2:507, L782).”</li> <li>• “So we were the only players to launch (3:137, L391).”</li> </ul>	<p>Innovation accorded high priority, and treated as key differentiator</p>
<ul style="list-style-type: none"> <li>• “An automatic asset allocation (1:167, L294)... So, it was beneficial more for the people who did not have much financial knowledge (1:166, L292)”</li> <li>• “In the first two pages of our policy bond, the important segment goes in all the vernacular languages, the entire policy document - ours is the only company in the industry which has simple English (1:875, L2337).”</li> <li>• “While the industry was charging the fund management charge of around 1.5% or 1.75% or 2%, we pegged ourselves at 0%. And we said that while we are charging those upfront expenses, that is a function of the premium, but the fund management charges is obviously a function of the asset under management (2:446, L676).”</li> <li>• “Framework for Customer Service Excellence, where key people from different functions of operations and technology are given different customer complaints that we have got (3:403, L766).”</li> <li>• “we are doing new tie-ups like the Easy Bill, and it is available at 4000 locations, and then a Sky Pak drop-box. (3:451, L923).”</li> </ul>	<p>Simplified solutions to customers as an outcome of innovative mind-set</p>
<ul style="list-style-type: none"> <li>• “We said that we will start bancassurance channel with credit life-based products. So, we were the first to introduce the credit and life protection products in India which were value addition to the banking products (1:197, L370)... when we told them that this product is a great credit life insurance product, and this will help you in selling your home loan, or car loan (1:199, L374).”</li> <li>• “then risks are not only about pricing risk or financial risk, but it is also about - can you explain the features in such a way that the customer understands what you are talking about... We ensure that those risks are mitigated (3:142, L391).”</li> </ul>	<p>Combination of process- and outcome-based measures</p>
<ul style="list-style-type: none"> <li>• “We are now operating strongly in the mortgage-covered credit life business. And the mortgage-covered credit life business does not necessarily require such a bancassurance tie-up. Any insurer can sell to any bank because that is separated from the corporate agency tie-up (3:748, L1512).”</li> </ul>	<p>Emergence of simplified business model</p>

**Table 3 (D): Illustrative Data Structure for the Aggregate Dimension titled ‘Continuous Improvements and the Psyche of Positive Sum’ as a Structural Ecosystem**

First order codes (in-verbatim terms from key informants)	Second order themes (Microfoundations)
<ul style="list-style-type: none"> <li>• “We believe in the CBI - the customer-based benefits’ administrator (1:86, L142)... and ‘need-based selling’ (1:82, L142).”</li> <li>• “We are focusing on transforming the agency base and making it more professional (2:505, L782)... we are also looking at how do we ramp up our direct sales force team, and we have now launched an internet channel (2:506, L782)”</li> <li>• “whether the imaging and workflow, or the commission processing system, the portal infrastructure that we have created for integrating with third-party partners, or be it implementation of IVR, or implementation of the agent portal and the customer portal, and a lot of process-related improvement projects (3:326, L698).”</li> </ul>	<p style="text-align: center;">Continuous improvements pursuits for fit with uncertain times</p>
<ul style="list-style-type: none"> <li>• “The project department, which is responsible today for building ISO culture, building branch matrix for us, which helped us to build performance matrix, the dashboard, and then the e-learning models, etc. (1:901, L2351).”</li> <li>• “We realised, after doing the survey, that there are a set of people, both distributor and customer alike, who have an inclination for this kind of products (<i>traditional</i>) (2:148, L235).”</li> <li>• “Earlier, it used to something in the range of 10 to 15 days... And now, it is anywhere around 2 to 3 days. And then, there are instances when the same day, the policy is issued (3:423, L855).”</li> </ul>	<p style="text-align: center;">Outcome of better service delivery to customers</p>
<ul style="list-style-type: none"> <li>• “The trend is to shift focus to more on regular premium because it gives more revenues to the distributors, because it is better for the investor as it can then be planned as an investment, and it is better for the company as helps in building a kitty of revenue over the future (1:30, L98).”</li> <li>• “And this is when we decided to move it out of the actuarial, we also need a much more outward looking product development view by looking at what the customer wants rather than taking only an inside view (from being actuarial-centric to services-centric) (2:459, L698).”</li> <li>• “Now, with commissions being much higher on the traditional vis-à-vis unit-linked products, you see the business moving in the direction of traditional products. And then theoretically, that is beneficial for the company as well, as the margins are not capped and the commissions are not capped (3:30, L108).”</li> </ul>	<p style="text-align: center;">Positive-sum psyche increases success of improvement pursuits</p>

