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Designing dynamically “signature business model” that support durable competitive advantage

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Abstract

Purpose/Research question: The paper provides an empirical research of the Samsung case. In particular, we study the case by adopting three frameworks: dynamic capabilities (DC, examined by using the sensing/seizing/transforming approach), business model (BM, examined by using the BM canvas), and customer value proposition (CVP), examined by using the PERFA ((Performance, Ease of use, Reliability, Flexibility, and Affectivity) framework. The aim is to demonstrate that three frameworks successfully explain Samsung competitive advantage. Research question has been defined as follows: how dynamic capabilities actually operate in Samsung Group and contribute to its competitive advantage?

Key literature reviews: Dynamic capabilities enable a firm to identify and orchestrate the necessary resources for designing and implementing a business model that will, if employed in conjunction with a good strategy, be associated with high levels of sustainable profits. The selection/design of business models is a key micro foundation of dynamic capabilities - the sensing, seizing, and reconfiguring skills that the business enterprise needs if it is to stay in synch with changing market. However, there are few examples how successful ICT industry players design dynamically their “signature business model” by Teece (The Academy of Management Perspectives 28:(4)328–352, 2014) that can support durable competitive advantage.

Design/Methodology/Approach: This proposed research seeks to explore critical aspects pertaining micro foundations of DC. In this research, two stages of research work will be involved. The first stage is deductive case studies research. We relied on an extensive archival search that included financial statements, annual reports, internal documents, industry publications, and CEO statements to get at a micro-level understanding (Barr et al., 1992), that really boosts our data and better understanding of micro foundation of DC. The second stage involves a demonstration of development process of new conceptual model of research.

Findings/Results: The research question of current paper has been answered empirically by using data of world leading ICT industry: Samsung Group. What we can learn beyond the ICT industry context from our analysis in terms of generalization of our research results is that the synchronization of business models with the business environment is a critical role of dynamic capabilities in successful organizations. The conversion of value delivered to the customer into value captured by the enterprise is arguably the essence of a business model.

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Research limitations/Implications: We carried out qualitative research of huge secondary data source that help us make sense of the casual links that connect DC, BM and CVP. We didn't interview executives of those companies due to availability of actual interviews as a secondary data sources. Our contribution is a new conceptual model of competitive advantage paradigm as a product of dynamic capabilities, business models and customer value proposition. The paper also provides analysis, which could be productively used for a case study discussion in class.

Keywords: Dynamic capabilities, Business model, Customer value proposition

Introduction

The exploration on how to manage organizational resources and capabilities to sustain competitive advantages remains the intriguing unit of research of strategic management science. It is especially through for Information and Communication Technologies Industry where technologies developing with astonishing speed and where the life cycles of cutting-edge products are becoming shorter and shorter, and brand-new products of firms are routinely being imitated by others (Yun et al. 2016). Therefore, the rapidly changing economic landscape, coupled with transformational advances in information and communication technologies, presents many challenges to managers of large and small enterprises alike (Amit and Zott 2016). The need for a new approach for firms to deal with the increasing open innovation phenomenon in the form of strategies, business models, user innovation is on the rise (Yun et al. 2016). In response to such challenges, two perspectives have emerged in the strategic management literature in the last two decades: the dynamic capabilities (DC) paradigm (Teece et al. 1997), and the business model (BM) perspective (Amit and Zott 2001). With few exceptions (e.g., Teece 2009), these viewpoints have been kept separate (Amit and Zott 2016). Excellent theoretical contribution did by Amit and Zott (2016) exploring the rich links between these two strategic management perspectives. The key insight that they offer is that business model design, when viewed through a process lens, can be considered a dynamic capability. The dynamic capability view (DCV) on competitive advantage has emerged as an attempt to untangle the complex problem of competitive advantage sustainability in rapidly changing environments (Eisenhardt and Martin 2000; Teece et al. 1997). The term 'dynamic' refers to capacity to renew competences so as to adapt to the changing business environment (Teece et al. 1997). The term 'capabilities' emphasizes the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organizational skills, resources and functional competences to match the requirements of a changing environment. Hence, DCV studies investigate the attribute, origination, process, influence, and contribution of the dynamic capabilities (Barreto 2010; Helfat and Peteraf 2009; Narayanan et al. 2009; Teece 2009; Zahra et al. 2006; Zhou and Li 2010; Zollo and Winter 2002; Zott 2003) and most researches argue that dynamic capabilities increase competitive advantage. Helfat and Peteraf (2009) define dynamic capabilities as "the capacity of an organization to purposefully create, extend, or modify its resource base" and as such to reach a higher economic value than their competitors. In addition, dynamic capabilities are regarded as a transformer for converting resources into improved performance (Lee and Wu 2014).

However, “dynamic capabilities theory cannot directly explain the triggers of dynamic capabilities. There is no sufficient explanation to the starting point of the introduction of new ideas, know-ledge, or technology, as a dynamic activity performed by a firm” ((Yun et al. 2016, p.3). What’s more, Yun argues that “Big businesses should continuously make efforts to introduce new business models by creating new combinations for a short period through friendly partnerships, and technology licensing with SMEs and start-ups rather than just focusing on its internal R & D” (2015, p.18).

