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Analysis of the Application of Dynamic Capabilities Adaptation Phases in Innovation Development (Study on Save and Loan Cooperative Smes in Badung Regency)

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ABSTRACT: SMEs in Indonesia currently make the largest contribution to gross domestic product. Therefore, the performance of MSMEs engaged in the financial sector, especially cooperatives, must always be improved. Improved performance is closely related to the company's business strategy. Strategy is a company's unique way to gain competitive advantage, company performance is a representation of competitive advantage. Strategy formulation and strategy implementation by taking into account technical and non-technical aspects is a way to achieve optimal performance transformation. One of them is the adaptation phases of the dynamic capability approach in the development of innovations in the MSME sector of the Cooperatives. This research was conducted with a qualitative case study approach with the object of research being a savings and loan cooperative located in Badung Regency-Bali. The research was conducted by interview and direct observation to the cooperative. The research method used is a single-case holistic. Data analysis was carried out by means of within-case analysis. The results show that the phases of dynamic capability adaptation play an important role in the innovation development process in Savings and Loans Cooperative SMEs. This study provides implications for the cooperative sector SMEs regarding the steps taken by cooperatives to absorb external knowledge so as to assist in determining the innovation development process. Based on these findings, This research has contributed to the development of the concept of dynamic capability adaptation phases from the results of interviews during the research conducted by the researcher. This study is expected to contribute input in the development of innovation for SMEs in the cooperative sector.

KEYWORDS: Dynamic Capabilities, Savings and Loan Cooperatives, Innovation

I. INTRODUCTION

Strategy is the company's main key in determining the decision to change. The company changes by creating innovations that are tailored to the company's internal and internal conditions. Strategic decision making is more focused on the interrelationships between strategy and the internal environment of the organization. Organizations with long-term competitiveness are not only based on the competitiveness of manufacturers and the high level of risk borne by competitors. Accepting this assumption means that sustainable competitive advantage is not synonymous with manufacturing competitiveness. Price and product quality advantages can be quickly eroded by competitors and may fail to generate the expected profits (Krzakiewicz; Cyfert, 2017).Dynamic capabilities can be developed through sensing, seizing and transformation, each of which has its own unique features. Dynamic capabilities depend on pathways, learned responses to strategic decision making, that bring about changes to the company's resource base and enable increased performance (Tallott; Hilliard, 2016).

The Covid-19 pandemic that has hit almost all countries in the world, including Indonesia, has an impact on various sectors of life. The Organization for Economic Co-operation and Development (OECD) report states that this pandemic has implications for the threat of a major economic crisis marked by the cessation of production activities in many countries, falling levels of public consumption, loss of consumer confidence, falling stock markets which in turn leads to uncertainty. (OECD, 2020). If this continues, it will certainly threaten the Indonesian national economy which has implications for the tourism, trade and investment sectors.

Bali, which relies on the tourism sector as the backbone of the economy, has a tremendous impact on the economy, especially economic sectors that depend on tourism activities, one of which is the Small and Medium Enterprises (MSME) sector. Data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUMKM) shows that in 2018 there were 1,271,440 MSMEs in Indonesia (or about 99 percent of the total business units) employing 116,978,631 workers (or around 97 percent of the total workforce). work in the economic sector) (Ministry of Cooperatives and Small and Medium Enterprises, 2020).

Small and Medium Enterprises, hereinafter referred to as MSMEs, are one of the drivers of economic growth in Indonesia and especially Bali as a major tourist destination in Indonesia and even in the world. The existence of MSMEs has shown its role in the national and regional economy because it is classified as a productive business that absorbs labor in the form of business entities or individuals. However, since the Covid-19 pandemic, things have been very concerning because of the decline in trading activity due to decreased sales, capital difficulties,difficulty distribution, raw material difficulty and difficultyproduction.so that the competitiveness of SMEs becomes so fragile that it has an impact on performance. MSME performance is the result of a process or output that has been achieved thoroughly and then compared with targets, targets and criteria that have become guidelines and mutually agreed upon in an industry where assets and turnover have been determined according to the criteria in the applicable law (Pramuki and Kusumawati , 2021).

Therefore, the performance of MSMEs must always be improved. Improved performance is closely related to the company's business strategy. Strategy is a company's unique way to gain competitive advantage, company performance is a representation of competitive advantage. Strategy formulation and strategy implementation by taking into account technical and non-technical aspects is a way to achieve optimal performance transformation.

