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Dynamic Alliance Capability As A Business Innovation Enabler Towards Sustained Economic Development: An Empirical Study Of Organizational Practices

School of Management
Master’s Thesis in Strategic Business Development

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ABSTRACT

Nowadays, increasing competition and rapidly changing market conditions are constantly affecting firms’ ability to sustain their businesses, and transforming to a more sustainable economic system is in extreme need. Although researchers have recognized the importance that firms need to become more sustainable, little attention is paid to the economic aspect. Meanwhile, despite a large number of start-up companies fail to survive, the extant literature mostly focuses on the corporate perspective or macro-economic level. To address challenges regarding sustained economic development, business model innovation appears to be superior to other types of innovation. Also, recognition has been given to paramount benefits that strategic alliances could deliver to a firm’s capabilities; however, much less effort is made to examine alliance capability under the dynamic capability approach as an enabler of business model innovation towards sustained economic development. This research responds to the call of having more studies on business model innovation towards sustained economic development from a dynamic capabilities approach in the context of start-up companies. It aims to shed light on the organizational practices and routines that contribute to the development of the dynamic alliance capability, and its relevance to the company’s effort in innovating the business model design to achieve sustained economic development goals. By disaggregating practices and routines that underpin this higher-order capability, the study offers an in-depth understanding of how the capability is practically built and exploited in start-up companies.

KEYWORDS: economic sustainability, sustained economic development, business model innovation, alliance capability, microfoundations, organizational practices
1. INTRODUCTION

1.1. Background

Nowadays, increasing competition and rapidly changing market conditions are constantly affecting firms’ ability to sustain their businesses. As firms have to achieve their long-term profit requirements while confronting expectations from diverse stakeholders, transforming to a more sustainable economic system is in extreme need. This has led to the growing attention to the sustainable development topic in research and practices. White (2009) suggested that sustainable development is a requirement rather than an option for long-term growth, in which economic concerns with the need for profit maximization appear to be of highest importance due to its being the prime objective of a business (Jensen & Meckling 1976). In this sense, to gain longer-term competitive advantages and accomplish the objective of long-term growth, it is compulsory for organizations to consider strategic choices that enable success in sustained economic development.

In this regard, innovation is argued by many scholars to be an effective instrument for firms to alleviate existing issues and enhance firms’ performance (e.g. Eccles & Serafeim 2013; Aguilar-Fernández & Otegi-Olaso 2018). However, it is asserted that not all types of innovation might meet firms’ expectations and goals due to the growing increment of technological advances (Geissdoerfer, Vladimirova & Evans 2018). Business model innovation is seen as superior to product or process innovation because of its ability to deliver higher returns (Chesbrough, 2007; Lindgardt, Reeves, Stalk & Deimler. 2009, Massa & Tucci 2013) with other additional benefits. In order to generate such innovation, dynamic capabilities approach can be employed to examine innovation management (Mousavi, Bossink & van Vliet 2018 cited Amui et al. 2017; Darmani et al. 2017; Hofmann et al., 2012; Iles and Martin, 2013) as it allows firms to anticipate and adapt to new complexities and achieve “evolutionary fitness” (Teece 2007). Because dynamic capabilities help firms to
successfully sustain competitiveness, and effectively adapt to changes in the business environment (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter 2007, Teece 2007), effectively developing essential dynamic capabilities that strengthen core competencies, firms can strategically transition toward a business model design that encompasses their goals of becoming economically sustainable.

Meanwhile, the globalization age has generated more complexities and uncertainties in the business environment. Firms have to go beyond existing frameworks (Grogaard 2012) and coordinate with various supply chain participants to make it agile, responsive and coordinative at the same time. Moreover, innovation, especially business model innovation, is a process of creating knowledge (Nonanka 1994) which is often hindered by firms’ limitation of resources to thoroughly develop their knowledge internally (Noseleit & de Faria 2013). With strategic alliances being an effective conduit for knowledge creation, firms can achieve the key inputs for their successful business model innovation from knowledge coming from alliance partners (Khamseh, Jolly & Morel 2017 cited Conner & Prahalad 1996; Teece 1986). Strategic alliances enable firms to search for and capture new ideas from external sources, which potentially leads to business performance improvement (Chesbrough 2003). Under the strategic alliance coordination, partner companies voluntarily share resources and work together to achieve mutual benefits. These benefits could enhance firms’ capabilities, enable innovation, and improve their competitive advantages in the long-term.

Generally, it is suggested that developing the alliance capability as a dynamic capability with appropriate organizational processes, practices and routines is of paramount importance to the innovation of a firm’s business model towards sustained economic development.
1.2. Research Gap

Despite receiving much attention, sustainability literature is fragmented with diverse discussions from different industries and perspectives. Topics relating to this topic spread from performance measurement and management (Searcy 2012) to emissions of greenhouse gas (Nishitani & Kokubu 2012; Hörisch 2013), reporting in terms of sustainability (Pellegrino & Lodhia 2012; Hahn & Kühnen 2013) or business cases (Carroll & Shabana 2010; Schaltegger, Lüdeke-Freund & Hansen 2012). Among those, literature about sustainable development and different ways of doing business mainly employs the environmental and social sustainability viewpoints to develop evaluation tools and guidelines (Buckley 2012). The economic sustainability, being the prioritized interest of firms, receives much less focus, making it difficult for firms to achieve their goals in being financially viable and economically sustainable. Moreover, studies that refer to this aspect mostly draw on macro-level objective indicators, thus falling short of many other indicators that are substantial to local stakeholders and leaving micro-level subjective indicators underdeveloped (Sirakaya-Turk & Gursoy, 2013). The critical question, as asserted by Ditlev-Simonsen and Midttun (2011), remains that what activities and processes should be realized to generate value. It is especially significant in the context of start-up companies, where nine out of ten are supposed to fail (Patel 2015). In this sense, exploring the economic sustainability under this context is exceptionally desired regarding the need to facilitate their vulnerability and limitations comparing to incumbent firms.

Meanwhile, existing literature is increasingly focusing on innovation as a fundamental instrument for sustained competitive advantage (Mariadoss, Tansuhaj & Mouri 2011 cited Naidoo 2010; Weerawardena 2003; Day & Wensley 1988; Porter 1990), and the need to sustain a business is perceived as an invigorator for innovation (Rodriguez, Ricart & Sanchez 2002). As innovations are to be achieved from an unconventional approach, firms need to adjust their focus to creating and maintaining competitiveness in higher sustainable ways.
(van Kleef & Roome 2007). That leads to the requirement of reconsidering their core resources and competencies configurations (Dangelico 2015). Therefore, there is a growing consensus that in order to appropriate value and sustain success over time, innovating business models is desirable (Baden-Fuller & Haefliger 2013; Björkdahl 2009; Hienerth, Keinz & Lettl 2011; Chesbrough, 2010; Massa & Tucci, 2013; Teece, 2010). Similar to the topic of sustainable business, the innovation concept is more often than not studied from the corporate perspective (Bos-Brouwers 2010). Successful examples of innovation in the business model design and notable findings in the extant literature on this topic mainly focus around large organizations (Ghezzi & Cavallo 2020 cited Amit & Zott, 2012; Chesbrough, 2007; Johnson et al., 2008; Schaltegger, Lüdeke-Freund, & Hansen, 2012; Sosna, Trevinyo-Rodríguez, & Velamuri, 2010) even though smaller sized firms, including start-up companies, are also referred to business model innovation (Klewitz & Hansen, 2014). As the failure of many business model innovations is noted (Patel 2015), imposing crucial economic implications on firms (Chesbrough 2007), practical approaches and tools are urged to become the focal point of research to facilitate business model innovation (Foss & Saebi 2018; Trimi & Berbegal-Mirabent 2012) and support start-up companies process of developing economic sustainability.

With that said, Anderson, Potocnik and Zhou (2014) asserted that creating a dynamic and sustainable system to cultivate innovation and creativity is yet an enduring challenge organizations have to confront. Further advancement in understanding innovation has been made possible using the dynamic capabilities approach where authors focus on organizational processes to create new resources, renew and reconfigure existing resources conforming to changes in the environment (Fallon-Byrne & Harney 2017 cited Bowman & Ambrosini 2003; Teece et al. 1997). Offering the framework to analyze the sources and methods of value creation and capture, dynamic capabilities represent a “firm’s ability to integrate, build and reconfigure” its competencies to adapt to the turbulent environment (Teece, Pisano & Shuen 1997:516). Capabilities could only be sustained if they are
“dynamic”, implying the ability to learn, adapt and evolve to address the changes in the environment (Collis 1994). Generally, developing economic sustainability would require novel approaches where business model innovation is a significant attribute for its success; and dynamic capabilities can be considered as one promising way to enhance a firm’s ability to innovate its business model design. However, there is a lack of insight into what kind of dynamic capabilities that can be developed to help firms overcome challenges related to this process (Amui Jabbour, Jabbour & Kannan 2017), particularly in start-up companies. Moreover, there are only a few studies working on exploring the mechanisms of dynamic capabilities, either in creation or operation (Fallon-Byrne & Harney 2017 cited Barreto 2010; Kraatz & Zajac 2001). Many authors argued that the limitation in applying dynamic capabilities framework in practice lies in the insufficient understanding of the link between organizational strategies and capabilities development; this, in turn, influences their behaviors related to innovation (Fallon-Byrne & Harney 2017 cited Ambrosini & Bowman 2009; Cepeda & Vera 2007; Helfat & Peteraf 2009).

In that sense, the topic of strategic alliances has been receiving growing attention as a means to acquire and transform external knowledge and resources into a firm’s own resources for better innovation. Through an extensive review of alliance capabilities, Kohtamäki, Rabetino and Möller (2018) have found that alliance capabilities result in organizational, relational and company-level performance outcomes. Literature has pointed out how practices of innovation sharing affect strategic partners’ performance (Singh & Power 2014). Knowledge sharing, new skills developing, products co-creating (Kim 2013 cited Martinez and Jarillo, 1989; Grant, 1996; Shy and Stenbacka, 2003) in such alliances could immensely impact a firm’s capability of transforming the business model design. Particularly, start-up companies are argued to be able to effectively overcome their limitations through their strategic alliances, which are often rich in terms of resource, knowledge and market information. Considering the alliance capability under the dynamic capability approach can assist the studying of routines, processes and practices that
undergird this capability, which is an effective way to explain the origins and development of it (Fallon-Byrne & Harney 2017), uncovering the way the dynamic alliance capability emerges and evolves. However, due to the fact that debate has been around identifying and defining dynamic capabilities rather than considerations about their formation as such (Fallon-Byrne & Harney 2017 cited Easterby-Smith et al. 2009; Kraatz & Zajac 2001), the dynamic capability concept, and dynamic alliance capability in specific, remains abstract with significantly insufficient practical implications (Fallon-Byrne & Harney 2017). More studies on micro-processes and practices are being requested to analyze how alliance capabilities are constructed and constituted in firms (Kohtamäki et al. 2018).

To summarize, since the turn of the century, a large number of new start-up companies emerge every day all over the world but most of them fall into obscurity. Despite this fact, research in existing literature mostly focuses on the corporate perspective or macro-economic level (Sirakaya-Turk & Gursoy 2013; Bos-Brouwers 2010). Moreover, although researchers have recognized the importance that firms need to become more sustainable, little attention is paid to the economic aspect, which is a fundamental priority in start-up companies. While business model innovation is seen as an enabler for firms to realize their sustained economic development, paramount benefits of strategic alliances in innovations have been discovered. However, much less effort is made to examine alliance capability under the dynamic capability approach as a key attribute to a firm’s success in innovating its business model and thus achieve economic sustainability, especially in the context of start-up companies.

This research responds to the call of having more studies on sustainable development from the economic aspect in smaller sized firms by focusing on the context of start-up companies. As an effort to support business model innovation which is called for by scholars and practitioners (Foss & Saebi 2018; Trimi & Berbegal-Mirabent 2012), the study aims to explore the business model innovation as an instrument for sustained economic
development in these firms. Furthermore, considering the influence of alliance capability on the success of business model innovation, this study also focuses on how alliance capability as a dynamic capability emerges and evolves via analyzing its underlying routines and practices (Kohtamäki et al. 2018). By examining dynamic alliance capability in correlation with business model innovation towards sustained economic development, deeper insight into how this dynamic capability affects innovation, or business model innovation in particular, as suggested by Amui et al. (2017) is expected to be gained through the study’s findings, thus explaining at micro-level start-up companies’ endeavors in achieving economic sustainability.

In this paper, sustained economic development or sustainable growth is also employed together with the economic sustainability term, which refers to long-term achievable economic growth with a development growth rate that ensures viable, long-term economic operations.
1.3. Research Question

The main objective of this research is to investigate underlying organizational practices and routines of a start-up’s alliance capability as a dynamic capability in line with the trifold classification model of Teece’s (2007) in order to support business model innovation towards achieving goals in becoming economically sustainable. It aims to study the relationship between three major concepts that have received growing awareness in recent years, namely sustained economic development, business model innovation and strategic as a dynamic capability. Therefore, the correlation between dynamic alliance capability with a start-up’s sustained economic development can be explored and explained in greater depth through the means of business model innovation.
By exploring this correlation, this study is expected to contribute to the existing literature of these three areas, and especially deepen our knowledge about the formation and development of dynamic capabilities in practice. Moreover, by doing so, the research would shed light on the way start-up companies consider their strategic networks of alliances and the effectiveness of their strategic choices in terms of resources and competencies enhancement for innovations in business model design as to achieve economic sustainability.

Accordingly, this study focuses on answering the central research question:

**How dynamic alliance capability contribute to innovation towards sustained economic development in start-up companies?**

To answer this question, a set of sub-questions are also necessary to guide the research work.

1) *What types of business innovation support start-up companies towards successful sustained economic development?*

Firstly, it is important to review and define the key factors that influence success in sustained economic development at the firm level. Although this topic has received much of interest from many scholars, due to its heterogeneity, different types of organizations with separate contexts could define differently where sustainable economic performance originates from (Lozano, Haartman, 2018), thus encompassing diverse measurements for their success. Meanwhile, innovation has increasingly become a focal topic in studying sustainable management. Therefore, it remains a critical task to explore factors of sustained economic development in the specific context of start-up companies, what type of innovation and how it helps firms to achieve sustainable economic performance.
2) How dynamic alliance capability enables the success of business innovation towards sustained economic development in start-up companies?

Strategic alliances have been considered as one of the key sources for start-up companies to access external resources and capabilities in order to develop their own resource base and enhance their competencies. Alliance capability, based on the resource perspective, is of great importance in creating innovation towards sustained economic development. Learning the main principles of how dynamic alliance capability contribute to the diverse factors of business model innovation would further clarify and justify the effectiveness of the implementation phase of sustained economic development efforts.

3) What are the practices that undergird the dynamic alliance capability in start-up companies towards sustainable business development?

Examining alliances as a dynamic capability with underlying organizational routines and practices would further clarify how start-up companies exploit the alliance networks as a way to boost their innovation processes regarding changing or altering their business models, thus ensuring their success. By using the dynamic capability model of disaggregation suggested by Teece (2007), the question can be explored in more depth from a two-level approach of dynamic capabilities.

1.4. Thesis Structure

This paper is divided into five sections. Following this introduction, the next section reviews existing literature regarding sustainable growth and sustained economic development, business model innovation, dynamic capabilities, and dynamic alliance capability. In this
part, different definitions and theoretical frameworks in each concept will be introduced and discussed, with an in-depth focus on the economic sustainability as a key focus in sustainable development, dynamic capabilities with regard to the three clusters of sensing, seizing and reconfiguring, and strategic alliances as a dynamic capability. The theoretical view about the correlation between these concepts is also described and the research model is then depicted.

Section three describes the research methodology used to seek answers for the research question and the dataset. The case company is introduced with the research strategy including data collection, the process of data analysis, validity and reliability study of this research. Qualitative analysis is conducted to shed light on the ways dynamic alliance capability is exploited in practice to enhance the innovation of business model design so as start-up companies can gain success in sustained economic development.

Following that, empirical findings are presented in the fourth section, whose results are analyzed and discussed with regard to frameworks that are discussed in the literature part. By reviewing organizational routines and practices that promote a start-up’s deployment of its dynamic alliance capability through one case study, this study clarifies how the model of sensing, seizing and reconfiguring capabilities works empirically.

Section five presents conclusion with a discussion of the implications of the main research results both theoretical and practical. The managerial implications deliver an overview of organizational practices that have positive effects on start-up companies’ sustained economic development, business model innovation and alliance capability development. Limitations of the study and suggestions for future research are also included in this section.
2. LITERATURE REVIEW

2.1. Business Model Innovation as an Instrument for Sustained Economic Development

2.1.1. Review of Sustainable Growth and Sustained Economic Development in existing Literature

Due to increasing competition and rapidly changing market conditions, firms’ ability to sustain their businesses is constantly challenged. Longer-term competitive advantages and sustained economic performance with a more sustainable economic system are in extreme need. This has led to increasing attention to the sustainable growth and sustainable development topic in research and practices. Some studies aim at distinguishing these two terms (e.g. Ulhoi & Madsen 1999; Daly 1990); however, they are generally understood as synonyms and are used interchangeably (Ulhoi & Madsen 1999).

Despite researchers’ acknowledgment of a fundamental shift in the way firms develop sustainable growth, it is argued that business concerns still remain at the core of firms’ strategic choices. Scholars continue to find economic growth as a privileged dimension with its common approach of investment, revenue, and profit (Banerjee 2003), and such growth is obtained by using the “logic of markets and capitalist accumulation to determine the future of nature” (Shiva 1991: 121). Hence, it is worth considering the traditional meaning of sustainable growth where it is perceived as “realistically achievable growth that a company or national economy could maintain without running into problems” (Market Business News). In other words, sustainable growth is mostly equal to sustainable economic growth due to the dominance of economic logic underlying firms’ strategies. On top of that, most authors implicitly consider that sustainable growth (growth that is continuous and
long-term) contributes as a component of the sustainable development concept (Spagenberg 2005).

