The role of dynamic capabilities in co-creation of value for a digital business

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Declaration

I declare that this research project is my work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Table of Contents

7th November 2018

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To whom it may concern

Identification of and motivation for target journal

The title of my article is "The role of dynamic capabilities in co-creation of value for a digital business". I am intending to publish my article with Business Horizons journal of Kelley School of Business, Indiana University. My article focuses on the field of strategic management, marketing, and digital transformation.

Articles published in this journal cover a wide range of topical areas within the general field of business, with emphasis on identifying important business issues or problems and recommending solutions that address these. Business Horizons fills a unique niche among business publications of its type by publishing articles that strike a balance between the practical and the academic.

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What are the author guidelines?
I confirm that my article follows the author guide as per journal requirements.

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Should you have any concerns, please do not hesitate to contact either myself or my supervisor on the details provided below.

Yours sincerely,

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CHAPTER: 2   LITERATURE REVIEW

2.1 Introduction

The study was based on how businesses can compete in the era of digital business models with the use of a dynamic capabilities' framework as an approach to co-creation of value for competitive digital business strategies. Teece, Pisano, & Shuen (1997) explained that dynamic capabilities is a framework that has been developing over the years and has the potential to provide an understanding of what brings about competitive advantage for a business. In this study, the literature was explored to establish how dynamic capabilities play a role in the process of value creation through a process of collaborating with the customer, particularly for digital business strategies, that is, companies that provide their services and products through digital platforms. According to Ross, Sebastian, and Beath (2016), great digital strategies provide the executives with a direction to lead digital initiatives, to measure their progress, and to redirect those initiatives towards the efforts that are needed to create value.

The literature was then used to understand the framework of dynamic capabilities and the concept of value co-creation, and to understand how these two theories can be applied to create a competitive edge for digital business strategies. As these two theories focused on value creation, it was an interesting observation by the researcher which found it necessary to conduct a study to see how dynamic capabilities play a role in the process of co-creation of value. In addition to that, it was also an interesting realisation that these theories would enable successful implementation of digital strategies or business models. It was also concluded that there has not been a similar study where a combination of both theories in the academic literature has been adopted to create a model, and where these two concepts are tested together for digital strategies. As a result, it was therefore justified based on these reasons why this study would be helpful in future studies. There was little prior theoretical literature that could be used to make connections on how elements of dynamic capabilities can play a role in co-creation of value for digital strategies.

2.2 Dynamic Capabilities

Teece and Pisano (1994) defined capabilities as "the key role of strategic management in appropriately adapting, integrating, and re-configuring internal and external organisational skills, resources and functional competencies toward changing environment " (p.1). These capabilities are used for creating value for the business, and as a result value creating processes, skills and resources need to be dynamic in their application for the business to constantly compete in changing markets. In addition to that, the changes in the markets are quick so much that companies that cannot change with the markets are likely to lose business in the long term.

In the context of this study, the term "dynamic" as per description of Teece and Pisano (1994)   refers to "the shifting character of the environment; certain strategic responses that are required when time-to-market and timing is critical, the pace of innovation acceleration, and the nature of future competition and markets that are difficult to determine" (p.1). Capabilities are created with time and experience (Helfat & Peteraf, 2015).

In competitive markets, companies need more than just a unique knowledge base, competitive pricing, and customer service to be competitive and have a sustainable advantage. In emerging markets, as Teece (2007) indicated, companies that possess dynamic capabilities perform better in environments such as poorly developed economic environments in which they need to exchange technological and managerial skills.

Teece (2007) defined dynamic capabilities and divided it into four components as " the capacity to sense and shape opportunities and threats; to seize opportunities, and to maintain competitiveness through combining, enhancing, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets" (p. 1319). Eisenhardt and Martin (2000) considered dynamic capabilities as organizational resources that are used in the implementation of value-creating strategies, learned and constant repetition of collective activities (Zollo & Winter, 2002), a collection of routines (Winter, 2003), company abilities to reconfigure routines (Zahra, Sapienza, & Davidsson, 2006), and activities that give a company an ability to develop and coordinate resources that shape changes in the business environment (Teece, 2016). In addition to that, Zollo and Winter (2002, p.340) defined a dynamic capability as a "learned and stable pattern of collective activity through which the organisations systematically generate and modify its operating routines with the intention of improved effectiveness". Further to that, Helfat and Peteraf (2015) expanded that they are organizational and strategic routines that managers within organisations change to develop value creating strategies.

Winter (2002) argued that dynamic capabilities are routines that are comprised of a learned behaviour that is repetitively executed, in a pattern, and has some form of knowledge with specific objectives. In summary, dynamic capabilities are the companies' abilities to use its resources, processes, and cognitive skills to adapt to customers' needs as they change with times, especially today where digital business models are widespread.

While the literature suggested that dynamic capabilities consist of routines that include product development routines (Eisenhardt & Martin, 2000), there was no particular focus

on technology (Lawson & Samson, 2001). Helfat and Peteraf (2015) added that cognitive capabilities are part of dynamic capabilities, and include the heterogeneity of individuals that have the ability to yield a competitive advantage for an organisation. They further explained how having a broader frame of thinking and having necessary cognitive skills among managers may lead to distinctive company performance in the process of change.

While this study looked at the kind of skills that managers should possess as part of dynamic capabilities, managerial cognitive skills was picked as the emerging skill, which was described as the ability to use one's brain to perform mental activities (Helfat & Peteraf, 2015). Further to that, Helfat & Martin (2015) highlighted that the managers' ability to sense, seize, and reconfigure processes and resources was evident that cognitive skills of managers were part of the elements of dynamic capabilities companies need to have to create a competitive edge for their companies. Teece, Peteraf, and Leih (2016) also highlighted that the abilities of the business leader and top management to sense market developments or any trends and ultimately come up with a responsive strategy is of paramount importance for any company's dynamic capabilities.

While the cognitive skills of management are part of the company's capabilities, Bingham, Heimerics, Schijven, and Gates (2015) highlighted that a repetitive practice of company processes by senior management builds the skill and provides insights to its dynamic capabilities. Thus, neither technical skills nor operational capabilities form dynamic capabilities on their own.