Currently, financial services from the MSME sector, especially the Indonesian Savings and Loan Cooperative, are one of the financial service providers that are the hope of the community during this pandemic. However, this business is very vulnerable to competitors who have the same pattern that imitates the design and even provides loans without any collateral and very easy for customers. Therefore, MSMEs, especially cooperatives, must be able to adapt to the environment and follow the rules of the regulator. It can be used to create new innovations based on changes in technology, organization and the external environment as desired by the market. So companies must develop dynamic capabilities to produce superior innovations to survive.

Dynamic capabilities include the capabilities needed to cope with changing consumer and technological opportunities, it can also support understanding the application of innovation capabilities, which is one of the focuses in understanding the relationship between innovation, dynamic capabilities and innovation capabilities. Innovation capabilities facilitate the incorporation of knowledge and learning related to new products, services and processes. Innovation largely depends on the way this process is carried out, that is, it depends on the company's resources, routines and management capabilities (Froehlich, 2017). Thus, strong dynamic capabilities have an “orchestration dimension” that enables organizations to idealize, test, and rapidly implement new innovations (Teece; Leih, 2016).

With this dynamic capability approach, the company can find out the main aspects that are important to consider before making decisions and making changes through the creation of appropriate innovations. Therefore, the challenge of dynamic capabilities, both theoretically and empirically, is to identify the capabilities required by firms in different contexts, showing how they should be allocated and modified, especially in organizations that are well established in the market and are highly subject to discontinuous environments.

The main dynamic capabilities in the automotive industry are characterized as development capabilities and knowledge integration capabilities. It is therefore observed that the development of emission reduction technologies requires dynamic adaptability to markets and consumers (Leite, et al, 2017). Due to the variety of challenges in UMKM Savings and Loans Cooperatives, this research focuses on the adaptation phases of dynamic capabilities related to the development of innovation in Savings and Loans Cooperative SMEs based on case studies on Savings and Loans Cooperatives. The innovations that were put forward in the Savings and Loans Cooperative as a site in this study were the integration of the Savings and Loan Cooperative accounting information system with a comprehensive banking information system.

II. LITERATURE REVIEW

Dynamic Capabilities

In a fast-paced business environment open to global competition, with dispersal in geographic resources and innovation and manufacturing organizations, sustainable advantage requires more than the ownership of difficult-to-replicate assets (knowledge). It also requires dynamic capabilities that are unique and difficult to imitate. This capability can be leveraged to continuously create, expand, enhance, protect, and remain relevant to the company's unique asset base. For analytical purposes, dynamic capabilities are divided into; (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through upgrading, merging, protecting, and, where necessary, reconfiguring the tangible and intangible assets of business enterprises (Teece, 2007).Dynamic capabilities are hard-to-replicate enterprise capabilities needed to adapt to changing customers and technological opportunities. It is also with the company's ability to shape the ecosystem it inhabits, develop new products and processes, and design and implement viable business models (Teece, 2007).

Dynamic capabilities include the sensing, seizing, and transformation needed to design and implement business models. It can also enable a company to improve its capabilities and direct or partner capabilities, towards high-yield efforts. This requires developing and coordinating, or "masterminding," company (and partner company) resources to cope with and even shape changes in the market, or business environment more generally. The strength of a firm's dynamic capabilities determines the speed and

degree (and associated costs) of aligning the firm's resources including its business model. To achieve this, organizations must be able to continue to sense and seize opportunities,

An important role is played by strategic leaders, who must selectively adapt and improve dynamic capabilities and also serve as the last line of defense in times of rapid change. Dynamic capabilities are multi-faceted, and enterprises are not always strong across all types. Companies may excel at sensing new opportunities but are relatively weak in identifying new business models to exploit them. Or the company may be good at developing a new business model but still mediocre at implementing and perfecting it. After all, "Strong dynamic capability" will generally mean strong (relative to competitors) in all relevant areas of sensing, seizing, and transforming (Teece, 2018).

Some companies agilely anticipate and exploit opportunities created by technological advances and rapid changes in their markets are defined as follows: 1) Dynamic capabilities enable companies to perceive opportunities/opportunities faster than rivals, be more effective, and support the transformational organizations needed to stay in business. front. When guided by a clear strategic vision, they enable the firm to keep adapting to dynamic and uncertain conditions, 2) Aim to advance dynamic capability theory by showing leaders how strategic choices can make capabilities to develop, depending on the situation, 3) Help managers determine specific abilities they need to develop (Day, George S; Schoemaker, Paul JH, 2016).