Sustainable development, or sustainability, is defined as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED 1987, p.9). In a micro-environment and within its complexity, a firm should remain perpetually adaptive with balanced behaviors as “sustainable development (therefore) refers to the goal of fostering adaptive capabilities while simultaneously creating opportunities” (Holling 2001: 399). This means firms that pursue sustainable development have to establish their systems and structures with flexible processes, enabling them to create, test, and maintain opportunities with dynamic capabilities. It is noteworthy that similar to the case of sustainable growth, the implementation of the sustainable development concept also sees the supremacy of the economic aspect over the others. Steger, Ionescu-Somers & Salzmann (2007: 162) indicated that the “economic bottom line still dominates corporate decision making” while Montabon, Pagell and Wu (2016) asserted that environmental and/or social sustainability is not simultaneously prevalently focused. Undertakings aiming at an improvement in the social and environmental dimensions are often translated into the economic performance as firms need to “do well” (financially good) before it can “do good” (ethically good) (Kurucz, Colbert & Wheeler 2008). Salzmann, Ionescu-Somers & Steger (2005) identified a large number of cases that compromised the sustainable development by allowing trade-offs between dimensions, and the economic aspect is argued to be prioritized (Fennema 2000; Van Der Byl & Slawinski 2015). If a firm engages in environmental or social responsibilities, its decision is justified by a precedent improvement in financial gains (Kurucz et al. 2008).

Conceptually, it is possible to infer that the term sustainable development can be considered mainly within the economic dimension, with the inclusion of sustainable economic growth. In other words, sustainable development is relatively obtained if firms
could develop proactive solutions to adapt to various changes in their surroundings and gain sustainable economic performance, regardless of the degree of engagement in the social and environmental aspects. In that regard, this paper aims to explore sustainable development from the economic aspect, which is regarded as economic sustainability, sustained economic development, or sustainable growth interchangeably.

Table 1. Selected Definitions of Sustainable Growth, Sustainable Development and Economic Sustainability

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<tr>
<th>Source/Author</th>
<th>Dimension</th>
<th>Definition</th>
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<td>Market Business News</td>
<td>Sustainable Growth</td>
<td>“realistically achievable growth that a company or national economy could maintain without running into problems”</td>
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<tr>
<td>Shiva (1991)</td>
<td>Sustainable Growth</td>
<td>“logic of markets and capitalist accumulation to determine the future of nature”</td>
</tr>
<tr>
<td>World Commission on Environment and Development (1987)</td>
<td>Sustainable Development</td>
<td>&quot;Development that meets the needs of the present without compromising the ability of future generations to meet their own needs&quot;</td>
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<tr>
<td>Holling (2001)</td>
<td>Sustainable Development</td>
<td>&quot;refers to the goal of fostering adaptive capabilities while simultaneously creating opportunities&quot;</td>
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<tr>
<td>Choi &amp; Sirakaya (2006)</td>
<td>Economic Sustainability</td>
<td>“...optimizing the development growth rate at a manageable level with full consideration of the limits of the destination environment.”</td>
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2.1.2. Sustained Economic Development as a prioritized Interest

Sustained economic development, or economic sustainability, is referred to as “optimizing the development growth rate at a manageable level with full consideration of the limits of the destination environment” (Choi & Sirakaya 2006: 1276) with an aim to “ensure viable, long-term economic operations” (The United Nations World Tourism Organization 2004). Firms that are economically sustainable need to “produce a persistent above-average return to its shareholder” while maintaining sufficient cash flow for liquidity at all times (Moreno-Gené, Sánchez-Pulido, Cristobal-Fransi & Daries, 2018).

There are diverse drivers that encourage businesses to focus on strategies for economic sustainability, including growing attention to long-term performance due to abrupt changes in the business environment. As the prime objective of a business is earning profit and maximizing shareholder value (Jensen & Meckling 1976), it is suggested that the economic pillar is by definition engraved in a firm’s perception of values. Foster and Kaplan (2001)
believed that the lifespan of business has been affected by the increasing competition and the rigorous creative destruction to cope with rapidly changing market conditions. As a result, economic sustainability emerges as a must, suggesting the significance of a sustainable economic system that ensures a firm’s long-term viability so that it is sustainably operational and can achieve economic goals not only today but also in the future. Montabon et al. (2016) found out that managers in practice tend to put their interests in economic performance over environmental and social gains. A large quantity of research and practice in sustainable supply chains have employed an instrumental view, which considers corporate social responsibility schemes as an effective way to serve the prime concern of developing the corporate image, achieving goals (McAdam & Leonard), implying their accessory roles to prospective economic gains.

Meanwhile, starting up a venture is considered as a grueling process, entailing complex and demanding tasks that are affected by many variables. With diverse limitations including market uncertainty, resource scarcity, information asymmetry, and high vulnerability to failure, economic struggle frequently happens in start-up companies (Hogarth & Karelaia 2012), making them more likely to fail (Patel 2015). Success in these firms is often defined by achievement relating to performance in the economic aspect. As a consequence, the need to sustain competitive advantage to be financially viable is consequential in their strategic choices, and developing economic sustainability is considered as the business founders’ highest priority (Galpin & Hebard 2015). In this regard, the key focus is put on creating commercializable products or services together with the development of organizational and financial architecture (Trimi & Berbegal-Mirabent 2012; Castrogiovanni 1991) rather than spreading into other aspects, namely environment or society. Their strategic choices are asserted to mainly draw on how to exploit resources to define boundaries that the new business will operate within (Casadesús-Masanell & Ricart 2010; Garnsey, Lorenzoni & Ferriani 2008), create competitive advantage (Andersén 2011; Cegarra-Navarro et al. 2011), and develop business logic for profit earning.
2.2. The Need for Innovation in Business Model Design to assist Sustained Economic Development

2.2.1. The Correlation between Innovations and Sustained Economic Development

Complex issues have emerged with disruptive technology and rapidly changing environment, which makes the need to transform into a more sustainable economic system become increasingly critical (Geissdoerfer et al. 2018). Engaging in sustained economic development would require firms to seek appropriate strategies in developing their competitive advantages, and pursuing economic sustainability pushes firms to undertake new solutions, new ways of thinking and operating, new concepts for their products or services together with new technologies. Rodriguez et al. (2002) argued that sustainable development can be considered as an invigorator for innovation resulting in organizational change and value generation. Halme and Korpela (2014) define innovation as a novel or critically revamped product, service, or business model that firms implement either accumulatively or disruptively (Halme & Korpela 2014 cited Zortea-Johnston et al. 2012). Innovation-based strategies can assist economic sustainability effectively through unconventional products, processes, and technologies while developing and reinforcing their competitive advantages. Innovation can emerge and happen in two ways: radical or incremental (Liyanage, Annerstedt, Gluckman, Hunyor, Jones & Wilson 2006). While incremental innovation aims at improving efficiency and effectiveness either in products, services or processes by incorporating new knowledge, radical innovation is based entirely on a new set of knowledge to create revolutionary solutions that may critically change how the whole industry functions (Liyanage et al. 2006). In other words, one focuses on improving existing performance, efficiency or technologies and does not cause much impact on the market (i.e incremental innovation), and the other can cause a breakthrough to the
whole market or industry through technological newness or business model newness (i.e. radical innovation).

In that regard, it is asserted that incremental innovation towards sustained economic development might not meet firms’ expectations and goals due to the growing increment of technological advances (Geissdoerfer et al. 2018). Scholars have contended that to profit from innovations, with structural changes in industries and the emergence of new ecosystems, adopting innovation in business model design is extremely needed (Teece 2010; Johnson & Suskewicz 2009). Business model innovations are argued to be superior to other types of innovations in terms of delivering higher returns (Chesbrough 2007; Lindgardt et al., 2009, Massa & Tucci 2013) with additional the benefit of risk mitigation, firm resilience (Choi & Wang 2009), diversification and opportunities to co-create value (Nidumolu et al. 2009). Similarly, Mitchell and Coles (2003) also contend that a firm’s resilience and sustainable competitive advantage can be enhanced by its capability to successfully innovate the business model on a regular basis. Innovation at business model level enables firms to hedge risks and acquire opportunities (Casadesus-Masanell & Tarzijan 2012; Markides 2013) by effectively aligning with changing demand and securing value from technological innovation (Hacklin, Björkdahl & Wallin 2017 cited Bock & George 2014; Doz & Kosonen 2010; Johnson et al. 2008; McGrath 2010; Sosna et al. 2010; Baden-Fuller & Haefliger 2013; Björkdahl, 2009; Hienerth et al., 2011). Therefore, firms that explore innovation at the business model level might trigger potential value sources or create novel systems that are hard to imitate (Amit & Zott 2012), securing their long-term success and sustaining development. According to Lindgardt et al. (2009), either completely change or alter the existing business model provokes a substantial improvement in business performance in a sustainable manner.
2.2.2. Business Model Innovation in existing Literature

The business model concept was introduced in the 1990s and was associated with electronic markets when the internet emerged (Demil & Lecocq 2010). There seems to be no consensual academic definition on what business model is in existing literature (Goethals 2009, Mäkinen & Seppänen 2007) as scholars appear to endorse definitions according to their study purpose (Zott, Amit & Massa 2011). This has led to a similar situation happening for the concept of business model innovation (Schneider & Spieth 2013). However, in general, a business model can be described in four key themes, which are strategic choices, value creation, value capture, and value networks (Carayannis, Sindakis & Walter 2014). Three different approaches, including business model definitions, frameworks, and ontological modeling, are also used in conceptualizing this concept (Mustafa & Werthner, 2012). While business model definitions approach contributes an overall understanding of the primary logic underlying a firm’s business (Zott et al. 2010), the second approach proposes diverse frameworks of a business model that are developed based on diverse criteria, such as taxonomies, typologies or components and elements (Mustafa 2015 cited Tapscott et al., 1999; Wirtz & Lihotzky 2003; Venkatraman & Henderson 1998; Osterwalder 2004). More specifically, the ontological modeling approach provides the understanding of a business model in a more tangible way.

As business model refers to a firm’s value architecture (Ghezzi & Cavallo 2018 cited Foss & Saebi, 2018; Rappa, 2001; Teece, 2010; Timmers, 1998; Weill & Vitale, 2013), business model innovation is argued to be a stream of work on business models (Geissdoerfer et al. 2018), focusing on “designed, novel, non-trivial changes to the key elements of a firm's business model and/or the architecture linking these elements” (Foss & Saebi, 2018: 201). Business model innovation has pronouncedly received research interest from different perspectives (Amit & Zott, 2012; Chesbrough, 2010), such as innovation sources (Chesbrough 2003), innovation processes (Hayashi 2009), corporate transformation
(Johnson, Christensen & Kagermann 2008), and innovation barriers (Chesbrough 2010). Investigating this concept enables understanding and assisting the analysis and planning in the process of transforming from the existing business model to another.

Business model innovation can be described as an activity or process that transform a firm’s key components or its business logic (Heikkilä, Bouwman & Heikkilä 2017 cited Bonakdar 2015; Bucherer et al. 2012; Hartmann et al. 2013; Lindgardt et al. 2009; Pohle and Chapman 2006), in which the consistency between strategic goals and key components are expected to be maintained (Demil & Lecocq 2010). Based on Schallmo (2013), Foss and Saebi (2017), and Geissdoerfer et al.’s (2018) comprehensive review, several selected definitions of business model innovation are presented in Table 2. These definitions consider business model innovation as a way that firms react to risks or opportunities, create diversification and innovation through novel configurations of business model elements, a set of elements including their relationship to one another or the entire business model (Geissdoerfer et al. 2018). Recent developments have also stressed on a dynamic approach in business model innovation (Hacklin et al. 2017 cited Björkdahl & Holmen, 2013; Chesbrough, 2010; Sanchez and Ricart, 2010; Zott et al., 2011; Massa et al., 2017) where any fundamental change among the components can be considered as business model innovation (Björkdahl, 2009). However, Geissdoerfer et al.’s (2018) argued that the threshold to justify when a change or circumstance can be qualified as a business model innovation remains unclear.

Although new business models are argued to be critical in ensuring a firm’s growth (Chesbrough 2010), many factors strongly influence the decision to seize business model innovation. Business model Innovation towards sustained economic development is argued to be non-cumulative, requiring instantaneous change and outright overhaul of the organizational structure that can cause disruption (Boons, Montalvo, Quist & Wagner 2013). As a consequence, changing routines that used to sustain continuity for a firm’s success in order to innovate the business model design for sustainable economic performance is considered as being costly and intensifying anxiety as the renewal may
concern the establishment of an utterly different set of practices (Teece 2009). Drawing upon extant literature, to innovate their business models, firms have to justify the total opportunity cost of their innovation together with the risk of business cannibalization and core capabilities becoming obsolete (Mustafa 2015 cited Chesbrough 2010; Christensen 1997; Leonard-Barton 1992). Cognitive and organizational inertia, internal resistance also contribute to the barriers that keep firms from engaging in business models innovation (Mustafa 2015 cited 2010; Teece 1980, 2010; Zott et al. 2011).

Table 2. Selected Definitions of Business Model Innovation

<table>
<thead>
<tr>
<th>Authors</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Mitchell and Coles (2004: 17)</td>
<td>“...business model replacements that provide product or service offerings to customers and end users that were not previously available.” (and) “...the process of developing these novel replacements as business model innovation.”</td>
</tr>
</tbody>
</table>
| Osterwalder and Pigneur (2005: 24) | “Specifying a set of business model elements and building blocks, as well as their relationships to one another”  
“Experiment with these blocks and create completely new business models.” |
| Labbe and Mazet (2005: 897)     | “A business model innovation changes one or more dimensions of a business model so that a novel configuration of the elements is created and implemented.” |
| Lindgardt et al. (2009: 2)      | “...when two or more elements of a business model are reinvented to deliver value in a new way.” |
2.2.3. Business Model Innovation in Start-up Companies

Due to the rapidly changing environment in recent years, opportunities appear to have a shorter shelf life, and start-up companies are required to stay constantly aware of any available innovation to timely identify and seize opportunities that might present as risks to others (Reed & Storrud-Barnes 2010; Sarasvathy, Simon & Lave 1998). In specific, the ability to recognize and exploit market opportunities is argued to determine the survival in SMEs (Shane & Venkataram 2000; Zahra, Korri & Yu 2005), which can be similarly applied for start-up companies. According to Bos-Brouwers (2010), despite having limitations in resources, public visibility, and reporting priorities, start-up organizations have advantageous drivers for innovations towards sustaining their business due to their flexible, dynamic management style and the close-knit working approach. On the other hand, the design of a business model represents a core issue of these firms (Zott & Amit 2010) as it depicts the boundaries and embeds essential features (e.g. offering, operations, structure) of the new business. According to Amit and Zott (2001), the initial business model in the early stages of a start-up company is useful in explaining the new venture’s potential to create value...
(Chesbrough & Rosenbloom 2002), the logic of money-making in long-term (Afuah & Tucci 2001), and how the business can be sustained over time (Rappa 2001). With that said, the ideal business model barely emerges in the initial stages of a new venture (Teece 2010), suggesting that start-up companies need to continuously modify their business model design.

Through experimentation, business model innovation can be adopted in start-up companies based on a business model template that is flexible so that the new venture can implement changes and subsequent adjustments (Shirky 2008). It is argued that innovation in the business model design to achieve goals in sustained economic development can be advantageous to start-up companies, who have dynamic management styles and less established processes than incumbents. Progressive and continuous refinements throughout the process of innovating business model design help start-up companies to stay consistent while effectively adapting to the changing environment (Demin & Lecocq 2010) and align with changing demand (Hacklin et al. 2017 cited Bock & George 2014; Doz & Kosonen 2010; Johnson et al. 2008; McGrath 2010; Sosna et al. 2010). In this regard, business model innovation is a crucial vehicle for business renewal and transformation (Zott et al. 2011) while enabling firms to leverage their core competence (Anthony 2012), which is significant for start-up companies to sustain their competitive advantage and better exploit opportunities to achieve economic sustainability. Moreover, by timely and effectively adjust the business according to changes in environment and needs while maintaining continuous operations, business resilience is critically improved. This type of innovation entails firms’ ability to better create, capture and deliver value to satisfy customers through better-organized business, and consequently, firms can get better revenue for doing so (Teece 2010), or in other words, achieve higher returns. As asserted by Bocken (2015), start-up companies can find success from adopting business model innovation as an enabler. Therefore, business model innovation is essential for start-up companies to achieve their goals in sustained economic development by enhancing sustained competitive advantage and better exploit emerging market opportunities with an
increase in resilience, which eventually leads to higher returns and better economic performance.

Brown and Gioia (2002) recommend that new ventures may also try multiple business models at the same time as a way to innovate their initial business models. A discovery-approach can help start-up companies to quickly and efficiently accustom to their newly developed business models (McGrath 2010), and business opportunities can be discovered and better exploited through their experimentation of several business models (Clausen & Rasmussen 2012).

2.2.4. Business Model Canvas as a Framework to explore Business Model Innovation

The framework of Osterwalder and Pigneur (2010) comprises of nine blocks representing the core components of a business model, concerning product or service (value proposition), infrastructure (key activities, key resources, key partners), customer (customer relationships, customer segments, and channels), and financial aspect (cost structure and revenue structure) (see Figure 2). Perceiving a business model as the logic of “how an organization creates, delivers and captures value” (Osterwalder & Pigneur 2010: 14), their study focuses on the value concept as the core of a business model with the value proposition being the center of the business model canvas. Value proposition is defined as the collection of products and services that a firm offers as value to its customers, and it is surrounded by various aspects that reflect value creation, delivery, capture and communication (Carayannis et al. 2015). Such value proposition is created to meet the needs of an individual or several specific customer segments and delivered through appropriate channels with a customer relationship. To create such value, key partnerships, resources and activities are needed in business operation while revenue streams manifest how revenue is generated from each customer segment, and cost structure describes
incurring fixed and variable costs, including their types and relative proportions. (Osterwalder & Pigneur 2010).

