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The Impact of Value Creation through Dynamic Capabilities on Competitive Advantage and Firm Performance*

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Abstract

In the specific context of Turkey as a developing country, this study expands the existing literature by delving into the limited research on dynamic capability and value creation while incorporating dimensions of competitive advantage and firm performance. The objective of the study is to provide a comprehensive analysis of the role of dynamic capability in the value creation process. It particularly focuses on its impacts on competitive advantage and firm performance, and it aims to understand the mediating role of value creation. The study, emphasizing the dimensions of sensing, seizing, and transforming dynamic capabilities, centers on measuring their influence on functional, experiential, symbolic, and cost value types within the value creation process. With a sample size of 361, the research utilized quantitative data analysis and structural equation modeling through the Smart PLS software to test the research model. The findings reveal a positive impact of dynamic capability on the value creation process. Additionally, the study concludes that a company's utilization of dynamic capabilities to create value for customers plays a mediating role in the relationship between competitive advantage and firm performance. These results emphasize the crucial role of dynamic capability in shaping sustainable competitive advantage and performance for businesses, especially in the context of a developing country like Turkey.

Keywords: *Dynamic capability, value creation, competitive advantage, firm performance, structural equation modeling.*

1. Introduction

The resource-based view has been criticized for its static nature and overlooking market dynamism (Wang & Ahmed, 2007). Teece et al., (1997) responded by introducing dynamic capabilities, emphasizing the continual adjustment, reconfiguration, and renewal of resources in response to environmental changes. Dynamic capabilities enable firms to discover opportunities, facilitated by digital technologies for new business models and enhanced customer experiences (Zaki, 2019). Recognizing the need for transformation, companies aim to create a value chain, ensure efficiency, generate value for performance and profitability, and develop innovative business models (Orji, 2019).

Competitive pressures have intensified, prompting increased customer demand for superior value. Recognizing the need to explore new avenues for creating, gaining, and sustaining a competitive advantage, firms reconfigure organizational capabilities, with dynamic capabilities playing a crucial role (Landroguez et al., 2011).

* This study has been derived from the doctoral thesis titled "The Impact of Value Creation through Dynamic Capabilities on Competitive Advantage and Firm Performance" conducted within the Management and Organization Doctoral Program of Yıldız Technical University

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Firms leveraging specific capabilities actively seek new opportunities, allowing them to spend fewer resources or generate more output than competitors (Jacobides et al., 2012). These capabilities are designed to be compatible with the environment and market, ensuring effectiveness (Drnevich & Kriauciunas, 2011).

Dynamic capabilities play a pivotal role in achieving competitive advantage and strategic management emphasizes creating and maintaining a competitive advantage (Ambrosini & Bowman, 2009). The ability to swiftly implement changes becomes crucial for firms (Michaelis et al., 2020). Previous research highlights that sustaining a competitive advantage relies on effectively leveraging dynamic capabilities, considered a form of resource capability (Teece, 2019). In a developing country setting, such as Turkey, where market dynamics are rapidly evolving, the ability to create value through dynamic capabilities becomes a cornerstone for attracting investments, fostering innovation, and ultimately driving economic growth.

This study investigates the interaction of dynamic capabilities in businesses, their role in the value creation process, impact on competitive advantage and firm performance, and the potential mediating effects of value creation. The study aims to provide a fresh perspective on how value creation processes mediate relationships between dynamic capabilities, competitive advantage, and firm performance. Six hypotheses have been formulated to test these relationships. Utilizing a sample of 361 individuals in Istanbul, Turkey, the study employs structural equation modeling through Smart PLS for testing. Results introduce a dynamic capability-based value creation framework, defining dynamic capabilities as the means for organizations to develop, update, and sustain various resources, leading to sustainable competitive advantage and enhanced firm performance. The structured study contributes to the literature with concise analyses, theoretical frameworks, and practical recommendations for future research contributions.

