Dynamic Capabilities

A multiple case study on successful entrepreneurs in South Africa

Authors: Clara Olovsson
         Elin Lundström

Supervisor: Per Nilsson
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Clara Olovsson
Elin Lundström
Umeå School of Business (USBE)
Abstract

This thesis applies the dynamic capabilities framework to identify and examine the dynamic capabilities creating sustainable competitive advantage in the context of a developing economy. The attempt to explain sustainable competitive advantage by reacting to environmental changes has at all times been a highly discussed topic for research. The globalized and unstable environment often found in developing areas increases the need for more dynamic models when analyzing how to gain competitive advantage. To meet this demand, the dynamic capability framework introduces a very promising effort to better understand superior enterprise performance over time.

This thesis intends to increase the understanding of the role of dynamic capabilities and analyze the knowledge of successful entrepreneurs in small and medium enterprises effectively can outperform competition in the unstable South African environment. More specific, the focus is mainly on strategic decisions and the empirical study consists of qualitative case studies of four successful entrepreneurs. This data is collected through semi-structured interviews in Cape Town. The strategic decisions are first analyzed within each case – applying selected parts of an existing framework – and thereafter a cross-sectional analysis is done in order to find both the similarities and differences between entrepreneurs. The findings suggest that all entrepreneurs in the analysis have the characteristics and skills to create dynamic capabilities within the process of sensing, seizing and reconfiguring opportunities. Furthermore, three main factors – maintaining a consistent long-term vision, placing the customer need in focus, and using the competence and resources wisely – are identified as features, which made these four entrepreneurs successful and helped them sustain the superior firm performance over time. In addition, these three factors must be adaptable to rapid and unexpected changes. Overall the findings suggest that when analyzing competitive advantage, the sensing, shaping and reconfiguration of opportunities must be seen as constant. Lastly, the complete process containing different fundamental classes of dynamic capabilities should not be separated.

The study demonstrates the relevance of the dynamic capabilities approach in identifying competitive advantage, which is based on the firm’s dynamic capabilities. The fact that small and medium enterprises are important for the economic growth in developing countries makes this study an important field for research.

KEYWORDS: Competitive advantage, dynamic capabilities, entrepreneurship, small and medium enterprises, strategic management.
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1. Introduction

1.1 Problem background

The authors have during the previous years been studying management and entrepreneurship. Through this they have increased their interest for the topics and foremost the combination of them because of the belief that management and basic entrepreneurship benefit from a closer integration. The previous studies have exposed the authors to established theories on competitive advantage – such as Michael Porters competitive forces approach (Porter, 1980) and the Resource Based View (Wernerfelt, 1984). These traditional theories have served as excellent basic starting points. But now, 30 years after the introduction of the competitive forces model, the authors have started to wonder if a richer framework is necessary for explaining economic growth.

“The importance of Small and Medium Scale Enterprises (SMEs) for economic and social development is universally in both developed and developing countries” (Charles, 2009: 1). This is due to the fact that successful enterprises generate employment and also creates a more equal distribution between rich and poor people (Kuzilwa, 2005: 131). SMEs can, when compared to larger firms, easily be established as they require less capital and management capacity and are therefore often seen as a seedbed for entrepreneurship. SMEs often provide the best vehicle to help developing countries to participate in the global economy (Charles, 2009: 1). Furthermore, the performance of the SMEs and industries has, due to the close association with the performance of the economy as a whole and the improved competitiveness of SMEs, created the potential to contribute to economic development as well as reduction of poverty (Charles, 2009: 2).

Essentially, the attempt to clarify sustainable competitive advantage has at all times been a well-discussed subject for research within the area of strategic management. How an enterprise gains this attractive condition – a sustainable competitive advantage – is an important question in the field of strategic management (Teece, Pisano & Shuen, 1997: 509). In 1997, the authors Teece, Pisano & Shuen presented a research paper with very promising efforts to better understand superior enterprise performance over time – the dynamic capabilities approach. Dynamic capabilities are described as “the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments” (Teece et al., 1997: 516). In 2007, David Teece presented an article, which proposed an integrative framework and perspective in which it goes further than traditional and established approaches to understand competitive advantage.

This is a vital insight on entrepreneurship as well as leadership and thus a relevant topic for further research. Studies on SMEs performance and competitiveness in developing countries have largely focused on the impact of the environmental factors on success and ignored the role of the firm-level factors. As a consequence, there is little information on how competitiveness of SMEs is created by other factors than the environment (Charles, 2009: 4). Easterby-Smith, Lyles and Peteraf (2009: 7) states that most studies have focused on obvious “dynamic capabilities industries”, such as semiconductors and biotechnological. For that reason, it is of high value to explore the concept in other contexts, such as more traditional industries, the public sector or in other countries. Furthermore, the authors also identified another gap in the theory of
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dynamic capabilities: An examination of Wang and Ahmed’s (2007: 49-51) summary of key empirical studies pertinent to dynamic capabilities shows that most of them are created and grounded in developed countries. This is also in line with Zahra, Sapienza and Davidsson (2006: 919) findings that most research have focused on established enterprises and ignored new venture or SMEs. A probable conclusion is a lack of studies of dynamic capabilities made on SMEs in traditional industries and developing countries

Analyzing the environment in developing countries – such as South Africa – requires more dynamic models, due to the unstable environment. For this the dynamic capabilities approach can be a good tool. The view has dramatically shifted the traditional way of performing strategic management research. The quite static models can be problematic to use for analyzing competitive advantage over time and therefore the more dynamic framework are employed for an increased understanding of how to create sustainable superior enterprise performance (Teece, 2007: 1325).

The authors’ earlier studies in the areas of strategic management and entrepreneurship and the increased competition as a result of the globalization and the drawbacks and limitation of the traditional models make dynamic capabilities extremely interesting and thus the topic for this study. Likewise, this research contributes to the growing field of strategic management, entrepreneurship and competitive advantage by addressing key issues related to competitiveness of SMEs in the context of developing countries. Figure 1. shows how the authors defined the problem area.

Figure 1. Defining the problem area.

1.2 Scope and context of this thesis
This thesis applies the dynamic capabilities framework to identify the capabilities that distinguish successful entrepreneurs in the context of developing countries. The empirical study is preformed in South Africa – more precisely in Cape Town. The scope of the thesis is within the fields of strategic management and entrepreneurship. Firstly, the central focus is the firms’ specific strategic decisions – which contribute to the dynamic capabilities within the SME industries. Secondly, the study also pays attention to the strategic behavior in the field of entrepreneurship that is likely to create dynamic capabilities and competitiveness of the firm. The SME sectors merit such a research effort due to the social and economic benefits it delivers to developing countries in general and to South Africa in particular.

South Africa is a growing economy and today one of the richest countries in Africa. In 2008, the population was estimated at 48,7 millions (Statistics South Africa, 2009). The official statistic divides the population into four groups: Africans, Europeans, Colored and Asians’. The apartheid system that was implemented 1948 and kept the four groups apart by different rules. Even though the system was abolished in the 90s it is still today affecting the country and its citizens (Utrikespolitiska institutet, 2007: 5). Since the arrival of democracy in 1994, the economy has been undergoing structural
transformation. But, the South African entrepreneurs are still faced with unique challenges connected to the external environment (International entrepreneurship, 2010). Between 1994 and 2008, the consumption-driven sectors grew by 107% compared to the production sectors that only expanded by 41%. The consequence of this is big and unsustainable imbalances in the economy (South African government information, 2010: 80).

One of the biggest problems facing South Africa is the issue of HIV/AIDS. One in five people is HIV positive and the illness is affecting the country’s development as well as the social structure and growth. Other challenges facing South Africa is the large gap between rich and poor, the high unemployment, 27% (2006) and the huge competence gaps between the white minority and the black majority. The inequality situation in South Africa also accounts for much of the poverty and the bad social conditions results in brutal crime, sexual harassment and violence in many homes. As a consequence a large amount of the poor people represents an untapped resource for the social and economic growth and development (Sida, 2009).

The firms studied in this thesis were selected from the tourism sector, which is a vital driver of domestic consumer spending. Furthermore, it is supported by labor-intensive activities and the entrepreneurial entry barriers are quite low. During the last 20 years, tourism has emerged as a fast growing (although not traditional), valuable and tradable services sector. The accelerated progress of this sector will help in diversifying the economy of South Africa and will play a part in reaching the overall aims of the National industrial policy framework (South African government information, 2010: 80). After the abolishment of the Apartheid, South Africa – and Cape Town – became an attractive tourism destination and at the moment the country is hoping for an even bigger growth within this industry due to the fact that the World Cup of soccer will be held in the country during the summer of 2010 (Utrikespolitiska institutet, 2007: 40).

According to Global Entrepreneurship Monitor (Herrington, Kew, Kew, 2008: 48), that provides data of entrepreneurial activity, South Africa was ranked 23rd out of 43 countries, with an early stage entrepreneurship rate below the average rate of the studied countries. This namely means that South Africa has a lower than expected entrepreneurial activity rate, given its per capita income. The low rates of new firms and established business activities remain causes of concerns. As a result, increasing attention has now been focused on entrepreneurship and its potential for creating economic growth and jobs.

The main inhibiting factors constraining entrepreneurial activity in South Africa remains access to finance and government policies. For businesses to become competitive, it is important that the entrepreneurs have access to technology and also have the capacity to use it effectively. Many studies have shown links between the provision of entrepreneurial education and level of entrepreneurial activity. These findings suggest that lack of human capacity is one of the main problems for increasing the entrepreneurial activity in South Africa. Without a more enabling environment for entrepreneurs it is arguable whether South Africa ever will experience a significant increase in entrepreneurial activity (Herrington, Kew, Kew, 2008: 5). A strong entrepreneurial culture cannot develop in areas with limited access to resources, poor infrastructure and little customer spending. A key to improve the entrepreneurial
activity is therefore to improve the country’s human capital through education and training. As mentioned above, a more enable environment has also showed to be necessary, as it reduces the cost of running a business and therefore improves the sustainability for SMEs in South Africa (Herrington, Kew, Kew, 2008: 48).

In all the initiatives discussed above, it is widely recognized that there can be no entrepreneurial activity without entrepreneurs and that it is through their value adding activities that individual and national property can be obtained (Charles, 2009: 13). This study is basically within the context described above. The highly unstable and changeable environment of South Africa shows the requirement of dynamic capabilities.

1.3 Problem statement

Many SMEs in developing countries fail to compete successfully, mostly due to competitive pressure from large firms with far more resources, economics of scale and more experienced management (Charles, 2009: 8). The situation in South Africa makes it important for SMEs to create dynamic capabilities in order to gain competitive advantage. The study aspires to get a deeper knowledge of strategic decisions, performance and sustainable competitive advantage that is created in the existing South African environment. In order to contribute to this important area of research, one problem statement has been created:

*How can successful entrepreneurs – in small and medium enterprises – gain sustainable competitive advantage in the South African institutional environment?*

1.4 Purpose

The purpose of this thesis is to increase the understanding of the role of dynamic capabilities and analyze superior firm performance over time in a developing country. The thesis aims to gain knowledge about how, in SMEs, successful entrepreneurs can outperform competition in an unstable environment and presents factors of how entrepreneurs can gain sustainable competitive advantage. The vision is to create an interchange were both the authors and South Africa can learn from each other and form knowledge for the future, in which an objective is the increased economic development of South Africa.

1.5 Delimitation

Due to the topic’s magnitude and time limits, the authors find it important and relevant to define the research area. The scope of this thesis is restricted to some significant strategic decisions of four high potential and successful entrepreneurs, from one country and in one sector. The thesis is to study dynamic capabilities by analyzing the empirical data employing a single theory and only a few chosen microfoundation elements of a framework. The microfoundation was chosen based on their relevance in the context of the empirical study in South Africa. The external environment also has an impact on the entrepreneurial activity and is hard to derive from a few factors as the influences come from a variety of issues. The authors are aware of this but have narrowed the thesis by scoping to a practical limit.

The low number of research objects has been motivated by the limited time for the writing of this thesis as well as the ambition for in-depth (and therefore time
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consuming) interviews. The authors find this delimitation to be sufficient for the writing of a thesis of this magnitude.

1.6 Outline

This thesis is divided into twelve chapters. The introductory chapter is designed to guide the research process by setting forth the problem background, which presents the gaps in the existing research, justifies the problem statement and the purpose of the study. The chapter also describes the scope and context of the study, explains the delimitations and highlights some important definitions. Chapter two is devoted to the methodology. The philosophy and research approach are justified as well as strategies, designs and methods used for conducting the study. The chapter then stresses the choices of theory, sector and literature.

In the next chapter, the literature on competitive advantage of the firm is reviewed. Different theories are discussed and criticized and the theoretical standpoint for this thesis is presented. The following chapter describes the guiding theory and research framework more thoroughly. Chapter five presents the practical method used and how the respondents were found and selected. It also discusses the interview guide and the authors’ opinion about how the respondents acted during the interviews.

Chapter six presents the data collection. Each entrepreneur’s responses are presented separately and are divided into nine categories. In chapter seven, a detailed discussion of the findings for each case is presented. Each entrepreneur’s nine categories, from the previous chapter, are now disaggregated into the three different groups presented in the research framework. The chapter offers an advanced interpretation of the data collection and the analysis is done with assistance from the guiding theory. Each entrepreneur’s section ends with a summarizing discussion linked to the overall firm performance. In the following chapter, a comparative analysis between the four cases is carried out. The thesis uses the same framework as in the previous chapter and the emphasis is on the similarities and differences among the entrepreneurs’ strategic actions. These are summarized and graded in a table and thereafter discussed and more carefully analyzed.

Chapter nine presents the key conclusions drawn, which is followed by a discussion on the contribution of the study. The major implications and limitations of the study and the guiding framework are also underlined. Chapter ten highlights how the quality of research was enhanced and also discusses the authors’ standpoint related to ethical issues. Chapter eleven describes directions for further research and the final chapter presents the references used for the thesis.

1.7 Definitions

In order to present the theories and have an intellectual dialogue, some acceptable definitions are desirable. For this thesis, the authors suggest the following:

*Competitive advantage*

“A firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors.” (Barney, 1991: 102)
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Dynamic capabilities
“The firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments.” (Teece et al., 1997: 516)

Entrepreneurship
“Entrepreneurship is about sensing and understanding opportunities, getting things started and finding new and better ways of putting things together.” (Teece, 2007: 1346)

High-potential entrepreneur
Building on the definition of entrepreneurship from above, the authors defines the high potential entrepreneur as someone creating, recognizing and exploiting opportunities to supply future goods or services whose consumption is anticipated to grow fast for an extended period of time and with a motivation to achieve lasting economic and social impact.

Microfoundations
“The microfoundations of dynamic capabilities – the distinct skills, processes, procedures, organizational structures, decision rules, and disciplines – which undergird enterprise-level sensing, seizing, and reconfiguring capacities are difficult to develop and deploy.” (Teece, 2007: 1319)

Small and Medium Enterprises (SMEs)
SMEs in this thesis are used to mean small and medium enterprises. Small enterprises employ up to 49 people or have a capital up to USD 5000. Medium enterprises employ between 50 and 250 workers or have a capital over USD 5000 to USD 500 000.

Successful
For a company to be successful, it needs to occupy a favorable position in the value chain in an attractive industry. It also needs to develop the capabilities to transform resources into valuable products and services, and create competitive advantage relative to business rivals (Shane, 2009: 250).
2. Methodology

2.1 Choice of subject and research approach

The subject for this thesis occurs from the authors’ participation an entrepreneurship class, at the University of Mannheim, during a semester abroad. The interest of writing about dynamic capabilities grew when learning more about entrepreneurship and as the authors were introduced to an existing and essential framework. The fact that the authors of this thesis were introduced to the framework of dynamic capabilities resulted in the selection of a methodology with deductive influences. This research approach was self-explanatory when a deductive study always includes a theoretical structure as an initial point that helps to collect the empirical data (Bryman & Bell, 2007: 11).

In the view of the research approach selected, the preliminary investigations were largely exploratory; this as a consequence of few researchers using the dynamic capabilities approach in less developed countries. Saunders, Lewis and Thornhill (2009: 133-134) make clear that an exploratory study is a good way of finding out what is happening, clarifying a problem, seeking insights, assessing new phenomena in a new light and asking questions. Furthermore, the exploratory research is flexible and adaptable to change, and can help the researcher to change direction as a result of new insights. Furthermore, the same author argues that one principle way of conducting an exploratory research is to conduct interviews with people obtaining expertise within the field of research. This is just in line with what the authors of this thesis have done when conducting the field work and interviewing successful entrepreneurs in the South African environment.

A growing interest for Africa and the economic growth and development in South Africa along with the acquired contact with the organization SEDA (Small Enterprise Development Agency) – who offered assistance in locating the important contacts in the process of finding entrepreneurs for the data collection – contributed to the choice of were to gather the data.

2.2 Research process

The research process can be divided into three parts; the pre-phase, where the authors organized for the field study, studied theories and closely related research. The second part consisted of the field study in Cape Town, South Africa. Finally, the last part included the analysis and evaluation of the collected data.

The first part of the study consisted of gathering data and information about South Africa, entrepreneurship and strategic management. A great amount of literature on the topics competitive advantage and dynamic capabilities were studied and talking to other students who had conducted field works in developing countries helped out in preparing for the upcoming interviews. With the objective of examining how entrepreneurs can gain sustainable competitive advantage in terms of studying strategic decisions, the research was based on interviews with South African entrepreneurs.

These interviews were arranged in Cape Town from the beginning of April to the
middle of May in 2010. The remaining weeks were used for preparing the field work and for the evaluation and analyze of the interviews. The analyze was almost completed as the authors returned to Sweden but having a couple of weeks at home, before the deadline of the thesis, enabled the authors to see these new experiences out of new perspectives.

The presented methodological assumptions above were all made linked to the purpose of the thesis. The chosen methods and motivations will be explained in depth in the following parts. Figure 2. shows the structure of the methodological choices.

![Figure 2. The structure of the methodological choices.](image)

**2.3 Methodological assumption**

For the strategy of this thesis, it is seen as vital to begin with considering the authors’ views of what reality is, how to examine this reality and what method to employ. According to Bryman and Bell (2007: 16-24), these “matters” are related to the methodological considerations of ontology, epistemology and methods. The selection of the methodological assumptions is grounded in the purpose of the thesis, with emphasis on the authors’ enlarged insight of dynamic capabilities. For the strategy of this thesis the ontological assumption of what reality is can be justified by the ontological position identified as constructionism. In the opinion of the authors Bryman and Bell (2007: 23), the social phenomena and the meanings of them are frequently attained by social actors and the investigators’ own accounts of the social world are simply to be seen as constructions.

For the epistemology assumption, a vital concern is if the same procedures, main believes and ethos can and are supposed to be utilized for the study of natural science as well as the study of social science. The authors of this thesis do not correspond with that belief and thus the position of interpretivism – entailing that there is an essential difference among the two and that the researcher therefore needs to interpret the real world – conforms better with their considerations (Bryman & Bell, 2007: 17-19).

**2.4 Research strategy**

A qualitative research approach has been chosen for this study. According to Bryman and Bell (2007: 29), the qualitative research is classically linked to the development of theories, but it can also be employed for examining a theory. In fact, there are several studies were the qualitative research has been used for the testing of theories showing good results as an outcome (Bryman, 1997: 202). For this thesis, an existing theory was chosen at the very beginning of the research process.

The selection of strategy reflects the previous affirmed epistemological position of interpretivism, which the qualitative researchers often are more influenced by. Bryman & Bell (2007: 415-418) states that in contrast to the quantitative research methods, the qualitative research approach can offer more clarifications important to the subject and understand and observe the reality from the research object’s eyes. Backman (1998: 48)
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explains the qualitative philosophy as a strategy where the individual is the main instrument and the focus is on how the individual interpret his/hers reality in relation to previous knowledge and experiences. Backman’s viewpoint of qualitative studies suits the aims and problem statement of this thesis subsequently this research strategy is suitable.