Previous studies showed that companies' dynamic capabilities are abilities, capacity, routines and activities to adapt (Li & Liu, 2014), while other researchers have been arguing about dynamic capabilities' existence in companies with digital strategies (Winter, 2002). There was also a debate on whether a dynamic capability is a learned framework or not, Helfat and Peteraf (2015) emphasised that a dynamic capability framework is an existing concept and can assist companies to have a sustainable advantage in developing markets. The existence of dynamic capabilities was not discussed in this study as the researcher's view was that they exist.

Another key element of dynamic capabilities is resources. Ambrosini and Bowman (2009) indicated that they are the company's abilities to re-configure or renew resources based on market changes. On the other hand, according to Eisenhardt and Martin (2000), dynamic capabilities' framework is an extension of the company's resource-based view (RBV) which assumed company resources as bundles that give a company a competitive advantage.

Some research on dynamic capabilities had focused on innovation in technology and information systems, how companies adapt, and how they respond in their strategy as an opportunity for them to do research to differentiate themselves from the organisational

capabilities' theory (Karimi & Walter, 2015). This according to Schilke (2014), further research on dynamic capabilities that included company-specific organisational capabilities such as culture and structure was suggested. In addition to that, alliancing, product development and information technology were amongst other company capabilities, although these capabilities are considered to be static in their nature, these are some of the elements that were recommended to be researched further in future. It was therefore important to note that these recommended elements were not form part of this study.

2.3 Capabilities

According to Zollo & Winter (2002), both an organisation and an individual build on their capabilities with time as they keep doing their work activities, and their capabilities improve when they do the same tasks time and again. Helfat and Peteraf (2015) defined capabilities (as cited in Zollo & Winter, 2002) as the quality or state of having attributes to necessarily perform or accomplish, and these attributes can be physical or mental.

According to Karimi and Walter (2015), a radical change in technology often forms capability gaps in companies because it leads to new skills in technology and better then, new ways of implementing company activities, and new ways of creating value from the both the company and customer as joint parties. This would perhaps suggest to allow businesses with dynamic capabilities to identify digital transformation projects that are critical in developing a **digital platform capability model** in responding to digital disruption. In this study, a model is then developed based on the literature to should how dynamic capabilities (resources, processes and cognitive skills) play a role in co-creation of value for companies that provide their products and services through digital platforms using digital technologies.

Digital technologies, innovations and transformations, are profoundly improving business processes, products, services, and relationships (Karimi & Walter, 2015). Nambisan, Lyytinen, Majchrzak, and Song (2017) conceptualized digital innovation as the creation of, and result of, change that the markets offer, company activities, or frameworks that bring about the use of digital technology.

According to Teece and Pisano (1994) and Teece et al. (1997) , winning companies in markets have been those that have the capability to show timely responsiveness, fast and adaptive product development strategies, that comes along with the management cognitive skill to effectively manage, and where necessary, replace both internal and external competencies. However, despite having all valuable resources, there has also been evidence showing that these resources are not sufficient to support a sustainable competitive advantage (Teece et al., 1997; Jianwen Liao, Kickul, & Ma, 2009). This went

to show that while companies can have a considerable size or number of technology resources such as complex computer systems and the like, they still do not deduce to a company that has useful dynamic capabilities.

The dynamic capability theory suggested that company competencies or capabilities allow a company the ability to reconfigure, add, and to remove company resources, routines, and processes to create new products and services, and respond to changing market contexts (Jianwen Liao et al., 2009; Teece et al., 1997). In addition to that, Ramaswamy and Ozcan (2016) highlighted that there are capabilities that enable interactions and personalised experiences for customers. Based on these capabilities that enable interactions, the researcher looked in detail on value co-creation as a concept that enable interactions. How companies use these capabilities in an ever-changing environment created an interesting curiosity.

2.4 Service-dominant logic to co-creation of value

The development of products and services has evolved over the years and this is by the manner in which the process of creating value has been seen in various industries and businesses. Customers are now connected, with information at their disposal, and now with the knowledge of what is considered to be value has changed (Prahalad & Ramaswamy, 2004). When customers and companies come together, each with their resources, to create products, services and experiences to create value (Ramaswamy, 2009), they are co-creating value not as passive targeted actors, but as part of active resources that determine value as value creating contributors (Saarijärvi, Kannan, & Kuusela, 2013).

The interpretation of service-dominant logic in the marketing literature emphasized on service-centered view of exchange points (Vargo & Lusch, 2004), that embraces the idea of interaction as the central point that integrates and transforms resources (Lusch & Vargo, 2006), and processes (Vargo & Lusch, 2008). The processes that are viewed as activities that highlight the need for the company and the customer to have a relationship that brings together a set of experiences that are performed by both the customer and the company (Payne, Storbacka, & Frow, 2008).

While service-dominant logic was also build on the service dominant orientation (Wilden & Gudergan, 2017), it is the framework with a view of how ecosystems work and how companies conceptualize the idea of having a shared mindset, and their approach to activities (Vargo & Lusch, 2008; Saarijärvi, 2012; Saarijärvi et al., 2013). This activities of conceptualization are performed not only by the company, but also by the customers, shareholders, government agencies, and other parties with the understanding that value is determined by the beneficiary (Ranjan & Read, 2016).

According to Vargo and Lusch (2004), the customer's value is created by the customer with interactions and the relationship formed between the service provider and the

customer. It was however later determined that goods or products that are produced by both the supplier and customer do not necessarily amount to created value. Value is only determined when a service or a particular experience is realized in a product provision process (Payne et al., 2008).

2.5 Processes and Co-creation of value

The distinction between co-creation and co-production was identified as an important aspect of this study, although Vargo and Lusch (2008) had shown that there are minor differences in the description of the two concepts, and considered that co-production has always been important for the concepts to be understood as different.

The literature then evolved from customers being co-producers of value (Lusch & Vargo, 2006; Vargo & Lusch, 2004, 2008) to being co-creators of value (Vargo & Lusch, 2008, 2016, 2017).