Therefore, dynamic capabilities enable a firm to identify and orchestrate the necessary resources for designing and implementing a *business model* that will, if employed in conjunction with a good strategy, be associated with high levels of sustainable profits (Teece, 2007). In recent year, the business model has received increasing attention of strategy researchers. “Academic works on business models began just a decade ago in the context of the Internet boom, where entrepreneurs were asked to explain how their ventures would create value and how value would be captured as profit. Indeed, the most common definition of business model is “the logic of the firm, the way it operate, and how it create and capture value for stakeholders” (Brea-Solis et al. 2015, p.12). In essence, a business model embodies nothing less than the organizational and financial “architecture” of a business (Teece 2010). The selection/design of business models is a key micro foundation of dynamic capabilities - the sensing, seizing, and reconfiguring skills that the business enterprise needs if it is to stay in synch with changing market (Teece 2007). From the point of view of Johnson et al. (2008) a business model consists of four main elements, the synthesis of which delivers value: customer value proposition; profit formula; key resources and key processes. Osterwalder and Pigneur (2009) with real 470 business practitioners from 45 countries extended number of elements and developed business model canvas with nine building blocks: key partners, key activities, key resources, customer segment, value proposition, channels, customer relationship, revenue stream and cost structure. Graton and Goshal argue that „many companies adopt industry best practices to stay competitive. But high-performing companies do more: They also embrace unique “signature processes” that reflect their values...” (2005, p.1). However, there are few examples how successful ICT industry players design dynamically their “*signature business model*” (Teece 2014) that can support durable competitive advantage: valuable, rare, imperfectly imitable, and non-substitutable (VRIN). Having understood the concept of a business model and its main building blocks, it is necessary to get an insight into the most important component of business models, which is the *customer value proposition* (CVP). Value has to be based specifically on customers’ needs and is an action that is done exceptionally in favour of the customer. A recent research carried out by Lindic and Silva (2011) has come up with a new PERFA (Performance, Ease of use, Reliability, Flexibility, and Affectivity) framework, which outlines five components of CVP generated by innovations. According to Lindic and Silva (2011) this framework can assist both academics and practitioners in understanding the value proposition concept and its structure and its role in value creation for the customer and value capturing for the company and would be useful Samsung Group CVP analysis. However, despite the number of research papers devoted to exploring business model over the last two decades, structured research on the topic is relatively rare (Demil et al. 2015, p.1). Furthermore, much of research on business model has been conducted in the context of start-ups, so we know less about

business model of established firms (Demil et al. 2015, p.1). What's more, most of the empirical researches on business model, that have profoundly impacted and indeed changed the way people live, have been conducted in context of Western firms in developed countries: Apple, eBay, Facebook, Google (Demil et al. 2015 p.2). There is a need to develop a framework that explains the dynamic growth performance of Asia Pacific firms. This paper presents the dynamic capabilities framework (Teece 2009), which is increasingly providing the set of tools for both theoretical and applied analyses of the sources of competitive advantages of organization and other strategic issues facing Asian ICT giant of business decision maker like Samsung Group.

Therefore, the paper thereby adds to the growing research on dynamic capabilities by illustrating the dynamic capabilities strategic thinking and business model. Our illustrative case study explicated the relationship between dynamic capability and sustained competitive advantage. Teece argues, that the study of individual corporate histories is an avenue for research and, in particular, for understanding the origins of dynamic capabilities (Teece 2012).

Based on our empirical analysis our contribution is more on the applied side: operationalization of DCs and illustrating signature business model and customer value proposition with case studies of the most successful Asia Pacific ICT: Samsung Group. What we can learn beyond the ICT industry context from our analysis in terms of generalization of our research results is that to outperform competitors in the long run, successful companies need to continually developing and strengthening their dynamic capabilities and being able to effectively and timely to re-orchestrate and re transform their resources when opportunities or threats arises.

The paper provides an empirical research of the Samsung Group case. In particular, we study the case by adopting three frameworks: dynamic capabilities (DC, examined by using the sensing/seizing/transforming approach), business model (BM, examined by using the BM canvas), and customer value proposition (CVP), examined by using the PERFA (Performance, Ease of Use, Reliability, Flexibility, and Affectivity) framework.

The aim of paper is to demonstrate that three frameworks successfully explain Samsung competitive advantage and underpin each others. Research question has been defined as follows: how dynamic capabilities actually operate in Samsung Group and contribute to its competitive advantage? What's more, to discuss dynamic capabilities at operational levels, our paper seeks to build up a conceptual model of the dynamic processes involved in signature business model design to analyze those processes, starting from the sensing and seizing opportunities, and then transform existing core competences to the current customer value proposition in ICT Industry.

The paper proceeds as follows. The introductory section outlines the main problem of the research and provides reasons for conducting the study. The literature review introduces the reader to the concept of dynamic capabilities, business modeling and CVP as a part of business modelling and to the importance of them in sustaining competitive advantages. The paper continues with the theoretical framework, which identifies the main variables of the research, and the relationships among them and formulates research question. A section on data analysis and interpretation follows the literature review with a detailed description of the research design. Next, the paper engages an analysis of the research questions with the help of the secondary data collected. Lastly, the research outcomes are formulated in the discussion and conclusions

and some recommendations are made according to the previously set aim and objectives. The paper is wound up by a list of study limitations and opportunities for future research.

Literature review

A brief review on the dynamic capabilities framework

Strategy is about building dynamic capabilities aimed at responding efficiently to future and existing contingencies (Ambrosini and Bowman 2009). The dynamic capabilities view (DCV) has arguably become the theoretical centrepieces of efforts to understand how firms can successfully compete in changing environment. David Teece has introduced the concept of dynamic capabilities, by which he means an organization's ability to renew and recreate its strategic capabilities to meet the needs of changing environments. Teece et al. (1997) define dynamic capabilities as "the ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments". Thus, sources for competitive advantage lies in companies' ability to alter the resource base: create, integrate, recombine, and release resources. "Dynamic capabilities are the subset of competence/capabilities which allow the firm to create new products and processes, and respond to changing market circumstances" (Teece et al. 1997, p. 510). Lee et al. (2002) (p.734) suggest that "dynamic capabilities are conceived as a source of sustainable advantage in Schumpeterian regimes of rapid change". As noted by Cepeda and Vera (2007) (p. 427), quoting a similar arguments to Priem and Butler (2001), "if the firm has a dynamic capability, it must perform well, and if the firm is performing well, it should have a dynamic capability". "For long-term growth and survival of the enterprise, they must be cleverly managed, or orchestrated, by a dynamically capable management team pursuing a good strategy" (Teece 2014, pp. 340–341). "The theoretical and practical importance of developing and applying dynamic capabilities to sustain a firm's competitive advantage in complex and volatile external environments has catapulted this issue to the forefront of the research agendas of many scholars" (Zahra et al. 2006, p. 917). Thus, research on dynamic capabilities has been described as a promising perspective of scholarship in strategic management (Stefano et al. 2014; Helfat and Winter 2011; Teece 2014). Furthermore, the majority of the work on dynamic capabilities and the original work of Teece et al. (1997) assert that dynamic capabilities were necessary to deal with rapidly changing environments. In this paper, we examine dynamic capabilities in Information and Communication technology industry in which innovations are developing with astonishing speed.