Moreover, the quantitative engrossment of measurement as generalization, causality and replication are not to comply with the purpose of the thesis, which outlines that the understanding is the intention (Bryman & Bell, 2007: 167-171). This further gives grounds to the selection of the qualitative research approach.

2.5 Research design

The qualitative research approach is carried out using a research design called case study. The case study has been described as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (Saunders et al., 2009: 139). This research design is a useful approach when the aim of the research is to gain an intensive as well as in-depth examination of the object of concern (Bryman & Bell, 2007: 62-63). The case study was chosen in this study because of the authors believes that it was the most appropriate plan for addressing the problem statement and answering the question asked. Moreover, it was a way of moving closer to the actors involved in the businesses studied; gain a rich understanding of the context of the research and to uncover key issues of interest.

Saunders et al. (2009: 139-140) points out the difference between a single case study consisting of a critical or unique case, and a multiple case study consisting of more than one case. The latter is preferable where the focus is to establish if the findings from one case also occurs in others, which makes it less important to find really unique cases. Finding the very unique cases in a country like the South African was found to be difficult for the authors, especially due to the time constrains. For this reason, four separate cases – and therefore a multiple case study strategy – were chosen for this thesis. These case studies are based on four entrepreneurs representing four companies, which will be analyzed in two stages; first separately and then compared to each other. The use of more than one case was considered relevant for comparative purpose. The chosen method allows the authors to study the entrepreneurs and gather the empirical information that will, with directions from the theory, be interpreted and explored. This is all in line with the purpose of the thesis.

In line with the standpoint of the position of interpretivism, the researchers have to interpret the real world and the essential issue is the subjective meaning of social action (Bryman & Bell, 2007: 19). From the view of the authors, this is a good motive for seeking close connection with the firms investigated and thus acquires the right understanding of the world of the entrepreneurs studied. Important to notice is that a case study cannot produce results seen as representative for further cases (Bryman & Bell, 2007: 63). The aim of employing this research design for this thesis is neither to draw any conclusions nor generalize beyond the cases studied. The results of the four cases should rather develop a rigorous research of dynamic capabilities.

“Reliance upon the investigator as the primary instrument for data collection and
analysis can produce brilliant insights about a phenomenon, or it can produce a pedestrian, incorrect or even fraudulent analysis” (Merriam, 1988: 35). One advantage of using the case study approach is that it enables a means of investigating complex social units. Another is that, instead of reveling static attributes, it gives an understanding of humans as they engage in action and interaction within the context. This results is less abstract assumptions about the human behavior, compared with many quantitative studies (Merriam, 1988: 32-33). Saunders et al. (2009: 140) argues that a well-constructed case study can be a very worthwhile way of exploring existing theory and can enable the researcher to challenge this theory with new findings. But, this research design can also create some doubts as it has a rather “unscientific” feel. Merriam (1988: 30-33) presents further limitations in its usage, for example the big amount of time and money needed to produce a worthy case study. Furthermore, there are at least two high risks with this research design; firstly, the case study can help oversimplifying a situation – leading to incorrect conclusions, and secondly, the reader can be seduced into generalizing the findings beyond the cases. On the other hand, the aim of the case study is not to find the “correct” or “true” interpretation of the facts – rather to reduce the level of wrong conclusions so that the outcome is the best possible and convincing interpretation.

Due to the time constrains, the cases are to be studied over a short period of time. Saunders et al. (2009: 148) presents this “snapshot” time horizon as a cross-sectional study. It is often used when conducting surveys but can also be used for qualitative methods as case studies – conducted over a very limited period of time.

2.6 Research method

In this thesis, the main source of empirical data was collected through four qualitative interviews, conducted as in-depth, face-to-face interviews. The motive for this choice was the significance of closely studying the views, emotions and perceptions of the research objects. This type of research method is well connected to the exploratory purpose of the research mentioned earlier (Saunders et al., 2009: 313).

The dialogue is a fundamental form of the interaction of human beings. Through these conversations people get to know each other and learn about experiences, feelings and the world of the counterpart. The research interview is build on a professional conversation; a dialogue that has a structure and a purpose, and where the topic is presented by the interviewer who also controls the situation and makes a critical follow-up of the answers of the interviewee (Kvale, 1997: 13). The authors have also kept in mind that interviewing is not an easy task and demands a high level performance of the interviewer. One important aspect is that the interviewer needs to be aware of the bias that might be introduced in the data collection (Backman, 1998: 53).

Bryman and Bell (2007: 472-474) argue that the interview is probably the most widely used method in the qualitative research. The motive for this is foremost the adaptability and flexibility that it entails. Compared to the fairly strict quantitative interview, the qualitative version permits a rather unstructured, but at the same time more precise and circumstantial, interview that mirrors the concerns of the research object. The unstructured interview and the semi-structured interview are the two main types of qualitative interviews.
Backman (1998: 54) states that the most difficult phase in a qualitative research process is the analysis. In trying to reduce the complexity and enhance simplicity of the analysis of the empirical findings, the authors chose a certain structure already before the data collection started. In addition, the analysis of the data was continuously performed during the data collection phase. This is in line with Backman’s suggestions (Backman, 1998: 54-55). However, the qualitative interviews have been accused for not being scientific enough, too objective and whether trustable or reliable (Kvale, 1997: 257). The authors of this thesis find these arguments important to keep in consideration when conducting the study. But on the other hand, through the interviewees’ understanding of the social world, the qualitative research interviews reach a privileged position when the aim is to bring about objective know-how about a world of conversation (Kvale, 1997: 268).

In the opinion of the authors, having a fundamental setup and pre-composed interview questions, with an apparent link to the problem statement and theory, are crucial when collecting data. Furthermore, the profound interviews are crucial for getting the knowledge and understanding of the entrepreneurial actions and performance in the social as well as the actual context. The aim was to let the research objects speak very openly and simultaneously enable for supplementary questions and considerations – from the interviewers and the interviews. Therefore, the interview guide (containing some broad questions) was simply utilized as a basis/framework to keep the interviews on track. Bryman and Bell (2007: 477-479) state that interviews carried out by two interviewers, with an obvious focus and some existing ideas of how to analyze the data are probably to be categorized as semi-structured interviews. Saunders et al. (2009: 312) argue that for this type of interviews, the researchers have a list of themes and/or questions. As the context, appropriateness and the flow of the conversation may vary between each interview, the questions and the order of them may vary and additional questions might be necessary given special circumstances within the particular organizations.

The qualitative interviews of this study should not be seen as a mean to avoid and escape from statistics, and therefore the authors have been considering other research methods as well. In the opinion of Kvale (1997: 99) this is important. Bryman and Bell (2007: 441) presents a research method called participant observation that could have been another choice of method for this thesis. Using this method, the interviewers would, for an extended period of time, be placed inside the “walls” of a firm to observe and pay attention to different situation, formulate questions and search for answers. The participant observation’s advantages are that longer time is spend together with the research objects which can result in a deep and profound understanding and the method also enables unforeseen happenings and thus different results. Nevertheless, the authors did not consider this as a good substitute for the method chosen for this study, a lot due to the time consuming activity of observing the entrepreneurs. In addition, as the strategic decisions of the entrepreneurs over time were the focus, the collection of the necessary data would have been difficult. Furthermore, in the opinion of Saunders et al. (2009: 316), interviews are the most advantageous approach to collect data when, as for this research, the questions are complex, open-ended and the order and logic of the questions varies.
2.7 Choice of theory

The empirical results have been interpreted and analyzed utilizing one main theory, which is founded by David Teece. The fact that the theory is relatively new and based on many different theoretical perspectives (Teece, 2007: 1346) makes it a topic where the authors can gain valuable knowledge for their upcoming carriers. Teece (2007: 1322) state that the dynamic capabilities perspective deal with the understanding of how enterprises expand and manage to maintain a competitive advantage in the rapidly shifting environment. Wang and Ahmed (2007: 49-51) find that almost all qualitative and quantitative studies of dynamic capabilities between 1995 and 2005 have been conducted in Europe or North America. Furthermore, the previous studies have often ignored the developing countries. In opinion of the authors, this is a gap in the research. Consequently, investigating if the dynamic capabilities approach can be applied on firms in a developing country, as South Africa, where the internal and external environment is unstable and unsecure, is vital for a broader perspective. Moreover, previous studies on SMEs performance and competitiveness in developing countries have focused on the impact of environmental factors on firm success and ignored the role of the firm-level factors (Charles, 2009: 4). The authors believe that the dynamic capabilities approach is a powerful and multivariate approach, which can be used to analyze both the internal and external environment of the firms in South Africa.

David Teece (2009: x) means that the fact that the dynamic capabilities framework is not committed to the traditional assumptions in economics – like profit maximization behavior – it is hopefully more useful for understanding why some companies perform better than others. Even though the theoretical base of the dynamic capabilities framework now is reputed as fairly apprehensive and prestigious, it does not provide complete answer to all issues regarding superior enterprise performance. Collis (1994: 144) presents a critical opinion and holds that not even valued dynamic capabilities should always be seen as the source of superior enterprise performance. The drawbacks of the framework of dynamic capabilities create prospects for further empirical trials. It is important to mention that Teece’s framework not yet is a fully established theory and that it is an infant in developed and foremost developing countries.

2.8 Choice of sector

The firms studied were selected from the tourism sector, where one firm was drawn from each one of the “sub sectors” of accommodation, food and beverage, tour guide and conference and events. There are several reasons motivating the choice of sector for this study.

Firstly, in a background paper about the global importance of tourism, made for the UN department of economic and social affairs (World Travel and Tourism Organization and International Hotel and Restaurant Association, 1999: 1) it is argued that Travel and Tourism is the world’s largest industry and creator of jobs across national and regional economies and that these jobs are predominantly in small and medium size companies. The same source continues stating that tourism can be one of the most effective drivers for the development of regional economies, patterns which apply on both developed and emerging economies. This sector is identified as one of the key sectors of the economy, which could make a positive contribution to achieving sustainable development. Secondly, tourism is a highly labor intensive sector dominated by small and micro
businesses across a range of sub-sectors (Department of Environmental Affairs and Tourism, 2008: 7). Thirdly, the sector has been recognized as a direct priority sector within the Accelerated and Shared Growth Initiative for South Africa (ASGISA). The reason is that small, medium and micro enterprises are the generators of development in this sector as they contribute to the creation of jobs and economic growth. Therefore, it is important that the tourism businesses are supported to ensure further growth and sustainability (Department of Environmental Affairs and Tourism, 2008: 7). Finally, the choice of sector is also relevant because of the upcoming event in South Africa – during the summer of 2010 the country is going to host the biggest sports event in the world: 2010 FIFA World Cup of soccer (Fifa world cup, 2010) which surely will create new opportunities and jobs for entrepreneurs in the country.

2.9 Choice of literature

The literature analysis is intended to be a descriptive and critical analysis of other authors published work about the chosen area and related topics (Saunders et al., 2009: 60). When drafting the review, the authors focused on the problem statement and the objectives of the thesis, which is fully in line with Saunders et al. (2009: 60) statement. When deciding what the literature review should entail, the authors began looking for articles concerning the primary subject – dynamic capabilities. The main used database was Business Source Premier, which was employed at Umeå University library. The pin-words utilized were “dynamic capabilities” and “sustainable competitive advantage” which gave 7239 respectively 920 numbers of hits. The key words were helpful as they defined the borders, which are a good support when one ought to search for published articles in databases (Bryman & Bell, 2007: 107). The authors have taken Saunders et al. (2009: 61) recommendation of how to structure the critical literature review in consideration. To provide an overview of the important ideas and themes, a summary and comparison of some key writers’ research papers were done. Furthermore, the literature review started on a more general level and was then narrowed down to the specific problem statement and objectives. This is another of Saunders et al. recommendations. One way to reduce the amount of hits for the literature review was to concentrate on fairly new research papers, produced after Teece published his understanding of the meaning of dynamic capabilities (in 1997). When narrowing the research down, the key word “dynamic capabilities” gave 6059 hits.

In order to gain a deeper understanding of the subject, the authors also reviewed earlier studies on competitive advantage and the key word “competitive advantage” provided 18 651 number of hits. With the earlier knowledge as the main reason, the authors’ decided to concentrate on traditional approaches like the Resource Based View and Porters five forces. The examination of these also supplied a historical flashback linked to the very early conclusions of Schumpeter, Kirzner, Penrose and Wernerfelt, which were investigated further. The literature analyzed includes work from many different authors that all have – in one way or another – contributed to, developed and criticized the dynamic capabilities framework. The literature review was conducted to acquire a bigger understanding of the topic and the theories linked to the field studied. The literature has been reviewed and carefully judged from several different aspects and out of many critical angels. However, the authors would like to stress that the method used for the literature review can be criticized for a couple of reasons. Firstly, the review has largely been concentrating on popular theories known for getting a lot of attention during the history of times. Secondly, references from the first articles have to a large
extent helped the authors to discover the other articles studied for the thesis. From the point of view of the authors, this can have contributed to a slightly one-sided review of the literature. The third criticism is the fact that many articles used for the review was in fact written by the same author, alone or together with other authors. Keeping these important criticisms in mind, the authors would like to uphold that the final selection of the literature was seen as good because it presented a logical and sufficient critical analysis within the chosen field. Furthermore, the review assisted in understanding the development and history of the dynamic capabilities approach.
3. Frame of reference

3.1 Introduction
This section offers the reader of the thesis an understanding of the previous literature as a background for investigating the role of dynamic capabilities. Earlier studies on competitive advantage and more specifically dynamic capabilities have, as will be seen later on, mainly been carried out from two perspectives – an entrepreneurial and a strategic management. The section starts with an overview of the literature presenting the theoretical approaches within the area of competitive advantage. This is followed by a closer look into some other views; Porter’s five forces approach, the Resource Based View and the dynamic capabilities approaches on which the guiding framework of this thesis is built. This framework rests on ideas from all the above traditions and therefore these are important to bear in mind. The section ends with an explanation of the significance of the competitive advantage literature and explains why the guiding theory is chosen.

3.2 Literature overview
The hard work to clarify competitive advantage has been referred to as the guest for the Holy Grail in strategic management (Collis, 1994: 144; Helfat et al., 2007: 101; Helfat & Peteraf, 2009: 91). Two different theoretical explanations have mainly, influenced the questions of competitive advantage.

First, traditional theories are mainly concerned with predicting the behavior of the firm in external markets based on the Structured-Conducted-Performance (SCP) paradigm (Bain, 1956; 1959). Michael Porter’s five forces model supports this paradigm by stating that industry structure affects overall industry performance (Porter, 1980). The viewpoints and models inside the area of strategic management – developed from 1979 to mid-1980s – were grounded on the thought that competitive advantage arose from the skill to gain a return in investment greater than the standard of the industry sector (Thurlby, 1998: 1).

The second stream, the Recourse Based View (RBV) of the firm, have shifted the focus away from the industry structure. This view focuses on the internal perspective and its potential for creating competitive advantage. The most recent thinking in explaining firms’ competitive advantage has been the RBV and its streams: capabilities, core competency and the knowledge based view. It is important to mention that RBV is highly consistent with the strategic management perspective and it would be misleading to argue that the approach is the opposite of the industrial organization perspective (Charles, 2009: 40). The focus of this literature review on competitive advantage has been on the dynamic capabilities view. However, the dynamic capabilities approach and the RBV have similar assumptions and the RBV can therefore be seen as the foundation for the dynamic capabilities view (Teece et al., 1997: 515). The two paradigms – Kirzner and Schumpeter, and Mason-Bain – and the development of competitive advantage can be seen in figure 3.
A starting point for the literature review (with the aim of gaining an understanding of dynamic capabilities) is to answer two main questions: What is entrepreneurship? And how can opportunities arise? The explanation for entrepreneurial opportunities requests a dialogue of where the opportunities come from. The literature offers two different clarifications. The Kirznerian viewpoint (Kirzner, 1973) followed by the Schumpeterian perspective (Schumpeter, 1934). These two perspectives disagree whether the reality of entrepreneurial opportunities involves new fact or simply differential access to existing information. From Kirzner’s point of view, for opportunities to exist; only differential access to existing information is required. Schumpeter has a different opinion and states that new information is crucial in clarifying the existence of entrepreneurial opportunities (Shane, 2003: 20). These two historical perspectives are still relevant in today’s economy and when analyzing competitive advantage.

3.3 Porter’s five forces

Although the primary focus of this thesis is on research on the dynamic capabilities approach, a brief discussion of Porter’s framework is necessary for a bigger understanding as it is well established in the area of competitive advantage. In 1980, Porter presented the competitive forces approach, today also known as Porter’s five forces approach. This is an outside-in business unit strategy used to make an analysis of the attractiveness of an industry structure. A good strategy involves picking an attractive industry and positioning oneself to be defended from the rivals. In this model, five distinct industry-level forces – the role of potential entrants, suppliers, buyers, substitutes, and rivalry amongst competitors – determines the inherent profit potential of an industry (Porter, 1980: 3-4).

Porter’s model has been in existence for many years and has formed the basis for the understanding of competitive advantage. However, the model has some limitations. Among others, the framework is accused for not paying enough attention to the nature of innovation and other factors that change the “rules of the game” (Teece, 2009: 15). Augier and Teece (2008: 1189) argue that the approach is insightful but limited as it neither pay attention to the firm itself nor to the capabilities of the management – it only sees the differences among firms as a result of the product choices they make. Furthermore, Teece (2007: 1325) states that Porter’s approach especially shows some inherent weaknesses in dynamic environments. This is because of its rather static
character and the actuality that it does not pay attention to many features of the competitive environment containing the magnitude of complementarities, path dependencies as well as supporting institutions. As a result, the framework’s application on the contexts outlined in the global competition of today is unsatisfactory.

3.4 Resource Based View

The limitations surrounding the industry model presented above has been contributing to the increasing attention on firm level resources for creating an understanding of why some firms are more successful than others. The RBV is an important economic concept for analyzing competitive advantage. The view holds that firms can gain competitive advantage only if they hold better resources than their competitors.

Penrose provide, in her early work from 1959, the insights into the resource perspective of the firm. According to Cavusgil, Seggie and Talay (2007: 160) she described the firm as both an administrative organization and a collection of productive resources; including both physical and human resources. About 25 years later “the resource based view of the firm” was also further developed by Wernerfelt (1984). The RBV approach then became even more acceptable with Barney’s paper in 1991. The approach is still today seen as a major economic concept focusing on the internal organization of a firm (Eisenhardt & Martin, 2000: 1105). As will be seen later on, many of these assumptions are included in the dynamic capabilities perspective. Recently, the dynamic capabilities approach has extend the RBV to evolving capabilities. Makadok (2001: 387) finds that the written works on strategic management presents two different underlying instruments of how firms generate economic rent and states the significance of considering if the interaction among the two should be seen as complements or substitutes. The first device is “resource picking" which is employed by managers that are being more successful than their rivals at choosing resources. The following one is known as “capability building” and is used by firms that create economic rent by being more successful than their competitors at deploying resources. Makadok then brings about that depending on the situation the instruments are sometimes to be viewed as complementary and sometimes as substitutes.

Both Penrose findings and the RBV have been criticized for a number of reasons. From the perspective of modern strategic management the early Penrosian understanding of competitive advantage was missing a dimension: she didn’t address the question of how firms develop sustainable superior performance, but instead implicitly adopted a profit-seeking framework. Nevertheless, her insights were a good starting point for the development of a theory of the firm and for recognizing the importance of the manager (Augier & Teece, 2007: 177-178). In the opinion of Ambrosini, Bowman and Collier (2009: 29) the RBV holds that resources capable of being valuable, rare, imperfectly imitable and imperfectly sustainable (VRIN) are source of competitive advantage, but only in stable environments. Additionally, the model does not specifically address how future valuable resources could be created or how the current stock of VRIN resources can be refreshed in an unstable environment. Even if the firm’s resources fulfill the requirements of VRIN-resources, the competitive advantage will decline over time, mainly in highly volatile markets where exogenous shocks can take away competitive advantage very fast (Ambrosini & Bowman, 2009: 29).
Moreover, both the RBV and Porter’s five forces approach are criticized for essentially being of a static nature. Taking a more dynamic approach where the process of uncertainty, learning, and the impact of external changes are considered would result in a more realistic analysis with a greater explanatory capacity (López, 2005: 663).