**Table 3 (E): Illustrative Data Structure for the Aggregate Dimension titled ‘Managing Trade-offs’ as a Structural Ecosystem**

First order codes (in-verbatim terms from key informants)	Second order themes (Microfoundations)
<ul style="list-style-type: none"> <li>• “[foreign owner] was more keen on focussing on bancassurance since it is a good model though it will take a little more time to develop. [Indian owner] was more pushy and would say that though bancassurance would take a little more time, [our] agency force is the most productive and has given better results in the industry (1:39, L100).”</li> <li>• “There is always a possibility of transmission loss, but it is quite minimal... there are only a few places that we can cover, and there are only 5 people in the products team (2:40, L56).”</li> </ul>	Trade-off in resource allocation process
<ul style="list-style-type: none"> <li>• “suppose we have a 20% increase in market, we need to see what is the final return on this sales (1:71, L136).”</li> <li>• “We are not purely sales and we are not purely actuaries. We need to create a fine-tune balance so that the product is an actuarially sound product and at the same time, does justice to the customer and the sales team (2:158, L247).”</li> <li>• “The philosophy here is that one pursues the bancassurance partnership not at any cost (3:658, L1298).”</li> </ul>	Relative focus between Sales and Profits
<ul style="list-style-type: none"> <li>• “[foreign parent] exists in 40 countries, and so, their time is limited (1:107, L166)”. So, even during the fledgling stages, the MD ensured that very limited support was sought from the parent. That way, he would always get the full support and guidance as and when sought.</li> <li>• On the compliance front, there were often views coming from the distribution that the firm was “too focused on compliance (3:439, L897).”</li> </ul>	Diverse owners’ focus leading to holistic business approach
<ul style="list-style-type: none"> <li>• “But higher cost is paid off. Better upfront service to the customer, and agent, is a result of this model, which results in a repetitive business for me, new business addition, higher retention of agents (1:830, L2285).”</li> <li>• “if you look at the cost of acquisition on the bancassurance side, you won’t have those numbers... is possibly half of what it is for the agency side (2:440, L672).”</li> <li>• “from a BCP standpoint, we have tried to decentralise in a skeletal fashion, most of the functions. We have created 17 regional processing centres where every regional processing centre is like a mini-hub of this office (3:404, L768).”</li> </ul>	Trade-off between business continuity and Economies of Scale
<ul style="list-style-type: none"> <li>• “I think that a healthy mix (unit-linked to traditional portfolio) would be around 75:25... and it always gives you enough latitude to correct yourself, in case there is some kind of regulatory or macroeconomic change, which are mainly on ULIPs (2:234, L343).”</li> </ul>	Choice of product mix

<ul style="list-style-type: none"><li>• “Now, when we talk of limiting expenses, it also involves putting, say, some kind of limit and constraints on your branch expenses - your basically channel recruitment, and all those things related to sales and network expansion (1:248, L534)”</li><li>• “And secondly, even after lowering the charges, how do we maintain our profitability. The only solution that we could think of, was a long term solution. What we did was, we reduced commissions, because that had to be done anyway (1:249, L532).”</li></ul>	Facilitated response to uncertain times
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**Table 3 (F): Illustrative Data Structure for the Aggregate Dimension titled ‘Focus on Business Fundamentals’ as a Structural Ecosystem**

