

# DYNAMIC CAPABILITIES, NEW BUSINESS CREATION AND THE ENTREPRENEUR: AN ANALYSIS ABOUT THE LA LA LAND FILM

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## ABSTRACT

*This article aims to contribute to the literature of dynamic capabilities by evidencing how they can explain the creation of new businesses through the entrepreneur's acting. It was used content analysis on the La La Land film, considering the dynamic capabilities division proposed in three dimensions: sensing, seizing and transforming. The results evidenced that the dynamic capabilities can explain how new business are created by demonstrating: (i) how the entrepreneur's ideas, imagination and instinctive notion make opportunities to be sensed; (ii) how decision-making on capturing opportunities and mobilizing the resources allows the enterprise to move from an idea to reality; (iii) how the transforming adapted the entrepreneur in face of adversity's, and for reconfiguring the market. In this sense, the dynamic capabilities are present in the entrepreneur even before the existence of the formally constituted organization and are elements without which the enterprise would not be viable.*

**Keywords:** Dynamic Capabilities, Business Creation, New Ventures, Small Business, Financial Resources, Entrepreneurial Management, Entrepreneur, Film Analysis.

## INTRODUCTION

Sebastian: I mean, look at these fellas. Look at the saxophonist right now. He just hijacked the song. He's on his own trail. These guys are performing and composing and rearranging, they're writing and they're playing the melody all at once. It's so, its conflict and its compromise, and it's just, it's new every time. It's brand new every night. It's very, very exciting. And it's dying, it's dying, Mia. It's dying on the vine. And the world says "*let it die. It had its time*". Well not on my watch.

*Mia: What are you gonna do?*

*Sebastian: I'll have my own club.*

*Mia: Really?*

*Sebastian: Yes. We're gonna play whatever we want, whenever we want, however we want, as long as it's pure jazz.*

*(He looks at Mia. She's visibly moved).*

*(Excerpt from La La Land).*

This scene from the film La La Land is consistent with Teece's (2018b) assertion that "*dynamic capabilities are a mentality as much as a set of processes and tools. The goal is not just to think astutely about the present and imagine the future. The goal must also be to plan and execute concrete steps to get there*". Currently, this approach is one of the main paradigms in the

field of strategic management, which aims to understand how organizations are created, organized, expanded and how they innovate and compete (Teece, 2017). In this sense, dynamic capabilities need to explain how organizations create, grow, innovate, develop and how capabilities transcend the entrepreneur to the organization (Teece, 2017b). For Teece (2015), these issues have been overlooked by the economic approaches of strategy, and therefore, do not provide explanations about the real world. To develop a more realistic view, dynamic capabilities need to explain how entrepreneurs pursue new business ideas and models, and understand how they feel the opportunities, build and implement capabilities, and guide organizations through transformations (Teece, 2015).

However, the literature on dynamic capabilities has emphasized the question of why some organizations adapt better than others by identifying, specifying, and defining what the dynamic capabilities are - and in doing so, has paid little attention to the ways in which the capabilities are created and developed in organizations (Pisano, 2015; Pisano, 2016; Pisano, 2017). In this sense, we argue that dynamic capabilities have the potential to explain not only the competitive advantage and adaptation, but also has the potential to explain how firms are created and developed (Eriksson, 2014; Teece, 2017b). While issues about adaptation are important, the literature on dynamic capabilities should seek to explain and understand how entrepreneurs in new business respond (and even create) disturbing and innovative changes (Wadhvani & Jones, 2016). In this way, the dynamic capabilities can explain the process by which new businesses create, define, discover and exploit entrepreneurial opportunities in complex environments (Jiao et al., 2013), being, therefore, important elements both for the creation as for the growth and evolution of the enterprises (Newbert, 2005).

Despite these affirmations, these issues have not been developed in the literature. Supporting this assertion, a research was carried out in two international databases: Scopus and Web of Science. The terms "*dynamic capabilities*" and "*new business*" were searched and filtered for articles in the areas of management and economics, resulting in 42 articles. In another search under the same conditions, only by changing the terms "*new business*" to "*entrepreneur*", 99 articles were found in the databases. Based on these filters, the bibliographic research resulted in a total of 141 articles.

However, from the reading of these articles, it was observed that none of them investigated the dynamic capabilities before the formally constituted organization exists, and they did not seek to describe how those can explain the creation of the enterprises. The articles found investigate established companies and emphasize their entry into new markets, the development of new products and services and even the creation of new markets, but none of them analyzed what came before the creation of the business itself, that is, the dynamic capabilities in the essence of the entrepreneur.