3.5 Dynamic capabilities

The literature review so far in this section indicates that several theories and models have been applied to study competitive advantages of firms. Whereas the RBV scholars recognized the competitive importance of firm-specific capabilities, the researchers within the paradigm of dynamic capabilities try to outline how organizations develop and renew internal competences more in detail. The approach is concerned with how the enterprise creates new knowledge, distributes it internally, plants the new knowledge into new services or products and launches these on the market (Augier & Teece, 2008: 1196). Furthermore, the dynamic capabilities stance tries to explore how changes in the world are likely to result in changes in the enterprises and seeks to investigate how firms can shape their environments and improve their capabilities (Augier & Teece, 2008: 1202). The approach can be viewed as resting on many theories, inter alia Schumpeter (1934), Penrose (1959), Cyert and March (1963), Williamson (1975; 1985), Nelson and Winter (1982), Teece (1988) Teece and Pisano (1994) and a lot of others (Teece et al, 1997: 510).

The global competition in highly changeable industries has confirmed the need for an enlarged paradigm to understand how to gain as well as maintain the competitive advantage. One of the best efforts to better understand sustainable superior enterprise performance is the dynamic capabilities approach. Teece, Pisano, and Shuen first introduced the term dynamic capabilities in 1990 and the seminal paper was published in 1997. They defined dynamic capabilities as “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments” (Teece et al., 1997: 516). Schreyögg and Kliesch-Eberl (2007: 915) argue that capabilities are conceptualized in the context of collective organizational problem solving, and as a result capable firms assumingly solve emerging problems more effectively.

However, the definition above has been criticized by Zollo and Winter (2002: 340) because it doesn’t comprise where the dynamic capabilities come from and it seems to require the presence of rapidly changing environments for dynamic capabilities to exist – which these two authors do not believe is a requirement. Their alternative definition proposes that “a dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness”. More recently, Helfat et al. (2007: 1) defined the term dynamic capabilities as “the capacity of an organization to purposefully create, extend or modify its resource base”. In the opinion of Ambrosini, Bowman and Collier (2009: 14), to understand dynamic capabilities, the managerial perceptions of the need for change – functions of their perceptions of their firms’ external and internal environments need to be considered. Thus, it is possible for a manager to misperceive the need for change and as a result fail to apply appropriate dynamic capabilities.
The two words in the term dynamic capabilities can be defined separately in order to get a greater understanding. The denomination “dynamic” has been employed by Teece et al. (1997: 515) aimed at situations of quick transformation where as the term “capabilities” intends to highlight the magnitude. In 1997, Teece et al. openly argued for the opinion that the dynamic capabilities view could overcome the limitations of the RBV.

While Teece and Pisano could be seen as originators of the dynamic capabilities perspective, their work extended Nelson and Winter’s work from 1982, which addresses the role of routine and how they shape and constrain the ways in which firms grow and cope with the changing environment. Both Teece et al. (1997) and Nelson and Winter (1982) have taken an “efficiency approach” to firm performance rather than a privileged market position approach, which was the underpinning for Porter’s (1980) theory on competitive advantage. Furthermore, both of them emphasized internal factors rather than external factors as sources for competitive advantage (Ambrosini & Cliff, 2009: 31). To summarize, the dynamic capabilities framework represents a different view than that of Porter’s five forces. Within the framework of dynamic capabilities, the environmental context, identified for analytical reasons, is not that of the industry, but rather of the business “ecosystem”. Moreover, the dynamic capabilities framework is – as mention above – grounded in the Kirznerian, Schumpeterian and evolutionary theories of economic change, whereas the view of the five forces is based on the Mason–Bain paradigm of industrial economics (Teece, 2007: 1325). In addition to ideas from different theoretical traditions, the approach of dynamic capabilities tries to offer a consistent framework, which can incorporate prevailing conceptual and empirical knowledge (Teece, 2009: 97).

Eisenhardt and Martin argue that the potential for sustainable competitive advantage lies in “using dynamic capabilities sooner, more astutely, and more fortuitously than the competition to create resource configurations that have advantage” (2000: 1117). In line with this the authors Zahra, Sapienza and Davidsson (2006: 922) find that when the environment is changing quickly or is unpredictable the value possessing dynamic capabilities may be the highest.

3.6 Strengths, shortcomings and the theoretical standpoint

The key conclusion drawn from the existing empirical literature with regard to firm competitive advantage is that a strong emphasis among many researchers has been on the cooperation between industry and firm-specific factors. Previous approaches have also been relatively static and it is shown that in the fast-moving environment – open to global competition – sustainable competitive advantage demands more than the possession of hard to-replicate resources (Teece, 2007: 1319).

The dynamic capabilities view aspires to supply a coherent framework, which can incorporate both existing conceptual and empirical know-how (Teece et al., 1997: 515). López (2005: 668) sees dynamic capabilities as “key factors in optimizing the strategic course of the company’s future”. Despite its popularity and insightful theoretical foundation, the dynamic capabilities approach does not answer all questions of sustainable competitive advantage. Zahra, Sapienza and Davidsson (2006: 923-924) argue that that there are some inconsistencies and ambiguities in the literature of dynamic capabilities. Among others, they mean that some scholars’ way of linking the
presence of dynamic capabilities with environmental conditions leads to confusion. In addition, they found that “dynamic capabilities must be well-targeted and deployed in order to achieve strategic goals”. Another criticism of the concept is that dynamic capabilities are difficult to measure empirically. The same goes for the underlying operational processes as well as the relationship between dynamic capabilities and the performance of the firm (Easterby-Smith et al., 2009: 6). Collis (1994: 144) finds that even though capabilities can be valuable, they are not always a source of a firm’s long-term superior performance, and more importantly, it is not the ultimate source of it. Winter (2003: 994) criticizes that the concept often is linked to generic formulas for competitive advantage and generalized effectiveness and that some of the mystery and confusion around the concept arose out of this. Winter (2003: 994) also states, “There is no way to hedge against every contingency”.

Unfortunately, studies applying the dynamic capabilities framework in Africa are almost unavailable. This fact presents a limitation in replicating the approaches that have been employed in previous studies. Nevertheless, the existing studies (discussed above) from other parts of the world seem to be useful as they offer conceptual insights of dynamic capabilities. Despite the criticism of the dynamic capabilities view, the approach – and foremost Teece’s framework, that is chosen as the main theory for this thesis is considered relevant. Therefore, the next chapter will provide a deeper explanation of this framework.
4. The dynamic capabilities framework

After David Teece’s presentation of the term dynamic capabilities in 1990, he influenced the research of topic again in 2007 with the dynamic capabilities framework (Teece, 2007) (see appendix 2). The framework highlights concepts and research findings from a wide variety of fields, for example strategic management, business history, industrial economics, law and economics, organizational sciences and innovation studies (Teece, 2007: 1346). Teece points out that the dynamic capabilities framework is no less than an attempt to clarify the sources of enterprise-level sustainable competitive advantage. Moreover, Teece (2007: 1320) strongly upholds that it is not to be seen as a precise model but instead it should simply be viewed as framework. Furthermore, the framework is particularly essential to multinational company performance in business environments that shows specific attributes. These characteristics are mainly to be discovered in large sectors of the worldwide economy and foremost in high-technology sectors (Teece, 2007: 1320).

The framework points out three fundamental classes of dynamic capabilities. Firstly, the capacity to sense and shape opportunities. Secondly, to seize opportunities. Thirdly, to maintain competitiveness through reconfiguring the enterprise’s assets (Teece, 2007: 1319). “The framework advanced can help scholars understand the foundations of long-run enterprise success while helping managers delineate relevant strategic considerations and the priorities they must adopt to enhance enterprise performance and escape the zero profit tendency associated with operating in markets open to global competition.” (Teece, 2007: 1319). In the framework the characteristics of the three classes of dynamic capabilities are recognized and an effort is made to separate the microfoundations of the dynamic capabilities from the capability itself (Teece, 2007: 1321). In what is following, the nature of Teece’s various classes of dynamic capabilities is explained. It is notable that, for the creation of sustainable competitive advantage, the recognition of the microfoundations of dynamic capabilities must be necessarily unfinished, not yet developed, dense and their realization must, according to Teece, be rather difficult. Otherwise the microfoundations are not creating sustainable competitive advantage (Teece, 2007: 1321). The framework integrates the strategy and innovation literature and highlights the most important capabilities that the management need in order to sustain superior long run business performance (Teece, 2007: 1322).

4.1. Sensing (and shaping) opportunities

“Sensing (and shaping) new opportunities” is the first recognized fundamental class and involves scanning, creating, learning, and interpreting activities. Teece (2007: 1322) states that “when opportunities are first glimpsed, entrepreneurs and managers must figure out how to interpret new events and development, which technologies to pursue, and which market segments to target”. Enterprises that realize the opportunity are frequently able to transform the customer need into new products (Teece, 2007: 1324). To make it work out, organizational processes must make sure that information is filtered and flows to the people able of making sense of it. If enterprises fail to engage in these activities they will not be able to assess market and technological developments or get sight on the new opportunities. As a consequence, the companies will miss opportunities observable to other firms (Teece, 2007: 1323). Teece (2007: 1319) states
that “enterprises with strong dynamic capabilities are intensively entrepreneurial. They do not only adapt to the business ecosystems, but also shape them through innovations and through collaborating with other enterprises, entities and institutions”. The search activities relevant to “sensing” comprise information about what is going on in the business ecosystem. The search must include potential customers, suppliers and rivals that are active in innovative activities (Teece, 2007: 1324).

“The ability to recognize opportunities depends in part on the individual’s capabilities and extant knowledge particularly about users needs in relationship to existing as well as novel solutions” (Teece, 2007: 1323). According to Teece’s theory (2007: 1324), if the supplier of a service/product fail in understanding the customer needs, it is unlikely that firm will be successful. In order to succeed with this activity, the individual must understand the information that is available. Teece (2007: 1323) also states that “because of uncertainty the entrepreneur/manager must make informed conjectures about the path ahead”, in other words, “once a new evolutionary path become apparent, quick action is needed”. Furthermore, Teece (2007: 1319) argues that “sustainable advantage requires more than the ownership of difficult-to-replicate (knowledge) assets. It also requires unique and difficult-to-replicate dynamic capabilities”. The father of the framework does not believe in coping with the competition: “In the dynamic capabilities tradition the essence of strategy involves selecting and developing technologies and business models that build competitive advantage through assembling and orchestrating difficult-to-replicate assets, thereby shaping competition itself” (Teece, 2007: 1325). Figure 4. summarizes individual traits that undergird sensing capabilities and the microfoundation chosen is marked.

**Figure 4. Elements of an ecosystem framework.** (Source: Teece, 2007: 1326)

### 4.2. Seizing opportunities

“Once a new (technological or market) opportunity is sensed, it must be addressed through new products, processes or services. This characterizes Teece second fundamental class of dynamic capabilities – “Seizing opportunities”. This class involves, according to Teece (2007: 1326), “maintaining and improving technological competences and complementary assets and then, when the opportunity is ripe, investing heavily in the particular technologies and designs most likely to achieve marketplace acceptance”. As a result, in order to achieve superior firm performance the firm needs to strategize around investment decisions and get the timing right.
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However, “the issues that the enterprise faces is not just when, where and how much to invest. The enterprise must also select or create a particular business model that defines its commercialization strategy and investment priorities” (Teece, 2007: 1327). According to Teece (2007: 1330) “choices of how to capture value all helps to determine the architecture and design of a business model”. Furthermore, Teece states that the process of designing a business model is complicated: “Selecting, adjusting and/or improving the business model are a complex art. Nevertheless, the importance of business model has been given short shrift in the academic literature, at least until quite recently. Important choices include technological choices, market segments to be targeted, financial terms (e.g.; sales vs. leasing), choices with respect to bundled vs. unbundled sales strategies, joint venture vs. leasing vs. go-it-alone approaches, etc” (Teece, 2007: 1330). Additionally, Teece (2007: 1330) explains that “designing a new business requires creativity, insight and a good deal of customer, competitors, supplier information and intelligence”. In the procedure of developing a business model, Teece (2007: 1339) concludes the significance of integrating know-how from the outside – from other organizations – and from inside the enterprise. To take help from people outside the business can help the company to shape new opportunities and to reconfigure these in new ways, to create competitive advantage. David Teece points out the risk of sticking to the same processes and procedures and formulates that “the existences of layer upon layer of standard procedures; established capabilities, complementary assets, and/or administrative routines can exacerbate decision-making biases against innovation” (Teece, 2007: 1327). To reduce the risk of this occurring, Teece (2007: 1323) states that “more decentralized organizations with greater local autonomy are less likely to be blindsided by market and technological developments”. Moreover, Teece (2007: 1327) notes that “decision making is likely to have a committee structure, with the top management requiring reports and written judgment for significant decisions”. Teece continuous explaining that this tends to slow down decision-making and tend to reinforce the status que. “One should not be surprised, therefore, if an enterprise senses a business opportunity but fails to invest” (Teece, 2007: 1327). For the second fundamental group of dynamic capabilities, the microfoundation of “selecting product architectures and business model” is chosen as marked in figure 5.

Figure 5. Strategic decision skills/execution. (Source: Teece, 2007: 1334)
4.3. Managing threats and reconfiguration

A key to gain long-term competitive advantage is the talent to recombine and to reconfigure assets and organizational structures along with the change of the markets and technologies. In other words, some level of practice is needed to gain success and efficiency (Teece, 2007: 1335). “Managing threats and reconfiguration” belongs to the third of the fundamental classes. According to Teece (2007: 1335) success will cause the entrepreneur to evolve in a path-dependent way and “a key to sustain the profitable growth is the ability to recombine and to reconfigure assets and organizational structures as the enterprise grows, and as markets and technologies changes, as they surely will”. Teece (2007: 1323) explains that the individuals create the opportunities and that the process requires knowledge, creative activity and the ability to understand the customer needs. Furthermore, to sustain superior firm performance the enterprise has to develop corporate culture, design reward systems and retain committed talent (Teece, 2007: 1340). To succeed with this process, Teece points out the importance of taking influences from the external business environment into account, “integrating know-how from the outside as well as within the enterprise is especially important to success when “systems” and “networks” are present” (Teece, 2007: 1339). Teece (2007: 1327) states that the processes of business models are an ignored component of strategic management.

In Teece’s (2007: 1335) opinion, to sustain dynamic capabilities, decentralization is required because it brings top management closer to new technologies as well as the customer and the market. Teece (2007: 1323) states that “because of the problem of information decays as information moves up (and down) a hierarchy, business must devise mechanisms and procedures to keep management informed.” According to Teece (2007: 1339) innovative businesses with limited experience have been known to fail when proactively monitoring and protecting know-how and intellectual property. Inside the enterprise, the old and the new must also be complement. “If they do not, business units must be disposed of or placed in some type of separate structure. Otherwise, work will not proceed efficiently, and conflicts of one kind or another will arise”. (Teece, 2007: 1335-1336). The chosen microfoundation for the third fundamental group of dynamic capabilities is “governance”, as marked in figure 6.

![Figure 6. Combination, reconfiguration and asset protection skills. (Source: Teece, 2007: 1340)](image-url)
5. Practical methods

5.1 Introduction
As highlighted previously, the methodology applied to carry out the thesis was based on the interpretivism philosophy and a deductive approach in order to answer the problem statement. On this basis, the section starts with describing the respondent selection, which includes the sampling size. Then, the sampling techniques and the interview guide are presented. The chapter ends with a critical consultation regarding the access problems linked to the interview. This process can be seen in figure 7.

![Figure 7. Structure of the practical methodological choices.](image)

5.2 Respondent selection
In many quantitative studies, the respondents are chosen through statistic selection methods, before the data collection, for the purpose of ensuring the generalization. But for the respondent selection in qualitative studies other criteria can be used, with an intention of increasing the understanding (Backman, 1998: 53). As stated earlier, the entrepreneurs selected were drawn from the tourism sector. When choosing among entrepreneurs to interview, the authors of the thesis set up a number of criteria.

Firstly, the firms chosen had to be located in Cape Town. This city was considered relevant because the city is a popular destination for tourists all year around, it will be hosting many games during the world cup of soccer in 2010 and according to the Global Entrepreneurship Monitor (Herrington, Kew & Kew, 2008: 5) the entrepreneurial activity rates in Cape Town are more than 65 % higher than the national rates. Secondly, the companies – which the entrepreneurs were selected from – belonged to the group of small and medium enterprises. The number of workers identified the firms (as stated in the definition of SMEs for this thesis). The reason for this was that this group of enterprises is of outermost importance for the economic and social development in both developed and developing countries. Moreover, these firms are often seen as a seedbed for entrepreneurship and the best vehicle to help developing countries to participate in the global economy (Charles, 2009: 1). The authors of the thesis found it to be of great interest, both to them and to South Africa, to focus on entrepreneurs from this group. Thirdly, the study targeted high-potential entrepreneurs, leading successful companies for at least three years. The minimum of three years was seen as an appropriate and necessary limit as the authors were to study the firms’ competitive advantage over time. All four entrepreneurs’ fulfilled the definition of “successful” as stated in the first chapter.

With the help of SEDA and with the use of their big network of entrepreneurs located in Cape Town, four entrepreneurs that fulfilled the criteria were selected. Some were selected in the beginning of April. Through these entrepreneurs, the authors also got the
emails and contact information of some additional entrepreneurs (also fulfilling the requirements), some of these where contacted during April.

According to Kvale (1997: 99) it is vital to consider the resources available for the research. Time and money, quality opposed to quantity of the interviews and the know-how needed for both the topic of the research and the human interaction. The lack of both time and money for conducting the research, made the choice of fewer, but more in-depth interviews a good choice. For the know-how, the authors had closely been studying both the literature of the topic with a focus on really understanding the theory and sought to find out more about the specific entrepreneurs’ and their companies via their respective web pages. Learning about the norms, social culture and company culture of South Africa was an interesting but also a difficult challenge. Knowledge was gained through the Global Entrepreneurship Monitor’s South African report (Herrington, Kew, Kew, 2008), South African Institute for Entrepreneurship (South African Institute for Entrepreneurship, 2010), The United Nations (United Nations in South Africa, 2010), Sida (Sida, 2010) and from the Swedish embassy (Swedish embassy Pretoria, 2010).

5.3 Sampling Techniques

Problems arose when some entrepreneurs not could attend the interviews. These problems were rapidly solved as the first interviewee had many contacts in the city and helped finding other entrepreneurs of interest. This sampling method is, according to Saunders et al. (2009: 232-233) called a snowball-sampling method. In short, first, at least one case of the population is contacted and is then asked to identify other cases. The same author describes it as a method commonly used when it is difficult to identify members of the desired population – this method overcomes this problem but the problem of finding the initial case still remains.

5.3 Interview guide

Before leaving to South Africa, interview themes and broad questions were prepared which resulted in an interview guide (see appendix 1). These were designed to provide the authors with the information needed in order to answer the problem statement and purpose. However, the authors were well convinced that the questions would have to be supplemented, as the knowledge of both the subjects and the problem would grow with time. When planning for the interviews, some suggestions presented by Bryman and Bell (2007: 483-484) were adhered to. The authors made sure to create enough themes and questions for the interviews to run in a good way and prepared these so that the link to the problem statement and theory was obvious. In addition, a convenient tape recorder was purchased in order to make the interviews and the comprehensive data collection less demanding and stressful.