Although there is a narrow distinguished difference between co-creation and co-production, Chathoth, Altinay, Harrington, Okumus, and Chan (2013) subtly differentiated co-production to co-creation by identifying one as an approach informed by goods-dominant logic and the other by service-dominant logic respectively. Ranjan and Read (2016) argued that co-production is a direct process of working together with the customer in the creation of a product or service. Earlier literature had already highlighted that co-production emphasizes on a company-oriented perspective of customer participation during the production of a service, which has been informed by the traditional view referred to as 'goods-dominant logic' (Lusch & Vargo, 2006; Lusch & Nambisan, 2015). Another argument by Kristensson, Matthing, and Johansson (2008) highlighted that co-production distinguishes characteristics in the company of creating value that does not take into consideration the importance of reciprocity between the company and consumers, and does not take cognizance of the potential interdependence between the company and the consumer when creating a service. This process relies in the ability of a company to flexibly re-configure its processes by being dynamic to realize changes in the environment.

On the contrary, the literature showed the 'service-dominant logic' description as an excessive focus on the company's value creation activities with customers playing a passive role in the value creating strategies (Lusch, Vargo, & O'Brien, 2007). Wilden and Gudergan (2017) in their study looked at the impact of activities and routines that are involved in the process of value creation and how how a service-dominant orientation relates to a companies' normal capabilities and dynamic capabilities. To sense opportunities, companies need to have strategic options to create value by seizing their

co-creating opportunities (Payne et al., 2008). Thus dynamic capabilities, particularly using processes to seize, reshape and sense opportunities.

Chathoth et al. (2013) distinguished co-creation as" the service-dominant logic that has been built on the premise that service forms the foundation of value creation through which customers are intensely engaged in every stage of the value creation process" (p. 11). In the work of Lepak, Smith and Taylor (2007), it was highlighted that the value creation process is an individual's relationship with a few company personnel and their knowledge gained in the performance of product or service creation. While the other researchers believe that value is created by companies that involve other stakeholders such as customers to create value (Payne et al., 2008), others believe that it is an inward value creation process (França & Ferreira, 2016; Lepak et al., 2007). Again, these are processes involved in the creation of value with the customers using dynamic capabilities.

2.6 Cognitive Skills and Co-creation of value

Co-creation of value, enabled by changes in technology and labour force with specific skills that take part in the process of creating and re-creating value, is a new phenomenon that has an impact in the markets (Lang, Shang, & Vragov, 2015). Saarijärvi et al. (2001) further emphasized that customers can position themselves where their roles are changed from consumer to contributor and creator, and as literature suggests, capabilities that seek to enable a company to reshape its resources that are part of value creating elements to create competitive advantage. These capabilities are ordinary capabilities that Wilden & Gudergan (2017) highlighted as "complex bundles of skills and accumulated knowledge, exercised through organizational processes, that enable firms to coordinate activities and make use of their assets" as cited in (Day, 1994, p38). Helfat and Martin (2015) further indicated that managerial resources and managerial cognition, amongst other things, contribute significantly in dynamic capabilities, and as a result managers with these abilities are able to manage processes of value co-creation.

The process of developing goods, services and experiences jointly with other stakeholders like customers and unlocking a new world of value, and by seeking to engage customers as co-creators of value in the whole system (Ramaswamy, 2009) needs a particular set of bundled skills (Wilden & Gudergan, 2017). In the service dominant logic view, according to Lusch and Nambisan (2015) human resources are integrators of other resources to create value and innovation is a product of reconfigured resources. These processes of reconfiguring resources requires managerial cognitive skills. Although co-creation of value was previously identified as a goods-dominant logic in the marketing space where consumers are seen as actors that companies act on to

derive a financial benefit (Lusch et al., 2007), ultimately, the marketing fraternity evolved and realized that consumers are actors that create benefit by acting on other companies resources with the company (Vargo & Lusch, 2008). Managerial skills play a huge role in reconfiguring resources, assets and sensing opportunities along with customers to create value, and by orchestrating some assets to create value (Trahms, Ndofor, & Sirmon, 2013). In this study, we look closely to see how these managerial cognitive skills can be used in co-creation of value.

Managers with requisite skills will be able to flexibly gather all required resources and manage processes to create products and services with customers. According to Eisenhardt and Martin (2000), the effective processes to develop products also involve routines that ensure that there is a shared view of team members' experiences, of which those are routines such as collaborative problem solving and ideation sessions. These experiences improve creative thinking and to innovate by collaborating (Lang et al., 2015), and it is by bringing up these experiences of different views that arise because there are multiple actors in the ecosystem within which different perspectives create a unique value. Zubac, Hubbard, and Johnson (2010) argue that managers' understanding of the customer value is important because they would know which resources to invest in. The researcher also looked into the experience, cognitive skills, and the ability to understand key resources and processes that enable value creating activities as part of this study.

2.7 Co-creation of value

Co-creation of value is a concept within the service-dominant logic as conceptualised by (Vargo & Lusch, 2004), and refers to the process of involving a customer as an active creator of value by collaborating with the supplier in the innovation process, (Kristensson et al., 2008), and by engaging in the service-for-service exchange through interactions that combine resources to create value (Storbacka, Brodie, Böhmann, Maglio, & Nenonen, 2016).

Vargo and Lusch (2008) in their work showed how the concept of service-dominant logic had changed over the years. They had always found the customer as the co-producer of value and later defined the customer as co-creator of value. The concept of creating products and services by a company and involving the customer has always existed and is not new when it comes to value creation (Prahalad & Ramaswamy, 2004).

According to Lusch and Nambisan (2015) companies do not only want the customers to be part of their value ecosystem, but they want them to be economic and social actors that assist the organization to integrate different resources, including talent to create value (Vargo & Lusch, 2016).