When analyzing the creation of new businesses, it is necessary to look at the entrepreneur, because the entrepreneurial process of an organization is the starting point by which both the company and the dynamic capabilities come into existence (Zahra et al., 2006). The dynamic capabilities are largely resident in the entrepreneur, who can sense and shape the future of the organization, detaching it from the past and moving it forward (Teece, 2007). It is the managerial decisions made by the entrepreneurs that determine how the company creates, shapes and uses its dynamic capabilities (Teece et al., 2016). In this way, the entrepreneur is at the center not only of the creation of the business but also of the dynamic capabilities. In Teece's (2015) view, maintaining dynamic capabilities requires entrepreneurial management.

Entrepreneurship is about detecting and understanding opportunities, getting things started, and finding new and better ways to bring them together (Teece, 2015).

Therefore, this article aims to contribute with the literature of dynamic capabilities in two directions. The first is by evidencing how the dynamic capabilities explain the creation of new businesses and the second is by demonstrating the relationship between the dynamic capabilities and the entrepreneur's acting. The methodology used was a single case study with secondary data. The object of this study was the observational analysis of the film *La La Land* (Paris Films, 2016). The option for the film was due to the fact that it portrays the history of an entrepreneur and the trajectory of founding his own business, where it can be analyzed how the dynamic capabilities allowed the creation of the enterprise and how these relate to the entrepreneur.

It is opportune to discuss film language in the context of the administration, since several phenomena portrayed within the narratives of the films can also be observed and experienced in the organizational scenario, in which the actors are all professionals who interact with each other daily (Freitas & Leite, 2005). It was observed by Alvarenga et al. (2017) that the analysis of films in the organizational studies have gained space and opened perspectives, and can be conducted for problem solving, discovery, creativity, teaching-learning and research.

The structuring of the text was characterized by the theoretical aspects about dynamic capabilities and the entrepreneur, followed by the methodological procedures adopted in this research, the analysis and discussion of the results and, finally, the main considerations and the references used.

## LITERATURE REVIEW

The concept of dynamic capabilities has its roots in Penrose's (1959) work *"The Theory of the Growth of the Firm"*. This author was influential by formulating a theory of organizational growth looking on its internal resources. Based on the developments of this book, the concept of dynamic capabilities was proposed in a paper by Teece & Pisano (1994); Teece et al. (1997). The term *"dynamic"* referred to the constant evolution of the environment, as the pace of innovation was amplified and the nature of future competition was difficult to determine, the term *"capabilities"* emphasized the role of strategic management in organizational adaptation (Teece & Pisano, 1994). The dynamic capabilities were defined as *"the firm's ability to integrate, build, and reconfigure internal and external competencies to respond rapidly to changing environments"* (Teece et al., 1997).

Posteriorly, Teece (2007) proposed that the dynamic capabilities can be decomposed into three dimensions: (1) sensing; (2) seizing and (3) transforming or reconfiguring. The first capability, of sensing, contains a diagnostic element, involving the identification, monitoring, development and evaluation of opportunities (Teece, 2007; Teece, 2014) and the sense of what will happen in an unknown future (Teece et al., 2016). Sensing occurs through the entrepreneur and people in the organization, who act as if they were the eyes and ears of the company to sense and detect threats and opportunities (Cummins, 2017). In this way, the entrepreneur's is essential for opportunities to be detected and in turn, influence dynamic capabilities. For Teece (2014), the creation and maintenance of dynamic capabilities requires entrepreneurial management. It is important to note that Penrose (1959) already emphasized the importance of monitoring environmental opportunities, stating that the sensing occurs through the entrepreneur's imagination, his sense of opportunity and his instinctive notion of how to succeed, pointing these as factors that could lead to the growth of the firm.

The second capability is seizing, which involves decision-making and resource mobilization to capture the perceived opportunities and to capture value while doing so (Teece, 2007; Teece, 2014). Seizing involves procedures for redesigning the business (Wadhvani & Jones, 2016) and a firm may be unable to seize the opportunities because of its inability to mobilize resources in sufficient quantity (Penrose, 1959). Seizing is also a fundamental capability for entrepreneurs, since in the view of Zahra et al. (2006), entrepreneurial activities focus on the identification and exploration of opportunities, developing skills, learning and capturing the resources that can eventually trigger the development of dynamic capabilities. The seizing of the entrepreneur, gathering the necessary resources to execute the business is one of the factors that can lead to the success of the enterprise (Osborne, 1995).