The primary intention of the interviews was to get an insight of each successful entrepreneur’s crucial strategic decisions and investigate how these arose and were made, what the outcomes were and understand how these decisions contributed to the next actions. The questions used for the interviews were very variable and according to Bryman and Bell (2007: 486), this is a common feature for questions in qualitative interviews. The environment for the interviews shifted but all of them were performed in the natural environment of the respondents. Undertaking a semi-structured interview, the authors found it important to cover some vital points at each interview; these were
dealt with within the first five minutes of each interview. To start with, the participant was thanked for participating in the meeting and thereafter the purpose of the research, background and what the interview answers should be used for was outlined. In addition, the interviewee was given an information sheet to keep. Secondly, the rights of confidentiality and anonymity were explained by promising that nothing that was said would be used to harm the person or without first seeking and obtaining permission. It was stated that the participant had all rights to not answer any questions and it was explained what would happen with the collected data during and after the study. Thirdly, a request to record the interview was stated and the participant was offered to get a summary of the research findings and the date for this was set out. As recommended by Saunders et al (2009: 324) before starting the interview, the amount of time available for the interview was confirmed and, in those cases where this was agreed, the tape recorder was turned on. This procedure – always being very clear about everything – was seen as an important stage in securing the credibility of the study. All four interviews began with broader questions concerning the entrepreneurs’ background. The interviewers saw this data as very valuable as it could ease the understanding of the motives for the strategic decision. The interviews were all planned for 60 minutes and were tape-recorded. Directly after each interview, the data was transcribed and later also sent to the interviewee for confirmation and editing. Bryman and Bell (2007: 481) find that these interviews can be seen as a two-way procedure, which is beneficial for both the interviewers and interviewees. Having both authors present during all interviews and also recording them, eased the transcription and editing of the interviews but more importantly, this helped the reliability of the study and decreased the risk of confusion and errors (Bryman & Bell, 2007: 410). Four in-depth interviews were carried out in Cape Town from mid-April to the beginning of May 2010.

5.4 Access problems

All entrepreneurs explained generously about their background and how they became entrepreneurs. The authors have the impression that each and every one of them was happy to be able to tell their story and life objectives – in fact, all of them had so much to reveal that, due to the time limit, the interviewers had to interrupt them sometimes to lead the interview back to the topic of interest. Moreover, no respondent seemed frightened to answer any of the questions and the authors were surprised by the amount and how openly they criticized the government. Nevertheless, the authors are aware of the fact that the respondents can have avoided to profoundly explain their opinions and knowledge when answering the questions. If this was done on purpose or not is problematic to state and the simple fact that the entrepreneurs might have avoided to reveal all existing information should, in the opinion of the authors, be seen as a usual behavior of entrepreneurs in general.

All four interviews were held in English but only half of the respondents had English as their first language. When interviewing respondents in a different language from the native language, and where the interviewees and the interviewers have different nationalities, culture and norms, it is likely to believe that some questions were left out or misunderstood either by the interviewers or the respondents. The authors are aware of the fact that the meaning and understanding of concepts and words can be interpreted very differently. It has been the responsibility of the authors to try and make sure that they understand the interviewees in a correct way. In addition, the interviews were held
at location with quite noisy surroundings. This, in combination with the language barrier and cultural differences, made it extremely important that the interviewers were well prepared for the interviews, very concentrated during the interviews and that notes were taken even though all interviews also were tape-recorded. Overall, all respondents gave very honest, insightful and complete answers to the questions and collaborated very well. The authors are very thankful that the entrepreneurs were willing to participate and are also satisfied with the outcome of the interviews.
6. Empirical observations

6.1 Introduction
In this section, the empirical data collected from the interviews is presented. The focus of the data collection is the entrepreneurs’ strategic decisions, but in order to provide a more general picture of the research objects, the thesis also presents a background of each entrepreneur’s life. This is considered important to gain a deeper understanding of the empirical study. For the confidentiality reasons, the entrepreneurs are referred to with their first names. The responses from each interview will be presented separately and every entrepreneur’s answers are grouped into nine categories, as can be seen in figure 8.

![Diagram](image)

Figure 8. Categorizes of strategic decisions.

6.2 Entrepreneur “Selwyn”

6.2.1 Background
“Selwyn” is a 57 years old entrepreneur and the owner of a successful guiding company located in Cape Town. Eight years ago the entrepreneur realized that his passion for guiding his friends around in Cape Town also could be used as a basis for a professional business. During the last couple of years, “Selwyn” has won the “Paul Morrison guide award” as the best tour guide of the year, twice. The awards have given the already popular entrepreneur even more attention from customers and journalists from all over the world and contributed to the growth of his business. But, more importantly, the
awards also filled another, bigger, purpose; it placed his life project – a township located outside Cape Town – on the map. This, together with his enormous love to South Africa and the fact that he wants to spread the information about the real situation in the township made him the successful entrepreneur he is today.

“Selwyn” was born in a white community, where he – as everyone else – where raised to be racists. He went to high school with only white students and thereafter decided to start university and study to become an engineer. Although his grades were not that good, he was able to get a better education than most others due to the fact that he was included in the right quota group – the white one – which included only 10 % of the whole population. “Selwyn” barely past his first year at the university as a result of the fact that he, as most white boys in South Africa at that time, had a driving force to play rugby and not to study. The competition within the sport was tremendously high and “Selwyn” was not successful enough get into the first team. This fact made him realize that he had to focus on the education and that this was crucial for his future.

During his years at university a girl influenced and changed his life. The two of them started to demonstrate against racism. “Selwyn” spent more and more time in a township and got arrested twice for demonstrating against issues related to the unfair treatment due to skin color. After he had graduated, he decided to open up his own clothing-manufacturing firm. The business was very successful and had 80 employees, but after 20 years the entrepreneur decided, in spite of the still growing profit, to close it down. At the age of 42 “Selwyn” decided to retire, but it didn’t last for long. “I started to climb the walls and decided to go traveling around the world to get new influences”. His good skill for remembering numbers took him to Las Vegas in the US. He started to play Black Jack and won a lot of money. “Selwyn” was thereafter refused admittance to all casinos in the world and since he did not like that lifestyle anyway, he decided to go back to his home country.

After the few years abroad he retired again. A friend, who knew about “Selwyn’s” interest for South Africa, suggested that he should become a tour guide. “Selwyn” didn’t know anything about guiding but quickly decided to join a guide school. After 6 months he became a THETA (Tourism, Hospitality & Sport Education Training Authority) accredited guide. “Selwyn’s” passion for the township made this a perfect spot to take his visitors, and this is true still today. He believes that the core of a business has to include both giving and taking. But the entrepreneur’s involvement and his passion for helping the township goes well beyond the guiding tours, he is donating most of the profit to projects in the township and is also personally supporting many of the people living there.

6.2.2 Strategic decisions

1. Finding opportunities
“Selwyn” believes that many opportunities that he finds in South Africa are created out of the physical environment of the country. “I would not be able to run my business if the country would not be the way it is – the fact that the country is beautiful and has a lot to offer really helps”. “Selwyn” also believes that the South African history creates opportunities as the tourists want to know about apartheid and how white and black people were treated in the past. This is, in “Selwyn’s” opinion an advantage compared
to other developing countries, especially in Africa. He adds that today, the tourism industry is the third largest industry in the country and that this should be seen as a consequence of the environment.

The opportunity for the start up of the current business arose by accident. “Selwyn” had always had a big interest for the native Cape Town. When a friend suggested that he could become a tour guide he immediately saw the opportunity to do what he loved most in life on a professional basis. The choice of making tours in the township was influenced by another friend’s helpful advice. “I just jumped into the business but the concept did not work well in the beginning”. “Selwyn” realized that he had to change his image. His dad had always told him that it is important to be humble and realistic when opening up a new business and he used to say that “one have to start to crawl before starting to walk”. These wise words were the ground pillar on which “Selwyn” has built all his businesses. New opportunities have continued to develop every day since he started his enterprise and most is created with the help of his customers and through the township. “The biggest idea booster is the 600-700 visitors that I have in my car every year”.

Knowledge and experience was the key when “Selwyn” choose his market segment. “I do what I can do best. I can’t have a restaurant because I can’t make good food, so I would fail if I tried”. The target market for his business has always been “older travelers” (a lot of them are retired) from the USA that want to have a guide in the same age with a lot of experience. “Selwyn” believes that his own age also has created opportunities and that his competitive advantage increases with his age. But, he also understands that ageing has negative effects and he is worried that the township will be affected when he cannot run the enterprise anymore. “One of my big business objects is taking care of the people in the township.”

2. Individual capacity

“Selwyn” believes that his background has had a great impact on his success as an entrepreneur. His experience from the clothing factory and the involvement in the IT sector, when the Internet was introduced in South Africa, gave him the knowledge of how to create homepages and how to produce good promotion and marketing. These understandings turned out to be crucial factors when he was trying to find and convince the customers, especially from the US, to choose him as a guide. “I want to know what kind of people I have in my car and the Internet has helped a lot to pre-plan the tours”. “Selwyn” states that his personality has some great advantages; he always believes in accomplishing something out of his ideas, which means acting as soon as possible and never waiting until tomorrow.

The influences from the white community where “Selwyn” grew up have also affected his way of living. “When you are born as a racist, you will always be a racist and I have to remind myself about this fact every single day”. “Selwyn” learned that as an entrepreneur you have to be able to do everything yourself. ”You have to be able to swipe the floor and sign the checks”. As an independent guide, “Selwyn” creates personalized offers for his guests, which includes giving the customer value from the day the trip is booked until the day when they download the photos of the trip. “Selwyn” believes that he has made one decision that was more important than all others – the choice of education. “After finishing school you can do things as everyone
else or, you can do it your own way and the later way is in my opinion what an entrepreneur does”. However, weather his choice of education was right or wrong remains unknown, but “Selwyn” believes that the knowledge he gained from it is a part of his success.

3. Driving Force

“It is not the money, in fact, the exact opposite; to have fun and help people along the way”. In “Selwyn’s” opinion, if you like what you are doing, the money roles in automatically. “When you reach the market you will get the money that is how it works.” According to “Selwyn” the word successful, is always relative, and everyone needs to come up with his or her own definition. “In the end you have to ask yourself what kind of categories you want to fall in when living your life”. He rather wants to be remembered as a good person than a rich one. His driving force was created as he guided his friend through Western Cape. “Seeing the glow in their faces as we moved around made me wanting to do this on professional basis.

“Selwyn’s” great involvement in the township is definitely also a driving force. “If I can help one single child in the township, I have succeeded in my life”. Winning the guiding awards really helped the township as more people both wanted to go there as visitors with “Selwyn” as the guide and help with financial donations. Sending poor children to school and building a dance school are some examples of projects that the money is used for. In addition, this entrepreneur is also helping people – financially as well as personally – that want to become entrepreneurs. This has resulted in a bed and breakfast, a soup kitchen, a carwash and many other projects. “Selwyn’s” business is a way to get the township to develop and work better, but he is pointing out something that is really important to him: “The customers come first, and the township comes out of that.” The entrepreneur wants to participate in the building of the new South Africa but in order to succeed the aim with his business will always be to satisfy the customer needs.

4. Enterprise structure

As a manager for a clothing-manufacturing firm, “Selwyn” was running his business different from all others. Creating trust between himself and his employees was a priority, and he was successful, mostly by showing that he trusted and respected his employees: He gave higher salary than comparable firms, put up toilettes doors (due to the risk that employees would take too long break, doors were “normally” not seen as appropriate) and he introduced “every second week” meetings with the staff. “Selwyn” believes that trust comes out of giving and taking. For this reason, he told the employees that during the last 15 minutes of their lunch break they should come up with solutions to problems that they saw in the firm – and that these solutions would be implemented immediately. Most of the time, much more than 15 minutes was needed, and “Selwyn” gladly let the workers continue until they were satisfied. During the 19 years that the firm was running, most employees stayed with the company.

The business structure of his current business is built on a long-term perspective. “Selwyn” describes this as a vital thing. “In this country there are many popcorn guides – that is people that do not make it – they go pop”. The entrepreneur does not believe that his business would have become successful if he just would have opened up to catch the season and earn quick money. “Planning is the big thing, one has to think
long-term, and the problem is not the 6 months, it is what happens afterwards.” “Selwyn” further argues, “When starting a business, no matter what you do, it feels like the walls are coming down. A good entrepreneur can manage to keep the walls up”. According to him it is important to choose the right market and then use that market.

5. Procedures
When realizing the opportunities, ”Selwyn” has his own recipe, “It is always about starting small and go big, there is no point of starting big because then you will end up small”. “Selwyn” does not believe in doing things big and artistic – he rather wants to keep it straight and simple – as an example he has kept his webpage down to essentials. Information that he can tell the tourists at a later date will be done in a more personalized way using email – after his customers has made the initial contact with him via the web page. “I believe in giving the customer a good service and do more, but not a lot more, don’t overcook it, leave something in your back pocket to save up.” He strongly believes that the customers need to visit the township to fully understand and get a fair view of life in Cape Town. “If my customers are asking for a two day tour, at least one has to include a visit to the township; otherwise I would rather let someone else do the guiding”. Showing both sides of the coin and through this hopefully change peoples’ mind is one of his missions.

“Selwyn”, who always put the customer first, decided early on not to guide any tourist during the world cup of soccer in the summer of 2010. He argues that he will not be able to provide his normal “high-level” service as there will be thousands and thousands of people staying in Cape Town during the event. “When you visit Cape Town and the Garden Route and discover it through my eyes, as well as share my passion for the country, you will not want to leave. I regard South Africa to be the most beautiful place in the world.” But, his customers were not satisfied with his decision and they wanted him as their tour guide even if the service would not be as it usually is. So, “Selwyn” reconsidered his decision and is now fully booked for the tournament.

6. Design and initiatives
“Selwyn’s” business model is mainly concentrated on keeping it simple and focusing on each and every customer. “When being a tour guide I cannot think about me, the customers must always be put in the front and on top, that’s the most important part of my job”. As a qualified tour guide he looks after all of the customer needs and therefore arranges everything from accommodation, to meals and outings. The quality aspect of touring is of outermost importance and therefore he does not believe in taking hordes of tourists from one place to another. “When you travel with me you do not see other tourists or tour buses, we rather see the little hidden places that makes Cape Town click for it is own local population.” When guiding, he uses one of his two vehicles for the transportation: a large and comfortable VM kombi or a 1989 Mercedes Benz, and the choice of vehicle remain the preference of his visitors. “I put a great effort into taking visitors around Cape Town in a very personalized manner”. “My online photo album also acts as my referral page as other customers will be able to, through my homepage, see, what others think about my tours.”

7. Changes
“Selwyn” means that the physical environment in South Africa has changed
dramatically since the start of the business, even though the country is still today 20 years behind many developed countries. The problems existing before are not solved but have changed. Eight years ago the main focus of the children growing up in the township was to give them education. Today, the main focus is to teach the same individuals about teenage pregnancy. “Selwyn” finds that the environment of today is affected by more influences from the outside. He explains that the children in the township have started to sing songs by American Pop stars as Alicia Keyes instead of the African songs that were sung before. The entrepreneur has also noticed that the children are not playing soccer on the street as much as they did some years ago and he believes that the township is losing some of its community atmosphere, as a direct consequence of these changes.

Many changes have also been to the better and “Selwyn” points out the importance of making people – both his customers and the people of the township – understand that life is about both giving and taking. Some of his projects, e.g. “Apple for trash” – where the children clean up trash and therefore get apples in return – have the aim of teaching this. He also finds it crucial to make sure that the parents of children that have received scholarships to attend school still have to contribute with something, as paying for the school transportation. The successful entrepreneur believes that a change always comes in threes, that is: it takes three generations for something to fully change. “The kids growing up nowadays will continue to interact with white people but it is harder to change the mind of the older people”. “Selwyn” explains the importance of adapting to the changes but that it is getting harder as the speed of the changes is catching up. “It’s Google one month, Twitter next and then it is Facebook”. “One has to stay in touch, or otherwise you are gone”.

8. Barriers
“Selwyn” states that to succeed the most important part is to solve problems; it is when things are going wrong that you have to know how to solve them. That is what distinguishes a good entrepreneur from the rest. The entrepreneur believes that it is crucial to look outside the box and constantly try and do things in new ways. “Selwyn” does not find the corruption of the country as a big threat for his business, “I am not corrupt, so it does not affect me”. Furthermore, he states that he is not worried about it. But when it comes to the governmental support of entrepreneurs, he does worry and he clearly shows that he is not happy with it. “There is definitely no support from the government, it just thinks about itself”. He explains that the education has in fact improved during the last couple of years but that the unemployment rate still today is over 45 %. “If there are no jobs, there is no point of education”. “Selwyn” believes that the government has to help the young people to create opportunities. “With low taxes and easier access to capital more entrepreneurs could open up businesses”. He is sure that many of these entrepreneurs would be successful and that their businesses would create more jobs. The problem is, in his opinion, the people working for the government, “they rather buy new expensive cars than help the country”.

9. Management style
At the moment “Selwyn” also volunteers as a teacher at the Cape tour guide institute. The reason for doing this is mainly the belief that it is good for the country that the tour guides get a good education. “Selwyn’s” reason for not extending his business by hiring people is very clear: “I would definitely not do it, with employees come administration
hassle.” In addition, he believes that the employees would want to finish work at 5pm sharp – no matter what. This would totally neglect his vision of always putting the customer needs first and make it impossible to give the customers the unplanned and unexpected experience. “To me, being an entrepreneur is not a job, it’s a lifestyle”.

In “Selwyn’s” world, the only reason for hiring people would be to make more money, and he does not believe that this would be the result as people would not get the same outstanding service – and therefore not appreciate his business – and he would lose this business objective. When getting too many offers, “Selwyn” rather recommends other good tour guides to do the job. These are people that he trust and know well and he therefore gives them full responsibility and let them to do whatever they want to do. When managing his own business “Selwyn” believes that it’s all about doing what you are good at and when you do, all other thing will come around.

6.3 Entrepreneur “Lee”

6.3.1 Background

As a very privileged child “Lee” grew up in South Africa as the daughter of a father who was a member of the organization Lions. In her late teens, she became a member of Junior Lions. Growing up in a home influenced by the goodness of volunteering made the thought of helping other people an important part of her life. After finishing school “Lee” started to travel the world and stayed and worked at hostels overseas. Her companion “Tony” joined her and the two of them just loved the lifestyle and had a lot of fun. “I have always thought that traveling is cool, I might do it again one day”. In 1994, when Nelson Mandela was released, “Lee” was still abroad. Her friend called her and told her to come back home, with the words “it is over now”. And “Lee” started her journey back home. When “Lee”, who was an educated schoolteacher, arrived to South Africa, she started to look for jobs but unfortunately she was not very successful. One day her friend came up with an idea to open a Backpackers, in other words a hostel. “Lee” explains, “we knew nothing at that time, but we had the vision of making a place where we would like to stay”. They began slowly and out of the first idea other started to grow.

”Lee” and her companion realized the idea and opened a hostel in Cape Town. With 3000 Euros, they bought the first house, which had been a community for 25 years and housed a few political activists in the 70s. The hostel only had 14 beds – all borrowed from friends and family. During the 80s the hostel was developed into a party place. As they had not done any market research and therefore knew nothing about the market, they did not know if they would have any customers at all. The starting point was to create a place where they would like to stay, that was safe for alone traveling women and that gave something back to society. “The timing and luck was on our side and after three days we were full – all 14 beds”. In the beginning, the hostel held closed every day between 10 am and 2 pm and the two entrepreneurs though that life was easy. In the early 90s there were not many foreign backpackers traveling around in South Africa and the country was far way from free. At that time, they had a little VW beetle that was used as a shuttle and they were mostly spotting people with backpacks at the train station to just pick them up and drive them to the hostel. The travelers that found the
hostel stayed for quite long time, sometimes up three months. Nowadays, the average stay is about three days.

Today, the business has expanded and is open all year around. The one house it all started with have become four houses all connected by a nice garden and every night, about 100 people stay at the hostel that has an excellent location in Cape Town with easy access to the city, Table Mountain and beautiful beaches. In addition they offer a swimming pool, café, weekly activities and huge knowledge of travel. The business is still growing and employs between 32 and 35 people depending on the season.

During the last five years, the hostel has been receiving several awards. Among them, “best hostel in Africa”, “second best in South Africa” and “best backpacker sleep”. “Lee” is very proud of the awards, as these are the result of very hard work.