The emergence of this concept, value co-creation as it was explained by Nambisan et al. (2017) added that the consideration of behavioural science practices such as self-organizing teams assist in the process of implicitly coordinating knowledge sharing ability intensify the company's capabilities. In terms of the literature, companies with specific abilities to reconfigure company resources to respond to changes in the markets are the one that stay competitive (Teece, 2016; Teece et al., 1997; D. Teece & Pisano, 1994). In addition to that, these teams are not identified as part of the organisation's dynamic capabilities, but capabilities that enhance the company's innovation. While value cannot only be derived from the engagement with the company and its products and services, it can also be through the way its offerings are consumed, which is a separate thing altogether from its intervention or exchange. (Ranjan & Read, 2016). However, the literature has only shown how dynamic capabilities play a key role in forming such environments for businesses to become competitive and high performing (Wilden & Gudergan, 2017). In this study, the researcher explored the literature on dynamic capabilities and its elements within the framework and further studied the concept of co-creation of value that would suggest that companies that have dynamic capabilities can successfully co-create value with their customers to gain a competitive advantage by using digital strategies.

Customers are also evolving by expecting products and services that are developed with an element of human touch to provide personalised experience. Companies have to constantly find ways to meet these customer demands and understand that there is a need for them to have processes, resources and skills that will enable them to collaborate with customers to co-creation of value.

2.8 Digital business strategies or models

In modern business, companies use digital platforms to increase their revenues, improve productivity, to conveniently deliver products or services, and to provide forms of interactions with the customer to enable innovative ways to create value (Matt, Hess, & Benlian, 2015). According to Remane, Hanelt, Nickerson, and Kolbe (2017), digital business models use digital platforms that are less costly to create and can be recreated with less, if not none, marginal costs. They further highlighted that they can exponentially increase company value as more customers are subscribed to these platforms, thus value in use (Vargo & Lusch, 2008). So, according to Ranjan & Read (2016), the value is captured in consumption, and not only in the offered product or service, which is separate from the company's exchange point of value. In this study, we suggested that company resources, processes and managers' skills, if properly placed, can enable co-creation of value for digital business strategies.

As indicated in the literature, co-creation is about collaboration with the customer, and their active involvement in the company's process of innovation, their contribution in the product and service development and sharing of their consumption experiences of the company's products and services. This active engagement with the customer would require the company to re-configure its processes and activities, re-organise, add or remove its resources and assets (Teece et al., 1997; Teece et al., 2016; D. Teece & Pisano, 1994) to create an enabling environment of co-creating value with the customer by understanding the consumption behaviour (Kristensson et al., 2008).

As Vargo and Lusch (2008) had been emphatic that service is a basis for competition, companies are currently using digital platforms to conveniently deliver products and services. Customer data has been the main currency in digital business as companies are able to profile each of their customers and know more about them, including from social media platforms (Piller, Vossen, & Ihl, 2012), in order to give then them personalised experience (Kristensson et al., 2008).

According to Ross et al. (2016), digital strategies are in two kinds; customer engagement strategy or digitised solution strategies. By engaging customers through digital platforms gives the company an advantage of understanding them better, which requires companies with good technological resources to retain customer data. In the verge of internet-based and cloud computing, keeping this customer data has not seen as a challenge where smaller companies with minimal organisational capabilities. Contrary to that, Ross et al. (2016) indicated that a company that does not have enterprise capabilities cannot be reliable in its operations, and as a result would not be able to compete with its digital strategy. In this study, the researcher did not look into the technological capabilities nor the enterprise capabilities.

Despite the fact that companies are moving towards digitization or digital transformation, Zubac et al. (2010) indicated that company's rare resources that cannot be substituted create high performance, and as a result, technology or digital platforms that are rare and inimitable would make a company have a competitive advantage in static or predictable markets, however, the ability to develop, deploy and re-configure company's capabilities to co-create value with the customer would enable successful implement of digital strategies. The literature as synthesised also suggested that a company with a combination of properly placed resources, clear processes and good managerial cognitive skills, can strategically position itself well in dynamic markets by collaborating with the customer to create much value through digital platforms. This could be by interacting with the customer through open digital platforms built by the company or through existing platforms such as social media platforms. The study also looked at the

digital platforms that included social media platforms such as Facebook, Twitter, Google+, and Instagram as platforms used to co-create value and their role in company digitals platforms.

After a study of the literature, there was supposition that a model can be formulated from various theories, frameworks and concepts that have not been combined before particularly on dynamic capabilities and value co-creation on digital strategies. To this end, this created an opportunity for a new model to be developed, and would be later be tested later by other researchers with similar interest.

We propose to formulate or construct a digital dynamic capability model for large companies in emerging economies. Three elements of dynamic capabilities are discussed as key elements that contribute to the successful value co-creation process. These key elements of dynamic capabilities demonstrate, as a combination, that companies' competitive advantage is dependent on their ability to re-organise processes and reconfigure resources by managers with the right managerial skills. By having these elements, it can be inferred that businesses have adequate capabilities to create a mutually valued outcome with their customers. Digital business models, regardless of complexity, when deliberately desired can successfully be achieved when this combination is applied in value co-creation activities. The following propositions suggested how elements of dynamic capabilities are an intricate part of customer interaction yet crucial for value co-creation for competitive digital business models

Proposition 1: Internal processes are a key element to co-creation of value for digital business strategies. These are adaptive and flexible processes that allow a company to sense, reshape and seize opportunities by involving customers in value creating processes.

Proposition 2: Organisational resources are a key element to the factors that enable a company to co-create and be successful in implementing digital business strategies. The ability to add, remove and re-configure company resources to co-create value.

Proposition 3: Cognitive managerial skill is a key element in a company that needs to implement the concept of co-creation of value. Companies that have this skill-based dynamic capability will be able to co-create value with their customers in the digital landscape.

The below figure shows the diagrammatic demonstration of the derived model.
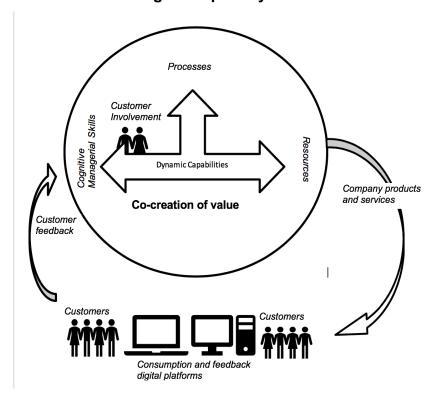
Digital Capability Model

Figure 1.