Dynamic capabilities can usefully be thought of as belonging to three clusters of activities and adjustments: identification and assessment of an opportunity (*sensing*); mobilization of resources to address an opportunity and to capture value from doing so (*seizing*); and continued renewal of core competences (*transforming*) (Teece 2009). Sensing implies that organization must constantly scan, recognize and appraise opportunities and threats across various markets and technologies. Investigating customer needs are typical sensing activities. One opportunity is sensed it must be seized and addressed through new services, process activities to the opportunities and threats that have been identified. To seize an opportunity may require renewal and reconfiguration of organizational capabilities and investment in technologies, equipments, markets.

Thus transforming is how to organize new and old resources for organization's value maximization. One key implication of the dynamic capabilities concept is that firms are not only competing on their ability to exploit their existing resources and organizational capabilities, firms are also competing on their ability to explore, renew and develop their organizational capabilities (Eisenhardt and Martin 2000). What is more, Teece wrote "...first, I reject the notion that dynamic capabilities reside only in high-level routines. I have endeavoured to make clear that, in my view; dynamic capabilities involve a combination of organizational routines and entrepreneurial leadership/management (Teece 2014, p. 338).

During the last two decades, research in dynamic capabilities has promised to unlock understanding of how competitive advantage arises in dynamic markets. However to date, empirical work has by and large focused on *what* dynamic capabilities are. There has been little work demonstrating *how* they actually operate and contribute to competitive advantage other than at the conceptual level (Armstrong et al. 2012). Stefano et al. argue "Despite the exceptional rise in interest in and influence of dynamic capabilities, criticisms of the dynamic capabilities perspective continue to mount. Common concerns are related to lack of consensus on basic theoretical elements and limited empirical progress" (Stefano et al. 2014). Specific capabilities that have been identified and studied involve research and development (Helfat 1997), mergers and acquisitions (Karim and Mitchell 2000), and ambidextrous organizational structures (O'Reilly and Tushman 2013), network responsiveness (Kleinbaum and Stuart 2014); human capital management (Chatterij and Patro 2014). However, our analysis has been centred on DC by investigating how strategic decision making on new technologies and new products that can be underpinned by developing DC to create sustained advantages. To demonstrate, at a fine-grained, corporate strategic and operational levels decision making, we examine illustrative empirical examples at firm, which we refer to Samsung Group. Hence, the paper aim is to add the understanding of dynamic capabilities as a sources of competitive advantage by demonstrating that dynamic capabilities (DC) development unfolds in three clusters of activities and adjustments: identification and assessment of an opportunity (*sensing*); mobilization of resources to address an opportunity and to capture value from doing so (*seizing*); and continued renewal of core competences (*transforming*) as well as inventing and implementing *new business model* (Teece 2007, 2009).

Business model and customer value proposition

"No consensus exists yet regarding the definition, structure, and evolution of a business model. The manner in which firms create and capture value is a popular research topic" (Han and Cho 2015, p.2). A business model is defined by Weill et al. as a system of "suppliers, distributors, commerce service providers, infrastructure providers, and customers "how a firm makes money; some go beyond this and discuss creating value" (2005: 4). Business models outline the core of the business and provide a clear understanding of its business logic. In essence, a business model embodies nothing less than the organizational and financial "architecture" of a business. The selection/design of business models is a key micro foundation of dynamic capabilities - the sensing, seizing, and reconfiguring skills that the business enterprise needs if it is to stay in synch with changing market. However, there are few examples how successful ICT industry players

design dynamically their “signature business model” by Teece (2014) that can support durable competitive advantage: valuable, rare, imperfectly imitable, and non-substitutable (VRIN). “We use signature to describe how these processes embody a company’s character and signify their idiosyncratic nature ... Signature processes are rooted in a company’s history and values” (Gratton and Ghoshal 2005, p.2). According to Gratton and Ghoshal (2005) signature processes are not the same as best practice, signature processes have the potential to advance the company’s competitive position beyond just a level playing field. Gratton and Ghoshal (2005) argue that signature processes develop from the heritage and values of the company and are shaped by the philosophy and wisdom of the executive team. Thus, we seek in our research to illustrate how to dynamically design signature business model that support durable competitive advantage. It is also important to consider the difference between business models and a company’s strategy. Magretta (2002) states that business models do not deal with competition as his is the mission of strategic planning; however, a business model can become a strategy, when a newly designed business model is hard to imitate and turns into a source of sustained competitive advantage. According to Osterwalder and Pigneur (2009) a business model can be used as a detailed description of the way the elaborated strategy will be followed. From the point of view of Johnson et al. (2008) a business model consists of four main elements, the synthesis of which delivers value: the CVP; the profit formula, key resources and key processes. The first and most important element is the CVP. The CVP holds such a high degree of importance for the rest of the business model components, without which a company has no reason to exist (Lambert 2008). Another component of a business model, outlined by Johnson et al. (2008), is the profit formula. This element is described by Johnson et al. as “...the blueprint that defines how a company creates value for itself providing value to the customers” (2008, p. 60). The next element of a business model is key resources. Lambert argues that key resources include “...information technology hardware and software, intellectual property, financial, physical and human resources, cultural resources ...” (2008, p. 285). These resources give the company an opportunity to build a CVP, reach market segments, maintain relationships with stakeholders and gain profits (Osterwalder and Pigneur 2009). The last component of a business model is key processes. Johnson et al. (2008) state that key processes are operational and managerial activities, which allow the company to deliver value in a way it can successfully repeat and increase in scale. To conclude, these four components are the foundation of any business model. The CVP and profit formula explain the value for the customers and the company, and key resources and processes show how the company delivers value to the customers and to itself. Having understood the concept of a business model and its four main elements, it is necessary to get further insight into the most important component of a business models, the CVP. In order to have a more in-depth understanding of the CVP concept, it is useful to look at a number of other reflections on the term. Gitomer (2005) is convinced that CVP is a very important concept in business as a well-built value proposition will engage the customer, gain the interest of the marketplace, eliminate competition and may even double sales. Value has to be based specifically on customers’ needs and is an action that is carried out exceptionally in favour of the customer (Gitomer 2005). Lindic and Silva support this idea, saying “...value is created, when product attributes, e.g., design or service support, match specific customer

needs...” (2011, p. 1695). Customer value is defined as a trade-off between what the customer may obtain in terms of quality, benefits or worth, and the costs of acquiring it (Perrey et al. 2004). What is more, it is absolutely crucial to be aware of the presentation of the offering or value in a compelling manner. Perrey et al. (2004) state that a product or service, which is highly valuable for the customer in terms of exact benefit, may not be purchased if it is not presented in an acceptable and compelling way. Camlek offers an apt definition, which summarise all of the above contemplations: “Essentially, a value proposition will state the measurable value or tangible customer benefits that a product or service will provide to its customers and will illustrate the return on the investment or other tangible positive outcomes of choosing a particular service provider over its competitors” (2010, p.119).