6.3.2 Strategic decisions

1. Finding opportunities
This successful entrepreneur always tries to discover “what is out there” and believes that it is crucial to listen to what the customer wants – as this is how new opportunities are created. As the entrepreneurs saw that more and more people wanted to spend their mornings at the hostel – and not go out for breakfast – they started serving food in the mornings. A small breakfast corner soon became a full-scale breakfast. “Lee” believes that sometimes you just have to try opportunities and also accept that some doesn’t work. “If you don’t try, you will never know”. To succeed “Lee” believes that you have to afford to lose, to try, and it might work. The entrepreneur finds that responding to the customer needs is highly important and something she is really focusing on.

“Lee” also states that for her, it is important to hear the good as well as the bad things to improve. This is in line with her way of finding new opportunities and how she realizes these. “Always try to be aware of what is out there”. As a result, “Lee” explains that the reviews from earlier customers, available on hostel communities online, are very important. To stay up to date, the business belongs to an association – a network of companies that can support each other. “To discuss things, help each other, met lots of people and be open about stuff is our way of doing this”. “We try to keep up all the time”. “Lee” explains that a lot is done to satisfy the customer needs, as an example she mentions that the business invested in new mattresses in all rooms.

“Lee” explains that their market is travelers from all over the world and that they get a wide variety of customers, from babies and backpackers to grandmothers. However, the major focus is on customers that can afford to spend a little bit more and therefore she believes the business is “on the top end of the market”. The average customer is between 30-35 years old but the hostel is open to everyone as long as they are travelers. “The customers chose us and we chose them”. Advertisement is important but “Lee” and her companion does not really believe in brochures. “Word of mouth is the biggest thing and the best form of advertising our business”.

2. Individual capacity
“Lee” sees herself as a good cook who loves meeting people. In addition she mentions another skill of hers; an artistic side. She explains that see and her partner complement each other and that the skills of her partner are more on the financial side, which
includes a willingness to take risks. “Lee” had not been in any other businesses but her companion has gained knowledge about how to run a firm when working in a restaurant. “We moved into an apartment over at Sea point and 30 years later we have proved that the books are wrong – that best friends can do business together”.

“Lee” does not want to mention any of her bad sides but she explains that the downfall of running a business is the long hours. “We are sometimes her 24-7 and everything takes so much time”. “Lee” also believes that the two friends are very lucky that they have each other and their families. She states that they fully trust each other and know that the other person always does a great job.

When stating some of the success factors “Lee” also mentions the hard work. She does not believe in luck and therefore likes the statement made of the famous South African golfer Gary Player: “The harder I practice the luckier I get”. “Lee” explains that both she and her companion believes that when running a business, it is vital to be open to new influences and be willing to change. “Things cannot always stay the same; it is about growing and learning”. “Lee” describes that to see and learn is crucial for an entrepreneur and therefore also key factors of success.

3. Driving force
“Lee” explains her driving force in a short sentence: “My partner, she is the one that gives me energy to keep working”, and then she continues, “we are like Ying and Yang and so lucky that we have each other”. When discussing her driving force deeper she is honest and points out the importance of money. “If you have a business, in the end of the day the focus is always on making money”. “Lee” also believes that the money comes if you do all the other stuff right so for her; the money is not the main focus.

Another driving force of hers, that is mention many times during the interview, is that she has always been interested in helping other people. The idea of “making a difference” is a crucial part of the business objectives – it is a way of being and working. This was a clear choice for a person who grew up in a family influenced by the culture of volunteering and helping people and who became a member of “Junior Lions” as a teenager.

4. Enterprise structure
Today, the business has about 35 employees and includes services as accommodation, a tour section and a cafe. The focus is mainly the customer needs, such as service and making people satisfied. “Our customers are used to this and that is important to remember”. “We have to see each customer and ask questions to make sure that we have fulfilled their needs”. As the business has grown a lot since they started it many years ago, the entrepreneurs have seen the importance of broaden the supply – just being a backpackers would not, in “Lee’s” opinion, work these days. The focus of the hostel has moved from just offering accommodation to also including transportation and touring, often in cooperation with other firms. “We are not big enough to do everything alone so we have to work and grow together with others.”

When asking about the most important strategic decisions “Lee” says that it was to expand and get the second house. In the beginning it did not look like it was going to work out, so they put in offers to duplicate somewhere else. “It would have been so
expansive and maybe even the end of the business, luckily it worked out”. The future plans of the hostel are to expand further, but this time is the plan is to “go up” by building a second floor on the existing buildings. “We have a plan, and are constantly looking for new opportunities”. When expanding, “Lee” points out that they have always used material and methods that are environmentally friendly, something that has been important since day one of their business.

5. Procedures
“Lee” believes that planning is crucial to succeed with your business. “Everyone is talking about the world cup of football at the moment, but, it only last four weeks, what happens afterwards?” She states that she does not believe in thinking just short-term.

When the hostel got its first award: “the best hostel in Africa”, a new driving force was born, to receive more awards. “Keep on winning, and stay on top” are words that “Lee” is coming back to. But she also states that the coin always has a backside. Belonging to the grading council is very expensive and a lot of work has to be done to remain “on top” and make sure that the hostel will keep the stars – used when the hostel is graded. Painting, cleaning and repairing are endless procedures and it gets more and more difficult to keep the “high lowest level” as the business is growing.

One of the aims during the last years has been to run the business and expand in an environmentally friendly way. “We have focused on solar heaters, heat converters and more modern things on the theme: environment.” Recycling has been another main theme of focus, but one problem has been that their suppliers have not had the same aim. “Looking to change is important and in the end of the day you are also responsible for the action of your suppliers”. “Lee” states that she and her companion also have to teach their employees about environmental issues – to make the focus of the business reality. “We are trying to educate staff coming from different cultures, with a wide variety of knowledge. It’s not always that easy”.

6. Design and initiatives
One of the main business ideas is to give back a lot of the profit into the business. “People would still come here even though we would not do that, but to us it is a very important thing”. The two entrepreneurs have also spent a lot of money buying good, comfortable and sustainable furniture. “The chairs at the terrace cost a fortune, but they are good and look really nice, we could have put the money in our pockets and left for some weeks’ vacation instead, but that is not how we are running the business”. “Lee” also states that she is irritated that other hostels in Cape Town increase their prices when they do it, but that these hostels do not do any changes or investments to justify it.

“Lee” believes that South Africa would have more successful entrepreneurs if someone would go out there and help the people. The entrepreneur explains that they have been involved in one “initiative” – that both helps others and improves their own business at the same time – with the goal of starting up a backpackers in a township. “Lee” states the importance of working together and create networks and explains that she is always trying to show a good example. “I hope that the people that work for the hostel can see the good example and as a result open up their own businesses”.

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The entrepreneur explains that many of the strategic decisions are taken after the two managers have considered them for a long time, but that there certainly are moments when the lack of time and the size of the decision make her just go with the gut-feelings.

7. Changes
“Lee” states that peoples’ way of traveling has changed over the last 15 years. “Previously people came for months or years but today many people are just here for two or three weeks or even shorter”. She still believes that she gets to meet the nicest people but that it has become harder to get as personal as before, “Before I knew everyone staying at the hostel but this is not possible any more”. But, she also explains that the fact that people come for shorter periods make them have more money to spend. “It is easier to run a business today when you do not get to close and attached to all the friendly people”.

In “Lee’s” opinion, adapting to the changes of the society is important and therefore something she tries to do, but at the same time the does not want to lose the objectives by doing this. “The reason for open up the business was to meet people and that is what I like”. She believes that today it is even more important to be involved in what you are doing. “Being in the tourism sector is one of the hardest jobs in the city, because people come once and then they want to try something new”.

“Lee” explains that when starting up the business the two entrepreneurs looked for a low-cost location and therefore they ended up in a cheaper end of Cape Town – that definitely was not the best. “The hostel was located in the wrong neighborhood, in a violent area, that was not popular.” But, the external environment started to change as the city grew bigger and the crime level decreased and today – at least in “Lee’s” opinion – the area is a great place for their business.

8. Barriers
One of the huge barriers is, according to “Lee”, the external environment in South Africa. “There is a shocking lack of everything, and the development goes very very slow”. As an example she mentions wind generators that do not exists, even though there is lots of wind in the area.

“Lee” finds the company to be affected by corruption. “Corruption is a big problem as the money that needs to get to the right people does not get there. And the government bears the responsibility”. In addition, she states that the government really does not support her business. “Look at us and how many people we are bringing into this country, but in fact, they do not even recognize the Backpackers as a sector, even though we are bringing in a large amount of money to the country”. “Lee” explains that the true fact is that volunteers and especially language schools are a huge industry in South Africa, and therefore “Lee” hopes that the government soon will understand the importance of her business.

9. Management style
The entrepreneur means that her management style has changed over her years in the business. In the beginning everything came from the top, today that is not the case. “How we speak to each other has changed, and we try to talk, communicate and work
closer”. To further improve, and HR company have been hired to help the two managers. “Lee” states that the fact that there are a lot of different cultures within her business makes it very “tricky” to manage.

Today the business is more decentralized and “Lee” explains how they really try to give their employees freedom but that it sometimes does not work. “We do have weekly meetings with managers and employees, and that is how information flows”. She believes that opportunities are created when they discuss things. “We are at the moment letting our employees run the meeting to get it more dynamic, we try to see if things works, if not, nothing is lost”.

They have also invested in a value program where all employees have been involved in the process of selecting eight values to keep in mind: Honestly, Trust, Integrity, Responsibility, Health, Recognition, Service and Upliftment. “Lee” also states that both upliftment and training is an essential part of the business success.

6.4. Entrepreneur “Kirsten”

6.4.1 Background

“Kirsten” is the owner of a trendy breakfast and lunch café, located in Cape Town. The entrepreneur grew up in Port Elisabeth – a city situated about five hours from Cape Town. Her mother was a housewife – and a very good cook who taught “Kirsten” a lot and her father had his own business – something that inspired “Kirsten” a great deal. But opening up a restaurant was not “Kirsten’s” first choice and also not her number one dream. After finishing school, “Kirsten” did not – as a lot of other students – take a gap year. Instead, she traveled to Cape Town and joined a food school. After two years of food training, “Kirsten” went traveling to get more influences and knowledge. She spent many years living in England but she always knew that she wanted to go back to South Africa one day to open up her own shop.

“Kirsten” states that opening up a business in South Africa is not easy and the operation to start – in it self – is huge. “The hardest was the finance, to find investors, or decide to go alone, and even the location took me almost two and half years to find”. Finding the right location was very important to “Kirsten” and she started to look around in a neighborhood that she knew would suit her business idea. Finally in 2007, after years of searching, her sister accidentally found the place she was looking for. “She was driving by and saw the place in the corner, and thought that this might be a good location”. Already back then, her sister pointed out that a new arena was going to be built in the same area because of the world cup of soccer in 2010. This knowledge made the potential of the location increase even more. The business is still today located on the same spot.

The concept and image of the business was mainly developed during “Kirsten’s” years abroad. “I brought my scrape books and camera everywhere and collected influence that finally resulted in the concept of the business”. “Kirsten’s” sister, who is working with marketing, was involved in designing the logo and is also acting as her supporter and mentor, a person that “Kirsten” can discuss all ideas and projects with.
“Kirsten” started up the business in 2007 after the interior had been nicely filched with clean whites and stylish murals, crockery and decorations. And the business began to grow – even though the first year was not easy. Today, the 38 years old entrepreneur’s business is running really well and she and her staff are serving breakfast as well as lunch – always fresh and tasty. In addition there are tartlets, cupcakes, croissants and various other treats on offer and also several kinds of well-made coffee. Some of “Kirsten’s” newest initiatives also include cakes for delivering, deli and teaching at food class. Since day one, the business has been gaining good reviews and is today a very popular place. “Kirsten” believes that the world cup of soccer will bring about a growing number of hungry tourists and soccer fans and she is therefore hopeful that the business will be even more profitable during these weeks.

6.4.2 Strategic decisions

1. Finding opportunities
“Kirsten” is constantly looking for new opportunities. She explains that some of the opportunities that she sees today have not always been there. “The opportunities have not always been there but started to come my way. You have to push all the time to find them”. In addition, in her opinion, some of the former great opportunities disappear or get destroyed. Right now, there is a big construction work outside the new soccer arena, which creates a big problem for her business that is located right next to it. “The noise and dust have made many customers drive pass my restaurant and the simple fact that not everyone knows about the business have made us having to focus a lot on advertising”.

When the customer needs change the opportunities change simultaneously. Today, the business offers more deli than before and “Kirsten” constantly sees new opportunities arise – the last one sensed is the idea of baking cupcakes for kids’ birthday parties. For the business to grow the way she wants it to, “Kirsten” believes that the menu is a key factor. “Adding some new options on the menu – and change it – creates new opportunities. ”I like new projects, to try new things and I would get very bored without changes”. “Kirsten’s” sister, who acts as her mentor, always tells her not to do everything in such a rush. Her sister’s support and knowledge is vital when “Kirsten” have to take strategic decisions, especially when the decisions regard what direction to choose for the business.

2. Individual capacity
“Kirsten” believes that her main skill as an entrepreneur is her ability to work long hours. “It is important to be an all-rounder, which is to be able to do the cooking, managing, and financing. But, even more important is to understand it all and manage to talk about things in a way that will lead to the best solutions”. Furthermore, “Kirsten” states the importance of having people to call to discuss and chat with about things and problems. “You cannot be the Jack-of-all-trades and know everything, so, sometimes you have to ask people to find the opportunities and advices for you”. The talks and discussions with her sister led to a chance to expand the business when they together found the opportunity to sell cakes and pastries at a Saturday food market in Cape Town. “A good entrepreneur has to try the opportunities and see if they work. In the beginning, having a business is like walking through mud, but it will get better”. “Kirsten” adds another skill of hers: “I m not afraid of telling people what I think.”
“Kirsten” does see some disadvantages with being self-employed, things that are negatively affecting her as a person. “You are on your own and sometimes I can feel lonely. Being an entrepreneur also means that you will not get much private life.” She also states that, in her world, these are just to be seen as short-time disadvantage and that she overall only can see good sides with her choice of occupation.

3. Driving force
One of “Kirsten’s” driving forces was developed during her childhood – and is a result of the mother who stayed at home. “She had a very nice life but I decided early on that I wanted to make my own money, take my own initiatives and take care of my own life”. To see her own dream come through is “Kirsten’s” driving force and the main reason for her decision to become an entrepreneur. She then adds that money is an important part but definitely not the primary one. “Of course, the business has to make money but as an entrepreneur you have to be willing to wait for the big profit, as the first years are though”.

4. Business structure
The business model is created out of the mix of keeping the menu simple and serving fresh food. “After living in Europe I wanted to create a local place and not a chain that otherwise are so common both in the US and here in South Africa”. She wanted to have many frequent customers and a big deli. When she started her business there were very few restaurants of this kind in Cape Town and especially in the area where her business is located.

In the beginning “Kirsten” had difficulties finding good suppliers that fulfilled the business’s need, but this became easier as the business grew. Today, one of the business aims is to always offer freshly baked bread, cakes etc. “Kirsten” states that the good reviews that the restaurant has achieved really have helped when structuring the business. “It is so hard to get other people to understand the concept, so when the good reviews came it helped a lot”.

5. Procedures
To create an image has been very important to “Kirsten” and the customers very much link her, as a person, to the business. As a result, she believes that it is important to be at work and be visible every day. “Kirsten” has to a great extent focused on creating a friendly local place, which makes it vital that the employees act in line with this objective and are treating the customers in an appropriate and friendly way.

“Kirsten” believes that if the first year will be a success or not mainly depends on the structure of the business. “The first year is difficult; it is hard to make profit, you have to put it in effort and try to understand the market”. She also states the importance of not forgetting about the profit, but that the focus of the business has to be to steer it in the right direction. “In the beginning, you do not know about the work hours, how many items to buy or the prices”. The entrepreneur explains further that there are many things that are impossible to know about in the beginning and that there is a real lack of time to scan the market and find the most efficient and cheap suppliers.
6. Designs and initiatives
“Kirsten” believes that her most important strategic decisions were to start serving breakfast – it was a very good way to start the business. From that, she expanded her focus and the café was a natural step. During the lifetime of her business, her mentor has been influencing her decisions a lot. “A mentor gives the business broader knowledge and her analytical skills have helped to a great extent. Out of the help, my own initiatives, as research on what the customers wants, the market and so on, get even more valuable”

“Kirsten” believes that the fact that she has been working hard from the very start and been giving up other things of interest has been necessary decisions to get her and the business to the level it has reached today. The entrepreneur, although she uses many business terms and really seems to know a lot about what she is talking about, has not taken any business courses at all. “It is not that hard, you just have to manage the kitchen, handle some financial knowledge and have human sense”. “Kirsten” believes that she learns from her mistakes, that the experiences teach her how much to charge the customers and that everything start to make more sense after some time. From her point of view, the environment in Cape Town is great for running her business. “It is brilliant, inspiring and initiative rich, the drawback is the financial side, but overall I think that it is a good environment”.

7. Changes
“Kirsten” can clearly see the changes in running her business today compared to earlier. She states that the market was really stuff in the beginning but that it all was starting to get better pretty quick. The entrepreneur is hoping that the world cup of soccer will add extra value and make the already successful business increase its profit. She is trying to run her business with a long-term perspective and therefore she sees the opportunity that the “high season”, which usually ends in Mai, can continue longer than normal due to the soccer event. The tournament also creates some disadvantages as the construction work outside the arena has resulted in less parking lots and a noisy surrounding, but in spite of that, “Kirsten” believes that the event can help her business to reach another break-through.

“Kirsten” does not see the competition between the restaurants in Cape Town as a big problem. “I agree that there is hard competition but if your products are consistent you will be fine”. When looking at the future “Kirsten” rather wants to grow the existing business than to change to an already existing concept and become a franchisee – even if that might be an easier path to take. “The reason I created the business the way I did was because there are already too many chains around, I don’t want to be one of them. I want to focus on my business and grow out of that”. When talking about ways of expanding the business, “Kirsten” aim is to keep the customers, create a broader menu and expand her cooking school. She truly believes in looking at her customers and see what they want.

8. Barriers
“Kirsten” is not happy with the governmental support. “There is no support and definitely not any financial support. They want to see new entrepreneurs but are not doing anything”. On top that, there is the corruption, which she states is very bad in
Cape Town. But, “Kirsten” states that as she is not letting the corruption influence the business, it is not a big problem for her. Cape Town is, in her opinion, a place where barriers for entrepreneurs are neither to “high” or bad, compared to many other cities in the country. “I have a great experience so far, but of course, everything is relative”.

“Kirsten” believes that discrimination is not that big of a problem, but when stating this, she is not thinking about discrimination of women – which she does not see as a problem at all. “My age, that is the problem. Even though I am 38 years old most of the people think I look younger and that fact makes a lot of people mistrust my knowledge and my whole business”. She explains that most of her customers are very nice but that there also are many rude people out there, who find it ok to yell at her at all times. “Kirsten” believes that the way to keep up with the changes and barriers is to constantly adapt to the changes around her. “Everyone has to change their business plan, sooner or later. My restaurant might be my cupcake shop in the future, you never know, it all depends on what kind of cookies that the people wants”.

9. Managing style
When “Kirsten” explains her management style she is constantly coming back to words as “pretty strict”. The entrepreneur is really strict in how she is using her resources but also in the way that she is taking care of her employees. “The fact that I am here every day make it possible for me to keep track of everything”. “Kirsten” is taking all important decisions and is manly discussing what direction to go with her sister. “Kirsten” believes that her employees are not yet ready for bigger responsibility but hope that this will develop and be reality in the future. She states “that giving people responsibility right now would not work but I want to slowly introduce them to other task as the business is growing”. As stated before, “Kirsten” also sees the importance of the fact that people see her as a part of the business and this is therefore influencing her management style.

To create more successful entrepreneurs in South Africa “Kirsten” believes that the government has to give out more funds to help the people. “There are some organizations out there, but not many good ones”. “To support with financial support and business knowledge is vital to create more successful entrepreneurs in South Africa”.