2. Literature review

2.1. Dynamic capabilities

Dynamic capabilities, defined as the agility gained by integrating, reconfiguring, acquiring, and divesting resources to adapt to market changes (Eisenhardt and Martin, 2000), offer a strategic framework for addressing limitations in the resource-based approach (Helfat & Winter, 2011). Rooted in Schumpeter's theory of creative destruction, dynamic capabilities empower businesses to identify and seize emerging opportunities while adapting to evolving market conditions (Teece, 2007). Dynamic capabilities, integral to strategic change, encompass three key activities: identifying opportunities and threats, seizing them through business model design and strategic investments, and transforming existing business models and strategies (Helfat & Raubitschek, 2018). Teece (2012) categorizes dynamic capabilities into three groups: (1) sensing—recognizing, interpreting, and evaluating opportunities or threats; (2) seizing—deploying resources to address opportunities or respond to threats; and (3) transforming—continually realigning and restructuring resources and organizational structures as market conditions evolve. This proactive approach, adapting to evolving circumstances, is a key determinant of sustained success (Weaven et al., 2021).

2.2. Value Creation

Value creation in marketing is the essence of customer interactions, defined by the balance between "given up" (costs or sacrifices) and "gained" (benefits) from the customer's perspective (Zeithaml, 1988). In the strategy and marketing literature, the value of a product is determined by customer perceptions, either in terms of willingness to pay or perceived benefits (Anderson et al., 2006). In dynamic markets, sustaining competitiveness requires continuous value creation for customers (Grandhi et al., 2021), emphasizing the significance of digital technology, especially customer analytics (Davenport et al., 2020). Customer analytics establishes a foundation for analytic-driven, customer-focused value creation. The concept of value creation is widely debated, with traditional models emphasizing economic gain and stakeholder theory advocating collaborative, multi-faceted value creation (Freeman, 2023). In the resource-based view,

value is narrowly defined for competitive advantage (Barney, 1991), while a broader perspective considers individual viewpoints linked to fulfilling human needs, especially ecological and social outcomes (Freudenreich et al., 2020).

2.3. Developing Country Context and Turkey

Turkey, as a developing nation, provides both opportunities and challenges for businesses. The expanding economy, youthful demographic, and increasing digitization create favorable conditions. However, economic fluctuations, regulatory changes, and regional challenges pose hurdles. These uncertainties impact investment decisions and financial stability, especially for international businesses and outsourcing. Despite infrastructure advancements, specific regions face unique challenges affecting company operations. A skills gap exists despite a young, tech-savvy population, making talent retention challenging amid global competition. Access to finance is limited for emerging ventures, and providing venture capital for innovation is challenging. The competitive landscape in Turkey is daunting, requiring companies to differentiate, offer unique value propositions, and enhance capabilities. Overcoming these challenges demands a focus on dynamic capabilities, innovation, and value creation for long-term competitiveness and sustainability.

3. Design of Hypothesis

3.1. The Relationship between Dynamic Capabilities and Value Creation

In the competitive business landscape, organizations must adapt to external shifts and constantly refresh resources. Dynamic capabilities, as responsive mechanisms, transform the fusion of knowledge and skills, reshaping resources and generating new value (Erevelles et al., 2016). It involves swiftly navigating changing scenarios, especially crucial in sectors heavily impacted by digital technologies. It is changing the management of technology, plans, enterprise models, processes, and the creation of corporate value (Matarazzo et al., 2021).

Big data and technologies like artificial intelligence fundamentally transform business operations (Rothberg & Erickson, 2017), providing insights for exploring untapped markets (Cenamor et al., 2019). Companies strategically use technology to create value and redefine consumer interactions (Li et al., 2018). Digital technologies enhance customer communication, deepen understanding of needs, and enable tailored offers based on individual preferences (Ghezzi & Cavallo, 2020).

Augmented Reality (AR) transforms physical interactions, facilitating iterative product testing and promoting brand engagement (Poushneh & Vasquez-Parraga, 2017). Mobile AR enhances customer engagement, emphasizing hedonic experiences and enabling users to share encounters via social networks (Muzellec & O'Raghallaigh, 2018). Digital transformation, encompassing big data, addresses the challenge of establishing international markets for companies (Jafari-Sadeghi, 2020). Nevertheless, there is limited research on comprehending the impact of companies' digitization processes on consumer value creation (Matarazzo et al., 2021).

Integration capability includes integrating customers' and markets' information, absorbing knowledge of new technologies, coordinating internally and externally, and converting resources into creative results (Vu, 2020). Meanwhile, product innovation capability enables firms to convert resources into unique, high-quality offerings that surpass customer expectations.