This research adopts Osterwalder and Pigneur’s (2010) Business Model Canvas that focuses on value-based business models as a predefined framework to examine thoroughly a business and explore the innovation of the business model. Value proposition is asserted to facilitate the conceptualization and implementation of business models by epitomizing the uniqueness of each business model that is difficult to confiscate or imitate. It can also result in superior value-adding that leads to potent competitiveness and sustainable business performance in start-up companies (Carayannis et al. 2015 cited Carayannis et al. 2000, 2011, 2013; Carayannis & Campbell 2009; Carayannis & Korres 2013; Carayannis & Provance 2008; Carayannis & Wang 2012). Besides, the Business Model Canvas is well-known and widely used for its broad applicability, simplicity, and easy to communicate. A predefined framework allows the examination of changes of individual elements or several elements of a business model, thus comprehensively discussing the innovation of such business model. Furthermore, it can assist the operationalization of research relating to the business model by enabling the exploration of a firm’s activities within its context. (Carayannis et al. 2015).
2.3. Dynamic Capabilities for Business Model Innovation towards Sustained Economic Development

Capabilities are the capacity that firms “deploy resources usually in combination, using organizational processes, to effect a desired end” (Amit & Schoemaker 1993:35), which has been further categorized into dynamic capabilities and operational capabilities (Gelhard & Delft 2016 cited Cepeda & Vera, 2007; Helfat & Winter, 2011). Operational capabilities (or ordinary capabilities) consist of processes, practices and routines that allow firms to achieve efficiency at practice level (Teece 2018). Meanwhile, dynamic capabilities represent “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece, Pisano & Shuen 1997, p.516), encompassing both organizational processes and firms’ distinctive managerial choices (Augier & Teece 2009; Teece 2012, 2016). It is asserted in the existing literature that innovation management can be promisingly examined under the dynamic capabilities approach (Mousavi et al. 2018 cited Amui et al., 2017; Darmani et al., 2017; Hofmann et al.,
where firms could anticipate and adapt to new complexities and achieve “evolutionary fitness” (Teece 2007).

The dynamic capabilities approach is considered as an extension of the resource-based view that enlightens firms’ ability to recognize and evolve through innovation to adapt to new challenges and development needs (Mousavi et al. 2018 cited Teece et al. 1997; Hill & Rothaermel 2003). The importance of dynamic processes has been acknowledged by many scholars for their enabling the firm to integrate, reconfigure or develop new resources (Anand, Oriani & Vassolo 2010 cited Helfat & Raubitschek 2000; Hargadon & Sutton 1997; Sull 1999). Given that this approach is meant to examine the way firms come up with and implement innovation activities with reconfigurations of resources along the way to seek evolutionary competitiveness (Helfat & Peteraf 2009), it can be considered as a theoretical foundation for studying firms’ business model innovation towards sustained economic development. Especially in business model innovation, the changes in a firm’s primary business model can be explained by the dynamic capability approach that effectively facilitates the adjusting or altering process (Teece et al. 1997; Achtenhagen et al. 2013), which is critical in managing uncertainty in highly unstable environments (Teece & Leih 2016; Teece et al., 1997; Eisenhardt & Martin, 2000).

Three clusters of capabilities have been proposed by Teece (2007) as a framework of higher-level capabilities, i.e. sensing opportunities and threats, seizing opportunities and reconfiguring resource base. Sensing relates to the recognition and evaluation of opportunities while seizing reflects the resources and/or competencies mobilization to seize such opportunities and capture possible value; and reconfiguring refers to the renewal and re-arrangement of firms’ related resources on a continuing basis to assist the business shifts toward captured opportunities (Teece 2012). In the early stage of adopting new strategies and generate innovations, companies need “sensing” capabilities to identify relating issues, gather sufficient knowledge, information with possible requirements and
options to base their strategic decisions upon. Then, as firms realize innovations and put them into the implementation stage, they need to choose the most appropriate resource base to operationalize their strategic decisions through seizing. In the implementation stage, according to their needs, they may reinvent or reshape resources to effectively enforcing their strategies (Mousavi et al. 2018). Alongside with Teece’s (2007) proposition of the three clusters of microfoundations underlying these capabilities, there is a growing awareness about the importance of fathoming the formation and revolution of microfoundations in order to further explicate dynamic capabilities in organizations (e.g. Wei & Lau 2010; Barney & Felin 2013). Dynamic capabilities are argued to be originated from aggregating idiosyncratic routines (Winter 2003; Eisenhardt & Martin 2000, Amit & Schoemaker 1993), which enable firms to flexibly add or eliminate, integrate and reconfigure resources (Eisenhardt & Martin 2000). Therefore firms will become flexible and willing to implement changes in processes (Mousavi et al. 2018 cited Darmani et al. 2017; Lieberherr & Truffer 2014); as a result, they strategically transition toward a business model that deliver the goals of sustained economic development with new resource configurations (Helfat et al. 2007). More importantly, microfoundations with underlying processes, practices and routines help to explain the origins of dynamic capabilities and how they are developed as they are “the underlying individual-level and group actions that shape strategy, organization, and, more broadly, dynamic capabilities” (Eisenhardt et al. 2010: 1263).

Other scholars have also described dynamic capabilities in the same manner as Teece (2007). Focusing on the knowledge aspect in their case company, Verona and Ravasi (2003) concluded that the firm’s dynamic capabilities were composed of three capability elements: creating and absorbing knowledge, integrating knowledge and reconfiguring knowledge. Wang and Ahmed (2007) likewise noted the three main components of dynamic capabilities in the existing literature: adaptive, absorptive and innovative capabilities. Having the same basic thinking, Barreto (2010) subtlety differed his suggestion with four main categories,
explaining the dynamic capabilities from the way firms are able to sense opportunities and threats, making decisions timely, making market-oriented decisions, and lastly changing their resource base. However, Jantunen, Ellonen and Johansson (2012) argued that the two capability dimensions of decision making resemble that of seizing concept of Teece, or knowledge integration of Verona and Ravasi (2003), and absorptive capacity of Wang and Ahmed (2007). These studies, therefore, agree with the categorization of Teece (2007), suggesting three main groups of dynamic capabilities: one focusing on recognition and knowledge creation (i.e. sensing), one focusing on knowledge assimilation and integration to commercialize it (i.e. seizing), and one focusing on resources and knowledge modification to adapt to changes (i.e. reconfiguring). This framework is highly valued by its coordinating sets of underlying microfoundations that construct each dimension of dynamic capabilities (Jantunen et al. 2012) (see Table 3).

Table 3. Teece’s (2007) Model of Dynamic Capabilities Disaggregation and Parallel Categories in Existing Literature (Source: Jantunen et al. 2012)

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Sensing</th>
<th>Seizing</th>
<th>Reconfiguring</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Function</strong></td>
<td>Scan, identify and explore business environment for threats and opportunities</td>
<td>Resources and/or competencies mobilization to seize opportunities and capture possible value</td>
<td>Continuously renew and align resource base</td>
</tr>
</tbody>
</table>
| **Underlying organizational routines and practices** | • Activities in internal R&D  
• Activities to address customer need  
• Activities to systematically | • Activities to outline the business model value proposition  
• Practices relating to new ventures decisions  
• Practices related to | • Activities to redeplo existing assets, to manage complementary assets and to revamp processes  
• Activities to co- |


2.3.1. Sensing Capabilities

Teece (2007) defines sensing as organizational routines that support the goal of acquiring knowledge and information. These include diverse activities, including but not limited to constantly researching customer needs, getting competitors’ information, gathering new technological knowledge, fathoming latent demand, communicating with suppliers, and exploring the business ecosystem elements. Reinartz and Kumar (2000) affirmed that firms tend to better recognize opportunities and enhance their knowledge with market sensing abilities, which allow them to innovate better as both internal and external knowledge are employed simultaneously (Shu, Page, Gao & Jiang 2012). Managers can also employ internal
and external sources for sensing activities to monitor the business environment, detect and prioritize threats and problems or identify opportunities (Teece 2018b).

To effectively identify opportunities and be able to shape them, firms need to scan, search and explore continuously their business environment including technologies and markets, both “local” and “distant” (Teece 2007 cited March & Simon 1958; Nelson & Winter 1982). When opportunities are sensed, it is crucial to interpret properly and decide accordingly based on perceived information. Managers need to figure out how technologies together with markets will evolve and the responses from all actors, i.e. customers, suppliers, competitors and governments. Although these actors may or may not perceive information in the same way as the incumbent, they can alter the nature of opportunity and the approach to competition. Shaping such opportunity is to be determined by co-evolution and interactions among the business ecosystem participants, and managers’ speculations can be seen as their hypotheses about the future that may unfold. Moreover, they also face difficulty in overcoming a narrow search horizon for more well-informed conjectures, which often challenging and costly. (Teece 2007).

There are four key microfoundations wthat frame sensing opportunities (see Table 3). The first set consists of processes to direct internal R&D and envision new technologies for the firm to pursue. They are also practices that focus on exploring and identifying market demands and customer needs. Another microfoundation factor is processes to systematically approach and tap into exogenous innovative developments in terms of technology. The last key microfoundation is systematic ways to access input for innovations through complementors and suppliers, as the exploration in the peripheral business ecosystem requires embracing active collaborators in innovation activities.
2.3.2. Seizing Capabilities

This fold of capabilities determines the degree of responsiveness of a firm’s system to threats and opportunities that are identified and deemed as priorities. It is defined as the mobilization of resources and/or competencies through investment choices to address opportunities and capture value; design and implementation of business models for emerging new processes, products, or services. The underlying microfoundations for seizing capabilities are activities to define the business model and customer offering, practices related to decision-making that involve managing partners and distribution channels, and decision-making practices related to selecting firm boundaries and procedures (see Table 3).

Addressing opportunities is argued to associate with a firm's activities of maintaining and improving potential competencies together with complementary assets at the early phase; then investing massively when a dominant choice, including the particular technologies together with designs, emerges to gain market acceptance. Teece (2007) posit that early entry and commitment are needed to be made if network externalities, or the effects of the new products or service on customers, exist. However, resource commitments happen at different timing among firms, depending on their identity and market competition, where well-positioned firms in terms of accessible relevant assets could have more time to wait than those are not (Teece 2018; Mitchell 1991). (Teece 2007, 2012, 2018a, 2018b).

With that said, a firm also has to face different issues rather than the various questions about the detail of investment (i.e. what/when/where/how much to invest). A particular business model must be created or selected so that it realizes the firm’s investment priorities and commercialization strategies. Such business model consists of diverse aspects, such as activities to be seized, internal incentives to be created, channels to be used, to name a few (Teece 2018a). Due to their path-dependency, firms often rely on the
existing layers of procedures, assets, routines or strategies, making them reluctant or handicapped in adopting non-cumulative innovations that are radical competency-destroying. This appears as one of the reasons firms fail to invest in sensed opportunities. (Teece 2018b cited Nelson & Winter 1982; Tushman & Anderson 1986; Henderson & Clark 1990).

2.3.3. Reconfiguring Capabilities

Reconfiguring or transforming capabilities are capabilities that reform tangible and intangible assets to align together different factors in the organizational system, making the system accordant to the strategy (Teece 2018b). The microfoundations that underpin reconfiguring capabilities consist of practices that firms use to redeploy their existing assets, manage complementary assets and revamp processes; practices to co-specialize asset; leadership practices to governing firm’s alignment; and practices related to knowledge management and learning (Teece 2007).

To correspond to changes in the business environment, reconfiguring capabilities are constructed by organizational routines that concern resources and competencies renewal and orchestration (Helfat et al. 2007; Teece 2007). For this reason, technological breakthroughs only credit for a part of successful innovation, and it is proved that firms’ ability to respond to the changing environment by renewing resources and competencies determine largely their success (Adner & Helfat 2003). It is noted by Teece (2007) that innovative changes do not always come gradually or in steps, and redesigning business model as well as realigning assets and reconfiguring routines may be involved in redeployment and reconfiguration (Teece 2007 cited Capron, Dussauge & Mitchell 1998). It is suggested that redeployment of capability involves either sharing capability between the existing and the new business model, or geographically transfer capability from one market
to another (Helfat & Peteraf 2003:1006). Azzone and Noci (1998) argue that the organizational shifts take place in three main categories: activities in the intra-organizational value chain; management practices; and relationship with external actors for higher integration.

2.4. **Strategic Alliances and Dynamic Alliance Capability as an Enabler of Business Model Innovation**

2.4.1. **The Role of Strategic Alliances in Business Model Innovation**

Business model innovation can be assessed as the innovation of the organizational architecture in value creation, value delivery, and value capture (Teece 2010; Osterwalder & Pigneur 2010, Abdelkafi, Makhotin & Posselt 2013, Foss & Saebi 2018). Being one of the key building blocks, “partnerships are becoming a cornerstone of many business models” (Osterwalder and Pigneur 2010: 38) in which key partners, or strategic alliances, play a critical role in enabling the success of the value creation. Ireland, Hitt and Vaidyanth (2002) define strategic alliances as cooperative arrangements between firms that reciprocate inputs and resources to gain mutual benefits and improve their competitiveness while maintaining their intrinsic identities. Meanwhile, alliance capability is “a firm’s ability to manage, integrate and learn in strategic relationships to achieve mutual benefits.” (Kohtamäki et al. 2018: 191). In this sense, through strategic alliances, firms can access external resources (Wassmer, 2010), and developing alliance capability is a crucial element in the success of a firm’s innovation in its business model design because this capability can promote their status, improving learning, facilitating competitive advantage, as well as enhancing innovation outcomes (Kohtamäki et al. 2018).
In start-up companies, the business model has to be designed along with relevant dynamic capabilities, which is asserted to be an iterative process to sustain the value (Mishra 2015), and external resources are desirable (Mishra & Zachary 2015). While start-up companies may be able to detect changes and trends in the market, market uncertainty and unforeseeable risk can prevent them from adopting business model innovation to take advantage of emerging opportunities. Nonaka (1994) also argues that innovation is a process of creating knowledge, which is often hindered by the limitation of resources in start-up companies to thoroughly develop their knowledge internally (Noseleit & de Faria 2013). As alliances are asserted to be an instrument for firms to develop core competencies for strategic goals (Kohtamaki et al. 2018, Rao & Reddy 1995), strategic partners can be employed as a novel source for resources needed so that start-up companies can overcome challenges in innovating their business model design.

Based on the notion of Open Innovation introduced by Chesbrough (2003), strategic alliances enable new ventures to effectively search for and capture new ideas, which potentially leads to better value proposition for their customers. Moreover, Parida, Patel, Wincent and Kohtamaki (2016) argued that the alliance diversity of partners can facilitate the inability to maintain multiple ties in SMEs, which can relate to start-up companies as well. It is also found that having better networks can enable start-up companies to select futures partners (Hochberg, Ljungqvist & Lu 2007), which can help mitigating market uncertainty and risks through the effectiveness of network support, together with capacity optimization and economies of scale (Gulati, 1998; Osborn & Hagedoorn, 1997). In fact, through alliances, start-up companies can act with greater capacity and gain access to critical resources for their success, including knowledge and expertise, networks, markets (O'Dwyer, Gilmore, & Carson, 2011). Furthermore, with strategic alliances being an effective conduit for knowledge creation, start-up companies can achieve the key inputs from alliance partners to successfully innovate the business model design (Khamseh, Jolly & Morel 2017 cited Conner & Prahalad 1996; Teece 1986). Such partners can be leveraged to
streamline and accelerate the process of adjusting the business model (Muller, Hutchins & Pinto 2012) as firms’ knowledge is significantly enhanced by external knowledge found in strategic alliances. That is to say, strategic alliances are of paramount importance for the business model innovation in start-up companies, enabling them to not only create value through new ideas but also sustain it and realize sustained economic development goals. Effectively developing strategic alliances through alliance capability can ensure stable resources flow, facilitating unforeseeable uncertainty, risk aversion as well as better market opportunities exploitation (Park, Chen & Gallagher 2002; Pfeffer & Salancik 1978).

2.4.2. Dynamic Alliance Capability and underlying Practices

Because firms can use an alliance as a means to acquire capabilities (Grant & Baden-Fuller 2004) or to access and combine resources needed for new capabilities (Hamel 1991; Hamel & Prahalad 1994; Ring & Van de Ven 1992), alliance capability can be classified as a higher-order capability that can determine the assets management of firms and facilitate resources reconfiguration in alliances (Kohtamaki et al. 2018 cited Kale & Singh, 2007; Niesten & Jolink, 2015). Kale, Dyer and Singh (2002) also consider the ability to build and modify strategic alliances as an example of a dynamic capability. In this sense, firms need to identify valuable opportunities regarding alliance formation, alliance design or alliance integration (Kale & Singh 2007). Therefore, together with their partners they can effectively explore new markets (Hitt, Dacin, Levitas, Arregle & Borza 2000), respond to changes in the business environments with new offerings, products or services made possible by alliances, and leverage alliance channel to generate or improve their competitive advantage (Hoffmann 2007). The alliance configuration capability is argued by Hoffmann (2007) to enable firms to address and respond to changing environmental conditions by modifying its strategic partners’ network accordingly.
Mousavi et al. (2018) have demonstrated the immense effect of sensing, seizing, and reconfiguring capabilities on innovations. They argue that with greater dynamic capabilities, categorized into the aforementioned threefold classification proposed by Teece (2007), firms are inclined to achieve success in sustained economic development through their extensive innovation, thanks to the benefit of long-term evolutionary fitness that the three clusters of micro-foundations enable. Through mastering these three clusters, firms can better perceive opportunities and trends, thus seizing a more favorable position, and rapidly respond to future changes. Therefore, firms that seek to have strong dynamic alliance capability can advance in competition with a distinctive business model through rapidly innovating. (Teece 2018b).