6.5 Entrepreneur “Lily”

6.5.1 Background
51 years ago “Lily” was born in a township not far from Cape Town. She grew up in a poor family with three older siblings, her mother and her very old father. When the family decided to move to Eastern Cape, “Lily”, who at the time still was a young girl, really had to show “what she was made out of”. She spent her days working hard with all kinds of duties; milking cows, planting fields, collecting woods in the forest and searching for and finding new opportunities everywhere.

When the father died, “Lily” was sent out to Cape Town to earn money, support the family and help paying for her sister’s high school costs. The young girl, who neither had any education nor English skills, came to a new township, which she found to be a
real place for doing business. She sold whatever she could get a hold of as she knew that her performance was the only hope the family had left. During this time her number one child was born, she was able to teach herself speak English and through various jobs she earned enough money to support both herself and her family. “Lily” got married, but the marriage turned out to be a real nightmare as her husband was a very abusive man who she had to escape from after many years of mistreatment. This took her to another township and she ended up looking for a place to stay and work. The year was 1986 and all businesses were going bad in the township, due to the consumer boycott. This situation was all new to her and the tough times made her realize that she would have to work for someone, in fact, anyone who needed her. She ended up as a debt collector for Cash Bank where she showed high potential but unfortunately the bank was not going very well. One of her last days at the doomed bank, she was sent to repossess a small two-ring electric stove, which she then proceeded to buy off the bank. Then, after 6 years, she left her career as a debt collector behind her.

“Lily” now had four children – one that was a result of a horrible action of a married man – and she was unemployed. But, she knew that she was good at business and she was not going to give up. She started to look around in the township to find the good opportunities, or as she says “find the gaps that needed to be filled”. In order to provide some income for the family, “Lily” started selling second hand clothes, and then, she found her gap. She took the stove and she started to make scones for schoolchildren, using a recipe she found on the back of a packet of flour. The stove was pretty small and therefore she often had to get up as early as 4am in order to bake enough scones to sell at the school. Via this enterprise she was able to build her own house without having to take any loans and she also put her four children through private school. But, working day and night and selling door to door was a backbreaking job. One day, “Lily” and her friend attended a presentation given in the township outlining the homestay project that people wished to start in the township. The first hand in the air when they asked for people to embark on this project was “Lily’s” – even though she did not know anything about this type of business – and when she was asked to name her business she knew the answer straight away. “Lily” started a homestay business and today, she is a major success and a pillar of the local society, often supporting and helping other people to find work. She has also run for political office. Over the years “Lily” has expanded the homestay business by also hosting traditional Xhosa meals and providing entertainment and tours for tourists visiting the township.

6.5.2 Strategic decisions

1. Finding opportunities

“Lily” is constantly looking for new opportunities. This is how she found that there was a market for scones in the township. “The opportunities are out there waiting for you. You see the opportunity, you store it, but then of course you use it.” She also explains that in her world, one opportunity leads to another. Via her first enterprise – she was able to build her house – which created the opportunity for the next business.

“Lily’s” customers are the volunteers – from all over the world – coming to South Africa looking for people to help in the townships. “My customers are desperate to help and are therefore coming here to be among the people and to open their pockets to give away their money. They want to be a part of the life in the township.” She believes that some of her customers see it as an experiment in their life, which in her opinion is
wonderful. “Lily” defines the market – the township – in which her business is operating as very friendly. This is in her opinion a great advantage. She strongly believes that this market could be expanded. “If I can fight it, and find a good place to do it, it is definitely possible. Right now, she is seeking new opportunities outside her current market and she is simultaneously looking for a place, a house, outside the township. “I will do what I do now but also African massage, storytelling and so on. To grow – that is my story”.

2. Individual capacity
One of “Lily’s” great advantages is her ability to look after the customers – her hospitality. She explains: “I am good in cooking but I do not have the bling bling”, and she thereafter explains that what she means is that she has great cooking skills which give her customers a very special and tasty meal that they will not forget, but that her resources – the house, the furniture and so on – are limited. Her strong cultures and a long and dramatic background have helped her to build the courage and self-esteem needed – there is barley anything that is threatening to her. A big part of “Lily’s” personality is her quick answers, which makes people listen to her but she also finds this skill to be a problem. “I got a big mouth, if somebody is doing something wrong I tell the person straight away, sometimes, that is a big problem. Sometimes it would be better to be quite”.

“Lily” admits that she has a big disadvantage, her lack of education. She explains that better education would have made everything a lot easier and mentions the language barrier as a real problem – as communication is crucial for an entrepreneur. This has been a real challenge and she has had to get around all the related obstacles. But by being curious and working hard, she has managed to gain a lot of knowledge. She learned to speak perfect English, just because the very fact that she disliked not understanding people. And the same goes for computer know-how, she has learned how to send emails, even though it still today takes her a long time to type on the computer.

3. Driving force
“My driving force is that I am a survivor, but most of all I always want to be on top”. “Lily” explains that she has always been like that and she believes that it is crucial for an entrepreneur to give you a name. In “Lily’s” opinion, to be successful, one has to love what one is doing – whatever it is – and be truly passionate about it. Imitating other people will not work; instead, it is all about finding the gap. “I am smart, I love challenges and for me anything is business, which is why I am more successful than others”. She feels strongly for the women in the township – as their life is really tough. And at the same time there are still other problems in the township, and new are coming up related to drugs and alcohol. Therefore, one of her goals is to start a new project. “I need to kill two bears with one stone, which is the problem I am facing at the moment”. She wants to recruit women to stand up and work together, to make the township a better place, for all the people living there.

4. Enterprise structure
“Lily’s” business is located in a township outside Cape Town. Her business model is to let volunteers and tourists genuinely get an experience of the life in a township by having a tour with a local resident – with her or someone working for her. She welcomes her customers as members of the family. They are provided with a bed and
three meals a day, which will be taken with the family. “I welcome them into my house to hear my life story, one that will give the tourists the opportunity to really find out about the life in a township.”

Whether it is for a few days or a few months “Lily”, their substitute mother for the duration of their stay, will look after all their needs to ensure they get the most out of their stay. “Lily” believes in creating value through giving good service and providing the unique feeling of the community. “I cannot create value through bling bling and because of that I have to focus on other parts that I know that I can do very well”.

5. Procedures
When developing her ideas into reality, “Lily” believes that it is very important to have both good and bad people around you – that makes you keep fighting. “Lily” states that “Life is not and should not be too easy”. The reason for this opinion is related to the fact that many of “Lily’s” business opportunities have appeared out of problems or gaps in the environment around her. “I have always sold whatever I could get a hold of and I always knew that my performance was the only hope my family had left”.

The procedure of running her business has always been build upon the thought of starting small and then expanding to other markets when the opportunities arise. “I have not always had the right experience but have never had much to lose; this has made me jump into the challenges created out of the new opportunities. The fact that the startup cost for her business was small made her free from debts very fast. “Via my enterprises I was able to build my own house without having to take any loans and also put my four children through private school”. “To improve my business even more I have also got advice from people with business education”. This has been one way for “Lily” to gain more knowledge about things that she knows less about and she points out the importance of having a good network of skilled people around you.

6. Designs and initiatives
One of “Lily’s” best decisions was when she decided to set up her homestay business. She was motivated and started to make money. “Some people just talk the talk; they do not walk the walk”. “Lily” believes that just talking is not going to take an entrepreneur anywhere, one also has to perform. That is exactly what she does when opportunities come up.

“When I am about to make decisions, obstacles sometimes arises and I have to consider if another route would have been better”. But at the same time, she finds that the decisions taken make her who she is – and therefore she should hang on to them. “When you make history, it is about facing each and every minute and moment, to the best of each and every minute. You should not worry about tomorrow; it might never come, but if you have to worry, worry about the moment”. This way of thinking also influences how she is selecting the ideas that she is willing to invest in. “When I am motivated, I tend to not consider the obstacles, I see the opportunities and things are often working out for the best”. Her mistakes in the past have been that she does not always consider the problems but rather rush over them. This is something that she wants to change and she is learning to rethink the difficulties and to give it more time. “There is no need to rush, time will tell, give the problems some of your time and you will find a solution”.
7. Changes
According to this entrepreneur, the changes of the environment are easy to monitor. “Lily” finds that the changes mostly have been to the better as it have helped to put this and many other townships on the map – making more people aware of its existence. And even though new competitors come with the changes she is hopeful: “The firms that are taking the business from us are not going to survive long, because I have a plan”. “Lily” finds that she has to be quick and adapt to the changes, as that will make her business more successful.

“Lily” has gone through many changes in her life and does not see the changes as problems any more. “Life is never easy but you have to solve the problems or just live with them”. For her, the changes are not just something you have to adopt to get a bigger profit but also something that is and will be necessary in order for the entrepreneur to survive. And today “Lily’s” life is definitely very different from the life she lived as a child – and she is very proud of the changes that she has created herself. One of her happiest moments was when she went to her dear mum’s funeral and arrived in style: with a driver and nice clothes. “In that moment I realized that I have succeeded and that I also will be able to give my children a better future”.

8. Barriers
The lack of capital is in the view of this entrepreneur one of the biggest risks. “When you do not have capital you always need to check what you can do to make capital.” She also states that even if capital is not needed in the beginning, it’s vital to create it for the sustainability of the firm – tough times will always come. Another barrier is in “Lily’s” opinion the South African government. In a very loud voice, she express that the government does not support entrepreneurs at all and that all entrepreneurs have to create and build their own community. “What we need is not just money, more important is education, but the government is so – so – so corrupt”. She states that the only way to survive as an entrepreneur is to try and not think about it and make it work anyway. But, she has now had enough and is trying to organize herself to challenge the government. “I cannot cope with it anymore”. In her opinion, to bring the economy up, the government needs to educate the children and recruit them to be creative persons. She finds that a government that is not making sure that the children get a good education has failed.

“Lily” sees the new competitions as a major challenge. When “Lily” started her business, she was alone on the market. But then the non-governmental organizations (NGOs) also started to cook for the children. “The NGOs with rich white people came and took my customers. I lost the market – my target market.” But she finds that, when obstacles like this arise, one has to look around, or underneath them – since most are moveable.

9. Management style
“Lily” finds that her relationship to the employees is very good. She tries to give them as much freedom as possible when performing a job for her. But, she demands quality and she finds this very important. “My staff also expects and gains a lot from me as a mentor”. She also believes that business is about being creative. To stay competitive, she argues that there is not that much time to fight the problems, so she tries to teach her employees to find another angle instead. “Sometimes, that is all you can do”.

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She also mentions her lack of administration knowledge as being a barrier of her management style. One of the volunteers that were staying at her house has recently started to give “Lily” some advises regarding the administrative side of running a business. According to “Lily” this has helped a lot when improving her business. She explains further that if she can extend her management knowledge it would also make it easier for her to enter new markets.
7. Empirical analysis within the cases

7.1 Introduction

The section begins with an analysis of the findings from each case, this in order to investigate how successful entrepreneurs’ strategic decisions influence the performance of each firm. The guiding theory of thesis, as explained in a previous section, will be used for the analysis. The analysis will be done based on the authors’ interpretation of the answers from the interviews. More specifically, for analytical purpose, the nine categories of strategic decisions, for each entrepreneur, are divided into the three fundamental groups of dynamic capabilities.

The three initial categories of strategic decisions – finding opportunities, individual capacity and driving force are all linked to the first fundamental group of dynamic capabilities. This is explained in figure 9. In the dynamic capabilities framework, one of the microfoundations associated with the sensing and shaping of opportunities defines the processes to identify target markets segments, changing customer needs and customer innovation. This microfoundation is chosen for a closer analysis of this group. Categories four to six of the strategic decisions – enterprise structure, procedures and designs and initiatives – are linked to the second fundamental group of dynamic capabilities; seizing opportunities. This can be seen in figure 10. The microfoundation chosen is related to the business model. Categories seven to nine of the strategic decisions – changes, barriers and management style – are linked to the third of the fundamental groups of dynamic capabilities; Managing threats and reconfiguration. This is shown in figure 11. The last microfoundation used for deeper analysis of this group is governance. The analysis of each case ends with a summary in order to clarify each firm’s overall performance.

Figure 9. Sensing opportunities.
Figure 10. Seizing opportunities.
Figure 11. Managing threats and reconfiguration.
7.2 Analysis within the case “Selwyn”

7.2.1 Sensing and shaping opportunities

“Selwyn” finds his opportunities through the problems and market shortages in the South African environment. This is in line with Kirzner as well as Schumpeter viewpoints and also Teece’s (2007) framework is build upon these thoughts. “In the dynamic capabilities tradition the essence of strategy involves selecting and developing technologies and business models that build competitive advantage through assembling and orchestrating difficult-to-replicate assets, thereby shaping competition itself” (Teece, 2007: 1325). This entrepreneur is constantly developing new ideas with an obvious focus on the customer needs. Through this method “Selwyn” identified the market segment for his business.

When further explaining his framework, Teece (2007: 1319) states that “enterprises with strong dynamic capabilities are intensively entrepreneurial. They do not only adapt to the business ecosystems, but also shape them through innovations and through collaborating with other enterprises, entities and institutions”. Already during the start-up period of his business, “Selwyn” recognized the importance of access to the area where the opportunity exists – there among the township – where he knew that the business would run successfully. By helping the township financially and personally he has gained access to the relatively unexplored area and the great opportunities existing there. “Selwyn” finds his customer through letting them know that he can give them access to this area. This shows that the entrepreneur has shaped his opportunities through collaborating with other entities but he also clearly points out that the customers are his main priority and the township – although providing many opportunities – the secondary.

“The ability to recognize opportunities depends in part on the individual’s capabilities and extant knowledge particularly about users needs in relationship to existing as well as novel solutions” (Teece, 2007: 1323). This entrepreneur only focuses on what he can do best. Knowledge and experience are the keys to “Selwyn’s” success – valuable source that makes him more successful on his target market than his competitors. He shows passion for his job and the customers and believes that the only way to fulfill the customer needs is to fully understand them. The entrepreneur’s background has highly influenced his individual capacity and he has the knowledge and learning capability that is vital according to Teece (2007: 1346) and in addition, he has the ability to be dynamic because of his past.

7.2.2 Seizing opportunities

For most entrepreneurs, when the opportunity is ripe, it requires heavily investment in the particular technologies and designs to achieve market acceptance (Teece, 2007: 1326). This was not the case when this entrepreneur was seizing the opportunity to become a tour guide. “Selwyn’s” reason for considering this occupation was mainly based on his motivation to increase his own knowledge about South Africa, share this with people from other parts of the world and also gain some knowledge himself about the travelers – his customers – and their home countries.

“Selwyn’s” research and investigation of the market and the opportunities is in line with Teece’s (2007: 1327) belief that “the issues that the enterprise faces is not just when,
where and how much to invest. The enterprise must also select or create a particular business that defines its commercialization strategy and investment priorities”. “Selwyn” was not as successful in the beginning as he is today and realized that he had to make some changes. By adjusting his image, deciding on a more long-term business perspective and by building a business model mainly concentrated on “keeping it simple and focusing on each and every customer” he successfully managed to improve. His business model, including the special “designed packages” to every visitor, is essential to his success. Teece (2007: 1327) notes that the choice of business model and other enterprise boundary decisions are very fundamental to his business success. To fulfill every customer need the business is very well planned and the entrepreneur has always focused on his standard procedures. “Selwyn’s” statement – “chose the market and uses the market, and all the time focus on the customer need” – explains his way of running the business very well. These things have been vital for his triumphs.

Teece (2007: 1328) is pointing out the risk of sticking to the same processes and procedures. He means that business success can lead to the establishment of “valid” processes, which can have negative effects on the enterprise as the environment is constantly changing. So, as much as there is a possibility that “Selwyn’s” ability to structure his business is the main reason for his success, this can also be a barrier that can slow the entrepreneur down. The fact that the business structure is very centralized and that the decisions are most of the time taken by Selwyn himself can also hinder the development of new ideas. Teece (2007: 1323) notes that “more decentralized organizations with greater local autonomy are less likely to be blindsided by market and technological developments”. But on the other hand, within this enterprise the information flows – with help of the technology – very well. “Selwyn’s” computer knowledge is therefore another vital factor for the achievement of his business.

7.2.3 Managing threats and reconfiguring opportunities

“Selwyn” sees the changes within and around his business as something necessary and believes that he correctly needs to realize the changes around him to be able to adapt to them. According to Teece (2007: 1335) success will cause the entrepreneur to evolve in a path-dependent way and “a key to sustain the profitable growth is the ability to recombine and to reconfigure assets and organizational structures as the enterprise grows, and as markets and technologies changes, as they surely will”. “Selwyn” states that the influences from the external environment is bigger today than when he started his business and explains that South Africa still today is 20 years behind many other countries. The fact that the entrepreneur has seen the changes and development in other countries – during his years abroad – makes it easier for him to adjust and adapt to the changes of the market as well as the changing customer needs. Furthermore, “Selwyn” has recognized that gaining competitive advantage is mostly about being better than the competitors when things are going wrong.

7.2.4 Firm performance

The authors have seen that many of “Selwyn’s” most valuable assets inside the firm are his passion and knowledge related to it and these are hence non-tradable. This fact makes such assets and the coordination and integration of these not replicable by others and is in line with Teece’s (2007: 1341) beliefs of how competitive advantage is created. “Selwyn” has also shown ability to sense and seize opportunities, as well as reconfigure these when changes occur, which require that the processes of allocation,
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reallocation, combination and recombination of resources and assets are fulfilled. In other words, “Selwyn” has the key strategic function of executives and the skill to identify how to value the enterprise assets to provide superior customer solutions (Teece, 2007: 1341). The whole business is build upon long-term perspectives and the initiatives taken are based on the customer needs. More specific, the fact that “Selwyn” is “giving back” much of the profit to the township creates trust and also encourages the customer to spend more money on his tours – a lot of the time as to justify their own wealthy life style.

7.3 Analysis within the case “Lee”

7.3.1 Sensing and shaping opportunities

According to Teece’s theory (2007: 1324), if the supplier of a service/product fail in understanding the customer needs, it is unlikely that it will be successful. The framework points out the importance of scanning the ecosystem and the market to be able to sense and shape opportunities. This is something that this entrepreneur fully has understood. Through constantly scanning the market and the customer needs, the entrepreneur catches her opportunities. She is searching in the core of the business but also the outside of the organization and when the opportunities are glimpsed, she is not afraid of realizing them. The entrepreneur states that “if you do not try, you will never know”. And as she believes that seeing and learning is crucial for an entrepreneur, she is open to new influences and is willing to change. With experiences from her own travels and no fear to fail, the customer needs and also the potential customers are found. The business objective of helping people and making a difference was created out of the previous opportunities. This objective created a good image for the business, which gave profit as the customers liked the idea.

Teece (2007: 1323) also states that certain individuals in the firm can have the necessary skills but that the more desirable approach is to embed scanning, interpretive and creative processes inside the enterprise itself. “Lee” have some really valuable skills herself – especially that she loves meeting people and cooking – that are useful for the business. Her skills are complemented by the skills of the companion and as her companion also is “Lee’s” driving force, it’s quite obvious that she mean a lot to her and the business. Furthermore, the company is a member of a business network – where problems are discussed and solved – which make them extend their own skills and capacities even further. “Lee’s” way of accumulating information from professional and social contacts gives her an idea of the likely development of technologies, customers needs and market responses, Teece agrees with this (2007: 1323). According to Teece (2007: 1324), observant and successful firms transform opportunities and customer needs into new products and services. When the backpacker market was rather slow in the country, this entrepreneur really showed alertness when deciding to bring the customers – that they saw arriving on the station – to the hostel, by arranging their own shuttle service. Another example of the same type is when she decided to start serving breakfast as a result of the increased demand for it. Listening to the customer needs in terms of furniture made the investment of mattresses a must, which created good reviews and more customers.
7.3.2 Seizing opportunities

"Addressing opportunities involves maintaining and improving technological competences and complementary assets and then, when the opportunity is ripe, investing heavily in the particular technologies and designs most likely to achieve marketplace acceptance" (Teece 2007: 1326). This is in line with “Lee’s” way of running the business. She believes that it is very important to investigate a large part of the profit in the business – in new opportunities. When “Lee” and her companion saw the possibility to expand by investing in a second building, the decision was made immediately as they saw the chance to achieve a bigger market position. The use of environmentally friendly material and methods has from day one been an important business objective, as this is in line with the entrepreneurs’ personal objectives and it satisfies the customers.