The third capability is transformation. This involves continuous renewal, transforming what generates value and thus protecting it (Teece, 2007; Teece, 2014). Transformation involves the reconfiguration and realignment of tangible and intangible assets in order to enable the search for new business opportunities (Wadhvani & Jones, 2016). This capability is regenerative, since it allows modification and development, enabling the company to constantly create and modify its base of operational capabilities and resources (Makkonen et al., 2013). Transformation refers to the skills of continuous renewal, reconfiguration or change (Teece et al., 2016). According to Teece & Leih (2016), what is required in changing environments is the continuous exploration of the entrepreneur, learning, adapting and transforming, and in this process, the critical task is to create an organization capable of inspiring goods or services that consumers need, but still cannot even imagine.

It is through sensing, seizing and transforming that dynamic capabilities result in the creation, refinement, implementation, and reconfiguration of business (Teece, 2018a). It should be emphasized that these are especially important for new and small businesses that need specific dynamic capabilities to develop (Zahra et al., 2006). However, despite this affirmation, the literature on dynamic capabilities has emphasized large and already established companies. Thus, there is still reluctance to understand the specific ways in which small businesses develop dynamic capabilities (Barreto, 2010). A research was done for this article in Scopus and Web of Science with the terms "*dynamic capabilities*" and "*small business*", it was found only 51 articles. It should be noted that by replacing the term "*small business*" with "*multinational companies*" for example, it was found 156 articles. By leaving only the term "dynamic capabilities" in both databases it is possible to find about 60 thousand articles.

These results accounted for a relatively low number of articles in small enterprises compared to other sizes. For this reason, it is of relevance to analyze the dynamic capabilities in new and small enterprises. This type of company has specific characteristics. For Rauch and Frese (2000), in its early stages a small-scale enterprise is best described looking at the entrepreneur himself. In Teece et al. (2016) view, it's the managerial decisions made by entrepreneurs that determine how the company creates, shapes and uses its dynamic capabilities. Entrepreneurial activities focus on the identification and exploration of opportunities, developing skills and learning (Osborne, 1995), which may eventually trigger the development of dynamic capabilities (Zahra et al., 2006). Thus, an entrepreneur's ability to recognize a trend, and then delineate a response and lead the company on its way forward, may be the most prominent feature of the firm's dynamic capabilities (Teece, 2007).

Thus, the dynamic capabilities are largely resident in the entrepreneur, it is his individual values and ability to act and modify the business or implement changes that characterize whether the firm's dynamic capabilities are strong or weak (Teece, 2007). The dynamic capabilities

inherently have their creation and subsequent use centered on the entrepreneur. In this way, small and initial companies do not develop dynamic capabilities, instead, they use the skills of their founder (Helfat & Martin, 2015). In a similar way, Boccardelli & Magnusson (2006) evidenced that the dynamic capabilities can reside in a single entrepreneur that with its distinctive characteristics, experiment and improvise to adapt in the market. Thus, the dynamic capabilities are not only gears of the organizational machine, but also include consciousness, imagination and human action that guide them, therefore, they involve dimensions of individuals (Di Stefano, Peteraf & Verona, 2014).

Sequentially, the methodological procedures that guided this research will be presented, followed by the analysis, where it can be seen empirically how the arguments outlined in this review are unveiled by an entrepreneur in the creation of his enterprise.

## METHODOLOGY

This research is characterized as qualitative because it accepts formal empiricism as an epistemological reference for the construction of knowledge (Sampaio, 2001). Qualitative data can raise and exploit consistent information in organizations, allowing the researcher to be more open and intuitive, autonomously, thereby gaining power in the exploration of data (Freitas, 2000). According to Creswell (2007), qualitative research assumes a different dimension of theoretical construction, especially with phenomena that presuppose the subjectivity of social actors, not seeking regularity, but rather an understanding of agents' actions and the uniqueness of their decisions.

The research strategy adopted was the single case study, since, according to Mariotto et al., (2014), they are suitable for the construction of theory when the case reveals unusual aspects or offer unique opportunities. The case study focusses on a complete contextual analysis of few facts or conditions and their interrelationships. This emphasis on in-depth detail provides valuable information for the research (Creswell, 2007). In relation to the data used, it was secondary, since it consists of materials already published. A secondary research source can provide an excellent base of useful information if a creative search is done (Cooper & Schindler, 2003).