Other literature on strategy, innovation, and organization and the recent literature on dynamic capabilities have identified a range of processes and routines that can be recognized as providing a specific microfoundation for dynamic capabilities. Cross-functional R&D teams, new product development routines, quality control routines, and technology transfer or knowledge transfer routines, and specific performance measurement systems as critical elements (microfoundation) of dynamic capabilities. The effort here is not designed to be comprehensive, but to integrate strategy and innovation literature and provide an umbrella framework that highlights the most important capability management needs to maintain the evolutionary and entrepreneurial fitness of business firms (Teece, 2007).

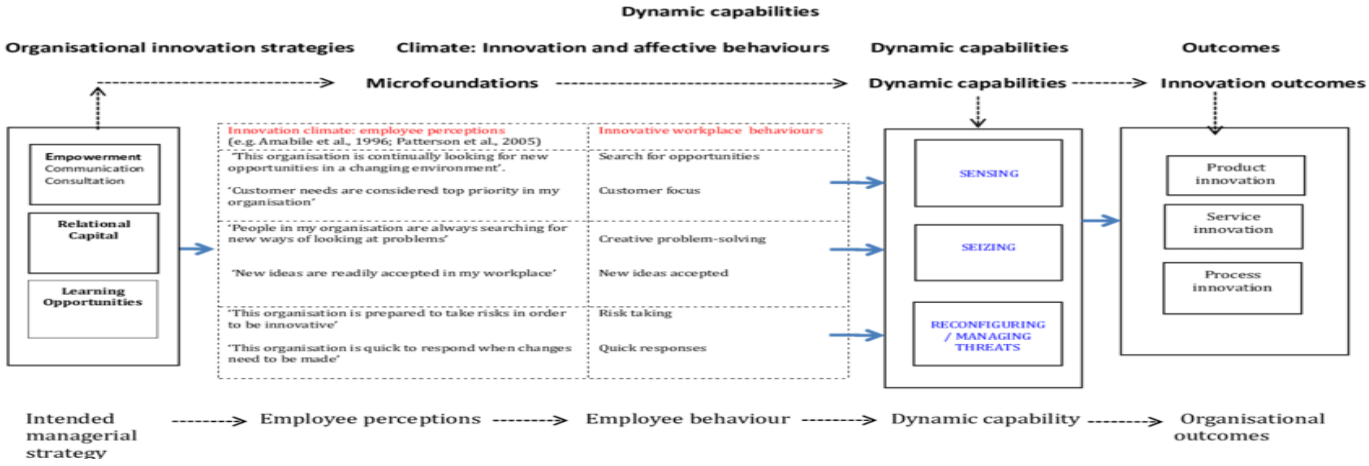

Fig. 1 Microfoundation Dynamic Capability (Teece (2007)

Dynamic Capability Phases

Some companies deftly anticipate and exploit opportunities created by technological advances and rapid changes in their markets, while others struggle or go out of business. rivals, seize them more effectively, and support the transformational organizations needed to stay ahead. When guided by a clear strategic vision, they enable companies to remain adaptable to uncertain and uncertain conditions (Day, George; Schoemaker, Paul JH; 2016).

The basics of dynamic capabilities cover three stages: sensing, seizing and transformation. The phases of dynamic capability in developing innovation include: supplier adequacy; identification of market segments and consumer needs; and individual capacity to create organizational capability in systems analysis (Leite et.al, 2017).

Dynamic capabilities theory by showing how strategic leaders can make wise choices about ability to thrive, depending on the situation. Dynamic capabilities will contribute to the embryonic contingency theory of these roles and the different functions of dynamic capabilities and help managers determine the specific sub-capabilities they need to develop. We focus on six sub-capabilities in particular, derived deductively from existing theory and best practice studies, as well as inductively from two longitudinal cases representing very different domains. (Day, George S; Schoemaker, Paul JH, 2016).