2.9 Conclusion

Dynamic capabilities from the literature are a set of processes, resources and cognitive skills within that can be added, re-configured, removed or reshaped to enable a company to implement value creating strategies. When these dynamic capabilities are aligned to digital strategies, they enable a company, no matter the size, to create an enabling environment that is inclusive and involves customers in the creation of value activities and processes.

CHAPTER: 4.   RESEARCH METHODOLOGY

4.1. Introduction

According to Corbin & Strauss (2014), qualitative research is a study where the researcher interprets collected data by making the researcher a part of the research process as much as they do with the participants and their data. In this study, a qualitative technique method was used to collect data to gather information in depth of what South African companies do on the role that dynamic capabilities play in a company in terms of co-creating value to bring about competitive advantage. Using the literature, the researcher's intention was to understand and explore how some of the elements of dynamic capabilities and concepts such as co-creation can drive a company to be competitive in digital strategies, and this was realised by providing rich interpretations of phenomena without depending on numerical measurements (Zikmund, Babin, Carr, & Griffin, 2013).

4.2. Philosophy

The interpretivism philosophy was adopted for this research study. According to Saunders and Lewis (2012) this philosophy advocates the need to understand the differences between humans in their role as social actors. The researcher used this philosophy because it was for a study that related to the respondents' social phenomena in their environment (Carminati, 2018). Therefore, there was a wish to gain an understanding of what is happening in a specific context, thus respondents' understanding, perceptions and interpretation of how dynamic capabilities elements play a role in value co-creation for digital business strategies was of importance. This philosophy was specifically appropriate for this research on the basis that it was focused on, and demonstrating, the phenomenon according to executives and seniors managers' experiences and perceptions on co-creation of value concept specific to their organisations.

4.3. Research Approach

A deductive approach on this research was chosen because the concept of dynamic capabilities is an existing framework and known concept. Accordingly, the researcher wanted to adopt on its existing theory by exploring on its role in the value co-creation processes that specifically involve a company's customers in the development of digital business strategies with the objective of co-creating value. According to Kennedy (2018), a deductive approach is about using a theory that exists to collect data and analyse it through the lens of the same theory.

The researcher also developed, based on the literature, a model which can be tested later by other scholars or researchers by using quantitative techniques.

In this research, relevant theories of dynamic capabilities and the concept of value co-creation were synthesised as a base for the formulation of the digital capability model which was then tested during data collection using in semi-structured interview questions.

The model was created based on synthesized literature and qualitative data was analysed in the lens of the model derived from the two theories (Kennedy, 2018). Predefined themes were created in line with the conceptual digital capability model that was used to test the role of dynamic capabilities on co-creation of value for digital business strategies or digital business models.

This approach was suitable because two types of respondents were used to collect data through and intense interview session with the respondent that required a detailed understanding of the respondent based on the specific role they play within an organisation. The semi-structured, hermeneutic interviews were conducted with the C suite executives, other senior management such as commercial directors, heads of departments or divisions of the company, and or any manager involved in the creation of service processes or product development who were involved in digital strategies as part of company value creation. During interview sessions, the researcher and the respondent were sharing ideas and reflecting together on the matter being discussed. According to Roulston and Myungweon (2018), an interview session where both the researcher and the respondent co-inquire each other and participate in a conversation that evolves into informative responses is a hermeneutic interview. They further highlighted that this type of qualitative interview is an epistemic interview that builds knowledge as opposed to just proving an experience. This is important because when adopting an interpretivst epistemology, the researcher is concerned with the meanings in depth, and the respondent attribute details to various phenomena (Saunders & Lewis, 2012).

4.4. Research Design

An exploratory research was conducted to deeply understand and address any ambiguous situations or to establish concepts that brought about new business techniques (Zikmund et al., 2013). In this study, the researcher was seeking to explore in depth dynamic capability elements within its framework that play a role in value co-creation processes.

Kvale (2007) defined an interview as "a conversation that has a structure and a purpose determined by the interviewer" (p6). The purpose of this study was to test the derived model from the literature by using semi-structured, hermeneutic, face-to-face or personal

interviews as part of the core research strategy. Zikmund et al. (2013) highlighted that personal interviews offer the lowest chance for the respondent to misinterpret the question because it gives the interviewer a chance to address confusion and can therefore clarify a question when misinterpreted. Mccracken (2017) highlighted that the research matter should be an important way on the means in which individuals conceive of, or construe, their world. As a result, semi-structured interviews were selected as the most suitable data collection method in which the researcher would have an opportunity to ask probing questions to respondents in order to get clarity on anything the respondent would have alluded to, especially when it created an opportunity to establish more insights (Roulston & Myungweon, 2018).

In the case whereby the respondent was not available for a personal interview, the researcher used internet-based communication platforms such as Skype, WhatsApp, Zoom, and synchronous mediums to make follow-ups. This type of conducting interviews was only used as the last option in the case where the respondent was not reachable for a face-to-face interview.

The study was cross-sectional as the data was collected at a specific time of the study and the information was analysed at the time period of the study (Saunders & Lewis, 2012). The cross-sectional time study was selected because the researcher was only going to do an analysis of the information obtained at a specific period where dynamic capabilities were used to co-create value through collaborative mechanisms, and how the model could be adopted to test the theory.

According to Kvale (2007), an interview is a professional conversation which is not just about exchange of views like everyday conversations, but becomes a guided questioning and listening to obtain a comprehensively tested knowledge. While the topic did not require respondents to have a certain qualification or specific unique skill, it required an experience in the area of study at a managerial level in product development and or customer value creating skills. The researcher used the literature to build the conceptual model and used the semi-structure interviews to thoroughly test the model where dynamic capabilities elements such as resources, processes and cognitive skills played an intricate role in co-creation of value for a company that has a digital business model.

4.5. Universe and Sampling

The main universe of the study was large organisations that had digital business models, meaning organisations that provide their products and or services through digital platforms. These companies were classified by their service or product provision, specifically those that provide or offer their products and or services through digital platforms to their customers. The companies ranged from companies that use mobile, web-based applications as their main platform to provide a service or product to

companies using digital solutions such as internet of things, biometrics and machine learning, to provide a customer a realised unique value. To determine these digital businesses or organisations with digital strategies, it was made by definitions, interpretations and descriptions as synthesised in the literature as the base.