Consumer proximity significantly influences a company's environmental initiatives (Cho et al., 2019). The capability for environmental insight involves gathering and leveraging information about environmental conditions, recognizing opportunities and threats, and demonstrating responsiveness to environmental shifts. Robust environmental insight

proves effective in comprehending industry trends, technological shifts, policy developments, and customer demands (Qiu et al., 2020). Gaining a good reputation helps the business acquire resources from customers, integrate environmental performance requirements into products, and improve its ability to integrate resources.

Dynamic capabilities drive customer interactions in line with market demands, allowing firms to quickly adapt resources to changing environments (Schriber & Löwstedt, 2020). Value creation entails promptly addressing customer demands through targeted research and development, seizing resource mobilization opportunities, and deriving value through continuous transformation (Vu, 2020). The substantial and positive impact of dynamic capabilities as precursors to value creation is underscored by their effective utilization in response to transformations. Based on these explanations and assumptions about the dynamic capabilities value creation relationship, the first research hypothesis is stated as follows:

H1: The firm's dynamic capability has a significant effect on value creation.

3.2. The Relationship Between Value Creation and Competitive Advantage

In a competitive landscape abundant with data, companies tackle challenges in customer acquisition and retention through the implementation of effective customer relationship management (Motamarri et al., 2020). Value creation, achieved through distinctive products or services, exceptional customer experiences, or enhanced social and environmental benefits, establishes a robust brand image and a challenging-to-replicate competitive advantage (Hossain et al., 2021). Continuous customer engagement is driven by identifying and fulfilling target customers' needs. Leveraging market insights from quality data processes can further enhance a company's competitive advantage (Ferraris et al., 2019). By consistently providing more value than competitors, a company can attract a larger customer base, increase market share, and achieve sustained growth in revenue and profitability. In view of these explanations and assumptions, the second hypothesis of the research is formulated as follows:

H2: The firm's value creation has a significant effect on competitive advantage.

3.3. The Relationship Between Value Creation and Firm Performance

Firm performance, a multifaceted concept, is frequently discussed in practical research with varying definitions (Salam et al., 2022). There's a dearth of empirical evidence on how firm performance is influenced by value creation and customer value (Varadarajan, 2020). Customer engagement and loyalty are posited to play a vital role in contributing to firm performance by facilitating value creation (Pansari & Kumar, 2017). Customer satisfaction leads to increased loyalty, contributing to improved firm performance (Saeidi et al., 2015).

Perdana et al. (2022) investigates the connection between IT, data analytics, and the influence of value creation on firm performance. Future research on tools like artificial intelligence, chatbots, smart assistants, and digital smart agents contributing to value creation and their impact on performance is imperative (Hossain et al., 2021). Limited direct research on the value creation and firm performance relationship underscores the need for comprehensive understanding through related concepts, emphasizing the necessity for further research. In consideration of these explanations and assumptions, the third hypothesis of the research is formulated as follows:

H3: The firm's value creation has a significant effect on firm performance.

3.4. The Relationship between Competitive Advantage and Firm Performance

Competitive advantage, indicating a company's superiority over competitors, aligns with firm performance, encompassing financial and operational achievements. Rose et al. (2010) identify cost, product, and service dimensions of competitive advantage,

highlighting their correlation with performance. Yunus & Sijabat (2021) propose a theoretical framework involving blue ocean strategies, competitive advantage, and firm performance. Sustainable competitive advantage, as noted by Ismail et al. (2010), leads to optimal and greater performance, emphasizing the importance of developing strategies for successful firm performance (Chikán et al., 2022).

Significant connections between generic production strategies and facility performance by Devaraj et al. (2004) reinforce the relationship between production strategies and firm performance. Das & Canel (2022) propose a decision-making model for selecting production strategies that lead to competitive advantage and superior firm performance. Differentiated and cost-based strategies contribute positively to firm performance (Walsh & Dodds, 2017). Theoretically and empirically examine the influence of intangible assets, with sustainable competitive advantage as a mediating variable, on firm performance (Khan et al., 2019). In light of these explanations and assumptions, the fourth hypothesis of the research is formulated as follows:

H4: The firm's competitive advantage has a significant effect on firm performance.