**Alliance Sensing Capability**

As aforementioned, sensing capabilities encompass routines that enable firms to be highly alert to their business environment, including identifying opportunities and threats. Sensing routines are argued to be especially crucial for the success of alliances, as they relate to the ability to actively identify opportunities to join forces with alliance partners (Park et al. 2002). In alliance, firms exchange resources and tacit know-how to gain benefits towards improving their competitiveness and generating innovations (Ireland et al. 2002), resulting in the need to recognize the right alliance partners that have such resources and knowledge. Moreover, selecting the right partners is essential in ensuring mutual understanding and preventing conflicts due to incompatibility between partners and between alliances in the portfolio (Lavie, Haunschild & Khanna 2012). Common practices that underlie sensing capability are organizational practices that support the searching and exploring potential partners and alliance opportunities. They also include activities that detect and identify new ideas or new models for cooperation. Scholars have described the organizational alliance sensing routines as “efforts to identify potentially valuable partnering opportunities”
Evidence of the causal relation between organizational practices relating to partners identifying and evaluating with higher performance has been found by Karol, Loeser and Tait (2002).

In short, alliance sensing capability is needed to scan the business environment and ecosystem, therefore identifying and exploring opportunities for potential alliances that can enhance firms’ innovation, i.e. alliance partners that have the related capability to new trends and demands in the industry and markets, alliances whose knowledge can help firms achieve technological novelty with less environmental impacts. Being alert to information and knowledge enables firms to discover better the potential of these opportunities, which is argued by existing literature to be a mandate for firms to realize sustainable innovation (Mousavi et al. 2018 cited Horbach et al. 2012; Porter & van der Linde 1995).

**Alliance Seizing Capability**

Alliance seizing capability enables firms to acquire opportunities by entering potential strategic alliances, preventing the threat of potential competitor alliances. Seizing diverse partnership types in distinct business sectors enables firms to accumulate and combine needed resources and competencies for their sustainable innovations (Meyskens & Carsrud 2013). While knowledge and competencies can be acquired from either market partners and knowledge partners (Marzucchi & Montresor 2017), the greater degree of divergence in the partners network, the more effectively firms tend to innovate towards sustainable development (Cainelli, De Marchi & Grandinetti 2015; Dangelico, Pontrandolfo & Pujari 2013).

In the context of motivation for new alliance formation, it is found that firms’ realization of potential alternative ways to use their existing capabilities can push them towards forming
a new alliance to facilitate that potential (Haider & Mariotti 2016). Therefore, care is required in recognizing and selecting the right partners to ensure its alignment with organizational goals and success alliances success. There are tangible and intangible criteria that are argued to involve in the partner selection, including reputation, characteristics, history of alliance, experience, skills, and assets (Wang & Rajagopalan 2015). Mitsuhashi (2002) asserted that after identifying prospective partners, firms make their initial contact with partners, and together, they engage in due diligence processes before making deals. The formality, intensity, duration, and amount of resources needed for alliance formation processes vary among firms according to their sizes and contents of alliances requested (Mitsuhashi 2002). Selecting alliance partners and forming strategic alliances involve complex and challenging decision-making processes that Bierly and Gallagher (2007) substantiated to depend on the rational and analytical process of strategic fit evaluation, trust-based decisions, or strategic expediency development.

Mitsuhashi (2002) argued that social ties with its ability to provide information and frame organizational actions (Kraatz 1998) together with personal connections that provide timely and reliable information are instrumental to firms’ ability to reduce selection uncertainty (Golonka 2015 cited Gulati & Gargiulo 1999; Eisenhardt & Schoonhover 1996). In other words, organizational practices that improve ties and personal rapports can enable firms to better seize opportunities by diminishing uncertainty level in partner selection and creating conduits for interactions and information exchange. To overcome the “causal ambiguity” of context-based and tacit knowledge of potential alliance partners that makes inter-organizational learning difficult (Simonin 1999; Reed & DeFillippi 1990), firms need to create sufficient mechanism to control and assure effectively close interactions, mutual coordination and adjustment, including business model, organizational structure, procedures and practices (Ireland et al. 2002 cited Gulati & Singh 1998; Inkpen & Dinur 1998; Dyer & Singh 1998).
Alliance Reconfiguring Capability

Alliances are found to experience frequent changes throughout their lives (Greve, Mitsuhashi, & Baum 2013). Post-formation reconfiguration is asserted to be desirable to address the strategic fit of alliances, having that newly developed alliances being perfectly fit from the beginning is unrealistic (Bakker 2016). The reorganization of alliances is thought to be a natural phenomenon that occurs in 40% of all strategic alliances (Reuer & Zollo 2000). However, these reconfiguring capabilities vary among firms. While some firms, such as GE, performed changes in their alliances successfully many times (Doz 1996), there are others that lack of organizational routines underlying the transformation (Bakker 2016).

Alliance reconfiguring capability allows firms to change or modify previous patterns of processes in alliances, renewal and orchestration of resources and structure of alliances. Successful sustainable innovation is substantiated to be dependent on the regular renewal of organizational routines and practices to quickly respond to the unpredictable changing context they may encounter (Seebode, Jeanrenaud & Bessant 2012; Teece 2007), including alliances networks. Reconfiguring alliances is important in ensuring “strategic fit” despite environment changes by recalibrating existing alliances and renewing value or obtaining new value acquired from alliances. Reconfiguring alliance involves a variety of activities to recalibrate existing alliances and seize new opportunities as environmental changes emerge (Wiersema & Bantel 1993). The reconfiguration can be seen either as a beneficial adjustment in organizational structure to regain fit between alliance partners (Van de Ven, Ganco & Hinings 2013) or returning collaborative partners to the beginning phase where the alliance was formed with a high risk of failure (Bakker 2016).
Table 4. Dynamic Alliance Capability composed of Sensing, Seizing and Reconfiguring Capabilities
(Source: adapt from Teece 2009)

<table>
<thead>
<tr>
<th>The composition of dynamic alliance capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensing capabilities</td>
</tr>
<tr>
<td>Firms need to explore their business environment to identify alliance opportunities for innovation</td>
</tr>
<tr>
<td>Common practices/routines:</td>
</tr>
<tr>
<td>- searching and exploring for potential alliance partners and alliance opportunities</td>
</tr>
<tr>
<td>- identifying new cooperation ideas</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

2.5. Summary

Sustainable development is argued to focus on solving issues in diverse aspects but studies have recognized that the implementation of this concept still sees the supremacy of the economic concerns (Steger et al. 2007). Economic sustainability appears as the key logic of strategic choices, and from the instrumental approach, environmental and/or social responsibilities if existed are argued to be complementary and are justified by a precedent financial gains (Kurucz et al. 2008). This strongly applies to the context of start-up companies. Sustained economic development is significant to start-up companies as it relates critically to business survival and long-term growth via a sustainable economic
system. Due to rapidly changing environment and increasing competition coupled with their limitations, new ventures are more likely to fail (Patel 2015), which leads to their efforts focusing mostly on sustaining competitive advantage to be financially viable, and being economically sustainable is the business founders’ highest priority (Galpin & Hebard 2015).

To achieve economic sustainability, business model innovation is an effective instrument. With business model innovation can be described as an activity or process that transform a firm’s key components or its business logic (Heikkilä, Bouwman & Heikkilä 2017) in which the consistency between strategic goals and key components are expected to be maintained (Demil & Lecocq 2010), start-up companies with less established processes and dynamic management style can effectively innovate their business model design to achieve goals in sustained economic development. It enabled firms to effectively renew and transform (Zott et al. 2011) to align with the changing environment (Demil & Lecocq 2010) and demand (Hacklin et al. 2017) while leveraging their core competence (Anthony 2012). As a result, start-up companies can sustain their competitive advantage through strengthened core competence and better satisfy their customers, leading to enhanced business resilience with better market exploitation ability. With such benefits, business model innovation is believed to be superior to other types of innovation and deliver higher returns (Chesbrough 2007; Lindgardt et al., 2009, Massa & Tucci 2013). To explore the innovation in business model design, it is suggested that the Business Model Canvas (Osterwalder & Pigneur 2010) is employed. Comprising of nine building blocks focusing on the value proposition as the core together with infrastructure, customer, and financial aspect, this business model framework enables the examination of changes in either individual elements or several elements of a business model along with activities within a firm’s context. (Carayannis et al. 2015).
Of all dynamic capabilities that affect the success of business model innovation, the dynamic alliance capability appears to be a prominent enabler. During the iterative process of redesigning the business model to sustain value in new ventures (Mishra 2015), external resources are argued to be needed (Mishra & Zachary 2015). Moreover, with their limitations in resource, information, expertise and social ties, strategic partners can be seen as a novel external source for start-up companies to successfully innovate the business model. Being an effective conduit for knowledge creation and market information, alliances enable start-up companies to achieve key inputs for their successful business model innovation (Khamseh, Jolly & Morel 2017 cited Conner & Prahalad 1996; Teece 1986). Alliance capability could empower start-up companies in innovating their business model design by efficiently access critical resources needed from their strategic partners. In that sense, market entry risk and uncertainty can be reduced, together with capacity optimization and economies of scale (Gulati, 1998; Osborn & Hagedoorn, 1997). It is argued that developing alliance capability as a higher-order capability will lead to better assets management and effective reconfiguration in alliances (Kohtamaki et al. 2018 cited Kale & Singh, 2007; Niesten & Jolink, 2015), which enhance success in business model innovation.

Dynamic alliance capability can be studied under Teece’s (2007) model of three capabilities clusters, including sensing, seizing and reconfiguring capability. Alliance sensing capability is underpinned by routines and practices that enable start-up companies to search, explore and identify potential partners, alliance opportunities together with new cooperation ideas and trends. Meanwhile, alliance seizing capability is constructed by practices that reflect how firms recognize and select the right partners and cooperation models to create new alliances and their practices towards building loyalty and commitment to newly formed alliances. The last capability cluster, the reconfiguring capability, encompasses practices that stimulate alliance cooperation and modify firms’ resource base as well as deploy knowledge management to continuously adapt to changes and acquire new opportunities.
To sum up, it is argued that developing dynamic alliance capability via organizational routines and practices that underlie each alliance capability cluster can enable success in business model innovation in start-up companies, which, in turn, significantly enhances the success of sustained economic development in these ventures.
**Figure 3.** Sustained Economic Development, Business Model Innovation and Dynamic Alliance Capability research framework

- **SENSING**
  - Searching, exploring potential partners, opportunities, risks
  - Identifying new cooperation ideas

- **SEIZING**
  - Recognizing, selecting right partners, cooperation models
  - Building commitment to alliances

- **RECONFIGURING**
  - Stimulating alliance cooperation
  - Modifying resource base
  - Deploying knowledge management
3. METHODOLOGY

3.1. Research Strategy and Method

This thesis includes an exploratory study based on qualitative research to explore organizational practices that may constitute the foundations of dynamic alliance capability in the context of business model innovation towards sustained economic development. The empirical evidence and literature available for research relating to the topic of economic sustainability, business model innovation, and dynamic alliance capability in the context of start-up companies are rather limited. Therefore, the quantitative method is not applicable in this case where unstructured empirical data are to be interpreted to explore the phenomenon (Eriksson and Kovalainen, 2008). The context within which the phenomenon is studied would only be partly included as a part of the research, due to the restriction of case company approaching. In addition, this qualitative research is a revelatory single case study, which enables gaining “… certain insights that other organizations would not be able to provide.” (Siggelkow, 2007:20).

According to Jarvis, MacKenzie and Podsakoff (2003), two levels of analysis are important when dealing with multi-dimensional constructs. The first-order dimensions represent manifest indicators while the second-order construct aggregates the individual dimensions at a higher level. Teece’s (2007) framework of dynamic capabilities is introduced in the same manner suggested by Jarvis et al.: organizational practices can be seen as microfoundations that represent the first level of dynamic capabilities; and the three main groups sensing, seizing, reconfiguring considered as the higher-level construct. Therefore, this study adopts Teece’s (2007) terminology with these three main disaggregations of dynamic capabilities as the basis.
The research is arranged into three stages of implementation. The first stage comprises the theoretical study relating to the proposed research question. Literature about economic sustainability and dynamic alliance capability with main concepts are to be defined, with their relationship being described and analyzed as well. This stage then is followed by the empirical study, in a second stage. Primary data would be collected through semi-structured interviews with the case company. A set of questions relating to the theme and topics is to be covered with an expectation of variation from interview to interview (Saunders et al., 2009) to thoroughly explore possible information that could be given. The third stage of this research would finalize results and findings from both the literature review and information collected in the empirical study.

3.2. Case selection

The case company was chosen on the approaching and approval basis. Based on the company’s strategy, projects’ strategies, projects’ reports, and partners report in three consecutive years (2017-2019), the pre-filter was done regarding their activeness in developing alliances and the importance of alliance partners to its business model innovation towards sustained economic development in the context of the sports industry in Vietnam. Due to the specific historical and economic context of Vietnam, the sports industry has only become more dynamic in the last decade thanks to the flourish of new ventures. The business of sports events organizing is one of the new segments that have just emerged and rapidly attracted many start-up companies to enter, resulting in rapid changes: new sports and new formats of events are increasingly welcomed; new concepts in sports events are imported into local competitions; more alliances between event organizers and partners are created. Besides, increasing competition and changing demands have driven firms to innovate their business models to adapt to the external pressure along with their internal issues in order to acquire long-term competitive
advantage and sustain their economic performance. Therefore, the sports industry in Vietnam, or sports events organizing in specific, is seen as appropriate to study business model innovation towards sustained economic development in the context of start-up companies.

The case company, XLE Group, is the first company to promote entertainment sports events in Vietnam with multiple large-scale projects, namely SSA Sports (SSA), Saigon Heat (SGH), Vietnam University Games (VUG) and Vietnam Basketball Association (VBA) (XLE Group n.d). SSA is a sports academy for children focusing on several key sports such as soccer, basketball. Saigon Heat is the first professional basketball team in Vietnam that has represented the country in the regional ASEAN Basketball League for many years. VUG is a sports platform focusing on students nationwide that organize yearly competitions for students with diverse sports, i.e. basketball, futsal, and dance battle. Lastly, VBA is a project that XLE Group has successfully collaborated with several key partners to develop. It is the first professional basketball league in Vietnam, recognized by the international basketball organization FIBA.

Although the case company has been operating in the industry for more than 10 years, due to the specific context of the industry as aforementioned, it has not been able to become economically sustainable. That is to say, the economic aspect has increasingly influenced the company’s strategies, and focusing on sustained economic development would facilitate its struggle to survive and long-term business viability. However, it is noted that the case company has gained in-depth experience in the field of strategic alliances throughout the years working in the industry. With its four core sports platforms, the company has developed effective networks and alliances with partners in various industries, both within and outside the business ecosystem. In specific, the total partners XLE Group had in 2017 was 28 with 13 strategic partners. After two years, it has broadened the partner network to 38 partners, and successfully establish strategic alliances with 17
key partners (XLE Sponsors and Partners Report 2017-2019). Most importantly, half of its strategic partners in 2019 are retained partners from previous periods with cooperations being changed over the years (e.g. scopes, processes, cooperation models). Thus, it can be concluded that there is dynamic alliance capability existing in the case company, which enables it to successfully explore opportunities for new alliances, to effectively seize such opportunities and to continuously modify its strategic alliances to adapt to changes.

Moreover, there have been several strategic partners that play an important part in the continuing growth of XLE Group, such as the National Basketball Association (NBA), the Vietnamese Basketball Federation, or the VBA team partners. The strategic cooperation with these partners has led to an increasing amount of innovations emerging, and especially influenced the case company’s innovation in the business model, concerning value creation, delivery, and capture. For example, the VBA strategic alliance has enabled the XLE Group to deliver a new value proposition, implement changes in key resources and obtain new knowledge, improve processes and partners network. In that sense, the economic performance of the case company has been significantly enhanced through its business model innovation, which is influenced by their alliance capability. Consequently, the case company is a good fit to explore dynamic alliance capability as an important enabler of business model innovation towards sustained economic development.

3.3. Data Collection

Given the aim of this research is to pinpoint the undergird practices that manifest dynamic alliance capability in practice and to assess their value to business model innovation towards sustained economic development, it is necessary to base the analysis on data that reveal the patterns and nuances in the case company. Hence, the qualitative data in this study were collected through semi-structured interviews. As the author was interested in
unfolding underlying routines and practices of the alliance capability as instrumental to business model innovation, the interviews focused on the exploring processes and practices that enable the development of the alliance capability in the case company and the influence of such capability on innovative changes in the business model design. The interviews were preceded by interview guide, listing the main interview themes. After drafting the questionnaire, a pilot interview was conducted with one interviewee to ensure the appropriateness of the sets of questions to ensure the collecting of relevant data. Following the pilot interview, the questionnaire was adjusted slightly to be more understandable and enhance more insightful data from responses according to the goal of this study.

The interviews were implemented in an informal and narrative manner to access authentic data with contextualized experiences (Eriksson & Kovalainen 2008). They focus on the exploration of the sustained economic development and business model innovation status of the company and the particular strategies and activities related to alliances that interviewees were involved in the past three to five years. It is expected to gain an in-depth understanding and thus explaining underlying organizational processes and routines are deployed in practice that have guided their alliance creating and developing, and the way the case company reconfigured accordingly.

There were eight interviews conducted in total allowing the gathering of opinions and information from different perspectives. Table 5 presents the summary of the interviewees who are from the middle-manager level and above with diverse profiles and backgrounds. They are all living in Vietnam, some of them have work for the company for more than five years and some have been in the company for the last two years. They work in the fields of project management, marketing, operation, and human resource. However, all respondents had been involved in works relating to at least three alliances. Some of them
were chosen through personal contact and some were reached by a snowballing method that is often used to explore information-rich cases (Patton 2002).

All interviews were conducted in Vietnamese via online platforms (i.e Facebook Messenger, Skype, and Viber) and typically lasted from 55 to 90 minutes. They were tape-recorded with the permission of the interviewees and then transcribed. Initial brief about the study and the interview were communicated with respondents to avoid confusion and possible misunderstanding, including explaining of terminologies, explaining of words or phrases that cannot be translated with exact meaning from English to Vietnamese. In order to minimize the hindsight bias and limitations in recalling memory from interviewees, secondary data would be used to support and clarify information given in interviews, including annual reports, press releases and published articles covering their actions in terms of strategic alliances and innovation as a result of alliance activities.