A recent study carried out by Lindic and Silva (2011) has come up with a new PERFA (Performance, Ease of Use, Reliability, Flexibility, and Affectivity) framework, which outlines five components of CVP generated by innovations. According to Lindic and Silva (2011) this framework can assist both academics and practitioners in understanding the value proposition concept, its structure and its role in the innovation process and strategic planning. Osterwalder and Pigneur (2009) strongly believes that an analysis of CVP performed on the basis of CVP decomposition, not only may assist the company in the evaluation of its CVP, but can also help it to compare the value proposition with the competitors’ offerings in a qualitative way. Engle (2012) suggests that since CVP should be based on customers’ needs, it is reasonable to interact with the target customers through surveys, focus groups, one-to-one interviews, discussions and observations. Engle (2012) also suggest that observation of competitors’ may provide some insights into market trends and changing customer preferences. Hence, it becomes clear that the CVP development process should include both internal and external information gathering and analysis. The concept of CVP is sometimes confused with concept of unique selling proposition (USP). Simister (2009) discusses this issue and claims that CVP and USP imply two very different things. Simister (2009) states that the main difference between CVP and USP is that CVP focuses on competitive strategy and thus on competitive advantages, whereas USP sounds more like a Marketing message to the customer. Thus, it can be concluded that the concept of CVP and USP definitely fit together, but may not be regarded as identical.

Description of investigation

This proposed research seeks to explore critical aspects pertaining micro foundations of DC and signature business model. In this research, two stages of research work will be involved. The first stage is deductive case study research. *Deductive* case studies use existing theory to investigate a focused *phenomenon*. In the course of the case study the existing theory of DC is tested and may be either be confirmed or falsified (Barratt et al. 2011). The purpose of deductive case study is to explore distinctive roles of dynamic capabilities in creating and sustain competitive advantages. Even though a strategy-as-practice or process-based approaches in empirical qualitative research usually have an element of ethnographic or discursive analysis using primary data (sometimes in addition to secondary data, sometimes alone), “the study of managerial dynamic capabilities is challenging because they are often tied to complex corporate histories. Although managerial dynamic capabilities can to some extent be traced by

using large datasets (e.g., Adner and Helfat 2003), they can best be analyzed through in-depth qualitative research (e.g., Danneels 2002). This empirical literature is still at an early stage and opportunities abound to dig deeper into the linkages between individual or small-group managerial actions, dynamic capabilities, and long run firm performance. The research paradigm of dynamic capabilities is still relatively new. Accordingly, illuminating case studies are likely to yield powerful insights” (Teece 2012, p.1400).

We relied on an extensive archival search that included financial statements, annual reports, internal documents, industry publications, and CEO statements to get at a micro-level understanding, that really boosts our data and better understanding of micro foundation of DC, business model and CVP. We didn't interview executives of the company due to availability of actual interviews as a secondary data sources as CEO interviews on youtube.com.

Using these data, as well as theories and literature sources, the main strategic thinking pattern and the micro foundation dynamic capabilities and sustained competitive advantages of successful Asian-Pacific ITC giant to innovate the industry are identified. As objects of research we selected the company that are especially active and successful in Information and Communication Technology Industry: Samsung Group. The aim of the deductive case study of Samsung Group research is explicate the relationship between dynamic capability, business model and CVP, and sustained competitive advantage. The second stage involves a demonstration of development process of new conceptual model of research by using integrating deductive case study's finding and literature research outcomes, thus *a micro foundation of DC, business model, customer value proposition and sustained competitive advantages* will be constructed and discussed. The ICT industry is selected for the reason of global nature and major changes in its complex setting of competitive environment.

This empirical research helps to fill a gap in the literature which is primarily 75 % theoretical and only 25 % empirical – focusing on proving existence of dynamic capability (Barreto 2010). Yin differentiates three different purposes for which case studies can be employed and in our research it is a *descriptive* case studies which are intended to purely *describe a phenomenon* of DC to answer “*how*” questions (2009). Having analyzed case studies we defined the research question as follows: *how dynamic capabilities actually operate in successful shipping groups and contribute to their competitive advantage?* The research question is *phenomenon-driven* and according to Eisenhardt and Graebner it is appropriate *using a single case* if a phenomenon-driven research question is subject to investigation (2007). Ultimately, each case can be viewed as a *discrete experiment* that could be repeated (Yin 2009). Regarding research investigating one single case, Siggelkow notes that it “can be a very powerful example” (2007). It is a major advantage of case study research that the few chosen samples (two case studies in our research) can be investigated in depth which would not be possible with a large case sample (Yin 2009). “Empirical studies are appearing that provide support for the framework. These often take an in-depth case study approach” (Teece 2012, p.1400).

We will answer on the research question by analyzing deductive (descriptive) case study research that help an outsider understand a root of sustained competitive advantages of companies working in changing complex setting. Regarding presentation of evidence, due to the rich amount of data that is piled up during a case studies research, Eisenhardt and Graebner state that there is no strict norm as in deductive (large-scale)

studies when presenting results (Eisenhardt and Graebner 2007). To illustrate dynamic capabilities as concrete examples of them, we have adopted a conceptual frame developed by Teece (2011) demonstrating how each of Apple's major product introductions reflected aspects of the major categories of dynamic capabilities. The conceptual framework helps us to unravel data that we have collected in search of the micro foundations of dynamic capabilities.

Data analysis and interpretation

Overview

The environmental dynamism is related to the rapid change and instability of environment (Simerly and Li 2000). According to the case study research data, ICT is an activity which is subject to the influence of many internal and external factors in areas such as economy, open innovation, financing, law, safety, security and even geopolitics landscape of ICT. They generate dynamics that will continue to shape and reshape the landscape of the ICT industry. Developing an understanding of the dynamics affecting the ICT industry is crucial in enabling ICT companies to make the necessary strategic moves by sensing the challenges and seizing the opportunities presented by the changes. Moreover, the transformation and re-orchestration of idiosyncratic resources and core competences are important micro foundations of dynamic capability of ICT companies. ICT companies are competing in a global marketplace, with relatively low entrance barriers, requiring huge investments in intangible assets and extremely capacity of specific knowledge and experience. In such complex external settings there is a strong call for dynamic capabilities of the ICT industry players.