The data was collected through indirect and non-participant observation of a film. The analysis of films is well grounded in the literature of organizations. Cooper & Schindler (2003) cite in the different approaches to qualitative research in administration, the films and videos. For the authors, these are an option to capture aspects of life as they occur in a particular group or individual under study. Flick (2004) complements that the film analysis has the advantage that the observer constructs the meanings from their interpretations and tends not to influence the phenomena observed. The analysis of films brings methodological advantages, because it offers "*the possibility of the researcher to observe several times the locus chosen for investigation*" (Alvarenga et al., 2017).

The object of study selected was the film *La La Land* (Paris Films, 2016), written and directed by Damien Chazelle. The option for this film was because it depicts the story of an entrepreneur and his trajectory of creating his own successful business. This film is useful because it allows researchers to observe the whole process that came before the creation of the enterprise, which in a research with real entrepreneurs would be difficult to capture and observe.

In this way, the film can help to understand how the entrepreneur's dynamic capabilities allowed the creation of the enterprise. Thus, this film can contribute to the literature of dynamic capabilities by showing how they helped in the creation of the new businesses and by enabling

an interface between the development of dynamic capabilities through the acting of the entrepreneur.

In the data analysis, the transcripts of the film were verified with content analysis, according to Bardin (2011), because this method allows to describe, interpret and make inferences about the data in evidence. The technique of content analysis used was the categorical analysis (or thematic analysis). For this, the film was divided in three categories, using for the purpose of analysis, the literature on dynamic capabilities, considering the three dimensions proposed by Teece (2007): (1) Sensing; (2) Seizing; and (3) Transforming.

To capture these dimensions in the film, it was opted to initially watch the movie three times, without pauses, in an individualized way, with the purpose of comprehending broadly the narrative and seeking to select some scenes that were deemed important for the understanding of the presented concepts of on dynamic capabilities. With this individualized analysis, the researchers related the chosen scenes to each of the three categories defined for the study.

Subsequent to this first phase, the scenes identified as of importance for the phenomenon investigated were discussed at a meeting and some of them were selected for a more detailed observation. This initial analysis made it possible to triangulate the preliminary results of each researcher with other researchers in the area, seeking the reliability of the data, as pointed out by Stake (1995). After selecting these scenes, the film was once again watched, with pauses in the selected pictures to be transcribed the dialogues. With this transcription, it was looked for details that could have passed previously unnoticed.

Then, another stage of data discussion was performed on the selected scenes and the theoretical concepts to be made the final analysis. For this, the film was watched for the fifth time, in a paused way and with discussion in each frame, finalizing the choice of the scenes, marking the times and elaborating a succinct description of the narrative chosen. In total the film was watched by the authors five times, totaling about six hundred minutes of viewing the film in an uninterrupted manner and four hundred and eighty minutes in a paused way. These steps were relevant to ensure rigor in the qualitative analysis process.

## **ANALYSIS AND DISCUSSION**

This analysis was divided into two parts. The first one contemplates the history and the plot of the film *La La Land*, and the second, presents the analysis of the scenes of this cinematographic work, elaborating the division of dynamic capabilities in the three dimensions of Teece (2007): sensing, seizing and transforming.

### **The Movie Story**

The film *La La Land* has two main characters: Mia (Emma Stone), a cafeteria clerk who is in search of her dream to become an actress, whose way crosses with that of the protagonist, Sebastian (Ryan Gosling), a talented, but unsuccessful jazz musician. Sebastian is going through crises in his life. He is unemployed and in financial trouble. Due to this situation, he subjects himself to works with which he does not identify, as a pianist or keyboard player in restaurants and parties. It is possible to observe that Sebastian has a passion for traditional jazz, that is in decadence due to the rise of other musical styles. In this way, the character manifests throughout the film a deep desire to transmit his passion for jazz through the development of a new enterprise.

The story of the film unfolds over four stages throughout the four seasons of the year. The season changes that occur during the film are not directly related to the time of year for the weather station in Los Angeles, where the narrative takes place, but specifically to the phase of life involving the relationship between the two protagonists. In the spring the relationship begins; in summer it meets its apex; in autumn it is in decay; and in winter, there is almost no loving relationship between them. The plot begins in the winter, going into spring, summer and autumn, and ending the story five years later showing that Sebastian's dream to open his business has come true.

The winter is characterized by the situation where Sebastian finds himself unemployed and being questioned by his sister about his future prospects, where he manifests his plan to open his own business to spread his passion: the jazz. However, in the absence of financial resources to operationalize his dream, throughout the second season, the character needs to work. Sebastian considers himself a serious musician playing in several places where he does not identify, also highlighting his discontent with the way jazz has lost its identity and history.