**Table 5.** List of Interviews

<table>
<thead>
<tr>
<th>Division</th>
<th>Title</th>
<th>Length (minute)</th>
<th>Date</th>
<th>Interview Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR</td>
<td>HR Manager (HR.M)</td>
<td>58.36</td>
<td>11/02</td>
<td>Viber</td>
</tr>
<tr>
<td>Marketing</td>
<td>Marketing Manager (M.M)</td>
<td>74.31</td>
<td>11/02</td>
<td>Skype</td>
</tr>
<tr>
<td>Business</td>
<td>VUG Project Manager (VUG P.M)</td>
<td>60.29</td>
<td>12/02</td>
<td>Facebook Messenger</td>
</tr>
<tr>
<td>Business</td>
<td>Operation Manager (O.M)</td>
<td>55.27</td>
<td>14/02</td>
<td>Facebook Messenger</td>
</tr>
<tr>
<td>Marketing</td>
<td>Head of Marketing (H.o.M)</td>
<td>46.59</td>
<td>16/02</td>
<td>Skype</td>
</tr>
<tr>
<td>Business</td>
<td>VBA Project Manager (VBA P.M)</td>
<td>83.52</td>
<td>18/02</td>
<td>Facebook Messenger</td>
</tr>
<tr>
<td>Business</td>
<td>SSA Project Manager (SSA P.M)</td>
<td>64.28</td>
<td>19/02</td>
<td>Facebook Messenger</td>
</tr>
<tr>
<td>Business</td>
<td>Head of Business Development (H.o.B.D)</td>
<td>62.24</td>
<td>24/02</td>
<td>Facebook Messenger</td>
</tr>
</tbody>
</table>
3.4. Data Analysis

The analysis was conducted in five successive stages. It firstly began with transcribing all interview recordings. Observation notes were also taken during the process besides the notes taken from the interview sessions. Realizing that a firm’s capabilities are hardly independent of its indigenous context (Laamanen & Wallin 2009), the second stage is to understand the case background from interviewees’ descriptions along with the aid of the secondary data. Based on these data, the case descriptions and background context are constructed. The study then subjected the data to thematic analysis to describe the development of sustained economic development and business model innovation of the focal company in the third phase. This phase aims to pinpoint key characteristics and uniqueness in the case towards economic sustainability and business model innovation that potentially influence their alliance strategy. In the fourth phase, comparisons of similarities and differences in the transcribed interviews were conducted with a focus on the manifestation of each disaggregation of the dynamic alliance capability. Finally, in the fifth phase, patterns that constitute organizational practices were searched and put into aggregations of dynamic alliance capability, i.e. sensing, seizing, and reconfiguring capabilities of the case company.

Throughout the analysis process, the researcher followed Gioia, Corley & Hamilton’s (2012) method to look for patterns that constitute the construction and development of each concept. The raw data were coded and categorized into first-order concepts. Then, similar first-order concepts were labeled to represent second-order themes, for example, organizational routines and practices. These themes finally were put into aggregated dimensions. Table 6 summarizes the study’s different stages in analyzing data from the interviews, and Figure 4 describes the creation of concepts, themes, and aggregations of dynamic alliance capability. The discussed theoretical concepts were constantly compared
with the findings throughout analysis process to confirm, reject, or further elaborate on the challenges in the focal company.

Table 6. Data Analysis Stages

<table>
<thead>
<tr>
<th>Analysis stage</th>
<th>Goal of analysis</th>
<th>Process and outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>Textualize materials and compare with previous notes during interviews</td>
<td>Transcribe interviews and take notes</td>
</tr>
<tr>
<td>Stage 2</td>
<td>Describe the evolution patterns</td>
<td>Thematic analysis. Understand the case background</td>
</tr>
<tr>
<td>Stage 3</td>
<td>Describe sustained economic development and business model innovation</td>
<td>Thematic analysis. Pinpoint key characteristics and uniqueness in the case</td>
</tr>
<tr>
<td>Stage 4</td>
<td>Evaluate the similarity of the explanations of the dynamic alliance capability in the case company</td>
<td>Comparisons of interview materials. Produce detailed description of patterns in the explanations of the dynamic alliance capability</td>
</tr>
<tr>
<td>Stage 5</td>
<td>Search for underlying organizational practices underlying the development of the dynamic alliance capability.</td>
<td>Thematic analysis. Reveal patterns that constitute organizational practices</td>
</tr>
</tbody>
</table>

Figure 4. Example of Data Analysis Structure

- Whenever I need information I often ask within my personal circle and also receiving feedback from them. HR.M.
- All employees have their personal networks that they communicate daily for information. H.O.M.

3.5. Validity and Reliability
Based on the studies of Yin (1994), Cook and Campell (1979), Gibbert, Ruigrok and Wicki (2008), a framework was developed to investigate the methodological accuracy of case studies, including validity and reliability criteria, within the field of management and strategy research. This study has satisfied those criteria as per the following points.

Internal validity is ensured by the author’s cautious review of existing literature to derive the conceptual categorization. Starting from that point, the interview questionnaire and interview guide were designed to collect related data in the next phase. The content validity was supported by appropriate representation of questions from each topic area (i.e. sustainable development, business model innovation and alliance capability) on the assessment that reflect the concepts that were being examined. The construct validity of this study was maintained with data triangulation including data from interviews, secondary data from company’s profile, reports and strategic plans, and the data analysis process explanation to ensure the quality in conceptualizing and operationalizing the relevant concepts. Highly knowledgeable respondents involving in the company’s work that relate to the research phenomena were chosen, enabling diverse and insightful perspectives. Different rounds of data analysis were conducted before concluding with a series of evidence gained from the case study protocol according to the recommendation of Yin (2009), which makes the analysis process available for being reviewed and revised later if necessary. On the other hand, external validity was ensured by careful selection of case study and context-based description. Aiming for theoretical implicit generalization as explained by Siggelkow (2007), this single case study resulted in simplified models and concepts gathering from the unique insights of the focal company.

Concerning reliability that reflects the accuracy and consistency in the operationalization (Yin 2009), all interviews in this study were recorded to prevent data loss with notes taken twice, one during the interviews and one during the transcription. The data collecting
process was consistent with the same method, interview guide and similar communication channel being used.

**Table 7. Assessment Criteria and Reassuring Actions Taken**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Actions taken</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Validity</strong></td>
<td></td>
</tr>
<tr>
<td>Content validity</td>
<td>Developed appropriate representation of questions from each topic area.</td>
</tr>
<tr>
<td></td>
<td>Created explanation and interview guide.</td>
</tr>
<tr>
<td>Construct validity</td>
<td>Data triangulation including interviews, secondary data and the data analysis process.</td>
</tr>
<tr>
<td></td>
<td>• Highly knowledgeable respondents</td>
</tr>
<tr>
<td></td>
<td>• Secondary data from reports relating to each topic area (strategic partners, projects strategies and plans, projects reports, company’s strategy plans, company’s profile)</td>
</tr>
<tr>
<td></td>
<td>• Different rounds of data analysis</td>
</tr>
<tr>
<td>External validity</td>
<td>Selected case company with pre-filter of its activeness in the topic areas with context-based description.</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>All interviews were recorded.</td>
</tr>
<tr>
<td></td>
<td>Notes taken when interviewing.</td>
</tr>
<tr>
<td></td>
<td>Notes taken when transcribing.</td>
</tr>
<tr>
<td></td>
<td>Consistent method of interview for all participants.</td>
</tr>
<tr>
<td></td>
<td>Consistent data collecting process: used similar method, interview guide and communication channels for all interviews.</td>
</tr>
</tbody>
</table>
4. FINDINGS

4.1. Sustained Economic Development in the XLE Group

XLE Group used to implement the learning-by-doing approach and allowed its business to gradually earn momentum due to the newness of its value proposition of entertainment sports in Vietnam. With that said, in recent years, the case company has started to focus strongly on financial gains, which is clearly shown through their financial statements. It is noted that the segment of sports events organizing in Vietnam has only started to grow recently, mostly thanks to XLE Group’s initiation through their unique projects. Therefore, they have been facing insurmountable challenges in adjusting their business and in shaping the industry to be profitable. While sustainable growth might not appear apparent to the company at the moment, being a start-up company in such a special industry, the economic aspect has impressively prevailed in its strategic choices. XLE Group as a project-based company defines sustained economic development through diverse factors, but most of them relate more or less to projects development. Through project performance, achieving break-even point and thereafter starting to be profitable are the main goals toward long-term growth within the company.

“Previously when the company was just launched as a start-up, financial loss was not a big problem... Now things have changed, the BOD has decided that the business must be profitable, and they are keen on reconfiguring the business model to adapt to the current situation and grow sustainably.” (VUG Project Manager)

“Sustainable growth means that our projects can gain sufficient revenue to pay for our cost and break-even.” (Operation Manager)
“Our performance will be measured by project growth in terms of scale, reach and engagement, community growth, revenue, and cost... Actually, in the end, everything will be considered under the financial perspective.” (VUG Project Manager)

However, due to the characteristics of their products, which are sports events, community development is beneficial to its sustained economic development. In specific, project performance is also determined by the advancement of the projects each year, and economic performance is simultaneously planned based on such expectation about community engagement. For example, in the VBA project, because its missions include promoting basketball to the community and develop the sports industry in Vietnam in the long-term, it is critical to ensure that their projects grow larger and reach more people every year. However, when its project reaches more people every year and becomes more popular in the community, ticket sales for events are expected to increase together with improvement in revenue from sponsorships.

The commitment to improve the community’s wellbeing is explicitly expressed through the company’s vision statement, strategic objectives, and goals. Its focus on the people elements is also illustrated by the motto “People First” (VUG Project Manager interview), which emphasizes the effort to satisfy the diverse needs of its stakeholders starting from employees. It can be said that in return for its development in the social dimension, positive influence on financial gains and further growth in economic performance are expected. That is to say, although sustained economic development has been widely recognized as a need for the company to sustain its business, besides the exceptional focus on the economic dimension, social development is seen as a complementary attributor for its economic sustainability.
“Sustained economic development needs to associate with the recognition from the community and government... create a movement in the community.” (VBA Project Manager)

“The company has been in the investment phase more than making money... as it hasn’t reached that point yet... But from the perspective of the company’s vision or strategic objectives, I think we are doing well in developing and promoting basketball in Vietnam.” (SSA Project Manager)

“In general, we haven’t achieved significant financial performance, but we have made an impact on the community... Such impact is in the company’s goals.” (Head of Business Development)

Meanwhile, the XLE Group has to confronted a similar challenge in resource scarcity as in other start-up companies. This has led to the fact that becoming profitable does not only involve increasing revenue but also optimizing cost (e.g. human resource, partners) in the case company. This orientation is illustrated clearly through many practices that have been developed and applied in all projects. Efficient budget spending in each project is important, and one of its favored ways of lowering costs is to circulate costs internally, resulting in a zero-sum in the end. In specific, the case company is not willing to outsource its work or use external services; instead, it encourages internal collaboration and internal billing for a large portion of its work. Another useful way for cost-saving is leveraging its partners’ resources through cooperation in various aspects. By exchanging resources for needed benefits, the case company can effectively deliver project goals without having to spend its budget. That is to say, internal and external resources are intensely leveraged towards the cost-optimization goal.

“We try our best to avoid spending... minimizing cash out.” (SSA Project Manager)
“We avoid spending budget on the third party’s service as a way to increase profit... Internal costs are prioritized over third party costs.” (Marketing Manager)

“We develop new partners to save cost and optimize the budget.” (Head of Marketing)

It is worth noting that the economic sustainability strategy in the XLE Group appears to be ambiguous to all respondents even though they rank sustained economic development as important to extremely important to the company business. This ambiguity might be explained by its inability to become profitable in a long time, which makes the short-term frugality of its projects an immediate priority. The current struggle to stay in business prevents the company from thinking too far away as the risk of immediate failure might cause serious economic implications to its business. Moreover, even though the strategic economic objectives are communicated well through all levels, there is no succinct strategy statement or comprehensive strategic plan existing as to accommodate the achievement of such objectives. This causes diverse interpretations in understanding and implementation of the strategy in the company.

“There is no clear strategy for long-term growth in XLE... from top-level management, there are five to ten years plans to achieve certain objectives, but breaking those down into detail strategies for implementation is not done and not communicated. Middle managers might glimpse those plans, but not really clearly and thoroughly.” (Head of Marketing)
With that said, without a comprehensive strategy, the XLE Group still effectively recognizes and develops its indigenous advantages and competencies that significantly contribute to its sustained economic development. Being the first-mover in creating the trend of “entertainment sports”, the case company’s unique business model has enabled it to gain competitive advantage through differentiation, and continuously innovate this business model helps the company to strengthen the advantage to achieve sustainable growth. The innovation in its business model design has been experimentally innovated with continuous changes over time. In this regard, the case company has created, organized, and developed their projects consistently despite changes in the environment and increasing challenges in this newly developed industry. In short, to be able to achieve its goals in sustained economic
development, it is a clear orientation of the XLE Group to strengthen its bargaining power, its position, its competencies and to complement its resource scarcity by the willingness to adopt business model innovation, which will be discussed in more detail in the next part.

“Our business model is unique... XLE is the only company promoting basketball... We are also the only one who develop and run these types of platforms, such as the student project VUG or the basketball team SGH... We change frequently to stay ahead of competition.”
(Marketing Manager)

4.2. Business Model Innovation in the XLE Group

As a start-up company, the XLE Group has initiated the model of entertainment sports events, which redefined the sports events organizing in Vietnam. Learning from other previous sports events in Vietnam, the case company’s has been continuously adopting innovation in various aspects. Specifically, innovating is considered the key to achieve success in sustained economic development. The role of innovation in sustaining its business is assimilated throughout the organization, and employees at all levels explicitly emphasize its importance to business survival. As aforementioned, having developed its competitive advantage based on differentiation, in the case company, business model innovation relates critically to sustained economic development because it enables the company to continuously create, deliver and capture new value to reinforce its competitive advantage for better economic performance. The need for sustainable growth has stimulated the company to adopt business model innovation, and the innovation has enabled its undertakings towards sustained economic development to thrive. In particular, since the launching of its business, diverse innovative changes have been made in many dimensions of the business model, including value proposition, key processes, key resources and key partners.
“Innovation is very important to us because it enables us to maintain our business, otherwise we will soon be outdated.” (Operation Manager)

“Business model innovation relates to revenue maximization, eco-system optimization... extending the business... It determines the business survival.” (SSA Project Manager)

Throughout its development stages, the XLE Group has grown from the original project, i.e. the SSA Sports, in the launching stage to diverse projects that serve a wide range of sports and reach customers at the national scale. After ten years, the case company has successfully developed five more projects with diverse services relating to its projects being provided to improve profitability. From offering sports training courses for kids, the XLE Group’s key value proposition has extended to comprise sports courses and related services, sports events and related marketing services, and international sports program distribution. The continuous innovation in its offerings has allowed the company to better satisfy its customers’ needs while experimenting with the appropriate value needed to be developed for economic sustainability.

It is noted that throughout its value proposition innovation, strategic partners play a critical role in most of the new projects. For example, VBA is a nationwide basketball professional competition, which has been made possible by the collaboration between the XLE Group and several strategic partners. The commitment of its partners is necessary to create and maintain the project successfully besides a large number of other partners that have been also involved, such as the National Basketball Federation to ensure quality in all events. Similarly, partnering with the NBA to bring Jr.NBA to Vietnam has helped the XLE Group to develop the new project “Basketball in School”.
“We innovate when developing VBA model... XLE has brought Jr.NBA to Vietnam.... Then, we have allied with Jr.NBA to develop the project Basketball in School... The success of this project is determined mostly by Jr.NBA as they possess all the needed expertise, training materials and all other stuff.” (Operation Manager)

“VBA is a brand new concept... it is a milestone for XLE... it exposed a brand new directions for our business... All team owners need to commit in this project (VBA)... We collaborate with the Vietnam Basketball Federal to organize VBA, and our events are influenced by them” (VBA Project Manager)

Regarding key activities and processes innovation, in its early phase, the XLE Group organized its structure into two main business teams: the SSA team and the XLE team. The two teams worked separately and occasionally coordinated as partners to each other. Recently, as new business opportunities emerge, this company has reformed and developed a new business model through major organizational restructuring. The company now consists of two new divisions, i.e. XLE Max acting as a marketing and communication agency, XLE Prime acting as strategy and service agency besides SSA, VUG, and SGH operating as separate entities within the group. With such innovation, the company has successfully reflected the internal issues as well as environmental changes. One key benefit of the newly developed internal cooperation model is transparency within the company and across teams, as well as a clear direction for internal collaboration towards future growth. Moreover, by diversifying its business, the company can better satisfy market needs and acquire growth. Key activities innovation in the business model has been implemented as an effort to move to the next stage of its business cycle, where great growth is expected and sustained.

“The cooperation process between teams has changed to be more transparent... Previously, when there is something need to be implemented, everyone will work on it together
regardless their functions... after we separated Saigon Heat team, VBA and the agencies, everything needs to be officially communicated and discussed properly.” (H.o.M)

Key operational activities are also continuously innovated in all projects. Thanks to the development of technology, the company has initiated VBA event ticket-selling via mobile applications in the last two years. Besides the internally developed VBA mobile application, the long-term partnership with MB Bank has led to their access and leveraging of the partner’s MB Bank mobile application as well. Similarly, VUG’s close relationship with its local partners in different cities enables them to better utilize the resource and optimize cost by transferring the operation part to these local partners instead of involving in all phases of the project.