Illustrative case study: Samsung group

Teece (2014) argues that the study of individual corporate histories is an avenue for research and, in particular, for understanding the origins of dynamic capabilities. Our illustrative case study explicated the relationship between dynamic capability, business model, customer value proposition and sustained competitive advantage of Samsung Group. Based on our empirical analysis our contribution is more on the applied side: operationalization of DCs, business model and customer value proposition and illustrating them with case study of world leading company of ICT industry. According to Teece (2014) to sustain competitive advantages "the enterprise must learn (a) what customers want and what new technologies might allow, (b) what aspects of the business model are working, and (c) whether the current strategy is effective and the company is on the path toward building a great business". We are going to answer those questions how dynamic capabilities actually operate in Samsung Group and contribute to its competitive advantage in three steps, empirically analyze how Samsung Group sustains advantages. Step one: answering "what customer want and what new technologies might allow" we will apply of three clusters of dynamic capabilities: "sensing, seizing and transforming" for most known Samsung products. Step two: answering "what aspect of the business model are working" we will analyze in-depth of nine building blocks of business model (Osterwalder and Pigneur 2009) of Samsung Group, and Step three: answering "whether the current strategy is effective and the company is on the path towards building a great business" we will construct PERFA model (Lindic and

Silva 2011) and analyze how value created and captured by Samsung Group and their customers and thus answering main question of research (Table 1).

Step 1

Exploring dynamic capabilities of company.

Comments

Each of the three clusters of dynamic capabilities is tied to business model innovation, development, and implementation which are needed to explore in-depth. Thus, sensing of new demand and expected customer innovations as well as the identifying and assessing of opportunities for product innovations are the triggers of dynamic capabilities of seizing. Afterwards, seizing opportunities, by means of the mobilization of resources internally and externally to address identified opportunities and to capture value from doing so, leading to dynamic capabilities of transforming and continued renewing of the organization's core competences. Therefore, dynamic capabilities framework is demonstrating how value captured by the company for the stakeholders. However, the process of designing signature business model more illustrate how value created for the company's customers and it is a next step of current research.

Step 2

Exploring business models of the company in depth and *identifying* the logic and provides data and other evidence that demonstrates how a Samsung creates and delivers value to customers (Table 2).

Comments

Where is the signature of business model of Samsung Group? It derived from economies of scale and scope, and what is more important from economics of networks. Samsung believes that the best strategy to achieve vision of becoming a true global leader is to strengthen their business partner's competitiveness and pursue cooperation, strategic alliances and joint-venture through win-win partnership. To put the principles of open innovation into business model (Yun et al. 2016), Samsung adopts a multi-pronged approach that involves participation in global consortia, forging links between the industry and top universities, cooperation with vendors, and operation of successful overseas research centers. The central idea behind open innovation is that, in a world of widely distributed knowledge, companies cannot afford to rely entirely on their own research, but should instead buy or license processes or inventions (i.e., patents) from other companies. Having explored a signature business model we discovered that mutual development with key partners is a key element that elevated Samsung into a top-global corporation. What's more, signature of business model of Samsung was declared in the moto of Samsung Global Innovation Center (GIC): "you build the product, we'll do the rest". Through these relationships, GIC is actively recruiting startups into the Samsung community and constantly determining new ways to connect all of Samsung's product lines with these startups' technologies. GIC combines the innovate ideas of brilliant entrepreneurs and couples it with Samsung's vast resources and global distribution. "We have relationships with developers and leading startups all over Silicon Valley to bring these startups onto our platforms" (Samsung Newsroom 2015).

Table 1 Dynamic capabilities of Samsung

Strategic decision on product diversification	Sensing (the identification and assessment of opportunities)	Seizing (the mobilization of resources internally and externally to address opportunities and to capture value from doing so)	Transforming (continued renewal of the organization)	Results – sustained competitive advantages
Smartphone (Galaxy)	Existing Smartphone's were too expensive and not always provided phone functionality (specific features) for affordable price or did not provide them at all	Samsung offered portable device, which combined features of tablets and Smartphone and at the same time could compete by the low retail price with iPhone. The screen of the Galaxy is even larger than in iPhone, it has intuitive interface and provided new Smartphone features. For example it is possible to switch pages by eye, use your Smartphone to switch the TV channels etc.	Continuously following to the innovations the competitors have made and adapting them as fast as possible. Investing large amount of money in technology development and personals' education. Launching huge promotion campaign.	Samsung became world's Nr.1 Smartphone producer and the main rival of the iPhone Smartphone. People appraised Samsung Smartphone's functionality, design and the price level of the production.
LCD displays, TV	Samsung realized that there is opportunity to enter new market – 3D and Smart TV segment	Samsung was one of the first manufacturers that offered Smart TV and offered high quality 3D TV. It could be used not only for watching TV, but also games and other entertainments	Continuously improving quality and production costs. New TVs are constantly being developed, new functions are being added. Now Samsung is one of the few mass market manufacturer to offer a 105-inch curved Ultra HD television	Is one of the leading companies in the TV production segment
Tabs	Samsung noticed customer need for big screens, and need two write notes by the hand (for Asian market it is important to be able to write symbols by the hand)	Samsung Galaxy Note Phablet is a classic example of value innovation where it eliminates the need for two devices Smartphone and tablets raises the product utility through big screen that enhances the browsing and multimedia experience and Stylus that facilitates sketching, note-taking and annotation.	In its latest Galaxy Note 3 Samsung added a smart watch Galaxy Gear that adds even more functionality. Stylus reduces the need for carrying the notebooks or papers for note taking during meetings and conferences	Samsung tabs are very popular around the customer

Table 1 Dynamic capabilities of Samsung (Continued)