In the third season, Sebastian begins working in a band with an old friend: Keith. Although he does not identify with the proposal of jazz renewal of the band, Sebastian accepts to be part of it to raise capital for his business. Throughout the last season, the autumn, the character is still in the band, which is doing quite successfully. However, Sebastian has distracted himself from his dream of opening the business, and Mia, arouses his interest once again by reminding him of the importance of the enterprise. Because of this, Sebastian begins to reorganize himself to open the business. Then comes the final part of the movie, five years later, showing the venture of Sebastian, a jazz club that has the house full of customers, where it can be understood that the business has prospered.

## **Dynamic Capabilities, New Business Creation and the Entrepreneur**

In this part of the analysis, we presented the scenes of the film that match the dynamic capabilities division proposed by Teece (2007) in sensing, seizing and transforming.

### **Sensing capability**

The sensing as proposed by Teece (2007) is present in the entrepreneur of the film, Sebastian. He demonstrates in several moments to have this capability of monitoring the environment, although the organization has not yet been formally constituted since the beginning. In one of the first scenes (time: 00:17:50 to 00:20:26), the main character is in his residence, with many closed boxes with jazz artifacts. Sebastian and his sister have a discussion about the character's debts, reporting that he was deceived, is unemployed and when asked about his future prospects, Sebastian tells of his plan to open his own business. This dialogue can be seen below:

*Laura: When are you going to unpack these boxes?*

*Sebastian: When I unpack them in my own club.*

*Laura: Oh my God. It's like a girl broke up with you and you're stalking her. (then, looks at him) You're not still going by there, are you?*

*Sebastian: No. They've turned it into a tapas-samba place. You believe that?*

*(...)*

*Laura: You need to get serious. You live like a hermit. You're driving without insurance.*

*Sebastian: I am serious. I had a very serious plan for my future. It's not my fault I got Shanghai'ed.*

*Laura: You did not get "Shanghai'ed", you got ripped off.*

*Sebastian: What's the difference?*

*Laura: It's not as romantic as that. And everyone knew that guy was shady except for you!*

*Sebastian: Why do you say romantic like it's a dirty word?*

*Laura: Unpaid bills are not romantic.*

In another scene (time: 00:40:27 until 00:45:21), Sebastian is walking in the street with Mia and manifests to her his dream of becoming an entrepreneur. Mia did not know the traditional jazz and Sebastian takes her to a jazz club where he is explaining what this musical style is, and that it is not something boring as people have associated with it, but it is dynamic and exciting, and it's dying because people do not understand it and can no longer appreciate the essence of this style. Sebastian sees the opportunity to show people how the style really is and captivate them with this vision. This scene shows that the character can pass his passion and enchantment for this music style to Mia, noting that she had previously stated that "hates jazz". In this scene, Sebastian reinforces again to Mia that he's going to have his own jazz club to play whatever he wants - as long as it's traditional and pure jazz. A part of this dialogue is transcribed below:

*Mia: I should probably tell you something now. To get it out of the way. I hate jazz.*

*Sebastian: What do you mean you hate jazz?*

*Mia: It just means that when I listen to it, I don't like it.*

*(Sebastian takes Mia to a jazz club).*

*Sebastian: You know, I just think that when people say that, you know, hate jazz. They just, they don't have context. They don't know where it comes from.*

*(...)*

*Mia: what about Kenny G? I mean, what about elevator music? You know, jazz music that I know. I mean, I find it relaxing.*

*Sebastian: It's not relaxing, Sidney Bechet shot somebody because he told him he played a wrong note. That's hardly relaxing.*

*Mia: Where I grew up there's this jazz station called KJAZZ 103. And people would just put on that station when they have a cocktail party. And everyone would just kind of talk over it.*

*Sebastian: okay, okay, So I think that that's part of the problem is that you can't hear it, you know. You have to see what's at stake.*

*(Mia looks at the band).*

*Sebastian: I mean, look at these fellas. Look at the saxophonist right now. He just hijacked the song. He's on his own trail. These guys are performing and composing and rearranging, they're writing and they're playing the melody all at once. It's so, it's conflict, and it's compromise, and it's just, it's new every time. It's brand new every night. It's very, very exciting. And it's dying. It's dying, Mia. It's dying on the vine. And the world says "let it die. It had its time". Well not on my watch.*

*Mia: What are you gonna do?*

*Sebastian: I'll have my own club.*

*(Mia looks at Sebastian. She can see something in him now - the passion he's speaking of).*