Teece (2007: 1327) states that “decision making is likely to have a committee structure, with the top management requiring reports and written judgment for significant decisions” and this gives a clear picture of how “Lee” was running the business before. Teece (2007: 1327) continuous explaining that this is likely to slow down decision-making and tend to reinforce the status quo. “One should not be surprised, therefore, if an enterprise senses a business opportunity but fails to invest”.

By communicating with the customers, the entrepreneur realizes their needs and the finds ways to improve the business – but this is not as easy as it was in the beginning. The simple fact that the customers stay for shorter time nowadays makes it harder to really understand their feelings and needs. The entrepreneur has recently started to take advice from professional people outside her business. Teece (2007: 1339) states the significance of integrating know-how from the outside – from other organizations – and from inside the enterprise. The help from people outside the business can assist the company shape new opportunities and reconfigure these in new way to create competitive advantage.

7.3.3 Managing threats and reconfiguring opportunities

"Lee” shows an ability to keep her business very profitable year after year, even though the customer has changed their way of traveling. By watching the market changes and taking action, she tries to act in line with the “new” customer needs. This means that she has slightly given up some of the original business objective – to have time to meet all customers and get to know each one of them – as the time she had before now is a scare factor. In Teece’s opinion, ”to sustain dynamic capabilities, decentralization must be favored because it brings top management closer to new technologies, the customer and the market” (2007: 1335). Before, ”Lee” and her companion ran a centralized business but as this did not work as they wished, the entrepreneurs – not afraid of trying new ways – decided to give the employees more freedom and introduced a more decentralized management style. The opinions from the employees – who act as messenger of the customers and therefore the market – are considered in weekly meetings. This is also in line with the framework: Teece (2007: 1323) states that “because of the problem of information decays as information moves up (and down) a hierarchy, business must devise mechanisms and procedures to keep management informed.” To further decrease the top-down management, the decisions to hire the HR company was valuable. "Lee” shows that – in her way of running a business – it is vital to provide a company culture where all employers are involved in identifying and
fulfilling the customer needs. This opinion is supported by Teece (2007: 1340) who argues that to sustain competitive advantage, an enterprise's ability to develop corporate culture, design reward systems and retain committed talent, is an important managerial capacity.

7.3.4 Firm performance

“Lee” has succeeded in the process of simultaneously sensing, seizing and reconfiguring the opportunities. Successful entrepreneurs must, according to Teece (2007: 1347) build and utilize all the three classes of capabilities and employ them often simultaneously, this entrepreneur fulfills this ability. As an example, “Lee” has shown how an enterprise and the management can first spot an opportunity to earn economic profit (the need of a hostel), make the decisions to execute that opportunity (investing in buildings and furniture), stay alert to continually refresh the foundation (reinvest the profit in the business and through this broaden the customer solution) and thereby generate superior firm performance over time. It is also important, in Teece’s (2007: 1347) opinion, to point out that it is quite unlikely that all the three classes will be found in the same individual manager. The fact that “Lee” and her companion have complementary skills and are operating as a team makes it possible to find all classes represented somewhere in the top management. Both entrepreneurs have shown to have “entrepreneurial” and “right brain” components which have under built the firm’s ability to create sustainable competitive advantage. The fact that the entrepreneur believes in giving back to society – “show the good example”, and are willing to share their knowledge, have also improved the firm’s performance.

7.4 Analysis within the case “Kirsten”

7.4.1 Sensing and shaping opportunities

For “Kirsten”, the opportunities have not always existed “out there”, but were created through well-organized market research and through the scanning of different options. According to Teece (2007: 1322), “sensing (and shaping) new opportunities is very much a scanning, creating, learning, and interpretive activity. Investment in research and related activities is usually necessary complement to this activity”. “Kirsten” started to build her business image already when she finished high school. The fact that she joined a food school and got influences during years abroad made her prepared for the day she opened up her business.

“Kirsten” has realized that to become successful just having the right knowledge is not enough – an entrepreneur has to have the certain capabilities to be an “all rounder”. Teece (2007: 1319) states that “sustainable advantage requires more than the ownership of difficult-to-replicate (knowledge) assets. It also requires unique and difficult-to-replicate dynamic capabilities”. “Kirsten” has gained the insight that she cannot be the “Jack-of-all-trait” – know everything about everything – and therefore she has realized the importance of having good people around her, so that the information can flow to the people that can make sense of the opportunities. The information needed to effectively run her enterprise is received from the inside as well as the outside environment of her business. This is in line with Teece’s (2007: 1326) opinion that the management must find methods to be able to gain knowledge about the market and competitors from both inside and outside the enterprise and then be able to make sense of it and take action.
7.4.2 Seizing opportunities

“Once a new (technological or market) opportunity is sensed, it must be addressed through products, processes, or services. This almost always requires investments in development and commercialization activity” (Teece, 2007:1326). “Kirsten” states that one of the hardest things with running the business was to find investors, or decide to go alone. “Kirsten” explains further, that if the first year will be a success or not mainly depends on the structure of the business. “Kirsten” mainly tried to understand the market, strategize around the investment decisions, get the timing right and was constantly asking herself if she was going in the right direction. Teece’s theory (2007: 1326) agrees with this performance.

To have a clear vision and create an image associated with her business has been very important for “Kirsten’s” business. Her capability to create a well working business model is another big part of the success. “Selecting, adjusting and/or improving the business model are a complex art. Nevertheless, the importance of business model has been given short shrift in the academic literature, at least until quite recently. Important choices include technological choices, market segments to be targeted, financial terms (e.g.; sales vs. leasing), choices with respect to bundled vs. unbundled sales strategies, joint venture vs. leasing vs. go-it-alone approaches, etc” (Teece, 2007: 1330).

“Kirsten’s” most important strategic decisions are in line with this and she sees that the choices of which market segment to target and the fact that she picked a mentor to discuss her ideas as vital for the success. Furthermore, Teece (2007: 1330) states that “designing a new business requires creativity, insight and a good deal of customer, competitors, supplier information and intelligence”. “Kirsten” has not taken any business classes but have the creativity and ability to understand the people around her as well as the customer needs. The fact that she is a hard working woman and tries to learn from her mistakes has helped her to adapt to changes in the environment rather than seeing them as big problems and threats.

7.4.3 Managing threats and reconfiguring opportunities

“Decentralization must be pursued as enterprises expand; otherwise flexibility and responsiveness will erode” (Teece, 2007: 1336). In the beginning, “Kirsten’s” management style was to a large extent centralized and strict but as consequences of the changes in the environment she understood the importance of changing this and act more decentralized. Moreover, she realized that it was crucial to adjust the way she run her business to adopt to the changing customer needs in order to maintain her competitive advantage. Similar, Teece (2007: 1339) states the importance of taking influences from the external business environment into account. “Integrating know-how from the outside as well as within the enterprise is especially important to success when “systems” and “networks” are present”. This is in line with “Kirsten” explanation that the way opportunities arise also has changed as a result of the changing customer needs. Teece (2007: 1323) states that individuals do opportunity creation and/or discovery and that “this requires specific knowledge, creative activity, and the ability to understand the user/customer decision making, and practical wisdom. The authors of this thesis interpret the entrepreneur’s activities of changing the menu and expending her business in line with the customer needs as very creative. The actions show an understanding of
the customer needs. “Kirsten” uses her practical wisdom when trying some of her opportunities to see if they work.

It is arguable that “Kirsten’s” functional internal structures and the focus on the day-to-day problems tend to distract her management from long-run strategic issues. And, according to Teece (2007: 1336) this can be a barrier.

7.4.4 Firm performance
The main success factor for “Kirsten” firm’s performance is the fact that she has understood that the traditional business elements – owning tangible assets and cost control – are necessary but not enough to create sustainable competitive advantage. Teece (2007: 1320) states that the enterprise success rather depends on the discovery and development of opportunities. Furthermore, this process also involves shaping “new rules” of the game. Kirsten has, during the life-time of her business, effectively held on to her well developed business structure but combined internal and external innovations and constantly “upgraded” the best practice based on her own common sense as well as other people’s knowledge. She has also, in spite of the fact that the business is well-structured, showed willingness for the innovation of new business models. The entrepreneur states that the customers shape and change her business model, which shows her true motivation to adapt to these changes.

7.5 Analysis within the case “Lily”
7.5.1 Sensing and shaping opportunities
“Lily’s” tough background is what has mainly influenced her when sensing and shaping opportunities. One could say that her motive to become an entrepreneur is the necessity of it – she took this decision to survive, as there were no other options. Already as a little girl she was searching for opportunities everywhere, and since then, when finding the good opportunities it has always been obvious to her to figure out how to make something out of these and where to be able to find the customers. As Teece (2007: 1322) argues, “when opportunities are first glimpsed, entrepreneurs and managers must figure out how to interpret new events and development, which technologies to pursue, and which market segments to target”.

“Lily” has the capability to correctly interpret new events. The opportunities discovered for her current enterprise were created via the prospects connected to her first enterprise. Her opportunities are mostly found in gaps on the existing market and are stored and finally taken from idea to reality. Her process to identify the target market mainly arose when she understood that there was a customer need of wanting to “give something back to society” – people in the rich part of the world that wanted to make reality out of this dream. Her personality, hospitality and “quick answers” are skills that have been useful in fulfilling the customer needs.

Teece (2007: 1323) finds that “the ability to recognize opportunities depends in part on the individuals capabilities and extent knowledge (or the knowledge and learning capacity of the organization to which the individual belongs) particularly about the user needs in relationship to existing as well as novel solution”. It could be argued that “Lily’s” lack of both formal business skills and English knowledge are two of her disadvantages, but this is not really the case as the entrepreneur has shown that her
learning capacity is big and that she quickly, determined and without any shame gains new knowledge from the skillful individuals around her.

“Lily’s” dramatic background has helped her to build up courage and self-esteem and the fact that there is nothing that threatens her helps contributing to the fact that she successfully manages the uncertainty that is a constantly existing factor for entrepreneurs. Teece (2007: 1323) states that “because of uncertainty the entrepreneur/manager must make informed conjectures about the path ahead”, in other words, “once a new evolutionary path becomes apparent, quick action is needed”. Through being smart and brave and testing the new opportunities “Lily” manages this and as she never has had anything to lose, she is willing to quickly realize the opportunities that she sees arise.

One of ”Lily’s” disadvantages has been that she has just been looking for opportunities in her closest and local environment. Teece (2007: 1324) means that in a rapidly changing environment – with introductions of new goods and services from external sources – this is not enough. Teece finds that the search has to be done outside the local market. And, recently, “Lily” has started to research the market outside her current one and discovered opportunities. If she succeeds in realizing these, her existing business will grow and a new market segment will be targeted.

7.5.2 Seizing opportunities

When it comes to running a business, “Lily” believes in starting small and to use the resources available and when realizing the opportunities, her focus has also always been on the resources. As “Lily” explains, she has not always had the right knowledge but has instead created value through providing good service and the unique feeling of the community. Moreover, “Lily” does not believe that just “talk” will make things happen, she points at the importance of action.

Teece (2007: 1327) formulates that “the existences of layer upon layer of standard procedures, established capabilities, complementary assets, and/or administrative routines can exacerbate decision-making biases against innovation”. For “Lily”, this has not been a problem as her way of running the business reflects what the customers wants and how the enterprise can best meet those needs. Teece (2007: 1330) agrees with this when he states that the “choices of how to capture value all helps to determine the architecture and design of a business”. “Lily’s” process of finding ideas, realizing these and then expanding her business – out of the new opportunities created – shows how she seizes the opportunities and that she knows how and where to create the most value for her customers. For “Lily’s” success, the effective and efficient business – differentiated from the competitors’ – is a vital part. The entrepreneur has, fully in line with Teece’s views, achieved advantageous cost structure and generated value propositions acceptable to customers through a well working business model (Teece, 2007: 1331).

7.5.3 Managing threats and reconfiguring opportunities

According to Teece (2007: 1339) innovative businesses with limited experience have been known to fail when proactively monitoring and protecting know-how and intellectual property. This could be seen as one of the problems and barriers that “Lily” and her business is facing. The NGOs is taking over more and more of “her” market.
But, “Lily” adapts to the changing preconditions by reconsidering her business model and ideas – she shows an ability to create, adjust and when necessary replace the business models. This is a foundational to dynamic capabilities.

“Lily’s” shows a great understanding of the service offering but the understanding of institutional and organizational issues is, as for many other businesses, limited. According to Teece (2007: 1327) “the understanding of the institutional/organizational design issues is typically more limited than the understanding of the technology themselves”. This could also be a barrier in the process of improve her business. But, as a way of managing threats and reconfiguration “Lily” has understood the importance of combining the old and the new and these factors should be complements inside the enterprise. “If they do not, business units must be disposed of or placed in some type of separate structure. Otherwise, work will not proceed efficiently, and conflicts of one kind or another will arise”, (Teece, 2007: 1335-1336). The entrepreneur combines her old knowledge about food and hospitality with new influences aroused from the latest customer need, this ability has lead to enterprise growth and profitable.

7.5.4 Firm performance
One could say that “Lily” is born as an entrepreneur and the start-up activities of her business have mainly been build on the necessity to survive. She has shown to have the individual capacity and is maximizing the existing resources to be successful. According to Teece’s (2007: 1346) framework, the entrepreneurial management functions rooted in dynamic capabilities is not just confined to startup activities and to the individual actors. “Lily” has understood this as well. More specific, to sustain competitive advantage “Lily” recognizes the problems and trends and directs the resources – as well as the organizational structure – to create opportunities in alignment with customer needs. The entrepreneur has within this process expanded the business as new opportunities of market shortage or problems have arisen. To create sustainable competitive advantage, the identification of “Lily’s” dynamic capabilities are also incomplete, undeveloped, and dense and their implementation are rather difficult. According to Teece, this is required for creating sustainable competitive advantage (Teece, 2007: 1321).
8. Empirical analysis cross case

8.1 Introduction
In this section the data from all four cases are analyzed in order to allow for the comparison and distinction of the results between the cases. The cross case analysis seeks to discover the shared phenomena among the cases and uses them to draw conclusions. This is done by grouping together common responses and analyzing different perspectives on the central issues of the study. Even though the case studies addressed many issues, the emphasis is on the themes of interest presented in the previous sections.

8.2 Overview
Table 1 gives an overview of the analysis of the cases and shows the characteristic values of the fundamental classes of capabilities and the chosen microfoundations for this study. Every fundamental group of dynamic capabilities has been divided into main areas and for a deeper analysis the chosen microfoundation for each group is employed. Thereafter the characteristics of each entrepreneur’s related strategic decisions are valued by the findings interpreted from the analysis within each case (the previous chapter) and noted in a few words. The dynamic capabilities related features, which were perceived as resourceful, are valued based on their importance for overall firm performance. Dynamic capabilities were found in all firms. Due to this fact the grading employed has been arranged from normal to very strong. In some cases the capabilities were expressed in different ways, but the authors were strict to group them based on the dynamic capabilities framework.
### Table 1. Cross case analysis

<table>
<thead>
<tr>
<th>Sensing opportunities</th>
<th>“Selwyn”</th>
<th>“Lee”</th>
<th>“Kirsten”</th>
<th>“Lily”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Microfoundation 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Learn/Sense/Shape</td>
<td>Very strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Very strong</td>
</tr>
<tr>
<td></td>
<td>The opportunities are sensed/shaped based on the customer needs and his passion.</td>
<td>The opportunities are shaped by the customers' expectations.</td>
<td>Learns from others and creates opportunities through this.</td>
<td>Necessity entrepreneur – running the business to survive.</td>
</tr>
<tr>
<td>2. Individual capacity</td>
<td>Very strong</td>
<td>Normal</td>
<td>Very strong</td>
<td>Very strong</td>
</tr>
<tr>
<td></td>
<td>Unique skills, knowledge and background – hard to replicate.</td>
<td>Skills and knowledge that complements her business partner.</td>
<td>Involved in all parts of the business.</td>
<td>Born as an entrepreneur with an ability to look after the customers.</td>
</tr>
<tr>
<td>3. Calibrate opportunities</td>
<td>Very strong</td>
<td>Strong</td>
<td>Normal</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>Constantly adjusting opportunities based on customer needs.</td>
<td>Calibrates the opportunities through talking to customers.</td>
<td>Adjusts opportunities in line with the changing customer needs.</td>
<td>Expands the business as new opportunities arise.</td>
</tr>
<tr>
<td>Microfoundation 1 (Processes to identify target market segment &amp; customer need)</td>
<td>Very strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>Excellent knowledge about the customers and the market segment.</td>
<td>Focuses on each customer and to spread the word of mouth.</td>
<td>Finds opportunities through the changing customer needs.</td>
<td>The existing resources are used to fulfill the customer needs.</td>
</tr>
<tr>
<td>Seizing opportunities</td>
<td>Very strong</td>
<td>Strong</td>
<td>Very strong</td>
<td>Strong</td>
</tr>
<tr>
<td>1. Enterprise structure</td>
<td>Very strong</td>
<td>Strong</td>
<td>Normal</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>The business planning is build upon long-term perspective.</td>
<td>Broaden the supply to offer a larger customer solution.</td>
<td>Structure that provides customer value.</td>
<td>“Walk the walk and not talk the talk”.</td>
</tr>
<tr>
<td>2. Procedures</td>
<td>Strong</td>
<td>Normal</td>
<td>Very strong</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>Focuses on keeping the business straight and simple.</td>
<td>Planning is crucial to success.</td>
<td>Working hard on her image and has succeed to create a “full” picture.</td>
<td>Starting small and expanding.</td>
</tr>
<tr>
<td>3. Design and initiatives</td>
<td>Very strong</td>
<td>Strong</td>
<td>Very strong</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>All the initiatives taken are based on the customer needs.</td>
<td>Helping others and improve the own business.</td>
<td>Initiative taken supports the business model.</td>
<td>“Walk the walk and not talk the talk”.</td>
</tr>
<tr>
<td>Microfoundation 2 (Delineating the customer solution and the business model)</td>
<td>Very strong</td>
<td>Strong</td>
<td>Very strong</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>“Choose the right market and use the right market”.</td>
<td>Reinvest profits into the business.</td>
<td>The strategic decisions support the business model.</td>
<td>The business model is influenced by market shortage.</td>
</tr>
<tr>
<td>Reconfiguration</td>
<td>Very strong</td>
<td>Strong</td>
<td>Very strong</td>
<td>Very strong</td>
</tr>
<tr>
<td>1. Continuous alignment</td>
<td>Very Strong</td>
<td>Strong</td>
<td>Very strong</td>
<td>Very strong</td>
</tr>
<tr>
<td></td>
<td>Control of resources through being intensely entrepreneurial.</td>
<td>Involved in everything the firm is doing.</td>
<td>Constantly adapting to the changes.</td>
<td>“Solve the problem or just live with them”.</td>
</tr>
<tr>
<td>1. Realignment of specific tangible and intangible assets</td>
<td>Strong</td>
<td>Very strong</td>
<td>Very strong</td>
<td>Very strong</td>
</tr>
<tr>
<td></td>
<td>Investing in tangible as well as intangible assets.</td>
<td>Adjust by putting profit back to the business.</td>
<td>Willing to changing the image if needed.</td>
<td>The old and new are complementary.</td>
</tr>
<tr>
<td>Microfoundation 3 (Governance)</td>
<td>Very strong</td>
<td>Strong</td>
<td>Very strong</td>
<td>Very strong</td>
</tr>
<tr>
<td></td>
<td>Ability to recombine assets and organizational structure as market changes.</td>
<td>Ownership and control of difficult-to-imitate intangible assets.</td>
<td>Well-managed business and entrepreneurial activity.</td>
<td>Defending and/or moving on when competition inevitably arises.</td>
</tr>
</tbody>
</table>
8.3 Cross case analysis

The findings from the data collection, analyzed with the help of the framework, demonstrate some specific factors that have contributed to the success of all four entrepreneurs. The basic characteristics of the entrepreneurs studied show a number of similarities and differences between them. Generally the entrepreneurs took similar strategic decisions to attain competitive advantage, but did it more or less thoroughly.