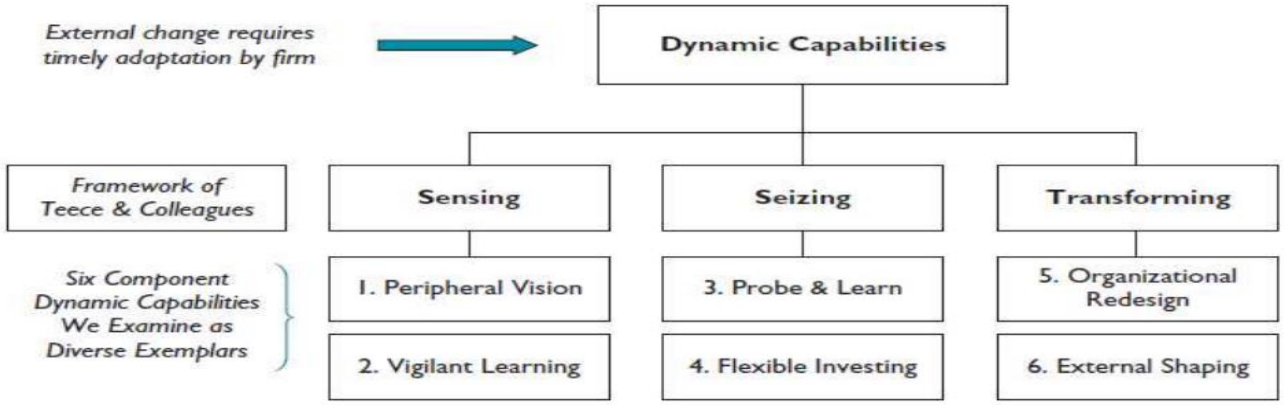

Fig. 2 Dynamic Capability Phase

The relationship between these six subcapacities and the three main groups of sensing, seizing, and transformation was proposed by Teece (1997). Many other dynamic capabilities will also be in play depending on the situation. These six were selected for their importance to the strategic choices made in the two case studies, and for their overall relevance to other rapidly changing and uncertain conditions. Each can be a source of sustained profit if developed through difficult-to-imitate skills that are deeply embedded in the organization while drawing on cumulative knowledge that is carried out through separate, but reinforcing internal activities. When used in combination they can become even more potent (Day, George S; Schoemaker, Paul JH, 2016).

Innovation and Innovation Capability

Innovation is the search, discovery, experimentation, development, imitation and adoption of new products, new production processes and new organizational configurations. Innovation requires improvement and change in the operation of complex technical and organizational systems, in the process of trial, error and learning. Innovation companies are those who find ways to explore the latent potential of new ideas and combine these factors in a more optimal way. The development of the capabilities required for innovation is the result of a complex interaction between incentive structures, human resources, technological efforts and institutional factors. Companies and innovation processes can be considered path dependent, which means that companies that were innovative in the past tend to innovate excessively (Froehlich et.al, 2017).

Innovation is indeed seen as a fundamental key to the success and sustainability of a company, but to achieve successful innovation, companies need to combine various types of knowledge, abilities, skills and resources, for example they need to develop the ability to detect and seize opportunities, not only target the market that is new but also by finding ways to thrive in established and mature markets (Froehlich et al., 2017). In research conducted by Froelich et al., (2017) it states that innovation ability is the ability to formulate and implement innovation strategies and associate it with the ability to create, enlarge and modify resources to innovate in order to develop products, services, new processes and/or markets. Innovation capability can also be interpreted as part of the organization's strategic capabilities.

Given that innovation is the result of company-specific characteristics, different types of innovation are classified according to the internal capabilities required to achieve them. Innovation capability is the ability to formulate and implement an innovation strategy and it is related to the ability to create, enlarge and modify the resources used for innovation sequentially to develop products, services, processes and new. Innovation capability can also be understood as a type of organizational strategic capability. It is concerned with aligning innovative practices with organizational strategy, to generate value for the company, to its customers and to other stakeholders.

Innovation is a better process than isolated events. Because it must be managed in a dynamic and systematic way and not focus only on certain areas. In that sense, innovation capabilities should not be limited to R & D. It should be part of the corporate culture and cover the entire organizational environment. For this to be achieved, these authors point out that innovation must be carried out in a structured manner, following a routine that characterizes every step in the innovation progress (a new product, service or process). The ability to manage innovation is very important and is a company's dynamic ability to maintain competitive advantage (Froehlich et.al, 2017).

Theoretical Framework and Research Thinking

This theoretical framework aims to serve as a reference in finding data in the field so that the data obtained can really contribute to proving and explaining and enriching existing theories. However, with this theoretical framework, it is hoped that the information that will be sought in this study does not cover other information that does have a relationship with the theory to be studied. The theoretical framework in this study begins with the theory of dynamic capabilities. Dynamic capabilities enable companies to perceive opportunities/opportunities faster than competitors, be more effective, and support the transformation organizations need to

stay ahead. When guided by a clear strategic vision, they enable companies to keep adapting to highly dynamic and uncertain external conditions (Day, George S; Schoemaker, Paul JH, 2016).