*Mia: Really?*

*Sebastian: Yes. We're gonna play whatever we want, whenever we want, however we want, as long as it's pure jazz.*

*(He looks at Mia. She's visibly moved).*

In these two scenes is demonstrated a central element of Sebastian's sensing capability, where he affirms to have a well-defined plan and dream: to open his own business. The character identifies a market demand that is not met: that of having an establishment that presents its customers with traditional and pure jazz, in a context where jazz has been modernizing and with it losing its essence. At various moments in the movie, Sebastian demonstrates he does not agree with competitors' business models, which according to the character cannot deliver quality music and try to add different characteristics, and in doing so they end up doing nothing well done. An example of this is the "Sambas y Tapas" establishment, which used to be a place called "Van Beek" and had great names in traditional jazz - which is why Sebastian believes his new business should be done at this same establishment (time: 00:39:42 until 00:41:38).

The scenes demonstrated are consistent with Osborne's (1995) & Teece's (2014) views on the entrepreneur's role in the quest for sensing and understanding market opportunities, one of the central elements in dynamic capabilities. The character in the film demonstrates an ability to feel and start things, finding new and better ways of doing them in relation to competitors. Sebastian does the sensing by observing the environment, the competitors and identifying a business opportunity that has become his dream and by demonstrating his goal, focus and persistence around it. This is consistent with Teece et al., (2016) assertion that this capability involves a sense of what will happen in an unknown future. It was also observed, according to Cummins (2017), that it was the entrepreneur who detected the opportunity that made possible the creation of his business and allowed the company to obtain a competitive advantage in the future. In this way, the sensing came even before the creation of the business, and therefore can be fundamental to explain not only how established firms retain their competitive edge, but how organizations themselves are created through perceived opportunities.

It should be noted that while the sensing dimension is sometimes defined in the literature of dynamic capabilities as a process of monitoring and diagnosing the environment, this dimension may have a more intuitive nature and linked with the particularities of the entrepreneur. In this sense, Penrose (1959) already stated that the identification of environmental opportunities depends on the entrepreneur's imagination efforts, sense of opportunity and instinctive notion of how to succeed. In the scenes described, it is possible to observe that Sebastian has a dream of opening his business in the traditional jazz market, that is in decadence and that no longer catches the attention of the customers, and it is his instinctive notion that what he dreams is going to work and his effort of imagination that in the course of the film, take the character to become a entrepreneur of a successful business, by creating his own opportunities.

### **Seizing capability**

Just sensing the opportunities is not enough to create a business or to adapt in an already established organization, it is also necessary to take action and capture the opportunities. For this, the seizing capability is important. It is evidenced in several scenes that Sebastian develops these skills, he makes the decision to capture the opportunity sensed, which is to opens the jazz club. To do this, he needs to mobilize financial resources. In the conversation with his sister (time: 00:17:50 until 00:20:26), it becomes evident that the main obstacle to the realization of his dream concerns the financial situation in which Sebastian is, unemployed and with no money to start his business. Thereafter, the character begins to seek work in various places to get the necessary financial resources. It was stated by Penrose (1959) that a firm or entrepreneur may be unable to seize the opportunities sensed because of its inability to mobilize resources in sufficient quantity. Sebastian's difficulty in raising capital is also consistent with Osborne's (1995) view that for an entrepreneur to find sources of capital - whether personal savings or loans-may require considerable persistence.

To capture these financial resources, in the second season of the film, Sebastian finds himself working at a party (time: 00:26:05 until 00:30:40), playing popular songs that he does not identifies. In a later scene, in the summer (time: 01:06:33 until 01:08:22), Sebastian start working in a jazz band together with his friend Keith. He does not like the band at the beginning, because the band have a more modern jazz approach. Later in the film, this band becomes very successful, and Sebastian has a period of crisis where he prefers to continue with the band rather than take risks trying to start a jazz club of his own. Mia plays a key role in this scene (time: 01:17:30 until 01:24:10), showing to Sebastian that his dream is not in the band, but in the new

venture. A part of this dialogue is below:

*Sebastian: This is what you wanted from me.*

*Mia: To be in this band?*

*Sebastian: To have a steady job.*

*Mia: Yes, I wanted you to have a job so you could take care of yourself and start your club.*

*Sebastian: So I'm doing that. So why aren't we celebrating?*

*Mia: Why aren't you starting your club?*

*Sebastian: You said yourself no one wants to go to that club! No one wants to go to a club called Chicken on a Stick.*