Samsung other appliances	They could provide the same quality products with lower costs. Samsung started to manufacture more qualitative products than many other manufacturers, their devices usually have better design and wider functional range.	Samsung offered devices, which could compete by the price and quality. Samsung has introduced several models of digital cameras and camcorders, several models of home appliances (refrigerators, washing machines, dishwashers, ovens, microwaves, cookers, cooker hoods and vacuum cleaners), as well as several models of audio technology	All the devices are constantly updated, upgraded and improved, new functions and potentials are being added. In 2010, the company launched the NX10, the next-generation interchangeable lens camera. In 2010, the company started marketing the 320Gb-per-disk HDD, the largest in the industry. In the MP3 player segment, Samsung has launched the world's-smallest DivX MP3 player R1.	Leading company in producing this kind of products. In 2009, the company took the third place in the compact camera segment. Since then, the company has focused more on higher-priced items. In the area of storage media, in 2009 Samsung achieved a ten percent world market share, driven by the introduction of a new hard disk drive capable of storing 250Gb per 2.5-inch disk.
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Table 2 Business model of Samsung Group

Building blocks	Key elements of business model
Key partners	<p>Samsung recognizes that partners play an essential role in developing successful relationships and business opportunities with customers. Mutual development with key partners is a key element that elevated Samsung into a top-notch global corporation. Samsung believes that the best strategy to achieve vision of becoming a true global leader is to strengthen their business partner's competitiveness and pursue cooperation, strategic alliances and joint-venture through win-win partnership.</p> <ul style="list-style-type: none"> • Coopetition – Samsung has made several coopetitions or simultaneous collaboration and competition between large firms, such as Samsung Electronics and Sony Corporation; and Samsung Electronics and Apple. • Major strategic alliances - Samsung has developed many mutually beneficial strategic partnerships with leading companies worldwide. Some of them include Nokia; Limo; Alcatel; Sony; IBM; Intel & Microsoft; Discovery; and Dell. • Joint-ventures - As a way to master Samsung success and quality of products and services it provides, Samsung has developed many joint-ventures throughout its operating history, many of them with foreign companies (located outside Korea). Some of them include joint venture with Sony Cooperation; BP; Robert Bosch GmbH; TORAY; Toshiba; GE Lighting (subsidiary of General Electric, broken up in 2009); and Compaq. • Buyer–supplier relationships – Samsung has many suppliers worldwide, some of them are Photronics Inc. (American semiconductor Photomask manufacturer); Inphi Corp. (American based leading provider of high-speed semiconductor solutions for communications and computing markets); and Nanometrics Inc. (American leading provider of advanced, high-performance process control metrology and inspection systems).
Key activities	<ul style="list-style-type: none"> • Research and development – for Samsung R&D is crucial and in the centre for all activities, it plays a critical role in their ability to innovate products. • Design and innovation – Samsung is striving for continuous innovation and design development. • Production – Samsung products include apparel, chemicals, consumer electronics (including home theatre systems, laptops, cell phones, cameras, LED lighting, printers, refrigerators, dishwashers), electronic components, medical equipment, precision instruments, semiconductors, ships, telecommunications equipment. • Construction - Samsung C&T Engineering & Construction Group has proven its expertise for construction, engineering, and procurement. • Financial services – Samsung offers secure solutions of financial and other profession business services. • Information and communications technology services – Samsung SDS provides information technology services such as Network consulting, Business strategy development, as well as technical and outsourcing services.
Key resources	<ul style="list-style-type: none"> • Human – for Samsung the management strategy, GSG (unique internal management system) and their employees are the key resource and the key to their success. • Intellectual – Samsung's brand is one of the Key Resource of the company – well know brand in the whole world, also Samsung has customer database important component of the company's success driver. Samsung places great emphasis on the creation and protection of Intellectual Property. In 2010 Samsung was awarded 4551 patents by the US Trademark and Patent Office and ranked second on the world's most inventive companies list. • Financial Resources: Diversification allows company to rely on internally generated cash from one operation to fund the others (see building block "Revenue stream"). • Physical Resources: Samsung manufactures more than 90 % of their products internally and only relies on contractors for peripheral products such as components, feature phones and handset cases.
Cost structure	<ul style="list-style-type: none"> • Samsung is highly diversified company therefore company has cost advantage due to a large scope of operations (economies of scope). Samsung, as a vertically integrated specialized supplier, is able to achieve economies of scale as well, which allows it to hold on to its position as a consumer electronics giant by leveraging on its ability to produce component parts and assemble its products on a large scale and cost efficient process.

Table 2 Business model of Samsung Group (*Continued*)

Value proposition	<ul style="list-style-type: none"> • Green products – Samsung is the industry leader for new eco-friendly design features and manufacturing processes, including energy-efficient design, user-friendly devices and different recycling techniques. • Innovative, cutting edge technology products, improved product performance, convenience and ease to use, great design, as well as well-known brand creates value for money for the customer. • Low prices for good quality products and services are very attractive for customers and increase the competitiveness of Samsung.
Customer relationships	<ul style="list-style-type: none"> • Personal assistance – Samsung trained their employees to ensure that every customer feels welcomed, highly valued and satisfied. • After sales service – Samsung practice very good after sales service for the convenience of their customers, nevertheless customer reviews online reveal that Samsung still has a room for improvements concerning after sales service. • Communities – Samsung uses many online sites as their means of communicating, promoting and obtain customer feedback, one of the examples is Facebook where they promote actively their mobile devices for more than 30 million followers.
Channels	<ul style="list-style-type: none"> • The distribution channels of Samsung include their own stores, web sales, partner stores, wholesalers, and sales force.
Customer segments	<ul style="list-style-type: none"> • As Samsung provide wide variety of products and services for their customers, the customer segment is huge and can be considered as the mass market, in addition another customer segment of Samsung are corporate buyers such as Sony, Apple Inc, Dell, HP, United Arab Emirates government (builds nuclear power plants in the country), Royal Dutch Shell (provides liquefied natural gas) and many more.
Revenue streams	<p>The revenue stream for Samsung Group’s comes from their subsidiaries such as:</p> <ul style="list-style-type: none"> • Samsung SDI Co., Ltd (eco friendly energy solution provider); Samsung Electronics Co., Ltd (global leader in semiconductors, telecommunications, digital media); Samsung Display Co., Ltd. (provides cutting-edge display solutions); Samsung Life Insurance Co., Ltd. (life and health insurance, and other financial services); Samsung C&T Corporation (skyscrapers, high-tech manufacturing complexes, roads and bridges, ports, energy and nuclear power plants, and residential housing); Samsung Fire & Marine Insurance Co., Ltd. (non-life insurance company); Samsung Heavy Industries Co., Ltd. (designs, engineers, and builds a broad line of workhorse ships; Samsung Engineering Co., Ltd. (engineering company); Samsung Total Petrochemicals Co., Ltd. (a global energy and chemical company); Samsung Electro – Mechanics (manufacturer of key electronic components); Samsung Hotels and Resorts Co., and others