This study uses an analysis based on 6 phases of sensing, seizing, and transformation. Analysis of this information can be useful in the company's innovation development process. The theoretical framework can be described in a chart as follows:

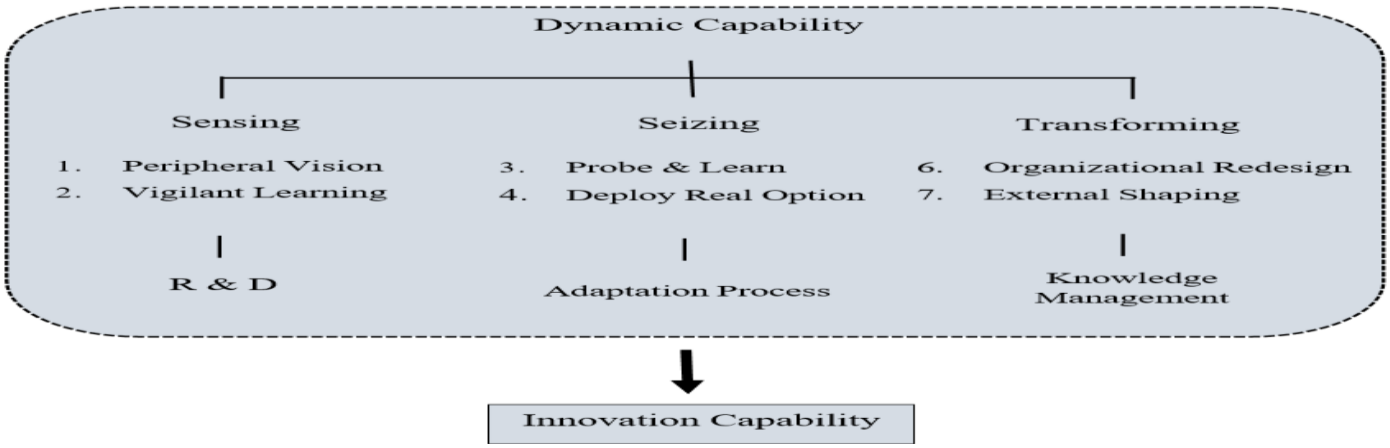

Fig. 3 Theoretical Framework and Research Thinking

III. RESEARCH METHODS

Research Approach

This research uses case study method. This case study is applied to a study that answers the questions of how (how) and why (why) if something being studied cannot be clearly separated from the phenomenon. The case study method can be used to find the truth in significant real life events. Case study research methods are used in many situations, to contribute to the knowledge of individuals, groups, organizations, social, political, and other related phenomena. (Yin, 2015). The case study is a research strategy that focuses on understanding the dynamics that exist in a single setting. Case studies can involve one or several cases, and various levels of analysis (Eisenhardt, 1989).

A research design that can be used to track the events in question without being manipulated is a case study because case studies are based on the same techniques as the existing practice by adding two sources of evidence, namely observation and systematic interviews (Yin: 2015) . By using this approach, it is hoped that researchers will be able to describe in more depth the phases of adaptation to dynamic capabilities in the field.

Object of Research

Case selection is an important aspect of the theory building of a case study. As in hypothesis testing research, the concept of population is very important, because the population defines the set of entities from which the research sample should be drawn. In addition, population-appropriate selection controls for different variations and helps define the limits of generalizability of the findings. Cases can be selected to replicate previous cases or expand on emerging theories, or they can be selected to fill theoretical categories and provide examples of polar types. The purpose of theoretical sampling is to select cases that tend to replicate or extend the emerging theory (Eisenhardt, 1989). In this study, the authors chose the object of research, namely the UMKM Savings and Loans Cooperative.

Case Study Design

The general characteristics of case study research designs according to Yin (2015), as described in the following matrix:

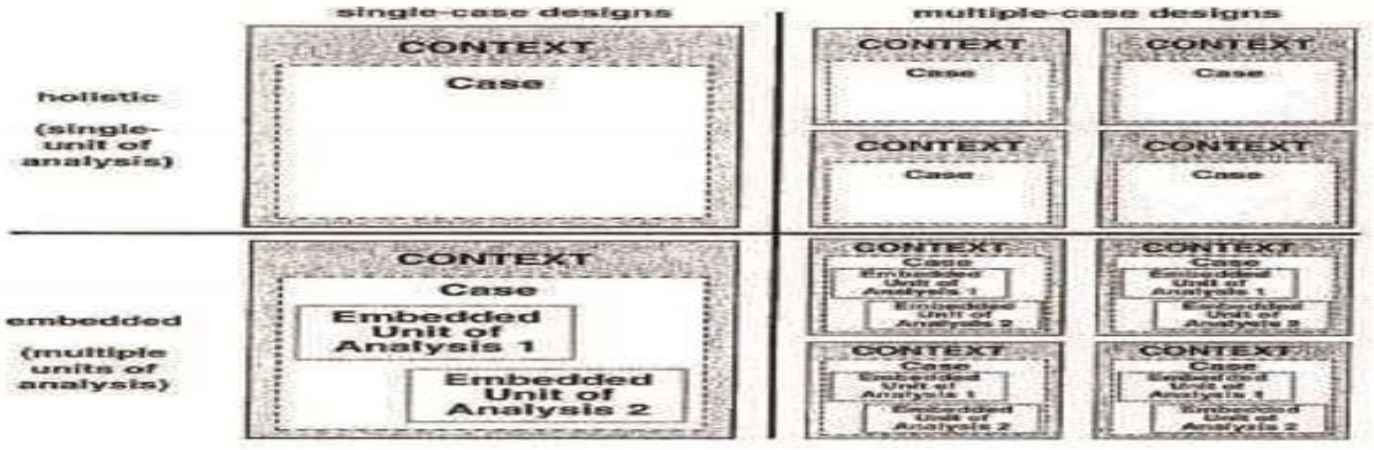

Fig. 4 Basic Types of Case Design

In this study, the author uses a type 1 or single-chase holystic case study because it uses several different types of industries by analyzing the case thoroughly. The research design of the single-chase holystic case study was chosen in this study because the UMKM which became the object of research came from one business field, namely the Savings and Loans Cooperative. With one type of business, it is hoped that it will describe the phases of adapting dynamic capabilities holistically.

RESEARCH STAGE

The stages of the research carried out in this study consisted of six stages, namely: problem identification, literature study, evaluation framework preparation, data collection, data analysis, results and conclusions.

IV. RESULTS AND DISCUSSION

MSME Savings and Loans Cooperative Candra Sedana

The Savings and Loans Cooperative "Candra Sedana" Sobangan Mengwi, Badung Regency was established on November 20, 2005 which was founded by Mr. I Nyoman Sudanta, SE who is also the Head of the Savings and Loans Cooperative "Candra Sedana". This cooperative is located in Banjar, Sobangan Strait, Mengwi. This cooperative was established to help people make savings and loans using BPKB guarantees for motorbikes, cars and land certificates (the conditions are that the position, location of the land, the width of the land must be strategic and must be approved by a notary). This cooperative is widely known by the public because the interest is not too big and the service is very good. To achieve the goals of cooperatives that have been set, an organizational structure is formed. Organizational structure is a mechanism, where the formation of the work and the elements that exist according to a system that matches the goals of the organization. The responsibilities of each function are all involved and carried out consequently in daily implementation. In order for the organizational activities of the “Candra Sedana” Sobangan Mengwi Savings and Loan Cooperative to run well and smoothly, it must be clear and firm in the division of tasks, authorities and responsibilities in the implementation of each section.

Dynamic Capability Phases

The following phases of dynamic capability adaptation are carried out to help companies more easily evaluate and identify the right strategy to maintain their business among the many emerging competitors.

Sensing Phase

In this sensing phase, is the initial phase that the cooperative goes through in identifying the development of information from the environment outside the cooperative? This phase is divided into 2 main steps to support the innovation development process in cooperatives.

1) Peripheral Vision

Peripheral vision this is a step taken to analyze trends to identify opportunities and threats that arise from the external environment, whether market changes or developments from competitors. The cooperative's steps to identify market segments are due to many requests from members and the surrounding community to pay attention to reasonable interest rates and guarantees in determining loan interest / this was stated by the owner of the "Candra Sedana" Savings and Loans Cooperative Sobangan Mengwi as follows:
“That opportunity is something that KSP Candra Sedana can take advantage of to continue to develop its business. The interest of members and the community towards cooperatives is quite high. This can be seen from the number of members and the public who

are interested in savings and loans. And what is no less important is that members of the cooperative and the community feel safe with the transactions they carry out."

However, on the other hand, threats can also be felt and occur in our cooperative business, as stated by the owner and leader of the Savings and Loans Cooperative "Candra Sedana" Sobangan Mengwi as follows:

"Threats are an obstacle in doing business, so that it becomes a big obstacle in developing a savings and loan cooperative business. Perceived threats such as interest rates that are not yet competitive with the surrounding KSPs. In the bureaucratic aspect, the threat occurs in the form of members and the community experiencing difficulties in meeting credit requirements and setting the maximum lending limit and there are still negative perceptions of employees towards cooperatives. Especially for the preparation of financial statements, we use simple financial records using Microsoft Office Excel.

Along with the increasingly rapid development of cooperatives, cooperatives carry out learning as a form of innovation in the recording system and preparation of financial reports from simple to real time based. As stated by the owner and leader of the Savings and Loans Cooperative "Candra Sedana" Sobangan Mengwi as follows:

"The learning process can be through customers, employees or members. Trying to close what is a complaint to receive input from employees in making decisions as a step to develop the business with. In addition to reducing failures and highlighting their potential by looking at what the problem is, if the customer and employee complaints are corrected."