Previously VUG teams had to organize all games in all locations... In the last two seasons, VUG events in minor cities were organized by local organizations. We only need to supervise them, advise them, and support them.” (VUG Project Manager)

One other key activities innovation is the internal control activity within the organization. In the beginning, internal control processes were established mostly based on intuitive judgment, thus undermining the effectiveness of the organization. With the innovations in their offerings and key activities, the new control system is developed to improve efficiency in operation, enhance compliance, and reduce fraud possibility. Such system has been successfully developed thanks to the cooperation with Ernst & Young, to review internal control beforehand and to advise throughout the undertaking.

“We have a project with Ernst & Young to review internal control. Then we started to understand better about this... we saw imperfections in our system, and we started to develop and apply new process from E&Y review... and it has been impactful.” (HR Manager)
Innovation relating to human resources and knowledge are important innovations in terms of key resources in the XLE Group. Due to the expansion of the company’s project profile and the change in their business orientation, which now emphasizes economic performance and sustainable economic success, important positions have been filled with qualified human resources, recruited from big corporates or expatriates. The new personnel is expected to have profound experience with important skills to help the company to effectively manage all projects, and most importantly, to help the company in developing economic sustainability with their competencies. New employees are also recruited with new functional teams being created according to the changes in organizational structure as mentioned above to better support the newly developed projects.

Meanwhile, innovation in the company’s knowledge has critically enhanced its performance, working method, and innovations in other areas. Besides intensive knowledge and experience gained from newly recruited professionals, the company’s knowledge base is increasingly improved through external sources. In specific, with a broad network and diverse partnerships, the XLE Group has effectively gained access to partner’s knowledge and develop expertise from close collaboration with its partners. Specifically, its partner’ expertise is significant for the company’s success in many cases that the internal teams do not have sufficient knowledge to accomplish their tasks or overcome emerging issues.

“(Management) Team has added competent human resource from big corporates... Most of them are Filipinos... They are good at English language... they can build impressive project proposals.” (VUG Project Manager)

“There are works we cannot do alone... we employ partners’ know-how to solve the issue... ask for their experience in similar situations.” (Marketing Manager)
**Figure 6. Business Model Innovation in the XLE Group**

<table>
<thead>
<tr>
<th>First-order concepts</th>
<th>Second-order theme</th>
<th>Aggregated Construct</th>
</tr>
</thead>
<tbody>
<tr>
<td>• “We now work as model client-agency to provide service to other clients rather than only internal teams.” (VUG P.M.)</td>
<td>New service</td>
<td></td>
</tr>
<tr>
<td>• “From Saigon Heat we developed the VBA league.” (SSA P.M.)</td>
<td>New projects</td>
<td></td>
</tr>
<tr>
<td>• “XLE has brought Jr.NBA to Vietnam, which is an innovation.” (O.M)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• “We have allied with Jr.NBA to develop the project School Basketball.” (O.M.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• “We don’t work as one internal team anymore. All teams are separated now.” (VUG P.M)</td>
<td>Internal process</td>
<td></td>
</tr>
<tr>
<td>• “The cooperation process between teams has changed to be more transparent.” (H.o.M)</td>
<td>Operational activities</td>
<td></td>
</tr>
<tr>
<td>• “…ticket-selling via website or app instead of Ticketbox.” (H.o.B.D)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• “In the last two seasons, VUG events in minor cities were operated by local organizations. We only needed to supervise them.” (VUG P.M.)</td>
<td></td>
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<tr>
<td>• “We changed the way we organized events and how to work with schools.” (H.o.M)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• “we started to develop and apply new process from E&amp;Y review... and it has been impactful.” (HR.M.)</td>
<td>Internal control</td>
<td></td>
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</tbody>
</table>
Based on our collaboration projects and experience of partners, XLE has learned from them to innovate our working way, to improve our cooperation procedures with strategic partners... We learn how to improve our process, how to manage and innovate our products and service.” (Head of Business Department)

There are also changes taking place regarding the company’s key partners. From having partners cooperating on a yearly basis or project basis, the XLE Group has successfully engaged its partners into strategic alliances that support its long-term business growth. VBA
project is one prominent example that five key partners have joined forces with the case company, resulting in the project’s nationwide success. Moreover, through alliances, the case company has been exposed to its strategic partners’ networks as well, which, in turn, boosting its opportunity to acquire new partners and potentially create new alliances. One example is the new partnership with VinGroup in the VUG project that has been greatly supported by their previous strategic partnership with Central Vietnam Student Association. This new relationship with VinGroup has not only enabled the project to further grow in scale and quality but also facilitate the goal of improving financial performance through the partner’s considerate sponsorship.

“In VBA, we have partnered with the organizations that own VBA teams, such as the tourism company for Hanoi Buffaloes, or Audi Vietnam for the other Hanoi team... We joined in VBA project with these partners... It is not something clearly stated in the contract, but when we join this strategic alliance... we have more connections to reach new partners, especially from outside of our eco-system, that we can develop into new alliances.” (Head of Business Development)

However, there is high risk aversion and market uncertainty noted in the XLE Group. As mentioned above, the project’s success each year is critical to both the project per se and the company. Encountering time pressure (all the project events happen in a certain time each year) and limited resources, adopting critical changes will add more burden to project teams and impose such high risk that overthrows the benefits they may deliver. As discussed above, XLE Group is considered as the trend-setter in its industry; it has no precedent success story in Vietnam to learn from, and their experience is perceived as unique and superior to the rest of firms in the industry. Innovations in the business model, which encompass radical changes, may require extensive investment in resources, time and commitment, and appear to be dubious in terms of outcomes. Even though the company understands the need for change, its decisions are restricted by the fear of failure and
uncertainty. As a result, due to their resistance to change, abruptly switching to radical changes in the design of the business model is likely to be deferred or prevented.

“XLE Group has its traditional working approach. Sometimes a radical innovation in the business model with complete changes seems to be attractive, but employees with their products, their projects, and their own legacy do not want to change. They are held back by those barriers.” (Head of Business Development)

“Ideas that conflict with our current processes and structures may not be applied... If the innovation, the change in the business model, causes conflict with what we have been doing, it will create more burden and pressure in the organization. We try not to do that.” (Head of Marketing)

It is noticeable that innovations in the business model of the XLE Group often involve key roles of its partners. That is to say, the case company has been effectively developing and utilizing partnerships to enhance the success of its innovation, especially in the business model design. While its innovative value proposition is realized through intensive collaboration and commitment with strategic partners (e.g. VBA partners, the NBA), many other dimensions of the business model, including key activities, key resources and key partners, are also influenced by its partners network. In other words, the strategic alliance has been one key attribute to the success of business model innovation in the XLE Group. In this regard, the capability to develop strategic alliances and leverage cooperations will impose a critical influence on how the case company applies and integrates changes in its existing business model, and in turn, affecting its sustained economic development goals. It can also be argued that developing alliance capability under the dynamic capability approach, which includes reconfiguring capability, could help to facilitate the risk aversion and uncertainty in radical changes.
4.3. Microfoundations in Dynamic Alliance Capability in the XLE Group

4.3.1. Alliance Sensing Capability

The alliance sensing capability in the XLE Group is embedded in its culture that encourages active scanning and searching for opportunities at all levels. During the research, it is found that the case company has actively sensed the environment for information and opportunities related to alliances rather than simply observing what is happening in the market.

In this company, networking and social ties play a vital role, enabling it not only to actively reach out to information about potential new alliances but also to save time and resources in acquiring the needed information. That is to say, gathering such information and knowledge is mainly derived from networking activities. Furthermore, it is the networks of the founders and top-level management that contribute as a critical part attribute to the company’s sensing capabilities. This practice has been developed since the early days and assimilated throughout the company; as a result, these networks are referred to in all projects as a source of high-quality information. The process of using such networks is informal and ad hoc, often commencing by these individuals communicating with their networks and transferring information to internal teams.

“We search for information based on the networks of the management team or the company’s founders. They will introduce us to their contacts... to see if there is any way we could create new alliances... Our Board of Directors and high-level managers have already had many personal relationships that help.” (Operation Manager)

Moreover, individual networks of employees are also leveraged on a daily basis, enhancing the company’s sensing capability. In this way, opportunities appear to be acknowledged
quickly and comprehensively. It is either by proactively asking for external knowledge or filtering and recognizing important data in communications within their circles that employees in XLE Group can acquire information and sense possible opportunities. Although their networks may include less high-level contacts, information emerges and acquired from them is easier to access with the possibility to be further explored and exploited through the same contacts. In other words, the value of diversified social ties and individual networks is insurmountable to the company’s alliance sensing capabilities. Effectively utilizing these networks to gain information has continuously supported the case company’s sensing capability.

“One other way to have information is through personal networking. All employees, as well as managers, have their own networks that they communicate daily... we regularly talk to each other, and we can share valuable information in those talks. And we may recognize possible opportunities from those.” (Head of Marketing)

Besides getting market knowledge from networking, at the firm level, employees are expected to continuously identify and keep track of new trends through many channels (e.g. online searching, workshop attending, reports reviewing, etc.). Being a part of their daily work routine, this resourceful practice emphasizes the company’s effort to promptly remain up-to-date and get new ideas from diverse external sources. Even though the sensing processes are more intuitive than systematic, as a start-up company with high flexibility to adapt to change, this practice helps the company to effectively stay ahead of the competition by realizing changing needs and alliance opportunities more quickly than their rivals. The following quotation illustrates clearly this practice and how employees perceive it as an important daily task:

“Currently our internal teams implement activities such as market researching through the internet, surveying or collecting data from other corporations’ reports... Joining workshops
of potential partners is one other effective way. It is not a task of any particular team but almost all employees will actively search for information.” (VUG Project Manager)

**Figure 8. Alliance Sensing Capability and Underlying Practices**

- “We search for new opportunities based on the network of top management team and founders.” (O.M.)
- “Top level management team refer us to their contacts to get information and approach for alliance opportunities.” (H.o.M.)
- “Top-down relationship… relationship from the top level management team hands over to us.” (VUG P.M.)

- “Whenever I need information I often ask within my personal circle and also receive feedback from them.” (HR.M.)
- “All employees have their personal networks that they communicate daily for information.” (H.o.M.)

- “We can acquire information by searching on the internet, reading news or learning from other companies.” (H.o.M.)
- “Internal teams have activities such as doing market research, joining workshop, collecting data from big research companies.” (VUG P.M.)

- “Referring to other successful sports events for ideas, abroad and domestic.” (VBA P.M.)
- “Strategy unit research and evaluate what other companies are doing.” (H.o.B.D)
- “They use measurement tools to update information.” (H.o.B.D)
Also regarding staying ahead of the competition and remaining in the leading position in the industry, the XLE Group frequently evaluate other competitors as well as other similar businesses. Especially, the assessment involves exploring and examining both domestic and international alliance models. Having recently formed a dedicated unit to develop strategies, including alliance strategies, a group of employees is assigned with the role of identifying needs and developments that the company can turn into a business. They refer to many international sports competitions and events, such as the NBA in the U.S. or the NCAA in the Philippines, in order to obtain initiatives in the field of sports events. They also follow their competitors and perform assessments with the industry on-goings as an important task of sensing possible new threats.

“The Strategy Unit is responsible for sensing what other companies are doing, thus evaluating if those ideas fit for us and initiating changes... They can have a third party measure the industry performance, such as Buzzmetrics, and evaluate based on such results. They also follow closely international sports campaigns that are similar to those of XLE Group.” (Head of Business Development)

4.3.2. Alliance Seizing Capability

In general, with the learning-by-doing principle, the XLE Group often tries all possible opportunities to create new alliances, then re-evaluating and adjusting. However, it has developed concrete goal-oriented sets of criteria, with the most important criterion being financial potential, to be used to benchmark alliance partners and opportunities. This focus in seizing alliance opportunities is linked with its overall objectives: to achieve sustained economic development goals. Thus, there are specific partners that are prioritized: being resource-rich, offering long-term cooperation, having needed resources to assist the achievement of the company’s projects goals and long-term goals. Recognizing and
selecting the “right” partners or opportunities is based strongly on the degree that they match the company’s criteria.

“Depends on the directions, objectives of the company, and strategy of each project, XLE Group will consider between potential alliance partners and select the better ones.” (VBA Project Manager)

“There are many factors influence (the seizing of alliance opportunities). If the partner intends to cooperate with us in the long-term, it’s a criterion to select them... Secondly, it’s their available resource for partnering... And their products or services as they need to match with our own profiles.” (SSA Project Manager)

Supporting the clear criteria for selecting alliance partners is the company’s formalized decision-making protocols to boost efficiency in approaching and creating new alliances. Earlier, when there is a new alliance partner or opportunity sensed, the related department (e.g. marketing department for media partners) is mainly in charge to connect with the partner and explore the most appropriate way to realize the opportunity. Having formed a centralized unit recently, XLE Prime consisting of dedicated teams to get information from internal teams and collaborate with them in developing new alliances. Although the decision-making protocols involve different actors and committees for different partners, the processes remain clear and transparent for all employees. Decisions about allying with new partners are generally made by the department head. Nevertheless, concerning long-term partnerships, the CEO is often the decision-maker with the assistance of relevant departments. Occasionally when potential alliance partners are large companies that cooperate with XLE Group in significant projects on a long-term basis, the BOD group together with the CEO will decide on the deals. These protocols enable time-saving in recognizing and selecting new partners while increasing the company’s ability to approach all potential partners with such restricted resources.
“There are three levels of decision-making. The highest one involves the BOD group and C-level group to decide on alliances that involve critical long-term cooperation... Next is the CEO to determine less important alliances... Short-term partners or small-scaled partnerships are approved by the Head of Department.” (VUG Project Manager)

“The department in charge would develop proposals. They will analyze all information received, consider possible ways, and then suggest an appropriate cooperation deal for each partner. If that involves other departments’ resources and commitment, there should be approval from these relevant departments.” (Head of Marketing)

Seizing new alliances has become a cooperative process between diverse departments in XLE Group, resulting in a well-functioned system that creates synergies across teams. Practicing cross-departmental teamwork enables the company under research to quickly recognize opportunities and act according to realize them in an effective manner. Moreover, the collaboration happens across levels in handling alliance relationships as well. The close-knit work culture allows ideas sharing and supporting between employees and higher-level personnel. As a result of such teamwork, the company’s alliance seizing capability is improved.

“After signing the partnership, XLE Group will assign a dedicated person to handle the account... This person has to coordinate with all relevant departments in implementing the partnership. Most often they will create a meeting to brief everybody about detail in the partnership and the role of each department in it.” (SSA Project Manager)

“If there is any issue happens, employees could handle the issue or accelerate to a higher level to help them. Based on the importance and urgency of the issue, top-level management team may involve in handling as well.” (Head of Business Development)
**Figure 9. Alliance Seizing Capability and Underlying Practices**

<table>
<thead>
<tr>
<th>First-order concepts</th>
<th>Second-order theme</th>
<th>Aggregated Construct</th>
</tr>
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<tbody>
<tr>
<td>“...possibility for long-term partnership, their resources and budgets.” (SSA P.M.)</td>
<td>Goal-oriented alliance benchmarking and selecting</td>
<td></td>
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<tr>
<td>“Go and meet all partners...then evaluating...who fit better to our business.” (M.M.)</td>
<td></td>
<td></td>
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<tr>
<td>“Depends on the directions, objectives of the company, and strategy of each project” (VBA P.M.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“There are three levels of decision-making.” (VUG P.M.)</td>
<td>Formalized decision-making protocols</td>
<td></td>
</tr>
<tr>
<td>“The department in charge would develop proposals... (and) get approval from relevant departments.” (H.o.M)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Head of Department is the person to evaluate the partnership potential and seek for approval.” (SSA P.M.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“A dedicated person to handle each account, together with relevant departments to effectively work with alliance partners.” (SSA P.M.)</td>
<td>Collaboration across teams and levels</td>
<td></td>
</tr>
<tr>
<td>“Employees could handle the issue or accelerate to higher level to help them. Based on the importance and urgency of the issue, top level management team may involve in handling as well.” (H.o.B.D.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Email, social media, all channels are utilized. Frequency of communication depends on our partners preference.” (HR.M.)</td>
<td>Effective communication</td>
<td></td>
</tr>
<tr>
<td>“We often casually communicate via chat, phone calls, email. Important issues must be communicated via emails.” (H.o.M.)</td>
<td></td>
<td></td>
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<tr>
<td>“We can go beyond our commitment to show our willing to develop a long-term relationship with qualified partners.” (H.o.M.)</td>
<td>Concrete principle for alliance creation and collaboration</td>
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<tr>
<td>“If there’s conflict, we will take feedback...we can explain to them, re-negotiate on terms that cause conflicts, offer more benefits or develop new offers for partners.” (VBA P.M.)</td>
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The seizing capability of the company is also enhanced by effective communication with external parties, i.e. their alliance partners. Official communication is flexibly combined with casual discussion, in which information is shared constantly and abundantly. Face-to-face communication is combined with various communication channels thanks to the development of the internet, social media, and OTT messaging services (e.g. email, phone, Facebook messages, Viber). What was observable clearly in XLE Group is that its teams and individuals have actively engaged in frequent conversations with alliance partners even before the alliances are formed. This is meant to better address partners’ values and needs, thus improving the company’s ability to create well-fitting alliances. Effective communication also allows better understanding and exploitation of new alliances based on exchanging information and feedback.

“Most of the time I text message them, but it depends on the partners’ preference that I could use various messaging platforms. If they want to use Whatsapp, I’ll switch to Whatsapp, or if they use Zalo, there I use Zalo. Texting allows us to better communicate works in detail... Then there’s emails and phone calls. I also meet them via lunch or dinner. Our communication happens almost daily.” (VUG Project Manager)

One important practice that underpins the alliance seizing capability in the XLE Group is the constant applying of the win-win principle with a strong will to grow all alliances into long-term relationships. Although this approach is not formalized at the company level, the collaboration processes with partners are promoted by all employees, encouraging contribution to the success of the alliances created. One concrete example is the way they always strive to understand partners through keen discussions, putting partners’ needs and values at top priority when dealing with conflicts. Therefore, extending beyond commitment and deliver extra benefits is often used as a solution to satisfy alliance partners
at a higher degree. Conflicts, if happen, are solved based on this principle as well with the involvement of many different levels if necessary to successfully maintain their relationships with partners.