First order codes (in-verbatim terms from key informants)	Second order themes (Microfoundations)
<ul style="list-style-type: none"> <li>• “the right mix of bancassurance channel, the retail channel, and then the corporate solutions channel, even IA, that’s the institutional alliances channel (1:152, L274)”</li> <li>• “we have around 8000 employees in agency channel itself, and that is how our network is spread in 500 locations and we have our branches in those 500 locations, though agency does around just 40% of the business, not even 70% (2:536, L852)... there exists only around 1200-1500 in the bancassurance channel (2:537, L852).”</li> <li>• “we would have been better off if we had one or two more bank (3:745, L1502).”</li> </ul>	Sales channel balanced contribution
<ul style="list-style-type: none"> <li>• “So, if [bancassurance partner] has a regional office, we have the Branch Development Managers, and then we have the Area Managers to look at the network-level necessity, we also have Regional Managers (Bank) and we have a Country Head here, who looks after the entire [bancassurance partner] relationship as such (1:347, L918).”</li> <li>• The sales function was organised as “Channel-wise first and then geography. So, the channels are full verticals (2:107, L156).”</li> <li>• “I had to do a lot of education, that don’t compare yourself with your sister channel and they don’t get salaries, and if they are behaving in a certain fashion, you should behave like big brothers because you are all employees of the company (3:533, L1047).”</li> </ul>	Smooth sales channel operations
<ul style="list-style-type: none"> <li>• “the payments [to the agency force] can also be non-monetary in case of schemes (1:514, L1284).”</li> <li>• ‘Retail Strategy and Business Development’- “take care of the incentive for the agents as well as the employees, they take care of all the events, contests that we design for our channel partners (2:554, L872).”</li> <li>• “to try and ensure that we keep the distribution pay-out the same, trying not to reduce distribution pay-out (3:170, L443).”</li> </ul>	Channel motivation
<ul style="list-style-type: none"> <li>• “it’s like doing things efficiently and meticulously, doing things fast (1:325, L834)... How efficiently these codes are written, so that they don’t do things repetitively, and how quickly in terms of run-time does it delivers results (1:329, L842).”</li> <li>• “No, whatever team members we had, we did with that. There were just some extra hours put in, but we didn’t add anyone (2:140, L223).”</li> <li>• “And we have in fact closed down 75 offices last year and 56 offices prior to that. So, we are now undoing what we should have not done at that time, in the very first place (3:209, L502)”</li> </ul>	Cost control and productivity

<ul style="list-style-type: none"> <li>• Persistency targets [in THOR] were given to the sales and branch people alike</li> <li>• “We have a separate persistency team (2:210, L307).”</li> <li>• “[we] always talked about maintaining high persistency at all forums and rewarded it and penalised it as well (3:553, L1073).”</li> </ul>	<p>Persistency of renewals</p>
<ul style="list-style-type: none"> <li>• “Our charge structure was normal, and so the impact of these regulatory changes were not as extensive on us... Number two, the surrender charges has been quite, quite low... we did not have to do too much of course correction (1:379, L1002).”</li> <li>• “we had proactively assessed the workshops and interacted with people, and we realised that there is a certain need that is being ignored and then we came up with a return-of-premium product (2:227, L339).”</li> <li>• The agents of this insurer were mandated to undergo a “1 day training and certification (3:488, L987)” even before the regulatory changes in that direction.</li> </ul>	<p>Buffer against environmental shocks</p>

**Table 3 (G): Illustrative Data Structure for the Aggregate Dimension titled ‘Organisational Processes’ as a Structural Ecosystem**

First order codes (in-verbatim terms from key informants)	Second order themes (Microfoundations)
<ul style="list-style-type: none"> <li>• “the domain expertise of underwriting is very, very limited and scarce. So, say for new business issuance, the underwriting consideration which dominates the design of the process (1:751, L2007).”</li> <li>• “Our workflow application has been selected as an example of a model insurer in the international category, and it is being announced today (2:379, L564).”</li> <li>• So, for all major programmes, national [train the trainer] TTTs will be held, and for all smaller programmes, zonal TTTs are held, regional TTTs are held and then the programmes are rolled out (3:505, L1007)”</li> </ul>	Design for optimal utilisation (for both niche and generalist roles)
<ul style="list-style-type: none"> <li>• “the Projects department carved out a niche space for thinking laterally on various areas outside the sphere (1:898, 2351).”</li> <li>• “Innovation is rewarded in our KRA structure (1:903, L2353).”</li> <li>• “you create a culture of innovation. We always hired people who wanted to do innovation. Most of the guys who are very creative walked into our outfit (1:895, L2351).”</li> </ul>	Emphasis on process innovation with ample reward
<ul style="list-style-type: none"> <li>• “these targets will be ambitious, then automatically people realise that just an increase in current processes may not be sufficient to meet the new requirements... itself leads to new things coming out - automation may come out, new ways of doing things may come out (1:467, L1200).”</li> <li>• “And then, another way is by not adding manpower by us (1:904, L2353)... So, motto is very simple - same manpower but double the volume; so, how to do, and the only answer is through innovation. That culture has been set-in (1:905, L2355).”</li> </ul>	Process innovation and optimisation as a recursive cycle
<ul style="list-style-type: none"> <li>• New Customer Initiatives (NCI) - “you have to think of something different and new from here, rather than doing things as such which are mundane. Now, we can do innovation and all, because we have got time now (1:635, L1762)”</li> <li>• “so there are a set of people [within ‘underwriting’] who keep on understanding gap in the system and suggesting changes (1:729, L1965).”</li> <li>• “here is a fluid structure - this organisation is not top heavy, everybody has security and space to grow. So we could innovate the processes (1:907, L2355).”</li> <li>• “We have the Process Management and Quality, and their job is to write processes (2:529, L846).”</li> </ul>	Dedicated team to facilitate process changes
<ul style="list-style-type: none"> <li>• “we realised that our own home grown systems and IT model helped us a lot. This has given us tremendous customisation (1:758, L2029).”</li> </ul>	Process flexibility