2)Vigilant Learning

Vigilant learning is a cooperative step to initiate a change in the process of sensing in its external environment. Sensing capabilities by capturing signals for companies to be more alert to the changes that occur. Alertness, curiosity, and willingness to respond to the information obtained are carried out through this step. Where companies can learn faster with several processes, such as: 1) Fostering a Robust Market Orientation, which is the process of understanding customers or competitors to make decisions based on information obtained from outside the organization. Business people always learn and ask colleagues who are more senior or who have more successful businesses. When interviewed, Sudanta, the owner of KSP Candra Sedanna, said:

"When I meet with business partners, I always empty my mind to learn so that I can be more advanced in developing my business."

This is one way to learn to be able to continue to develop their business. The innovation process carried out to meet the needs of members and the community is not difficult because KSP Candra Sedana as a cooperative always adapts by following the rules from the government, in this case the Badung Regency Cooperatives and UMKM Service.

"Innovation in KSP Candra Sedana is the key to the precautionary principle which is always guided by the regulations issued by the government. To support this, the use or application of information systems is absolutely necessary."

3) **Suppressing Biases**, which is a tendency to draw conclusions and then evaluate them. In this financial industry, it utilizes relationships with several existing employees and also members of cooperatives to make it easier to evaluate if there are problems or there are complaints from customers or working employees. This is said by the owner who determines all decisions as follows:

"Every morning before work, cooperative employees before starting work periodically conduct briefings. Tell each other what is in control every day."

4) Seizing Phase

In the seizing phase, this is the phase of changing the environment and understanding more deeply the actions to be taken as a basic strategy. In the approval phase, Probe-and-Learn Experimentation can be carried out, namely KSP Owner Candra Sedana during the interview said as follows:

"We don't choose customers or customers. Whoever the customers are, whether they are small loans or large loans and small or large savings, we continue to serve them well and wholeheartedly.

Activities carried out to introduce the potential possessed to customers through various ways to continue to innovate. In addition, it is no less important than innovation, namely maintaining employee loyalty, because employees are assets we have, there are even employees who have worked with us for decades since the beginning of this business. These efforts are expressed by the owner as follows:

"The main thing is to be good with employees, not fierce, pay attention to them, they will feel at home working here. Except because of family circumstances, for example getting married so you have to leave. Give directions patiently. The key is to be friendly with consumers, not emotional. To motivate, usually frequent gatherings, eating together with employees. Every year there is always a raise."

Transforming Phase

This phase is a continuation phase of the sensing phase and the seizing phase in the adaptation phases of dynamic capabilities that help create business opportunities for cooperatives, cooperatives can carry out new strategies, which may require organizational transformation. One of them is through the company's competency improvement process, either for cooperatives in general or for employees. The owner said so during the interview:

"In the early days of the cooperative, we used the conventional system to record financial transactions, although we already used a computer through the Excel program, but in practice this system is still limited in providing financial information. There are many leaks, especially when in the preparation of financial statements, there are many inappropriate balances or balances between accounts, so that we as the owners make a policy that can overcome this inconsistency by adjusting each account except CASH and Credit Receivables. This of course has an impact on the lack of transparency and accountability of financial reports as a form of accountability to the Cooperatives Service and RAT. Developed with the financial information system of savings and loan cooperatives. I kept trying to improve it and finally found a system of recording financial information in REAL TIME although it does not cost very little. Currently, it is possible to compile financial reports at any time according to the need in a timely manner."

To train employees to innovate, for example through regular training or training by inviting practitioners such as programmers or accounting consultants, or also involving employees in attending counseling from the relevant Cooperative Office. The next transforming phase is through External Shaping. This step is a transformation of environmental change and the formation of the company's ecosystem. This can be done by creating new industry standards or reshaping the company's business ecology. The formation of a new business ecology in the company includes several aspects such as a management system for several existing store branches, taking advantage of cooperative relationships with suppliers to establish cooperation, customers and employees in the organization. To be able to continue to innovate, the main thing is to have a clear standard operating procedure (SOP). Have and understand the SOP because it will greatly affect the accountability and transparency of the cooperative's financial statements. This is also conveyed by the owner:

"If there is a loan application from a customer, it must look at the overall condition of the customer by adhering to the precautionary principle. If it is not in accordance with the ceiling and collateral in the form of collateral, it is better not to give it. But if it can be attempted with optimal negotiations so that the risk of credit failure can be reduced."