“If there’s conflict, we will take feedback from our partners and analyze the problem carefully. Then we can explain to them, re-negotiate on terms that cause conflicts, offer more benefits, or develop new offers for partners to retain the relationship.” (VBA Project Manager)

4.3.3. Alliance Reconfiguring Capability

After alliance opportunities are recognized and acquired, they are exploited through a reconfiguration and modification of the company’s resource base. The most recognizable practice in reconfiguring alliances in the XLE Group is to make changes in its top management team. The new management team, who are high-status leaders in the market, was often appointed simultaneously with the introduction of a new strategy as a way to reconfigure the resource base. This is a way for the case company to transform the organization to better leverage cooperations in alliances and acquire new opportunities. In specific, there has been a replacement of 70% of its top-level management team in its last modification. However, during the transition period, a critical change in the management team often confuses existing employees and causes them to leave, leading to a high turnover rate at the time. A large number of employees are replaced when implementing the changes may hinder alliance reconfiguring endeavors due to employee frustration and know-how deficiency.

“Our top leaders when they joined XLE Group, they also bring exclusive experience and knowledge in how to operate alliances more effectively or new models of alliances.
Although they are new in this company, they have worked with many alliance partners in their previous positions. Therefore they have in-depth experience in the field and they really help XLE Group with that.” (VUG Project Manager)

The company under study also includes various changes in the organizational structure and key processes to redeploy its existing assets and better exploit existing alliances as well as emerging opportunities. The modification and orchestration of structure and processes involved completely remodeling their business, establishing dedicated teams in newly established organizations, and implementing changes in cooperation method and working way with existing partners. Via such organizational modification, collaboration models and processes are expected to be improved and the company can better govern alignment. In specific, from one business entity, they split into XLE Prime and XLE Max with different teams to coordinate with partners in large projects such as VBA or V-League. All these projects concern cooperating with many strategic partners that critically influence the company’s performance, reputation, and innovation development.

“Restructuring to have a dedicated organization to serve VBA solely. We also created a team to work in the cooperation project with VBF for V-League. In the future, we may have one more organization between three partners for the NBA project.” (VUG Project Manager)

To lessen the possible negative effects of organizational changes, there are practices developed for effective knowledge transfer. These practices exist in the company in the form of regular meetings and internal communication. Inter-functional team meetings happen weekly throughout each project season with in-depth knowledge sharing. At the end of the season, an all-teams meeting is always organized as a unique opportunity for all employees to share their experiences and key learnings. Sharing knowledge is actively encouraged by the management team, thus allowing more synergies from combined know-how. No internal competitiveness, which may potentially hinder knowledge transfer, was
noted among employees during this research, given that all employees are given a great deal of freedom to experiment and then sharing their learnings. Besides, working closely together, face-to-face communication is also promoted as an effective channel to transfer knowledge and leverage to deliver better performance in alliance activities.

“In the following season, we acknowledge what is not going on well in the relationships with alliance partners... We have to solve by exploring those issues from our partners’ perspective, analyzing their feedbacks, figuring possible solutions. Learning from lessons of the previous season will help us to balance our values and needs with those of our partners.” (SSA Project Manager)

Figure 10. Alliance Reconfiguring Capability and Underlying Practices

- “70-80% top-level managers are foreigners. They have more experience, more creative... We also recruit new human resources completely... The key focus is the people.” (M.M.)
- “New leaders are recruited... when they joined XLE Group, they also bring in exclusive experience and knowledge.” (VUG P.M.)
- “Restructuring to have a dedicated sub-organization to serve VBA solely. We also created a team to work in the cooperation project with VBF for V-League. In the future, we may have one more sub-organization between three partners for the NBA project.” (VUG P.M.)
- XLE had to recruit more staff for VBA, then we need to restructure the organization to effectively use 70-80% to p–level managers are foreigners. They have more experience, more creative... We also recruit new human resources completely... The key focus is the people.” (M.M.)
- “New leaders are recruited... when they joined XLE Group, they also bring in exclusive experience and knowledge.” (VUG P.M.)

Replacing top managers with high-status leaders

Implement structural changes to redeploy existing assets

Frequent meetings and communication for knowledge-transfer

Frequent meetings and communication for knowledge-transfer

First-order concepts
Second-order theme
Aggregated Construct
4.4. Discussion

The case company is an example proving the importance of economic sustainability in start-up companies, and its focus on the sustained economic development is noticeable. It aligns with Hogardth and Karelai’s (2012) assertion about the economic struggle in developing long-term growth of new ventures, the economic sustainability has become the highest priority of the case company’s business (Galpin & Hebard 2015). Due to growing concern about the long-term viability of its business, the objective of becoming profitable is highly accentuated, especially in recent years. Moreover, challenges in the newly developed sports events organizing industry together with limitations of a start-up company (e.g. resource scarcity, lack of experience) have a critical influence on the company’s focal efforts towards the economic aspect. With that said, the company spent a decent time earning business momentum through a learning-by-doing approach rather than stressing on financial gains in its early stage. The concept of sustained economic development only emerged later when the company’s position in the industry was strengthened and the need to secure the business viability is more eminent. Its unique organizational context also accounts partly for such lagging in the company’s focus on profitability. Starting from the entrepreneurs’ passion for basketball and their determination to promote this sport in Vietnam, the negligence of being economically successful hindered the company’s opportunity to become profitable sooner. As a result, the XLE Group has been struggling to achieve sustainable growth in recent years, since it changed the orientation to be more business-oriented. In other words, the reorientation in business has strongly urged the company to take on sustained economic development endeavors. That is to say, besides the industry context and company’s background, the entrepreneurs’ focus also plays an important role in determining the stage that sustained economic development ideas are input into the business and the time it starts to focus on sustained economic development.
During the research, the logic for profit earning underlying by principles that contribute significantly to the sustained economic development in the company were found. Being project-based, the case company pursues economic sustainability by emphasizing their success through financial performance indicators despite other non-financial indicators in project performance are also developed in all projects’ strategies. Optimizing costs are increasingly associated with the main ways leading to the company’s sustainable growth. As a result, efforts are spent on purposefully directing their costs towards internal or leveraging their partners’ resources instead of budget-spending. Besides, due to the distinct characteristics of the industry where success is largely defined by the approval of the community, the social aspect has a strong influence on their economic performance in terms of developing long-term growth. Satisfying external stakeholders by nature is one of the main goals of the business. This makes community development an essential factor that complements the company’s undertakings in developing sustainable economic performance.

One important principle in developing economic sustainability in the case company is the need to continuously innovate their business model to adapt to changes and effectively seize opportunities for long-term growth. In this case, it can be found that Rodriguez et al. (2002) arguments about the correlation between development towards sustainable growth and innovation prove to be applicable not only for large corporations but also in start-up enterprises. Being the first-mover in the sports events organizing industry, the case company has diligently promoted the unique concept of “entertainment sports events”, which can be considered as its a core competence, while developing a flexible business model that can be effectively transformed as a key strategy for success. The competitive advantage based on differentiation with distinctive value offerings is critically strengthened and sustained through important innovations in the business model design. Moreover, innovations have been realized in many building blocks of the business model to align with changing needs and environment as well as increase returns within their limited available
resources. That has allowed the company to be perpetually adaptive to reflect their surroundings, increasing the business resilience, and enabling economic sustainability to thrive. However, the company’s economic sustainability effort can be hindered by a lack of communication and understanding about such strategy in implementation, especially at the operational level.

Table 8. Summary of Empirical Findings

<table>
<thead>
<tr>
<th>Sustained economic development</th>
<th>Objectives</th>
<th>Achieve break-even point and become sustainably profitable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Principles</strong></td>
<td></td>
<td>• Base company’s performance on financial Indicators.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employ social development as complementary factor.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employ tools to optimize cost.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Innovate the business model as an effective means.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Business Model Innovation</strong></th>
<th><strong>Key supporting effects</strong></th>
<th><strong>Aggregated constructs</strong></th>
<th><strong>Innovation/Practices</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Sustaining competitive advantage</td>
<td>Value proposition innovation</td>
<td>• New service and new projects being consistently introduced with the critical role of partnerships.</td>
</tr>
<tr>
<td></td>
<td>• Enhancing opportunities acquiring</td>
<td>Key activities innovation</td>
<td>• Organizational restructuring with new internal processes.</td>
</tr>
<tr>
<td></td>
<td>• Enhancing firm resilience</td>
<td></td>
<td>• Operational activities and internal control system are modified and optimized with the support from partners.</td>
</tr>
<tr>
<td></td>
<td>• Delivering higher returns</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Key resources innovation</strong></td>
<td></td>
<td>• Recruiting competent management personnel to align and manage the sustained economic development.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Intensively apply new knowledge learned from partners and improve own knowledge base.</td>
</tr>
</tbody>
</table>
### Key partners innovation

- Intensively extend partner networks and develop into strategic alliances, which can boost back the company's potential to get new partners.

### Dynamic Alliance Capability

<table>
<thead>
<tr>
<th>Dynamic Alliance Capability</th>
<th>Alliance sensing capability</th>
<th>Alliance seizing capability</th>
<th>Alliance reconfiguring capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Enabling ideas capture</td>
<td>• Actively use of individual networks to search for and identify potential partners and opportunities for new alliance.</td>
<td>• Using goal-oriented approach to benchmark potential partners</td>
<td>• Newly recruit top managers with high-status leaders.</td>
</tr>
<tr>
<td>• Improving knowledge base in the company</td>
<td>• Closely follow new trends and novel development relating to strategic alliances</td>
<td>• Develop decision-making protocols to assist the process of selecting new partners</td>
<td>• Implement structural changes to redeploy existing assets in alliance cooperations.</td>
</tr>
<tr>
<td>• Facilitating risk aversion</td>
<td>• Evaluate on-goings in the industry and with competitors to timely recognize new initiatives and sense possible new threats</td>
<td>• Employ close collaboration, including cross-team and cross-level, to create synergies.</td>
<td>• Knowledge management and transfer through frequent meetings and internal communication.</td>
</tr>
</tbody>
</table>

As the survival of the company’s projects and the ability to achieve expected profitability depend heavily on its capability to innovate the business model design, the undertakings
are found to be experimental. This may come from the particular characteristic of the industry, in which the XLE Group is the first-mover and trend-setter, the case company has no major competitor or similar business model to compete or to learn from. Innovations have been made in many individual blocks of the primary model. The main goals of economic sustainability are highly supported by unconventional changes in the value proposition, key activities, key resources and key partners of the business model. As a result, common limitations of a start-up company, such as resource insufficiency or experience inadequacy, are alleviated (Bos-Brouwers 2010). In specific, by developing new sports projects and services, the value proposition of the XLE Group has been scaled up and diversified. This enables the company to grow but also enhances its ability to meet market needs, thus gaining better performance and achieving their financial goals. Together with the new value proposition, the organizational structure is modified with a substantial shift. Thus, its internal cooperation processes are fundamentally changed, reflecting a more effective and transparent manner in the working method. Also, operational activities in all projects are being continuously reconsidered to increase efficiency as well as optimizing costs, which eventually lead to higher returns and profitability. Additionally, a new Internal control system has been introduced as another instrument of efficiency enhancement towards higher performance. The most noticeable innovation in key resources relates to their human resource and knowledge base. Aiming to gain novel experience and knowledge from new management personnel to complement the company’s existing resources, competent expatriates and high-level managers in big corporates were recruited. The company’s knowledge base is also improved through constant learning from experience and its partners’ novel knowledge. One essential attribute of innovation in the business model of XLE Group is the consistent focus to develop its networks of partners to mitigate limitations and enhance its performance. That entails a clear orientation of developing alliances with strategic partners for projects and business development as well as referrals for new contacts. Besides, acquiring partners in terms of sponsorship is also pursued to ensure financial performance and revenue of projects.
The prominent role of strategic partners is undeniable in innovating the company’s business model. It is due to its extensive network of strategic partners that the company has successfully captured new ideas and transformed their business for better economic performance. Without the enabling of their partners with resource richness, market information and shared knowledge, market uncertainty might hinder the implementation of these ideas, especially in the case company that has high risk aversion. Strategic partners also influence important changes in the company’s key processes by providing the company with external resources and novel knowledge. Its alliance networks have grown intensively, including not only business partners to enhance profitability but also governmental entities that enable the company to build legitimacy. Especially, through its existing strategic alliances, the company can reach beyond its connections and search for potential partners that could help it to achieve economic sustainability goals. Thus, it is believed that alliances are essential for this start-up company to undertake business model innovation that involves expansions of resources, improving existing processes, or improving the knowledge base, which might be challenging for it to develop internally (Karim & Mitchell 2000). In addition, the company’s ability to penetrate into a market can be improved (Hennart & Park 1993) through synergistic effects and support from the eco-system that may be developed from alliance networks. Moreover, as business model innovation is considered as a radical innovation, it is argued that developing alliance capability as a dynamic capability in the company can facilitate the risk avoidance, which otherwise can thwart the innovation undertakings.

Exploring the development of the company’s dynamic alliance capability, the empirical findings reveal different practices that undergird this capability within the conceptual typology suggested by Teece (2007). Four different practices of sensing, five of seizing and three of reconfiguring, altogether reflect the empirical operationalization and contribute further understandings to the field of dynamic capabilities, especially in the context of start-
up companies. As found out during the research, effective communication, learning-by-experimenting and active role of managers are critical attributes in developing all practices of sensing, seizing, and reconfiguring capabilities. The sensing capability is constituted by four practices, combining intensive networking activities at many levels together with the active participation of employees in following new trends and benchmarking against the on-going industry. The capability to recognize opportunities, select right partners comes from the open-mindedness in approaching potential partners with a goal-oriented mindset, clear decision-making protocols involving collaboration across teams and levels, effective communication, and a win-win principle in creating alliances. The alliance reconfiguring capability is constructed by recruiting high-status leaders at the beginning of the transformation period, restructuring the organization, and promoting frequent cross-team meetings together with effective communication.

The case company has been able to scan and detect alliance opportunities to fulfill its limitations in achieving growth and implementing business model innovation by systematically sense the environment. Alliance sensing capability in this start-up company depends on their active searching and exploring new trends, on the continuous assessment of the on-going industry and competitors, and most critically on the networking activities of all levels. Mitsuhashi (2002) asserted that social ties together with personal connection can provide organizations with timely and reliable information, which in the case of start-up companies are invaluable. Developing practices that utilize ties and personal rapports not only enables start-up companies to optimize their conduits for information obtaining but also enhances later process of seizing alliance opportunities by reducing uncertainty level in selecting partners (Golonka 2015 cited Gulati & Gargiulo 1999; Eisenhardt & Schoonhover 1996). Additionally, due to their need to grow despite certain limitations of a start-up, information plays an important role in allowing the company to quickly grasp opportunities and flexibly act upon. In the case of the XLE Group, information is not only obtained from diverse domestic sources but in foreign markets as well. Its sensing capability can be
considered as a result of the receptiveness and critical judgment of information, which encourages diverse practices to strengthen its ability to sense opportunities and potential partners for growth. This enables a prompt prediction of its on-going industry and potential opportunities, resulting in better preparation and proactive activities to benefit from such development and opportunities.

In XLE Group, the ability to seize the “right” alliance partners and opportunities is a result of its business model that emphasizes goal-oriented, flexible, and collaboration-focused practices. As alliance capability is an essential attribute to the company’s sustainable growth, all potential opportunities to create new alliances are addressed and approached equally. The right opportunities are then recognized based on pre-defined criteria that reflect its goals in sustained economic development, including business growth and community development. This aligns with Wang and Rajagopalan’s (2015) argument that tangible and intangible criteria are used in selecting potential partners to form new alliances. Due diligence processes are developed through formalized decision-making protocols, from initial contact to brief meetings and follow-up conversations before making deals (Mitsuhashi 2002). It is found that extensive communication with potential partners is done even before the alliance is created. Many different communication channels are employed to assist the relationship with partners throughout the process in the early stage and to effectively exchange information as well as develop commitment to its alliances after alliances are formed. The case company’s rational and analytical process of evaluating potential partners and cooperation models is based on the core principle of win-win partnerships. In this sense, the company is committed to creating mutual benefits as the prioritized foundation for long-term alliances. Moreover, the decision-making protocols are strongly supported by its collaboration approach that enables diversity and inclusiveness to thrive in their company. Effective collaboration of employees in all departments at all levels improves the quality of the partners selection process by including diverse perspectives into consideration, thus increasing the ability to quickly and successfully acquire opportunities.
To exploit potential alliance opportunities that are recognized and selected, the company has implemented various activities in modifying and reconfiguring its resource base. In recent years, new approaches together with new processes have been enforced to shift the company toward becoming more economically sustainable. Its organizational structure has been changed to redeploy existing assets and obtain new values. From one single business entity, several other entities have been established focusing on the specialization of functional teams. This allows the company to adapt to changes in alliances, which require the firm to separately collaborate with individual alliances for each project. Moreover, the company can also continuously acquire emerging opportunities through such reconfiguration. One prominent practice that is noticeable in this case company is the changes in top management teams as an act of refreshment of its strategic orientation. This leadership practice allows the company to quickly obtain needed management competencies, relevant experience and knowledge, novel networks to reach potential partners to implement the new strategy. As a result, they can continuously address new alliance opportunities and adapt to changes in a more effective way. However, the hindrance of this practice is noteworthy as it has accredited for the significantly high turnover rate in the last few years. It is argued that changing the organizational structure as well as processes, practices and routines intensify anxiety and confusion (Teece 2009), resulting in a large number of existing employees abruptly quit. A sudden lack of human resources may critically undermine reconfiguration undertakings. Practices such as frequent knowledge sharing in inter-functional teams, effective internal communication, teamwork, have been promoted as a way to ensure the success of their efforts. This finding aligns with Teece’s suggestion that fostering an organizational culture that supports flexibility and experimentation can help firms to transform smoothly and rapidly (Teece 2000, 2007, 2018b).
Meanwhile, it is found that to overcome difficulties relating to alliances forming and leveraging, the XLE Group has developed sufficient mechanisms including their processes and practices (Gulati & Singh 1998; Inkpen & Dinur 1998; Dyer & Singh 1998). Their processes are idiosyncratic, being shaped strongly by organizational specific characteristics of a start-up company, whereas managerial capability, organizational structure, and culture play an important role in enabling its success. The importance of managerial commitment and decisions is shown through their involvement in most practices underlying the alliance capability. Managers in XLE Group are committed to leading by example, which has made a deep influence in guiding and encouraging employees to follow. Thus their highly effective individual behaviors can develop into collective behaviors of the whole company. It illustrates the intertwinenent between dynamic capabilities and strategic managerial capabilities (Thompson 2007). Besides, the aligning between the individual and collective behaviors in dynamic capabilities is considered of paramount importance to the organizational outcomes (Barney & Felin 2013; Wang et al. 2015). The managerial capability together with the flat hierarchy of a start-up that promotes collaboration across functions and levels has allowed strategic decisions regarding alliances exploring, selecting and transforming to be implemented flexibly in the most efficient way, driven by situational factors. Moreover, practicing frequent effective communication both with external partners and within the organization has a positive effect on alliance capability in the company. Externally it helps decrease ambiguity and enhance open innovation in alliances while internally increasing the active contribution of the company’s employees in all processes of exploring, recognizing and reconfiguring alliances. The communication intensity not only generates synergetic effects but also enhances the ability to exploit opportunities. These practices of communicating and opportunities exploiting could improve the company’s chance of success in innovating its business model to respond to continuous changes in the environment (Brown & Eisenhard 1997) and achieve its goals in sustained economic development.
Figure 11. Model of Dynamic Alliance Capability with underlying Practices as an Enabler of Business Model Innovation to achieve Sustained Economic Development Goals

- **SEIZING**
  - Goal-oriented alliance benchmarking
  - Formalized decision-making protocols
  - Collaboration across teams and levels
  - Effective communication
  - Concrete principle

- **SENSING**
  - Actively use of top-level management’s networks
  - Actively use of employees’ networks
  - Intently follow new trends and novel development
  - Evaluate n-going industry and competitors

- **RECONFIGURING**
  - Replacing top managers with high-status leaders
  - Implement structural changes to redeploy existing assets
  - Frequent meetings and communication for knowledge transfer
5. CONCLUSION

The aim of this study is to explore the development of the dynamic alliance capability through underlying organizational practices and routines and examine the correlation between this dynamic capability with business model innovation in the context of sustained economic development in start-up companies. Specifically, this paper is set to answer the research question:

How dynamic alliance capability contribute to business model innovation towards sustained economic development in start-up companies?