3.5. Mediating Effect of Value Creation in the Relationship Between Dynamic Capability and Competitive Advantage

In the dynamic business landscape, companies must adapt their core capabilities to meet evolving sustainability needs (Yousaf, 2021). According to Kawaki et al. (2018), firms that exhibit adaptability are able to attain both a competitive advantage and sustainable customer value. The value creation process involves internal enhancements like research and development and external strategies such as joint ventures, mergers, acquisitions, and open innovation practices (Ferraris et al., 2017). Firms in competitive markets must actively create and sustain a competitive advantage (Grant, 2021). Collaborative efforts with customers and suppliers integrate internal and external information sources, bolstering dynamic capabilities through open innovation. This strategic approach allows companies to seize market ideas, enhance R&D, reduce costs, and expedite time-to-market, cultivating skills and knowledge for sustainable competitive advantages (Battisti et al., 2020). The literature extensively examines the link between the innovation process's significance for companies' competitiveness and the competitive advantage derived from innovation (Kuncoro & Suriani, 2018). The introduction of novel products or services delivers superior value, particularly when competing companies are unable to offer a comparable range. Innovative business processes shorten production or service delivery times, adding value to customers. Obtaining a full advantage from an organization's flexibility and successful response to change is crucial.

While many researchers examine the relationship between capabilities and firm performance, there's limited exploration of the connection between a firm's core competencies and its competitive advantage (Qin et al., 2022). The distinction between competitive advantage and corporate performance necessitates a deeper investigation into the linkage with capabilities. Most studies focus on the relationship between capabilities and outcomes, leaving a notable gap in exploring mediating factors, including competitive advantage (Wu et al., 2023).

In the evolving market landscape, marketers can sustain competitiveness by continually creating value for customers (Grandhi et al., 2021). Creating value for customers is recognized as a pivotal marketing strategy in academic literature (Benoit et al., 2020). The literature underscores the significance of leveraging digital technology to create value for customers, emphasizing the reduced effectiveness of traditional methods in data-rich business environments (Davenport et al., 2020; Rahman et al., 2020). A company's capability in customer analytics, providing insights and personalized solutions based on current trends, effectively creates value for customers (Hossain et al., 2021). In consideration of these explanations and assumptions, the fifth hypothesis of the research is formulated as follows:

H5: The firm's value creation has a mediating effect on the relationship between dynamic capability and competitive advantage.

3.6. Mediating Effect of Value Creation in the Relationship Between Dynamic Capability and Firm Performance

Foundational determinants of firm performance are rooted in the company's resources and capabilities (Grant, 2021; Battisti et al., 2020). Firm performance is multifaceted, with recent criteria including the number of newly developed products, pioneering product introductions, reduced customer complaints, increased satisfaction, enhanced product quality, and minimized delivery times.

Dynamic capabilities, such as particular outcomes, harmonious fit with the external environment, business survival, adaptability for growth, flexibility in responding to changes, and innovative results, are shown to contribute to higher firm performance, according to a recent meta-analysis (Schilke et al., 2018). A company enhancing operational performance through dynamic capabilities better understands and caters to customer needs, strategically focusing on developing products and services significant to customers. Prioritizing customer value catalyzes ongoing improvement initiatives, refining processes, and optimizing resource utilization. Studies show a direct correlation between dynamic capabilities and performance (Karna et al., 2016), emphasizing their influence on value creation, capture processes, and firm performance, especially during crises (Dyduch et al., 2021).

A company's ability to deliver value directly impacts overall performance, tightly linked to organizational innovation capacity (Dyduch et al., 2021). Research shows the direct influence of innovation capability on firm performance (Rizan et al., 2019). Innovative capabilities shape value creation processes, enhancing customer satisfaction, loyalty, and repeat purchases. This leads to increased sales, improved performance, and higher profitability. Customer-focused companies are more likely to develop novel offerings, reinforcing long-term performance. In light of these insights and assumptions, the sixth hypothesis of the research is formulated as follows:

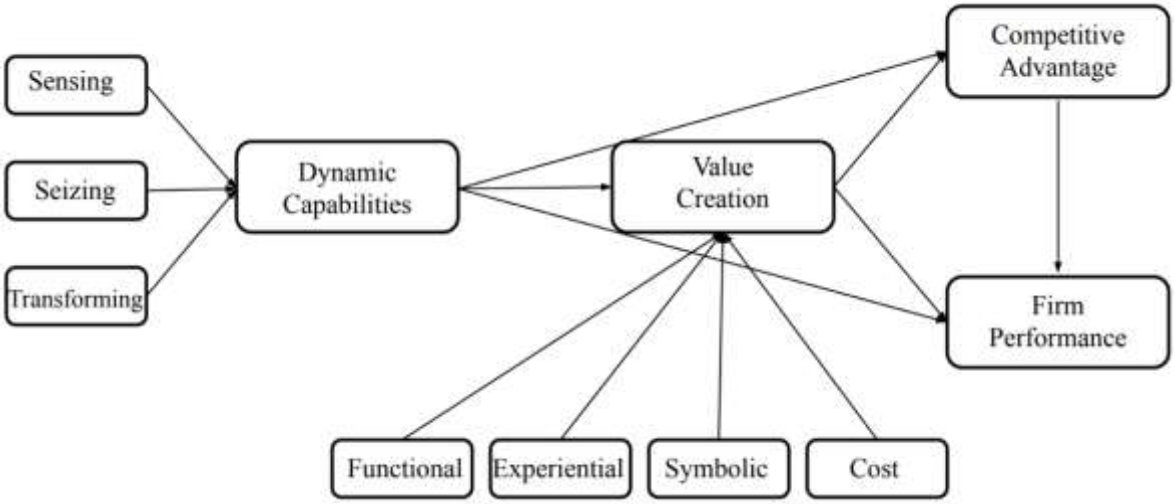
H6: The firm's value creation has a mediating effect on the relationship between dynamic capability and firm performance.

4. Research design

4.1. Measurement

The research model comprises dynamic capability, value creation, competitive advantage, and firm performance, as illustrated in Figure 1. While dynamic capability is treated as an independent variable in the model, value creation, competitive advantage, and firm performance serve as dependent variables. Furthermore, the value creation dimension plays a distinct mediating role in the relationship between dynamic capability and the variables of competitive advantage and firm performance. The measurement encompasses 49 items, and this study utilizes a 5-point Likert scale, ranging from "strongly disagree" to "strongly agree," for the designed measurements.

Figure 1. Proposed model



4.1.1. Dynamic capabilities: To assess dynamic capabilities, a scale study encompassing sensing (5), seizing (4), and transforming (5) sub-dimensions, as proposed by Kump et al. (2019), was employed.

4.1.2. Value creation: The value creation framework categorizes the types of value firms can generate into four: functional/instrumental value (5), experiential/hedonic value (5), symbolic/expressive value (6), and cost/sacrifice value (7). The scale is comprised of 21 elements (Smith & Colgate, 2007).

4.1.3. Competitive advantage: The factors include higher profitable growth rate, increased sales revenue, reduced costs, enhanced product and service quality, growing market share, more profitable relationships with existing customers, and increased profitability from new customers (Li & Liu, 2014).

4.1.4. Firm performance: 1–2 items from Kaynak (2003), 3–5 items from Fuentes et al. (2004), the 4th item from Sadıkoğlu & Zehir (2010), and the 6th and 7th item from Prajogo & Sohal (2004) studies.

4.2. Sample, Data Collection, and Data Analysis

The study's sample comprises businesses active in the North Marmara region of Istanbul, Turkey. A total of 361 responses were collected through an online survey, reflecting the study's efforts to encompass a diverse range of industries and the prevalence of active firms in the region. To evaluate the model, Structural Equation Modeling (SEM) method was employed, utilizing the SmartPLS program.

5. Results

The information in Table 1 presents the reliability and correlation values of the variables. A measurement is considered reliable when its alpha reliability level exceeds 0.70, as suggested by Cronbach (1951). In terms of discriminant validity, evidence is established when the correlation between variables is below 0.80, following the criteria outlined by Kline (2005). Table 3 provides an explanation of the Discriminant Validity analysis results.