Using the literature to determine these companies, the range became too broad to establish which organisation should be part of the sample and the decision was to carefully define the target population that would determine proper sources from which the data would be collected and be easily identified (Zikmund et al., 2013). There were organisations that had a digital strategies in place but had not implemented their digital business models, and these companies were not included in the sample. About four organisations admitted to have been in the process of implementing digital business models, and that was also considered to be part of the sample frame of the research although they were not ultimately part of the data collection process.
A sample of fourteen (14) companies across different industries was an initial sample to get a broader perspective and insights.

4.6. Unit of analysis

The unit of analysis used in this study was a company or organisation, and the executives and senior managers who are interviewed represented a company or a division within a company that has a different product or service creation process. Individual people could not be a unit of analysis because it is the company that implements co-creation of value using its dynamic capabilities, which one of it is managers cognitive skills.

4.7. Sampling method and size

The sampling technique that was used was a non-probability sampling of which was the purposive sampling. Guest and Namey (2014) described non-probability sampling as a procedure that does not give every known element of the population an equal opportunity to be selected from the study where other elements would not be selected. This sampling technique was used because companies that met the criteria were limited in number the population and therefore it was relatively not a challenge to identify those that would meet the criteria. Purposive sampling is a widely used as non-probability sampling technique which serves to mainly select a sample size based on an inclusion and exclusion criteria for collecting qualitative data (Daniel, 2012), and to select respondents that have a specific knowledge of detailed information and would be able to respond constructively to the research questions of interview (Schreier, 2018). In addition to that, this sampling method was adopted when the researcher selected respondents that conformed to a defined criteria that is later described later in this section (Cooper and Schindler, 2006) and took advantage of the knowledge of the researcher in the area of

study (Schreier, 2018). The primary sample was selected based on a criterion of large private South African companies within the universe with at least a R150 million ($10 million) turnover a year .

These organisations were selected from the Johannesburg Stock Exchange (JSE) that were listed as of May 2018 as a base and because many most listed companies in South Africa make that amount of turnover a year. These companies' yearly revenues were confirmed by going through each company's latest financials as they are publicly available on their websites. Another selection was made from an online business directory website called the Biz Community website (http://www.bizcommunity.com/). Business Community is a website that lists most South African companies, both listed and non-listed, by industry, estimated revenue, and by products and services they offer.

The secondary sample used was done by purposive sampling and were individuals that the researcher meaningfully selected using specific inclusion and exclusion criteria (Daniel, 2012). Each organisation had each specific way of creating products and or services, and each organisation had different levels of decision making regarding creation of value processes. The main concern with respondents for interviews was bias, and to address this concern of bias, the researcher used a number of knowledgeable respondents who see the pivotal phenomena in a broad view (Eisenhardt, 2007). The population was selected based on the following roles; chief customer officer, chief information officer and chief marketing officer, sales director, or business unit chief executive were chosen because of their relevance and depth of their knowledge in the area of value co-creation and digital business strategies.

Another sample was selected using another criteria, and this was the managers or senior managers who have been part of the value creation process in terms of the digital strategy formulation or at least participated in the development of the digital platform of the business. Thus, the senior managers and mangers were those who have been with the organisation for at least a six months at the time of the interviews. This was to ensure that they would be able to have adequate and substantive information that would be relevant to the study. Another group of respondents were the product development managers, marketing officers, and business development managers that had participated in the process of creating products and or services that are offered to the customers by the organisation through digital platforms.

A target sample size of fourteen organisations was intended to be interviewed, each represented by a respondent that met all previously described criteria. McCracken, (1988) highlighted that the number of respondents for interviews is based on what needs to be studied, and the sample size and composition should be judged according to the study undertaken. Francis et al. (2010) as cited in Schreier (2018) made a

recommendation that for qualitative studies the sample size ranges from 10 to 20 units, and further highlighted that the sample in the qualitative research depends on the use of interview data. As a result, the study used a total size of ten respondents after reaching saturation, of which some organisations were represented by one respondent, while others had more than one respondents per organisation and were coming from different autonomous business units that provided different products or services. The study was conducted across six different industries in order to get a broad view and insights while at the same time getting an in depth information about the area of study.

4.8. Saturation

Analysis started after the first interview was transcribed, which lead to concepts being established as coding was done. These newly generated concepts led to more questions which made the researcher learn more on these concepts, and subsequently probe understand the phenomena. This iterative process continued until all concepts were all understood and defined (Corbin & Strauss, 2012). In order to ensure that the collected data was adequate to give adequate information, the researcher determined saturation when no new variations in the concepts of the phenomenon were identified. Saturation was noticed when new codes and code groups were not emerging from the data. Out of 102 predefined codes, 22 new codes were added as new variation in data, and only when the 9th respondent's data did not bring new concepts, the 10th was interviewed to confirm saturation. Thus, that was a conclusion that the data had reached saturation. Table 2 and Chart 1 in **Appendix 2** demonstrates how saturation was detected.

4.9. Measurement instrument

Using the long interview style of McCracken (1988b), the systematic guide and method to collect qualitative data was used, during which qualitative enquiries were made and key elements were reviewed. The measurement instrument that was used was the interview guide (Appendix 1). Semi-structured interviews were used to probe for information in line with the topic (Roulston & Myungweon, 2018), propositions and the developed model from the theory (Flick, 2018). To maintain consistency, the interviews sessions were guided by using the interview guide although the sequence of the questions was not the same throughout the interview sessions (Roulston & Myungweon, 2018). To allow flexibility to accommodate each respondent's context to emerge in the interview sessions, the researcher's sequence of questions permitted a wide approach of conversing about the area of study that gave the respondents the freedom to tell more. Using Socratic notion of dialog (Roulston & Myungweon, 2018) during the interviews, the researcher held the respondents accountable by openly challenging them on what they said in order to gain more insights.

To make sure that the interviews extracted the most value and insights to manage the possibility of not focusing on the information about this research, the researcher made sure that there were a standardised list of questions in the an interview guide that the were used to get answers from the respondents to keep consistency across various organisations.