To guide the research work, a set of three sub-questions were also set. Answers to be sought from an extensive literature review and data analysis of the single case study.

Regarding the first question, “What types of business innovation support start-up companies towards successful sustained economic development?”, the business model innovation was found as an essential innovation that enables start-up companies to sustain their economic performance. Since technological advances and innovations relating to products, service, or process are becoming incremental, these types of innovation might not deliver expected goals in sustained economic development. Business model innovation is superior in terms of developing economic sustainability because it can deliver higher returns with various additional benefits, including sustaining competitive advantage, increasing firm resilience in a volatile environment, improving ability to acquire opportunities for business growth, and delivering higher returns. For start-up companies to confront rapid changes in the environment with limited resources, innovation in the business model design is extremely desirable. This type of innovation is important as it can leverage firms’ core competence while enable them to effectively renew and transform the business to adapt to changes. Moreover, having less rigid structures and established
processes than incumbent firms, start-up companies can be considered as being advantageous in adopting business model innovation, resulting in a better likelihood of success. This, in turn, will enhance their success in sustained economic development endeavors.

Regarding the second question, “How dynamic alliance capability enables the success of business innovation towards sustained economic development in start-up companies?”, findings have pointed out the role of dynamic alliance capability in enabling the success of business model innovation so as start-up companies can achieve their goals in sustained economic development. By definition, key partners is an essential part of the business model, thus, successfully developing strategic partnerships can influence the success of business model innovation. Designing business model is an iterative process for new ventures so that they can sustain the value, and external partners can be leveraged to streamline and accelerate this process of adjusting the business model.

The findings also indicate that strategic alliances influence the business model innovation of a start-up company in many ways, and developing the alliance capability is therefore of paramount importance. Alliances are essential as they enable start-up companies to undertake substantial strategies to innovate the business model that involve expansions of resources, improving the efficiency of key activities, or improving the knowledge base, which is often challenging to develop internally. Moreover, with radical changes coming along with business model innovation, the market uncertainty and risk aversion can hinder innovation efforts and undermine the firm’s strategies towards sustained economic development. Such restraints can be effectively alleviated by market information and shared knowledge in alliances. In this sense, sustained economic development in start-up companies can be realized through the success of business model innovation that is supported by the capability to identify and create strategic alliances, and effectively collaborate with alliance partners based on continuous alliance reconfiguring.
Regarding the third question, “What are the practices that undergird the dynamic alliance capability in start-up companies towards sustainable business development?”, three sets of practices (four practices of sensing, five of seizing and three of reconfiguring capability) were found that underpin the three aggregations of dynamic alliance capability. The sensing capability is constituted by combining intensive networking activities together with the active participation of employees in following new trends and evaluating the on-going industry and competitors. Effectively sensing opportunities to create new alliances will help to fulfill limitations in achieving growth and implementing innovations towards sustainable economic performance. The seizing capability comes from the open-mindedness in approaching potential partners with a goal-oriented mindset, clear decision-making protocols involving collaboration across teams and levels, effective communication and concrete principles based on the win-win approach in creating alliances and collaborating with partners. Such practices help firms to quickly recognize and select the “right” partners or opportunities to form new alliances and build commitment. The alliance reconfiguring capability is constructed by recruiting high-status leaders at the beginning of the transformation period, restructuring the organization to continuously adapt to changes, and promoting knowledge transfer by frequent meetings together with effective communication. With these practices, firms can better exploit potential alliance opportunities that are recognized and selected while continuously adapt to changes and obtain new opportunities that may emerge.

In this context, we can highlight the theoretical and managerial implications, which we present next.

5.1. Theoretical Implications

This study contributes to the literature on dynamic alliance capability regarding business model innovation towards achieving goals of sustained economic development by shedding light on the practices that contribute to the development of this dynamic capability, and its
relevance to the company’s effort in innovating their business model to develop economic sustainability. By disaggregating the processes, practices and routines that underpin this higher-order capability as the typology of dynamic capabilities recommended by Teece (2007), the study offers an in-depth understanding of how the capability is practically built and exploited in start-up companies. Thus, there are several theoretical implications on the basis of this study.

Firstly, in start-up companies, the economic struggle remains as the key challenge, making sustained economic development the main focus with the highest priority from founders and top management level. With more stringent limitations than well-established corporate, their particular context encompasses insurmountable challenges that urge new ventures to direct their attention to the economic aspect and define their success based on viable, long-term economic growth (Hogarth & Karelaia 2012). However, depending on the specific context of the company, sustained economic development may have different meanings and vary in goals. Firms can simply emphasize the achievement of long-term economic growth entirely through financial indicators or employ development in other aspects as complementary attributes to the success in economic sustainability.

Secondly, business model innovation proves to be an important instrument to enhance success in developing economic sustainability and superior to other types of innovation, e.g. product/service innovation and process innovation (Chesbrough 2007; Lindgardt et al., 2009, Massa & Tucci 2013). Especially, start-up companies that have flexible organizational structures and less rigid processes are more advantageous to adopt business model innovation. With that said, business model innovation do not necessarily happen in any specific building blocks of the business model design to be effective for sustained economic development. On the other hand, start-up companies may experience innovative changes in various elements through a key enabler, such as alliance capability, as they
experimentally innovate the business model towards achieving their goals in developing economic sustainability.

Thirdly, the success of business model innovation towards achieving goals in economic sustainability in start-up companies relates closely to their alliance capability. The influence of strategic partners on a start-up company’s business model innovation can be found simultaneously in different building blocks of the business design. Companies that consistently exploit their alliance capability as a dynamic capability, including sensing, seizing and reconfiguring aggregations, are asserted to have the potential to achieve success in developing and sustain their radical innovation in the business design, thus enhancing their ability to become economically sustainable. Having limitations in many aspects, start-up companies may refer to its existing alliance partners as well as create new alliances to realize their innovation strategies, especially in the case of business model innovation that involves significant requirements. In this sense, alliances are seen as a novel source of resources that enable start-up companies to overcome their limitations in generating and implementing innovations.

Lastly, practices originating from particular characteristics of start-up companies (e.g. flexibility, flat hierarchy, close-knit working environment, strong networks) contribute and strongly enhance the development of alliance sensing, seizing, and reconfiguring capabilities. Even though start-up companies develop the dynamic alliance capability under both internal and external forces (Jantunen et al. 2012), making practices idiosyncratic and context-based (Lozano & von Haartman 2018), their indigeneity critically shapes the development of the dynamic alliance capability and enhances their ability to stay responsive to rapidly changing environment. Despite unavoidable limitations, in the rapidly changing environment, start-up companies have the advantage of being active, agile and receptive in addressing and responding to changes by frequently sensing potential alliance opportunities, quickly recognizing and creating alliances with right partners, and effective
reconfiguring to continuously adapt to the environment and obtain emerging opportunities. The close-knit working style with the encouragement of close collaboration across functions and levels can create synergies that critically affect alliance capabilities. Especially, top management’s perception in the context of start-up companies substantially influences their dynamic alliance capability framework by directly guiding the path for organizational practices without middle interpretation layers in comparison to large corporates. However, this study aligns with Balogun’s (2007) argument that without proper cognitive reorientation, organizational restructuring processes may be undermined by resistance to change due to employees’ attachment to existing structures, processes, practices and routines.

5.2. Managerial Implications

From a managerial point of view, this study encompasses some essential implications. Being quickly responsive to changes happening in the business environment is proven to be critical to the sustained economic development of start-up companies. Moreover, besides emphasizing common financial goals such as optimizing cost or improving revenue improving, managers in start-up companies can create complementary effects for their economic objectives by simultaneously by consider the social or/and environmental aspects in their strategies towards sustained economic development.

Innovation-oriented strategies are especially beneficial for start-up companies to overcome limitations, obtain expected economic gains, and successfully acquire opportunities to achieve sustainable growth. However, not all types of innovation are equivalent. While it is attempting for start-up companies to pursue incremental innovation to facilitate immediate economic struggle, adopting radical changes can deliver higher returns with sustainable growth. Having the advantage of being flexible and agile, start-up companies are
encouraged to adopt business model innovation to evolve their business and better exploit opportunities while improving their competitive advantage. The innovation process can be realized through an experimenting approach, concerning shifting the existing business model to be par with changing demands or environment. Furthermore, leveraging external resources through partnerships and alliances can significantly help new ventures to facilitate critical changes throughout the innovation, thus enhancing their success. By enhancing the benefits of strategic alliances through developing the alliance capability, start-up companies can simultaneously modify several key building blocks of the business model and gain better outcomes from synergistic effect.

Since alliances can be a resourceful and beneficial instrument to support business model innovation and strategies relating to economic sustainability, the dynamic alliance capability can be improved by focusing on leveraging existing practices and developing new practices that are based on unique characteristics of start-up companies. Although having resource scarcity, insufficient knowledge, and experience lack, managers can refer to their flexible management style, agile working method, and close collaboration across teams and levels to encourage the developing of alliance sensing, seizing, and reconfiguring capabilities. Employees should be involved in all processes, thus actively contributing to the company’s success. Also, frequent communication that utilizes diverse channels and methods should be employed to manage and transfer knowledge internally as well as to ensure effectiveness in cooperating with partners. Especially, social ties and personal networks can be seen as invaluable assets for start-up companies to achieve their goals. Improving networking activities through social ties and personal rapports not only grants access to crucial information quickly but can help to diminish the ambiguity and uncertainty in alliances.

The strategic orientation and management cognition are needed to guide the path for capability development and business model innovation. When a business model innovation
is enforced as well as when capability reconfiguration requires organizational restructuring, critical transformation often happens, which often leads to confusion and conflicts due to the risk aversion and path dependence of internal teams. As a result, the company’s effort and innovation’s benefit may be undermined. Managers are advised to take leadership in cognitive reorientation while actively consider the influence of the company’s history on their reconfiguring and innovation procedures. The close-knit working environment and effective communication are important factors of start-up companies that could strongly foster the success of these activities. In doing so, confusion and misinterpretation can be avoided while the negative effects of path dependence can be minimized. Consequently, firms can smoothly reconfigure their structure, processes and resource base and further develop capabilities to continuously adapt to changes and opportunities.

5.3. Limitations

As with any research, this study has several limitations. First, the empirical data represents one single start-up company in one single industry, i.e. the sports industry. The selected case company has achieved certain success in business model innovations and alliances development that may influence their practice adopted for the alliance capability. The singularity of this study can encompass difficulties in generalizing and care should be taken when referring the results to other contexts. Moreover, assessing whether a practice is actually considered as a contributor to the capability is difficult, which is a common problem in qualitative studies on this paradigm (Laamanen & Wallin 2009). This made the conduct of data analysis and comparison problematic at times.

Secondly, the difference in the language used for interviews and the language in this report may unintentionally cause discrepancies in between the raw data collected and the final data in report. Moreover, due to the reason that all interviews were conducted online, the
process of data collection could be affected. Even though the interviewer strived to use video calls for all interviews to minimize the impact of remote communication, there could be non-verbal information missing during the interviews due to observation impairment of the communication method.

Finally, this study has cross-sectional design with the data being self-reported in nature. Secondary data was employed to support analysis of results but there could be hindsight bias as well as recall bias from interviewees. Longitudinal design and multi-source data can be employed to mitigate the limitation and validate present findings.

5.4. Suggestions for Future Research

This study opens up several important avenues for future research. Firstly, as the case company has idiosyncratic characteristics, suggested practices underlying alliance capability need to be validated against other cases and methods to empirically test these inductive insights. Comparative studies are also required to explore the linkages between the dynamic alliance capability and business model innovation in other industry contexts as well as in different organizational contexts. Other suggestions for further research includes exploring the emergence and development of the dynamic alliance capability from the early stage of start-up companies through longitudinal studies and its influence on business model innovation throughout that period, or examining the trajectories and circumstances that affect exploitation and development of alliance capability for business model innovation. It would also be valuable to identify the role of different actors such as the role of organizational culture in developing alliance sensing, seizing and reconfiguring capabilities and their relevant outcomes regarding innovations towards sustainability.
REFERENCES


APPENDICES

3.5.1. Appendix 1. INTERVIEW QUESTIONNAIRE

A- Basic Information about the Company
1. How is your company structured? (key departments, cooperating process, etc.)
2. How is performance measured in your company? (financial, non-financial, personal goals)
3. How do you evaluate your company’s performance in the past five years?
4. What are your company’s advantages and disadvantages?
5. What is/are your unique selling points?

B- Sustained Economic Development and Business Model Innovation towards Sustained Economic Development
1. How is sustained economic development/economic sustainability understood among your company? What is its importance to your business? From 1-5 with 1 is the least important and 5 is the most important, how do you grade the importance of sustained economic development in your company?
2. What do you understand about Innovation? What do you understand about Business Model Innovation? What is the innovation strategies in the company?
3. Are there business model innovation in your company? Could you please give some examples about such innovations in the company in recent years?
4. What do you think about the importance of business model innovations to your company’s business and to your industry? From 1-5, with 1 is the least important and 5 is the most important, how do you grade the importance of business model innovation in your company and in your industry?
5. Do you think your company is an innovative company and has innovative fit? From 1-5 with 1 is the least appropriate and 5 is the most appropriate, how do you grade the appropriateness of your company’s innovative fit?
6. Do you think your company has gained success in business model innovation towards sustained economic development? Please explain.

C- Overview about Alliances in the Company
1. Is there any short-term and long-term alliance partnerships in your company? Do most of them belong to your business’ ecosystem or not? Why?
2. Are alliances in your company multilateral or bilateral? Which type of alliance is the most popular in your company? Why?

Alliance Sensing Capability
1. How does your company search and explore information about potential alliance partners and opportunities to create new alliances?
2. Are there any particular areas that your company can find more/less opportunities for alliances?
3. Does your company keep track of new trends, ideas, alliance models or competitors’ activities in alliancing? If yes, How does the process of sensing these information take place?

Alliance Seizing Capability
1. How does the company recognize the right partners, opportunities and ideas from information you have obtained? Please explain the process.
2. How does the process of selecting the right partners, opportunities and ideas take place in your company? Who are the decision-makers? Please explain.
3. What does your company do to enhance commitment and loyalty in newly found alliances? How do you solve conflicts in alliances?
4. How does your company exchange information with your alliance partners?

Alliance Reconfiguring Capability
1. Is your company successful in achieving your goals in alliances? Please explain.
2. How does your company reconfigure or modify existing alliances to acquire new opportunities or to obtain new value?
3. Has your company made any major changes due to alliances pressure? Please explain.
4. How does the process of manage and transfer knowledge take place?
3.5.2. Appendix 2. INTERVIEW GUIDELINE

This interview is conducted solely for the purpose of academic research. All participants and will be anonymous and their answers will be recorded for analysis and documentation. Five key sections of the interview are as follow.

**Section 1**: Briefly covers backgrounds of interviewees.

**Section 2**: Briefly covers basic information of the company. Indirectly brings up discussions on interviewees’ opinions about company’s most noticeable points regarding economic performance, business model and strategic partners in recent years.

**Section 3**: Uncovers the concepts of Sustained Economic Development and Business Model Innovation in the company, their roles to the company’s performance. Indirectly brings up discussions on interviewees’ justification on the company’s success in sustainable development and innovation.

**Section 4**: Uncovers practices in the company that contribute to alliance capability in three aggregations: sensing, seizing, reconfiguring.