Therefore, dynamic capabilities encompass the Samsung Group activities and processes, by which the need for innovating existing business models is recognized, and the necessary resources and competences are identified and orchestrated in the pursuit of new customer value proposition creation which is needed to explore in-depth. Thus, Samsung Groups is designing dynamical signature business model that support durable competitive advantages. *Dynamic capabilities* encompass the Samsung Group activities and processes, by which the need for innovating existing *business models* is recognized, and the necessary resources and competences are identified and orchestrated in the pursuit of new *customer value proposition* creation which is needed to explore in-depth. Having understood how value created we should unpack the nuances of customer value proposition of Samsung Group.

Step 3

Exploring customer value proposition through the lens of PERFA framework to facilitate the understanding of new product/service development products leading to sustained competitive advantages (Table 3).

Table 3 Customer value proposition (CVP) of Samsung

PERFA framework of CVP	Definition	Propositions delivered to create and capture value (organized by building blocks of business model and dynamic capabilities)
Performance (value captured by the company)	The way the organization works with the aim of serving best their customer while doing so profitably	<ul style="list-style-type: none"> • Samsung play a part in creating better life for the world. • Samsung is market leader in R&D, marketing, design. • Samsung is regarded as one of the most innovative companies in the world. • Samsung is the most profitable consumer electronics company in the world. • Samsung is the most successful globalizer of the previous generation.
Ease of use (value delivered to the customer)	Degree to which customers believe using a certain product will be effort free	<ul style="list-style-type: none"> • Samsung creates products not only which are well design, interactive, have technical elegance but also their products are easy to use.
Reliability (value delivered to the customer)	The ability of a product to deliver according to its expectations	<ul style="list-style-type: none"> • Samsung’s Quality Policy requires that they deliver on the basis of an effective quality system the best products and after sales services that exceeds customers’ requirements and expectations. • Samsung has satisfied consumer requirements through broad range of quality management’s system achievements like the ISO 9000, TL 9000 and the QS 9000. • Samsung products carry a full warranty for the period specified.
Flexibility (value captured by the enterprise)	Organization’s ability to reallocate and reconfiguration its organizational resources, process and strategies as a response to environmental changes	<ul style="list-style-type: none"> • Samsung through continuous innovation establishes and sustains its competitive edge. Using creative and innovative technology Samsung creates new lifestyles and new markets. • Samsung continuously review the consumer needs and patterns. It finds out what consumer need and then company creates products that will satisfy those needs. • Company also follows what competitors do and then creates products that will be better than their competitors.
Affectivity (value delivered to the customer and value captured by the company)	Feeling or emotions associated with using organization products and services	<ul style="list-style-type: none"> • Samsung believes that they have a responsibility to help improve society – they make eco – friendly products in the most eco-friendly ways possible, to support the less fortunate in the community and to help celebrate and preserve heritage and culture. • Samsung tries to make the world a better place to live by helping the domestic charities and by having volunteer programs. • Samsung has products that are design to satisfy consumer ever changing needs and preferences. • Samsung brand is associated with quality products – it is seen as solid brand. • Samsung localize content and services assuring customers of the availability of products and service support for their Samsung devices.

Comments

Capturing value is never certain, but it can be managed; investing in technology by itself is unlikely to pay off, customer value proposition is more important. A key insight is that customer value propositions are intertwined with dynamic capabilities and embedded in “signature business model” of Samsung Group. Having exercised these capabilities the organization can innovative business model to deliver customer value while capturing sufficient value for itself to be superior profitable. What we can learn beyond the ICT industry context from our analysis in terms of generalization of our research results is that the synchronization of business models with the business environment is a critical role of dynamic capabilities in successful organizations. The conversion of value delivered to the customer into value captured by the enterprise is arguably the essence of a business model. What’s more, Teece prominently argues “strong dynamic capabilities alone are unlikely to result in competitive advantage. Difficult-to-imitate (idiosyncratic) resources and good strategy are necessary, too. The strength of a firm’s dynamic capabilities determines the speed and degree to which the firm’s idiosyncratic resources can be aligned and realigned consistent with the firm’s strategy” (Teece 2014, p.330).

Discussion and conclusion

This paper bridges the gap between theory and practice and thereby adds to the growing research on dynamic capabilities and business models’ building blocks by illustrating how they actually operate and contribute to competitive advantage other than at the conceptual level.

Finding and discussion

The concept of dynamic capability defined as “the capacity of an organization to purposefully create, extend, or modify its resource base” (Helfat et al. 2007, p. 4) is central to the field of strategic management (Helfat 1997; Teece et al. 1997; Eisenhardt and Martin 2000). The dynamic capabilities view (DCV) has become dominant in explaining how companies can create a competitive advantage. However, the DC literature has been criticized as lacking theoretical logics which explain the micro-foundations of capability development and competitive advantages creation. What is more, during the last two decades, research in dynamic capabilities has promised to unlock understanding of how competitive advantage arises in dynamic markets. The research question of current paper has been answered empirically by using data of successful ICT Company on Asian-Pacific market. Based on a deductive case study approach, paper analyzed DC development of Samsung Group in depth. Using a deductive case study, we extend the DC development and embedding the micro foundations of DC development in competitive advantages creation. The analysis has been centred on dynamic capabilities by investigating *how* strategic decision making on new innovative products development can be underpinned by developing DC to create sustained advantages. The case study explicated the relationship between dynamic capability and sustained competitive advantage.

Thus, the study contributes to the body of knowledge and debate on micro foundations of dynamic capabilities. Therefore, the paper bridges the gap between theory and practice and thereby adds to the growing research on dynamic capabilities by illustrating *how* they actually operate and contribute to competitive advantage other than at

the conceptual level. We argue that strategic components of dynamic capabilities and thus micro foundation of competitive advantages are rooted in strategic decision-making to initiate changes on the corporate level.