Table 1. Reliability and correlations of measurements

	Cronbach's Alpha	Mean	Standard Deviation	Correlation 1	2	3	4
1- Dynamic Capability	0.908	4.115	.7213				
2- Value Creation	0.893	4.010	.6545	.798**			
3- Competitive Advantage	0.860	4.136	.7117	.756**	.740**		
4- Firm Performance	0.860	4.052	.7385	.675**	.642**	.661**	

The standardized factor loadings of the measurement items are shown in Table 2, with factor loadings greater than 0.5 deemed satisfactory. However, the 3rd item in the competitive advantage scale and the 7th item in the performance scale were excluded from the scale as their loads were below 0.5. The values in the column at the table's end demonstrate the absence of a linearity problem among the measurement items. According to the literature, a Collinearity Statistics (VIF) value below 3 is preferable, and values below 5 are acceptable (Hair et al., 2021).

Table 2. Variable Loadings

	Dynamic Capability	Value Creation	Competitive Advantage	Firm Performance	Collinearity Statistics (VIF)
Sensing 1	0.845				2.420
Sensing 2	0.894				3.335
Sensing 3	0.875				2.836
Sensing 4	0.838				2.225
Sensing 5	0.794				1.975
Seizing 1	0.874				2.614
Seizing 2	0.870				2.599
Seizing 3	0.875				2.456
Seizing 4	0.822				1.998
Transforming 1	0.853				2.483
Transforming 2	0.849				2.404
Transforming 3	0.869				2.618
Transforming 4	0.829				2.181
Transforming 5	0.824				2.073

Functional 1	0.830				2.505
Functional 2	0.907				3.702
Functional 3	0.898				3.807
Functional 4	0.908				4.214
Functional 5	0.838				2.358
Experiential 1		0.795			2.079
Experiential 2		0.753			1.929
Experiential 3		0.832			2.110
Experiential 4		0.843			2.317
Experiential 5		0.786			1.948
Symbolic 1			0.790		2.237
Symbolic 2			0.795		2.386
Symbolic 3			0.725		1.907
Symbolic 4			0.748		1.871
Symbolic 5			0.704		2.061
Symbolic 6			0.786		2.761
Cost 1				0.676	1.734
Cost 2				0.759	2.116
Cost 3				0.834	2.476
Cost 4				0.811	2.536
Cost 5				0.832	2.867
Competitive Advantage 1				0.787	2.423

Competitive Advantage 2		0.855	2.957
Competitive Advantage 3 (removed)		0.413	1.162
Competitive Advantage 4		0.751	1.743
Competitive Advantage 5		0.805	2.025
Competitive Advantage 6		0.619	1.340
Competitive Advantage 7		0.764	1.795
Firm Performance 1		0.655	1.545
Firm Performance 2		0.811	2.343
Firm Performance 3		0.829	2.235
Firm Performance 4		0.743	2.705
Firm Performance 5		0.788	3.038
Firm Performance 6		0.739	1.636
Firm Performance 7 (removed)		0.438	1.189

Using the discriminant validity approach, the study assessed the construct validity of the measurement tool. Discriminant validity ensures that variables are distinct, while convergent validity indicates their adequate interrelation. Table 3 demonstrates discriminant validity as variables consistently differ, supporting values for competitive advantage (0.770), dynamic capability (0.919), firm performance (0.767), and value creation (0.869). Convergent validity is confirmed by Average Variance Extracted (AVE) values exceeding 0.50, as recommended by Hair et al. (2021). The Standardized Root Mean Square (SRMR) with a value of 0.06 indicates a good fit (threshold: 0.08, Hu & Bentler, 1999). The Normed Fit Index (NFI) slightly below the optimal threshold (0.869) remains close to an acceptable fit.

Table 3. Discriminant Validity, AVE and Model Fit

	Competitive Advantage	Dynamic Capability	Firm Performance	Value Creation	Average Variance Extracted (AVE)	Model Fit	
Competitive Advantage	0.770				0.593	SRMR	0.064
Dynamic Capability	0.767	0.919			0.844	Chi-Square	662.621
Firm Performance	0.683	0.688	0.767		0.589	NFI	0.869
Value Creation	0.757	0.812	0.674	0.869	0.756		

Hypotheses were subjected to testing through bootstrapping analysis, a non-parametric procedure used to assess the significance of estimated path coefficients. Bootstrapping uses random subsamples from the original dataset, repeated up to 5,000 times, to estimate model path coefficients. Table 4 and Figure 2 present the findings of the bootstrapping analysis.