*Mia: Change the name!*

*Sebastian: - and no one likes jazz. Not even you.*

*Mia: I do like jazz now, because of you.*

*Sebastian: What am I supposed to do? Go back to playing "Jingle Bells" so I can save money for some Shangri-La club no one wants to go to?*

*Mia: People will want to go to it! People love what other people are passionate about.*

*(...)*

*Mia: You had a dream that you were sticking to, that –*

*Sebastian: This is the dream!*

*Mia: This is not your dream.*

After this scene Sebastian resumes the decision to open the jazz club. This decision making and search for resources to give the business viability is consistent with the seizing capability proposed by Teece (2007). It should be noted that Penrose (1959) already stated that a company's inability to grow has sometimes been incorrectly linked to demand conditions, while the real problem lies in the inability to mobilize sufficient resources and capital. According to the author, "new, small and unknown companies do not have the same facilities to raise capital as large, established and well-known companies" (Penrose, 1959). The film elucidates these aspects by showing that Sebastian had difficulties in mobilizing financial resources, and by being able to do this, he was able to create and develop his enterprise. Thus, besides the sensing, it was also necessary to make the decision and mobilize the financial resources for its creation. While the seizing capability continues to be important in established companies, in this case, without it the business could not even exist in the first place, evidencing that this capability is also fundamental for the creation of new business.

### **Transforming capability**

It is not enough to just sense market opportunities, make decisions and mobilize resources in their capture, it is also necessary to constantly renew the resources and capabilities to adapt as the environment change. It was observed in the film that the transforming capability occurs in two ways: in the entrepreneur and in the market. For the first one, it was important the discussion of Sebastian with Keith (time: 01:06:33 until 1:08:22), where Sebastian is questioned about being too traditionalist. Keith cites that Sebastian's musical idols were jazz revolutionaries, but he refuses to be. This dialogue can be seen below:

*Keith: I know. It's different. But you say you want to save jazz. How are you going to save jazz if no one's listening? Jazz wouldn't exist if people hadn't gotten tired of what they were listening to before. I mean, do you really think a bunch of ninety-year-olds in a basement is the future of the form? Traditionalists whined when Kenny Clarke started dropping bombs. If traditionalists had their way, we'd still be playing Dixieland. You're holding onto the past. But jazz is about the future.*

This scene, along with others, like the early talk with his sister, highlight that people around Sebastian don't believe that he is able to succeed in his dream and sensed opportunity.

This film is important to transformation capability because it demonstrates that the character does not give up on his dream even in times of financial or personal difficulties and

shows he has the capability to constantly reconfigure and regenerate himself around the opportunity detected and resources mobilized, as pointed by Makkonen et al. (2013). This occurs even in the face of all the problems that appear-and it is his persistence which results in the creation of a successful business.

In this sense, the transformation occurs continually in the individual and it's been all along Sebastian's path, aiding in his continuing pursuit of opportunities and financial resources that lead to the creation of the firm. This is consistent with Wadhvani & Jones's (2016) assertion that reconfiguration involves the transformation and realignment of tangible and intangible assets in order to enable the search for new business opportunities. Throughout the film, Sebastian transforms his intangible resources (personal skills and his dream) along with his material resources (rare objects of jazz and financial resources) into a successful business that breaks away from the way competitors present jazz. Sebastian's attitudes and actions are also consistent with Teece et al. (2016), that noted that the transformation refers to skills of continuous renewal, and Teece and Leih (2016) that stated that it involves continuous exploration and learning of the entrepreneur.

But the transformation was not present only in Sebastian. It was passed to the venture when it was officially opened. Although the traditional jazz market was dying, Sebastian persists and believes in his power to create a new market that people do not even imagine they would like, as described by Teece & Leih (2016). In the final scene of the film (time: 01:47:55 to 1:52:49), it is showed the successful venture that Sebastian built in his entrepreneurial process. The enterprise made it possible for a market that was declining to be resurrected. This was possible because the character believed in his dreams, being able to convey his passion for traditional jazz to customers. In this way, it was his capability to reconfigure the market, transforming the customers' taste through his search for solutions, identification, creativity, passion for the business and transmitted meaning, in addition to the quality of the music and the pleasant atmosphere, that Sebastian was able to convey to his clients always a unique experience. He was capable of attracting the public and thus characterizing a successful business and transforming the market. In this way, Sebastian was able to generate and continually renew value and, thus, protecting it, a key aspect of the transformation capability as proposed by Teece (2007).