Cooperatives respond to changing competitors and global economic pressures by having the appropriate competencies. But must pay attention to the quality in accordance with the SOP. Because if the credit ceiling is large but the guarantee is not appropriate, the risk of the cooperative that is borne is also large.

In addition to paying attention to SOPs, owners must think of new steps to always innovate in order to survive. Learn in every response to changes that occur, so that you will know more deeply about the capabilities of the company. For example, to create a cooperative credit information system, besides being real time, it is also connected to the banking information system. Because a holistic customer profile is absolutely necessary. This was also conveyed by the owner:

"If there are customers who come in to apply for credit, we are not able to know the customer profile as a whole, such as whether there are also customers who have credit installments at other banks, whether they are classified as current or substandard. So to explore this information we have difficulty. One of them is that the information system that we have built is integrated with the banking information system. In the future, a system like this will be so important and absolutely necessary."

V. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSION

From the results of the analysis in the previous section, through the analysis of the empirical findings of the case study, it can be concluded that the phases of dynamic capability adaptation in the development of UMKM Savings and Loans Cooperatives are determined by the following:

1. Sensing phase, which includes 2 steps, namely peripheral vision and vigilant learning.
2. Seizing Phase, which includes only one step, namely probe-and-learn experimentation,
3. Transforming phase, which includes 2 steps, namely organizational redesign and external shaping.

So that UMKM Savings and Loans Cooperatives can find out the main potential that can be developed and continue to be maintained as the main value that must be maintained in the innovation development process.

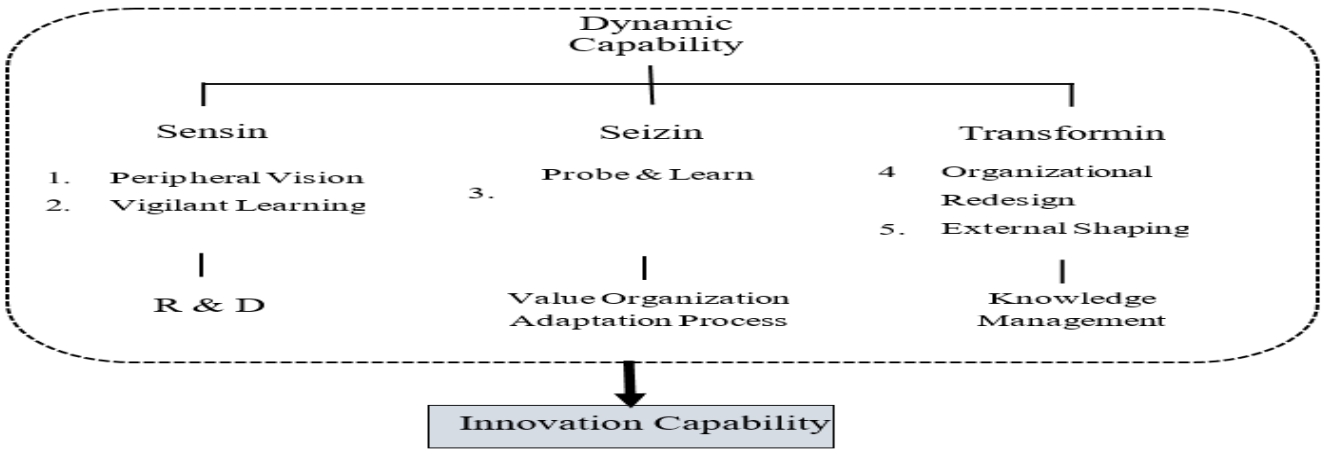

Fig. 5 Concept of Dynamic Capability Phases in Creative Industries

Meanwhile, the results of the analysis of the adaptation phases of dynamic capabilities in the development of innovation in the Savings and Loans Cooperative SMEs are found that the Savings and Loans Cooperatives are very innovative. KSP Candra Sedana Sobangan Mengwi in serving customers, members and the public is in accordance with real time-based SOPs and no less interesting findings are KSP Candra Sedana Sobangan Mengwi will further integrate with the national banking information system as a form of prudential principle in reducing the risk of failure customers to pay their credit obligations.

SUGGESTION

The limitation of this research is research with case studies using only one object of the MSME sector, namely the Savings and Loans Cooperative. By conducting research on 1 MSME sector, namely Savings and Loan Cooperatives, this research has a good depth of analysis and data accuracy but cannot be compared with other financial sectors classified as MSMEs. The next similar research can use several MSME industrial sectors in different industrial fields so that it can provide more in-depth information and generalizability level analysis.

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