The case study also explicated the relationship between *dynamic capability, business model, customer value proposition and sustained competitive advantage*. What we can learn beyond the ICT industry context from our analysis in terms of generalization of our research results is that to outperform competitors in the long run, successful companies need to continually developing and strengthening their dynamic capabilities and being able to effectively and timely to re-orchestrate and re transform their resources when opportunities or threats arises. What’s more, the synchronization of business models with the business environment is a critical role of dynamic capabilities in successful organizations (Teece, 2014). The conversion of value delivered to the customer into value captured by the enterprise is arguably the essence of a business model (Teece 2010). Below we present the main contribution of our research in term of new conceptual model of competitive advantage paradigm as a product of dynamic capabilities, business models and customer value proposition (Fig. 1).

Our paper made several theoretical contributions. Firstly, we have elaborated a conceptual framework for dynamic capabilities exploration of how strategic decision making can be underpinned by developing to create sustained advantages. We extended our research having analyzed dynamic capabilities in implementing new technologies and designing signature business model, delivering exceptional buyer values and rewarding stakeholder with return on investment above industry average. Secondly, the presented research of dynamic capabilities of Samsung Group companies can be used in teaching process for demonstration the dynamic capabilities framework (Teece 2009) and applied analyses of the sources of competitive advantages of organization and other strategic issues facing business decision makers. Furthermore, research offers insights for practitioners into the composition of micro foundations of dynamic capabilities and demonstrates that dynamic capabilities can be unbundled into well-known and concrete strategic management activities of ICT groups in Asia Pacific region. In

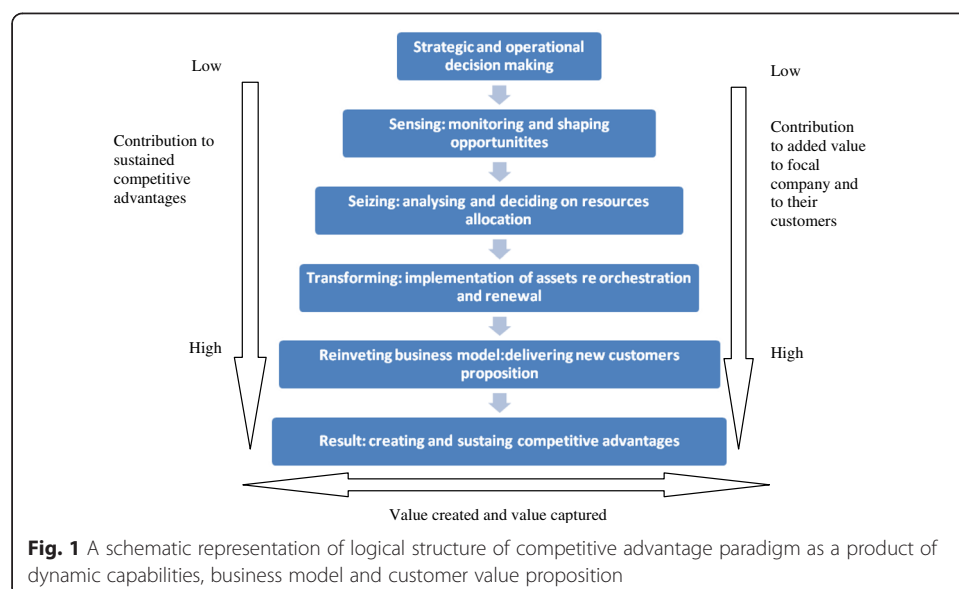


Fig. 1 A schematic representation of logical structure of competitive advantage paradigm as a product of dynamic capabilities, business model and customer value proposition

addition, with respect to dynamic capabilities for sensing, seizing and reconfiguring in particular, we have presented logical structure of competitive advantage paradigm as a product of dynamic capabilities and business models that can be useful to decision makers in shaping business to overcome the challenges and harvest the opportunities presented by the changing dynamics affecting the ICT industry. Failure to adjust to the dynamics arising from the changes would result in the ICT companies being left behind and losing out on the opportunities generated by the changes. What we can learn beyond the ICT industry context from our paper in terms is that to outperform competitors in the long run, successful companies need to continually developing and strengthening their dynamic capabilities and being able to effectively and timely to re-orchestrate and re transform their resources when opportunities or challenges arises.

Limitation and future research direction

Nevertheless, we have a lot of interesting future work ahead. Over time dynamic capabilities got stuck in these and they instead became rigidities. Hence, current capabilities that have been built, thanks to dynamic capabilities, can become rigidities later. While capability development is widely studied, capability erosion has not been integrated into our understanding of performance heterogeneity except few publications (Rahmandad and Repenning 2015). But on their own, they won't bring long-run success unless competition is weak because of governmentally imposed barriers to competition or other institutional and cultural barriers to competition" (Teece 2014, p.331).

What's more, Teece prominently argues "strong dynamic capabilities alone are unlikely to result in competitive advantage. Difficult-to-imitate (idiosyncratic) resources and good strategy are necessary, too. The strength of a firm's dynamic capabilities determines the speed and degree to which the firm's idiosyncratic resources can be aligned and realigned consistent with the firm's strategy" (Teece 2014, p.330). Acquisition of human capital as example of assets orchestration has recently become important research topic in dynamic capabilities tradition (Chatterij and Patro 2014).

The proposed research has not only contributed to the theoretical development of the dynamic capabilities perspective but also provide insights for practitioners striving for retaining competitive advantages in dynamic global battles. The author is going to make a longitudinal study on current topic including primary data sources because it would be meaningful form a managerial and an academics outlook.

Acknowledgement

Author expresses a sincere appreciation to Marinna Nīkitina, Anna Margrieta Legzdiņa and Santa Rižova for their insightful ideas in preparation current paper. The paper was supported by the National Research Program 5.2. "Economic Transformation, Smart Growth, Governance and Legal Framework for the State and Society for Sustainable Development - a New Approach to the Creation of a Sustainable Learning Community (EKOSOC-LV)".

Authors' contributions

AC devotes substantial contributions to research conception and design, and/or acquisition of data, and/or analysis, measure and interpretation of data, and author participates in drafting the article and revising it critically for important academic content. Also author gives final approval of the version to be submitted and any revised version.

Competing interests

The author declares that he has no competing interests.

Received: 14 July 2016 Accepted: 2 August 2016

Published online: 22 August 2016

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