As can be seen in table 1, all these entrepreneurs have shown that they use their flexibility and closeness to customers to sense the opportunities they are willing to invest in. “Lily’s” and Selwyn’s” ability to sense the opportunities have been valued as very strong. The author’s interpret the individual capacity to be a sufficient explanation for this fact. This is also confirmed by Teece who states: “The ability to recognize opportunities depends in part on the individual’s capabilities and extant knowledge particularly about users needs in relationship to existing as well as novel solutions” (Teece, 2007: 1323). The entrepreneurs have shown that they find opportunities in different ways. Whereas “Lily” finds the opportunities out of necessity, all the other entrepreneurs have invested in the opportunities within areas that they have passion and interest for and where they also have good knowledge about the customer needs. A common feature for all four entrepreneurs is that they are focusing on what they are good at and that the aims are to keep the business straight and simple. When lacking adequate qualifications, they solve it through the help of partners and/or networks. Teece (2007: 1323) agrees with this and believes that in order to recognize opportunities, organizational processes must ensure that information is filtered and flows to the people that are best at making sense of it. Furthermore, the entrepreneurs rather act for opportunities created out of the customer needs than those that are found for their own needs. In that way, it can be concluded that all entrepreneurs have the customer needs as a starting point. This is also in line with Teece’s belief that sensing opportunities are closely related to the customer needs, in other words enterprises that are alert and sense the opportunity are often able to transform the customer needs into new products and services (Teece, 2007: 1324).

All four entrepreneurs argue that money is not the driving force for their businesses and they rather see their work as a mission – they are fully engaged in running their businesses with both heart and soul. But, it is vital to mention that, even though neither of them see the money as the main source of inspiration, all four concluded that the profit is a vital issue that every single one of them has to take in consideration, every day. The authors’ interpretation of this is that to succeed, one must have a reason for wanting to earn a larger profit, even though the money in itself might not be the driving force. To summarize, the authors’ interpretation of what the entrepreneurs’ see as most important in the process of identifying the target market and customer needs – the first chosen microfoundation – are the knowledge to see the own capabilities and to use these in the right way, in order to maximize the existing resources.

In the process of seizing opportunities the four entrepreneurs’ dynamic capabilities influence the ability to cope with their strategic decisions. They all have formal structures of strategic management involving strategic plans and formality that increases the speed of decision-making and relationship with customers. “Kirsten’s” and “Selwyn’s” customer driven business models are parts of the reason to why they received a higher score for the ability to seize opportunities, than the other two
Dynamic Capabilities

entrepreneurs. All entrepreneurs have mentioned that their strategic planning is based on long-term perspectives, as this has shown to create value. In addition, the creation of a total solution where the customers get a complete experience – and are satisfied from the beginning to the end – has been a vital part for all entrepreneurs’ success. Seizing opportunities involves, according to Teece (2007: 1326), “maintaining and improving technological competences and complementary assets and then, when the opportunity is ripe, investing heavily in the particular technologies and designs most likely to achieve marketplace acceptance” and this is fully understood of all four entrepreneurs. To seize these opportunities, the decisions made through the whole processes of sensing, seizing and reconfiguration are to be seen as a constant activity that has to show a dynamic stance – to be in line with the changes in the internal and external environment. It is clearly shown that in spite of Teece’s (2007: 1330) statement that selecting and improving the business model is a complex art, all four entrepreneurs have succeeded in this process and done so mainly through their creativity, insight and a good level of customer information. This can also be seen in table 1 where all entrepreneurs have received the score strong or very strong when defining the customer solution and the business model.

In their progression of reconfiguration the four entrepreneurs tend to transfer their business knowledge to other entrepreneurs. They have shown to have tangible as well as intangible resources that create value to the customers and the business and are hard to replicate for the competitors. As a consequence of the fact that all entrepreneurs are disappointed with the governmental help, and that they all know the importance of a high entrepreneurial activity for the country’s development, they have all seen sharing of knowledge (through networks etc) as a vital part of running their business as well as a way to learn more about themselves. Three out of four entrepreneurs are working hard to promote the “charity side” of their business, to make the customer feel like they are doing a good thing when spending money on the services the entrepreneurs offers. These entrepreneurs sense opportunities in the area of charity, which lately has become a more attractive area. Interestingly, this has gained trust and respect from customers, which has contributed to higher profit for the businesses. The major challenges for all these entrepreneurs have been to maintain the sustainable competitive advantage. According to Teece (2007: 1335), success will cause the entrepreneur to evolve in a path-dependent way and “a key to sustain the profitable growth is the ability to recombine and to reconfigure assets and organizational structures as the enterprise grows, and as markets and technologies changes, as they surely will”. “Lee” “Kirsten” and “Lily” all demonstrate a strong growth orientation based on performance and planning for expansion, where as “Selwyn” does not believe in expanding his company. He states that he is already too busy and always fully booked and that hiring someone else to work for him would result in letting the customers down, as what he is giving them, is his personal guided tours that cannot be copied by someone else. The fact that he is not willing to expand the business is today not considered as a serious problem in terms of firm performance but might create problems later on in the progress of sustaining the competitive advantage.

For continued success, the ability to adapt to changes and the willingness to invest the profit in the business has been seen as very important issues. “Lee’s” ability to adapt to the changes was seen as a little weaker than the other entrepreneurs, as she explained that she did not want the business to change too much. To summarize the entrepreneurs’
abilities to recombined threats and reconfiguration the authors believe that good governance needs to be in place for the country to do well. Teece (2007: 1327) states that the processes of designing the business are an overlooked component of strategic management, “the understanding of the institutional/organizational design issues is typically more limited than the understanding of the technology themselves”. In the highly unstable South African environment, the authors strongly find that the four entrepreneurs’ dynamic capabilities have helped them to cope with changes and problems arising, to maintain their competitive advantage over time and that these entrepreneurs therefore will be successful even in the future.

Through the dynamic capabilities, all four entrepreneurs have managed to create sustainable competitive advantage notwithstanding the very turbulent South African environment. Nevertheless, in the end of the day, what really matters is not just the dynamic capabilities but, more importantly, the overall firm performance. In spite of the fact that only one microfoundation from each group of dynamic capabilities applied for this analysis, it is important to remember that Teece’s framework is not clear cut and therefore has to been seen as a process, where all fundamental classes of dynamic capabilities and also the microfoundations are interconnected. As an example, the microfoundation of knowledge management belonging to the dynamic capability group of reconfiguration is also a very important asset for sensing as well as seizing opportunities. In other words, the right knowledge helps finding the opportunities, realizing them and also supports the creation of a well-founded business model. The dynamic capabilities identified in table 1 and discussed above can in contrast to other models not be separated into different categorize. Instead, these have to be analyzed as a process in order to clarify if competitive advantage has been created or not. Teece (2007: 1347) approves that the successful entrepreneur must build, use and employ the three classes of dynamic capabilities simultaneously.
9. Conclusion

Throughout the thesis, dynamic capabilities within strategic decisions have been examined with the help of relevant literature and empirical findings. The central purpose of this section is to sum up and provide a more advanced interpretation and analysis of the major findings of the study. The discussion is made in accordance with the purpose and problem statement.

The study sought to increase the understanding of the role of dynamic capabilities and analyze superior firm performance over time in a developing country. It also aimed to gain knowledge about how successful entrepreneurs in SMEs can outperform competition in an unstable environment and presents advice of how other entrepreneurs can gain sustainable competitive advantage.

In addition, the study sought to answer the questions: How can successful entrepreneurs – in small and medium enterprises – gain sustainable competitive advantage in the South African institutional environment?

Moreover, through answering this question, an interchange, where both the authors and South Africa could learn from each other with the aim to increase the economic development, was to be created as a further purpose of the thesis.

Both strategic management and entrepreneurship are young fields in developing countries; the current study fills the gap by exploring how successful entrepreneurs leading SMEs in the context of a developing country have applied various strategic decisions to become more successful. The study demonstrates the relevance of the dynamic capabilities theory and shows that the framework can be applied and successfully used in this developing country. Moreover, the study shows the connection between strategic decisions, dynamic capabilities and sustainable competitive advantage. In the opinion of the authors the theory of this study, the dynamic capabilities approach, is clearly a promising attempt to overcome some shortcomings in the economic theories. The concept gives an understanding of how firms survive, grow and sustain competitive advantage in the changing internal and external environment. The dynamic capabilities framework has helped the authors to understand the foundation of long-run enterprise success. In addition, the framework can help managers delineate relevant strategic considerations and the priorities they must adopt to create competitive advantage.

In the cases analyzed, evidence is found that all entrepreneurs have the characteristics and the abilities to develop dynamic capabilities in the process of sensing, seizing and reconfiguring opportunities. The findings of the entrepreneurs’ different strategic decisions have been related to the enterprises’ performance. The contribution of this study is that it seeks to explain the importance of dynamic capabilities for entrepreneurs in unstable environments by recognizing three main factors that made these four entrepreneurs successful and helped them sustain the superior firm performance over time.
Firstly, maintaining a consistent long-term vision and long-term performance at heart.
Secondly, placing the customer needs in focus and being passionate about their wishes.
Thirdly, using the company competences and resources wisely. This includes coping with the environment and focusing on areas where the firm’s competence is large.

The findings also show that all these three factors must work as tools for success and be adaptable to rapid and unexpected change, in other words, being dynamic is crucial. Moreover, it shows that the entrepreneurs’ characteristics can influence strategic actions in their firms in ways that creates sustainable competitive advantage. The authors believe that if other entrepreneurs take these factors into consideration, it can help them to reach success and as a result create economic development and growth for the country.

The authors have noticed a real shortcoming of the framework. Teece’s framework is providing a holistic view and is not as clear-cut as previous models in the area of competitive advantage. Studying one microfoundations of each fundamental group of dynamic capabilities is difficult since they are all interconnected with each other and also over the boundaries of the different fundamental groups of dynamic capabilities. It has not been possible to study all factors in this single study, due to their multiplicity and complexity. Therefore, it is necessary to mention some drawbacks of the study. An entrepreneur’s strategic decisions can influence the enterprise performance very differently. The authors are aware of the fact that sustainable competitive advantage can be created through other factors than those mentioned in this study. Therefore, if the micro foundations analyzed in the four cases are the ones responsible for the creation of competitive advantage cannot be concluded. A detailed investigation on additional microfoundations is required in future studies since the majority of them were beyond the scope of this thesis. Nevertheless, the delimitations made for this study were necessary to provide the deeper analysis of dynamic capabilities, which is also the advantage of this thesis.
10. Quality of research

10.1 Research quality

Bryman and Bell (2007: 423) discusses a number of critical opinions related to the qualitative research method, there among the matter of generalization from a minor sample. For this study, the research objects should not to be viewed as representatives of a population and consequently the results are only to be generalized to theory. Additional disapproving viewpoints regarding the qualitative research are that these studies are excessively subjective, tend to start in open-ended and unstructured ways, which make them problematic to replicate. The authors of this thesis have taken these risks into consideration and find that the framework used for the analysis is a very good foundation pillar that assists in keeping the right focus. In addition, in order to review and set up an acceptable level of quality for this thesis, the authors have studied several principles regarding the issue.

Firstly, the measuring of the reliability of a study shows if similar conclusions would be reached if another researcher had carried out the study. According to Bryman and Bell (2007: 40-41), in order to enable someone else to perform a reproduction of the study, the processes must be expressed in great detail. The authors of this thesis have attempted to be as fair and clear as possible regarding the ways the interviews were conducted and with whom these were carried out. Bryman and Bell (2007: 410) refer this to “external reliability” and states that it is problematic to meet its criterion. They also state the importance of internal reliability, which is described as the degree to which the interviewers have the same opinion about what is said and heard. This was seen as a vital guideline for the work with and interpretation of the data and therefore the authors of this thesis always tried to reach a high degree of agreement before making any statements connected to the data. Secondly, the validity of the research, which can be explained as “whether you are observing, identifying, or “measuring” what you say you are” (Bryman & Bell, 2007: 410). According to Kvale (1997: 218) the validity of a study is not just a question of which methods that are used, the personality of the researcher and her moral integrity are critically in judging the quality of the produced knowledge. The authors of the thesis are aware of this and have taken it into consideration.

Bryman and Bell (2007: 411) argue that some researchers do not find the criterion of reliability and validity as appropriate for assessing the quality of qualitative research and as a result other, alternative, criterion are presented. For this thesis, the authors find the criterion of creditability, which parallels internal validity, of outermost importance. According to Bryman and Bell (2007: 411) it is created when a thesis is carried out using good practice and when the interviewees are able to verify the findings after the interviews. This was seen as very important, as the results can be seen as a mirror of how well the authors interpreted the answers of the interviewees – through viewing the world “with” their eyes (Bryman & Bell, 2007: 416).

In the opinion of the authors, an important key factor to keep a high research quality of the interviews is careful preparation and planning on how the credibility of the study is to be demonstrated. Saunders et al. (2009: 302) presents five Ps’; prior – planning – prevents – poor – performance, that are useful to keep in mind when conducting non-
structured interviews, as done in this study. The credibility may also be promoted through the level of knowledge about the firms and the situational contexts in which the interviews take place, the level of information supplied to the interviewees before the interviews, the appropriateness of the location as it will influence the data collection and the approach to questioning – which should reduce bias and increase reliability (Saunders et al., 2009: 321-324). These excellent recommendations have all – very thoroughly – been taken into consideration to increase the credibility of the thesis.

Intensive and in-depth interviews can generate problems connected to objectivity. This is due to the fact that previous experiences as well as knowledge influence the understanding of the interviews (Bryman & Bell, 2007: 31). As a result, to keep a reasonable standard of this thesis, both authors were present during all interviews and also equally responsible and in charge of the interpretation of them.

10.2 Ethics

The ethical issues is not limited to any particular part of the study, but should be considered all through the different phases – from the planning stage to the final conclusion (Kvale, 1997: 105). It is, in the opinion of the authors of this thesis, crucial that the study and the results of it not will damage the research objects. As a result, some ethical issues regarding informed consent, confidentiality, deception and privacy are seen as important issues to emphasis.

For this thesis, informed consent is understood as dealing with the fact that the interviewees are informed about the principle idea and nature of the research as well as the benefits and drawbacks related to the participation in it. Confidentiality deals with the research objects’ identities and that the personal integrity is being protected. In this thesis the entrepreneurs are referred to only by their first names. The drawback of this is that it will contribute to that the possibility of replicating the study is harmed – as no new researcher will know the identity of the objects participating in the study (Kvale, 1997: 107-109). According to Bryman and Bell (2007: 133-141), the misleading of what the study stands for, in order word the deception, would endanger the informed consent. The matter of confidentiality is focusing on subjects related to the interviewees’ identity and the protection of personal integrity.

The fact that the participation in a research of this kind can raise worries among the entrepreneurs is an issue that the authors are very aware of. Therefore, making the interviewees feeling relaxed and comfortable about the future use of the data was considered as a vital objective. With the help from open dialogues and a promise to follow the entrepreneurs’ wishes, this was possible to implement. In addition, the interviewees had the opportunity to either accept or reject the results before they were published. The authors believe that this guarantee contributed to more laidback interviews.

Lastly, all through the research, the authors have taken a clear position against plagiarism. This standpoint promotes an accurately handling of other researchers’ work and includes a strict management of the sources responsible for the content mentioned in the thesis.
11. Further research

Research often raises more questions than answers. The positive aspect of this is that it yields ideas of directions for future research. As the dynamic capabilities framework integrates ideas from other paradigms of competitive advantage, the authors of this thesis, believe that further research is necessary to attempt an overall theory of how to create sustainable competitive advantage. Empirical research on resources and capabilities has not yet reached maturity (Wang & Ahmed, 2007: 43) even if it has been growing significantly in the past few years. The authors of this thesis can see several challenges for further research on dynamic capabilities.

Augier and Teece (2008: 1202) state that the future significance of competences and capabilities within strategic management will depend on if the upcoming development in the field will result in a more relevant empirical paradigm. They continue arguing that this will depend on the ability of scholars and ideas – within strategic management – to work together. The research needs to reflect the phenomena it is studying by examining processes of creation and evolution over time, which points to the need for more longitudinal studies. Without any doubt, the shortcoming of empirical work is currently the largest constraints for the dynamic capabilities approach. It is notable that most studies tend to focus on obvious dynamic industries, such as biotechnology. The authors’ see a value in exploring the topic in other contexts – where different constrains and conditions prevail – such as in traditional industries, the public sectors and other countries. The results in this thesis were derived from case studies drawn from one country, further research could incorporate a couple of cases from different developed and/or developing countries with an objective to look for similarities and differences. To conclude if the dynamic capabilities are the reason behind success or not, a comparison with non-successful entrepreneurs would be necessary and is therefore another interesting angle for further research. Moreover, with more case study-based data it might be possible to identify the more common dynamic capabilities.

Since it has been argued that different dynamic capabilities requires some equivalent microfoundation, but that the identification of these has been the shortcoming, future studies should continue the research on microfoundation. Some attempts has been done, however, while practical usefulness of these frameworks is still missing, it is strongly recommended to test them for usefulness in the identification of microfoundations. By taking such a micro approach, one might be able to obtain some concrete evidence of what the dynamic capabilities look like in organizations, how they are deployed and how the context may have an impact on them. Thereafter, it might be possible to better understand the dynamic capabilities in practice and if and how they differ across firms.

Finally, researchers have largely ignored the cost of creating and maintaining dynamic capabilities. If the researchers do not include the cost factors in their research, the overall benefits of the dynamic capabilities cannot be evaluated. If the concept of dynamic capabilities is to be useful as a field of study it needs to be fully researched. The authors of this thesis hope that other scholars will take up the challenge in further exploring and testing these ideas.
12. References


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Swedish embassy Pretoria. (2010, April). *The Swedish embassy’s website*


Appendix 1

Case study interview guide

1. Basic information about firms
   i. Years of operation
   ii. Legal form of business
   iii. Number of employees
   iv. Average investment size
   v. Type of product/services offered and the industry in which the business is active
   vi. Major customers/clients

2. Competitiveness/performance information
   i. Childhood and carrier
   ii. Business today
   iii. Physical environment in general
   iv. Strategic actions taken by the entrepreneur to compete
   v. The resources which facilitate a company to undertake different strategic actions

3. Company strategic actions

A) Fundamental class of dynamic capabilities: Sensing and shaping opportunities

Area: Finding opportunities, Individual capacity, Driving force

- How are you defining new opportunities?
- How are you finding your market segment?
- How are you focusing on the customer need?
- What is the reason that you have not entered new markets?
- What is your driving force in having your own business?
- How do you perceive the surrounding business environment in Cape Town?
- Which are your advantages/disadvantages as an entrepreneur?

B) Fundamental class of dynamic capabilities: Seizing opportunities

Area: Enterprises structure, Procedures, Designs and initiatives

- Explain your business model
- How are you developing your ideas into reality?
- How are you selecting the ideas that you’re willing to invest in?
- How is the information flow within your company?
- Are your company rather centralized or decentralized?
- How is your business capturing value?
B) Fundamental class of dynamic capabilities: Managing threats and reconfiguration

**Area:** Changes, Barriers, Management Style

- How do you adopt to the surrounding business environment?
- What is the difference in running a business today contra earlier?
- What is the governmental support to entrepreneurs in South Africa like?
- How is corruption affecting your business?

4. **Request for useful documents**
   
   i. Financial statements (if available and the firm is willing to reveal them)
   ii. Different company reports/documents available
   iii. Company brochures, fliers etc.
Appendix 2

Dynamic capabilities framework

Foundation of dynamic capabilities and business performance. (Source: Teece, 2007: 1342)