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| <ul style="list-style-type: none"><li>• “We made it so user-friendly that anybody reading it should be able to do the job. We had simplified it in Claims also, and we did it again in PS (1:818, L2238).”</li><li>• “We used the software for pricing and valuation both. And then people in the pricing left, then I shifted the person from valuation to pricing, but that was easy because there was rotation (3:601, L1153)”</li></ul> |  |
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**Table 3 (H): Illustrative Data Structure for the Aggregate Dimension titled ‘Focus on Human Resources’ as a Structural Ecosystem**

First order codes (in-verbatim terms from key informants)	Second order themes (Microfoundations)
<ul style="list-style-type: none"> <li>• “We decided that those people who joined us should remain with us. It was the only focus (1:924, L2371).”</li> <li>• “when the market came down... We didn’t retrench anybody, even when other players were doing. So our people stood by us (1:786, L2136).”</li> <li>• “We have tie-up with HR, so that the person first goes through the induction and then only will he go to the department (2:288, L452)”</li> <li>• “all organisations are driven by people as a collective (3:694, L1430).”</li> </ul>	Employees treated as single-biggest resource
<ul style="list-style-type: none"> <li>• “We did complete re-scaling; completely behavioural, rescaling, attitude, and likewise. And suddenly, we find an attitude where people think in lateral space and question as to what do they want to do for the next five years. If my person is happy, he will go for the customer, and work for the company on his own (1:920, L2367).”</li> <li>• “except me, everybody in this team has been here in the system for long. Some have been brought in from different departments (2:141, L224).”</li> <li>• “prefer to promote people internally (3:819, L1683).”</li> <li>• “...people have developed in my team, right from a manager to the Comptroller (3:249, L546).”</li> <li>• “you have proven your expertise in the given role for two years and then you have proven yourself into another area, so now in the 3<sup>rd</sup> area when you come and prove yourself, you will be promoted (3:248, L546).”</li> </ul>	Focus on growth of employees
<ul style="list-style-type: none"> <li>• “E.g., in new business team, there are 2 people who are set for interacting with the relationship team. If they fail, then it gets highlighted to us at departmental heads, and then we both sit and try to resolve it (1:660, L1800).”</li> <li>• “at the organisational level, at the apex, a committee that we call the EC, the Executive Committee. All organisational issues are discussed in these EC meetings, which happens again once in every 2 weeks (2:45, L62).”</li> <li>• “So effectively, in this environment with margin compression, what we [actuaries] say generally prevails (3:61, L213).”</li> </ul>	Delicate balance between formal and informal relationships
<ul style="list-style-type: none"> <li>• “We meet every day in the morning and discuss what all are our difficulties and this resolves the issues (1:549, L1627).”</li> <li>• “Quite a few iterations happen in between, and I don’t see any conflict of interest happening at any point of time. So, we work very closely (3:642, L1189).”</li> </ul>	Dialogue and deliberations for the informal structure in working order

<ul style="list-style-type: none"><li>• “the role boundaries are not very clear. It is basically the informal relationships which decides on the way things are done, and understanding the peers (1:317, L802)”</li><li>• “there is no set written SLAs. But if I have to send something, it has to go within this time to the Accounts department. These are unwritten SLAs, if you see it that way (1:804, L2204).”</li><li>• “So, that is a lot of follow-up and, if there are some problems, then we sit and handhold them and resolve all the problems (2:154, L241).”</li></ul>	Informal relationships to facilitate adaptation
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