An interview guide was also used to ensure that the same flow is maintained with each respondent, this encouraged a managed conversation, and that the direction and scope of the discussion was established before the interview. This was also to ensure that sufficient attention is given to the respondents while they provide detailed information about how they work within their organisation. The interviewer avoided asking leading questions when the respondents did not understand the question, however, the questions were rephrased without changing the meaning of the question.

4.10.   Data Collection Process

Kvale (2007) defined an in depth interview as an interview with the purpose of getting descriptive information, about people's behaviours, attitudes, views, experiences and feelings and perspectives of the life world of the interviewee with regards to interpreting the meaning of the described phenomena. When using semi-structured interviews, the researcher uses the similar questions to all the respondents in the study although question are not asked in the same order. This varied from one organisation to another based on the service and or product offered. The researcher then conducted these depth interviews in order to collect data in which the interviewer asked about a set of themes using some generic questions, however, they varied in the order in which themes are covered and questions asked (Saunders & Lewis, 2012).

A standard type of questions were used as listed in Appendix 1 to make sure the base of the interview was covered and there was a standard that was followed to get relevant information from the respondent.

The interviews were conducted mostly on a face-to-face engagement whereby the interviewer provided the respondent with the brief on the topic of the study and the objective of the research. The respondents were given consent letters, both individual and company, that assured anonymity and confidentiality, as well to ensure that they can withdraw at any time. Prior request to record the interview was made and where respondents did not feel comfortable with the recording, the interviewer did not record the session but took notes and key points during the interview.

Recorded telephonic interviews were also be conducted in the case whereby the interviewer was unable to meet with the respondent face-to-face. Secondly, interviews by telephone were also be used in the case whereby the interviewer is making a follow-

up on a particular response by the respondent from the face-to-face interview that was conducted before.

Lastly, the researcher used Skype and Zoom to conduct two interviews of two respondents that could not make a personal face-to-face interview. This type of conducting interviews was only used as the last option in the case where the respondent was not reachable for a face-to-face interview. A few follow-ups were made using telephonic calls to other two respondents.

During the interviews, the interviewee noted important points that could be elaborated in the whereby a new insight emerged. The interviews recorded and transcribed for analysis, and those that were not recorded the interviewer took field notes during the interview.

When qualitative data is collected, the information needs to be credible, dependable, authentic, transferable and conform to a certain level of quality in a study (Flick, 2018).

4.11.   Analysis Approach

Kowal and O'Connel (2013) referred to transcription as the representation of verbal, the way in which the words, and to the way in which the non-verbal expressions came with the words. In this study, the researcher used transcription for the purpose of analysing data that was collected from the respondents. While in this study, during data collection, the way in which the words were said and expressions that came with words could be useful, the researcher's focus was on the key words mentioned in the interview. It was also taken into consideration that participation in qualitative interviews can be intellectually, emotionally demanding and time consuming (McCracken, 1988a) for the respondents.

The coding technique was applied during analysis of the data collected, and data analysed using ATLAS.ti software. Coding was used to understand the generic type of the conversation and to analyse reflections of the conversation that was put in a form of text from transcripts (Saldana, 2016). According to Saldana (2013) the definition of a code in qualitative data is "most often a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data" (p.3). Coding was used to draw detailed nuances from the data in order to deeply analyse suggestive phrases that the respondents expressed when answering questions or explaining experiences during the discussion.

Content and thematic analysis was used in the research study to analyse the data that was been collected during the interviews. For content analysis, the researcher used meaningful phrases and words into categories, and attached those categories to relevant

units of data (Saunders and Lewis, 2012). In this study, content analysis was used as part of analysis based on propositions that were made in the literature where code and code groups were set in a codebook before coding of transcripts was done.

In the second step of analysis, code groups were categorised and later put into themes that were constructed in line with the study constructs. According to Saldana (2013), themes are an analytic reflection of data and a result of coding into categories. To interpret aspects of the phenomenon, the researcher used themes based on the codebook that was created during content analysis of transcripts. Additional codes and code from the transcripts was also used to get new insight regarding dynamic capabilities on co-creation of value for business strategies.

From this information, additional information that suggested new themes was also coded and then used to determine if new elements of dynamic capabilities could be determined for the digital capability model created.

4.12.   Credibility and authenticity

Credibility was ensured by the depth of analysis the researcher conducted during the analysis stage of the study by going through the transcripts several times to ensure that every possible detail is drawn from the data. According to Flick (2018), credibility of the study a is the level of confidence that can be demonstrated in the correctness of the findings. Out of 10 interviews (see Table 2 in Appendix 3), 124 codes were created during analysis see Appendix 4. All codes were drawn from all respondents' data who were from various companies in different industries, as a result a balanced and fair view of diverse population was provided (Flick, 2018).

4.13.   Assumptions

The data will be collected using interviews and the assumption was that the respondents, with their level of knowledge, will be able to understand and interpret the research questions clearly. While the researcher explained basic concepts to the respondent and the assumption is that the respondent will be able to understand.

4.14.   Research Limitations

The research was conducted in South Africa and therefore did include any organisation outside South Africa. This means that the information in the research findings cannot be assumed to apply in other contexts outside South Africa.

The research was based on digital companies or companies with a digital business model and therefore some of these companies were still new to the model and as a result, the respondents were still in the adoption stage of the model. The study was about dynamic capabilities elements (internal processes, organisational resources and

cognitive managerial skills) that can be found in businesses with digital strategies, however, some companies had outsourced the a lot of the product development processes to external companies and therefore the concept was not fully understood by those organization.

The geographical representation of companies in South Africa was skewed since all representatives of companies were based in Gauteng province. These were the only ones that were interviewed, and this raises transferability concerns of this study as context of other provinces of South Africa was excluded.

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6. Appendices

Appendix 1.   Interview questions

Interview questions

1. What are the major challeges that make the business not to be competitive in your industry?

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2. What are the internal processes that suggest to make the company unique in its service or product provision?

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3. How does your company use these processes, resources or skills required to create value for the customer?

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4. In a fast-paced and ever-changing environment, what are the most important ones?

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5. Do you involve your customers in the creation of new products or service? If so, how?