## CONCLUSIONS

This article addressed a gap in the dynamic capabilities literature. While most of the researches examines how dynamic capabilities assist firms already established in adapting and gaining competitive advantage, the literature has not clearly evidenced how they aid in the creation of new business. In this research, this issue was addressed by demonstrating the relationship between the developments of dynamic capabilities through the entrepreneur's acting. The research reached the proposed objectives by highlighting how the dimensions proposed by Teece (2007) for sensing, seizing and transforming were critical for the entrepreneur to achieve his dream of creating a successful enterprise. In particular, it was evidenced that the dynamic capabilities are present in the entrepreneur even before the existence of the formally constituted organization and are elements without which the enterprise would not be viable. In this way, the dynamic capabilities are resident in the entrepreneur itself and influenced by their personal characteristics and motivations, which in turn become the dynamic capabilities in an organizational plan.

While in the case analysed the three dimensions of sensing, seizing and transforming occur simultaneously and continuously, the sensing dimension was the one that defined and guided the other two. In the process of creating the business, the character portrayed in the film, Sebastian, demonstrates his dream to open a traditional jazz enterprise. This will have emerged in part from a finding that the character made through a diagnosis and monitoring of competitors in the jazz market. Sebastian found that jazz is portrayed in a non-authentic way in an attempt to modernize a musical style that was in decline, and used his imagination and instinctive notion that he could revive this market and transmit his passion for traditional jazz to customers - what happened. In this sense, it was the entrepreneur's capability to sense throughout the film that allowed the creation of the venture in the final scenes. In this way, this dimension of dynamic capabilities can explain how new business are created by highlighting how ideas, intuitions and conceptions about business opportunities are perceived and detected by individuals who subsequently make them reality.

Sequentially to the sensing capability that can make a successful organization viable, the seizing of this opportunity and its continuous transformation follow. When Sebastian detects the gap in the market that is not supplied by competitors, the decision making by its capture is a central element in explaining how the entrepreneurial exploration has become an organization. From the understanding of the opportunity, the character identifies that he cannot create it without first mobilizing the resources that are needed. Sebastian kept several rare traditional jazz materials that have a high symbolic value, identified a location that in his perception was perfect to open a jazz venture, and more importantly, as Sebastian was unemployed and without money, he went through several different jobs until he entered in a band that made success, allowing the character to obtain the financial resources that would enable his dream by capturing the detected opportunity. That said, this capability is essential to explain how new business are created, highlighting how decisions are made and resources mobilized by the entrepreneur. The seizing shows how the opportunities and the imagination of the entrepreneur transform from an idea to reality.

In the case analysed, sensing and seizing were essential to enable the creation of a successful enterprise. However, another capability without which Sebastian's jazz club might not be created is that of transformation. From the beginning when the character made the decision and began to mobilize resources, Sebastian showed an ability to adapt and transform continuously in the face of all adversities that arose, whether financial or personal, guided by his dream. It was shown that Sebastian was deceived, did not have the approval of his family and his friends, had no financial conditions, but it was his reconfiguration capability that kept him faithful around the sensing and seizing. In particular, when the character was in the band with Keith, he was reluctant to leave the job and take the risks of the new business, and it was his companion, Mia, who redirected him to entrepreneurship, which shows that the people with whom the entrepreneur relates also have a key role in creating business and in the dynamic capabilities. Later, with the business already open, Sebastian manages to transform the market by introducing a break with what was done by the competitors, and offers a unique experience to customers. Thus, in the case analysed, the transformation capability was fundamental to explain how the entrepreneur was able to create the business even with all the problems and adversities inherent to the entrepreneurial activity, and also, it allowed for him to transform the jazz market.

Some potential implications emerge from the results of this film analysis. First, the value and importance of dynamic capabilities in creating new ventures is evidenced. Thus, the literature on dynamic capabilities should not be limited to analysing already established

organizations, but it is necessary to highlight how they can explain and help create new business. In this sense, more research is needed to deepen these questions, since this research is limited in terms of being a single case study and therefore not generalizable. Second, this article showed that dynamic capabilities can occur even before opening the business, marking the later innovative characteristics of the organization to a greater or lesser degree, it was evidenced that these reside in the entrepreneur himself, who uses the capabilities of sensing, seizing and transforming since the initial conception of the business idea until its later creation and maintenance. However, in this work we did not delve into the specifics of the entrepreneur, and how his emotions, motivations, fears, their essence and their perceptions in general influence the dynamic capabilities. In this sense, more research is needed to clarify these issues.

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