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6. What do you get most out of your customers besides purchasing your product or service, if anything at all?

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7. How are they contributing in assisting the business in terms of its strategy?

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8. How does the business respond to technological innovations that may take away your customers?

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Appendix 2.   Saturation

Table 1. New codes created over and above the 102 pre-defined codes

Respondent	New Codes created
R. 1-5	10
R. 6	7
R. 7	3
R. 8	2
R. 9	0
R. 10	0

Chart 1.

Appendix 3.   List of interviews

Table 2. List of interviews conducted

#	Industry	Role	Date of interview
1	Information Technology	Marketing Manager	22 August 2018
2	Media	Chief Customer Officer	29 August 2018
3	Financial Services - Banking	Group Marketing and Communications Executive Lead	02 October 2018
4	Financial services - Insurance	Senior Product Manager	11 September 2018
5	Information Technology	Sales Director	
6	Telecommunications	Chief Commercial Officer	1 October 2018
7	Telecommunications	Product Developer	21 September 2018
8	Telecommunications	Product owner: Digital Self-Service	21 September 2018
9	Manufacturing	Business Development Manager	19 September 2018
10	Financial Services	CIO Digital	25 September 2018

Appendix 4.   List of codes

Table 3. List of Codes

Number	Code	Code Group 1	Code Group 2	Code Group 3
1	Automation	Processes based	Digitization	Technology
2	digital readiness	Digitization		
3	Change management	Processes based	Skills	
4	Technology trends	Technology		
5	Risk	Environment		
6	Market segmentation	Product Development	Strategy	
7	Unique Skills	Skills		
8	Data Management	Technology		
9	Team work	Skills		
10	Customer Relationships	Customer Experience		
11	Legacy Systems	Technology		
12	Marketing and product development	Product Development	Market Research	
13	Capabilities	Resources based		
14	Customer Insights	Customer Experience		
15	Shared platforms	Collaboration		
16	Agility	Processes based		
17	Value creating skills	Skills		
18	Customer preference	Customer Experience		
19	Skills Challenges	Skills		
20	Learning abilities	Skills		
21	Resource integration	Resources based		
22	Digital platforms	Collaboration		
23	Mindset shift	Skills		
24	Investing in the right resources	Resources based		
25	Digital thinking	Skills		
26	Systems integration	Technology		
27	Customer Experience	Customer Experience		
28	Customer centricity	Customer Experience		
29	Collaborative Skills	Skills		
30	Employee empowerment	Structure		
31	resources	Resources based		
32	Persceptions about customers	Market Research		
33	Digital Resources	Resources based	Digitization	
34	Macroeconomic factors	Environment		
35	Leadership skills	Skills		
36	Speed to respond to market	Product Development	Market Research	
37	Cognitive thinking	Skills		
38	Customer feedback	Collaboration		

39	Product Innovation	Product Development		
40	Evolving management skills	Skills		
41	Team formations	Structure		
42	Company Structure	Structure		
43	Digital Skills	Skills		
44	Digital experience	Customer Experience		
45	Market Trends	Market Research	Environment	
46	Market Disruptions	Environment		
47	Internal Communication	Collaboration		
48	Analytics	Digitization	Technology	
49	Competition	Environment		
50	Agile teams	Structure	Collaboration	
51	Human resources	Resources based	Structure	
52	Product performance	Product Development		
53	Value Creating Strategy	Strategy		
54	Business Model changes	Strategy		
55	Company competitiveness	Environment		
56	Retention Strategy	Strategy		
57	Innovation	Digitization		
58	Co-creation	Collaboration		
59	Customer information sources	Market Research		
60	Service Innovation	Processes based		
61	Resource collaboration	Resources based	Collaboration	
62	Market Opportunities	Environment		
63	Process innovation	Digitization		
64	stakeholders involvement	Collaboration		
65	ecosystem	Collaboration		
66	Technology changes	Technology		
67	Product Delivery	Processes based	Product Development	
68	Digital solution	Digitization		
69	Long processes in the large organisations	Processes based		
70	Technological challenges	Technology		
71	Training	Processes based	Skills	
72	Customer challenges	Customer Experience		
73	Customer Value	Customer Experience		
74	Disruptive Innovation	Digitization	Technology	
75	Strategy formation	Strategy		
76	Industry problems	Environment		
77	Collaboration	Collaboration		
78	Dynamic capabilities elements	Resources based		
79	market needs	Market Research	Environment	
80	Technological resources	Resources based	Technology	
81	Big data	Technology		
82	digital transformation	Digitization	Strategy	
83	Company Size	Structure		
84	Customer View	Customer Experience		
85	Co-creation platforms	Collaboration		
86	Customer options	Customer Experience		

87	Market Research	Market Research		
88	Partners involvement	Collaboration		
89	Social Media platforms	Digitization	Technology	
90	Product Development	Product Development		
91	Mobility	Customer Experience	Technology	
92	Market Challenges	Environment		
93	Market Analysis	Market Research	Environment	
94	Industry regulation	Environment		
95	Customer journey	Customer Experience		
96	Service delivery	Processes based		
97	Required Skills	Skills		
98	Market Changes	Environment		
99	Financial Resources	Resources based		
100	Environment changes	Environment		
101	Open source platforms	Technology		
102	Self-organising teams	Skills	Structure	Collaboration
103	Market sensing	Market Research	Environment	
104	Digital preference	Customer Experience		
105	Customer Involvement	Processes based	Collaboration	
106	Product issues and development	Product Development		
107	Operating Models	Processes based	Digitization	
108	processes	Processes based		
109	Leadership Culture	Product Development		
110	Range extension	Product Development	Market Research	
111	Skills	Skills		
112	Digital impact	Digitization		
113	Responding to competition	Environment		
114	Competitive Strategy	Strategy		
115	Company culture	Structure		
116	Customer profiling	Processes based	Market Research	
117	Customer needs	Product Development	Customer Experience	
118	Partnerships	Strategy		
119	Daily activities	Processes based		
120	Best practices	Processes based		
121	personalised experience	Customer Experience		
122	Feedback Platforms	Market Research	Collaboration	
123	Customer information collection	Market Research		
124	Consumer shifts	Environment		