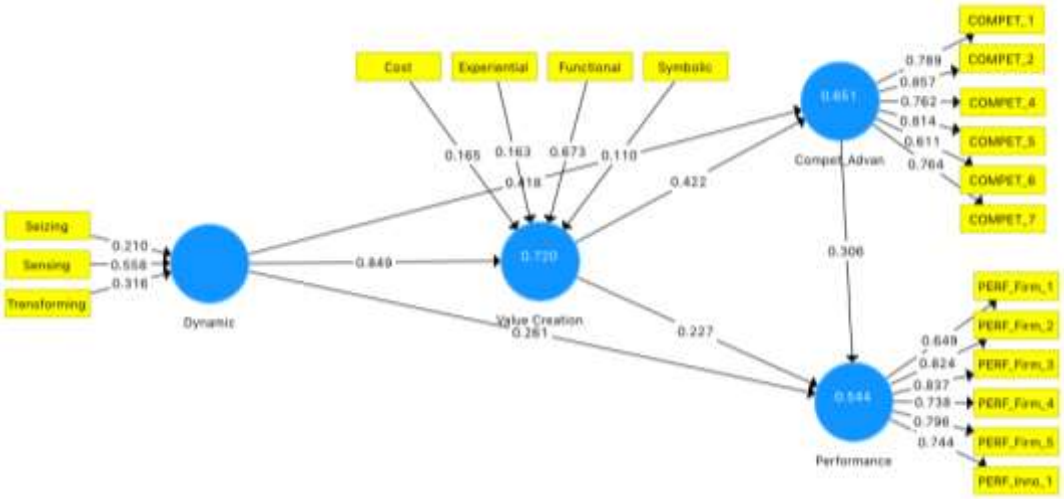


Figure 2. Path coefficients of formative model

For the bootstrapping analysis, the relationships of the variables with the items were formatively altered. The results of the analysis are presented in Table 4. The path coefficient indicates the assumed causal relationships. The path coefficient, represented by standardized regression coefficients or Beta (β), illustrates the direct impact of an independent variable on a dependent variable. In Table 4, the column labeled as Original Sample (O) displays the Beta coefficient, indicating the direct effect of the independent variable on the dependent variable. For instance, a one-unit change in the Dynamic Capability independent variable results in a .849 change and increase in the Value Creation dependent variable, and this causality is statistically significant (β = .849, ρ = .000). Similarly, a one-unit change in the Value Creation variable leads to a .422 change in the Competitive Advantage dependent variable (β = .422, ρ = .000). Furthermore, a one-unit change in the Value Creation variable corresponds to a .227 change in the Firm Performance variable (β = .227, ρ = .003). Lastly, a one-unit change in the Competitive Advantage variable brings about a .306 change in the Firm Performance dependent variable (β = .306, ρ = .000). When a mediating variable is present between the dependent and independent variable, the total indirect effect pertains to the impact arising from the mediation relationship. The Specific Indirect Effect column delineates the manner in which this mediation effect unfolds. For instance, while the effect of the Dynamic Capability independent variable on the Competitive Advantage dependent variable was .418, this effect decreased to .358 with the Value Creation mediation effect. Regarding the effects on competitive advantage, the impact of dynamic capability (.418) appears to be nearly equal to the effect of value creation (.422). In contrast, among the effects on the performance variable, the influence of dynamic ability (.261) surpasses the effect of value creation (.227). Additionally, the impact of competitive advantage (.306) exceeds the effect of both variables. The bootstrapping analysis confirmed strong positive support for all hypotheses.

Table 4. The Bootstrapping Analysis Result

	Original Sample (O)	Sample Mean (M)	Std. Dev.	T Statistics	ρ Values	Total Indirect Effect	Specific Indirect Effect		Total Effect
DC --> VC	0.849	0.849	0.022	38.703	0.000	…	...	…	0.849
DC --> CA	0.418	0.415	0.076	5.514	0.000	0.358	DC --> VC --> CA	0.358	0.775
DC --> FP	0.261	0.261	0.075	3.482	0.001	0.430	DC --> VC --> FP	0.192	0.690
							DC --> CA --> FP	0.128	
							DC --> VC --> CA--> FP	0.109	
VC --> CA	0.422	0.424	0.077	5.465	0.000	…	…	…	0.422
VC --> FP	0.227	0.227	0.077	2.944	0.003	0.129	VC--> CA --> FP	0.129	0.355
CA --> FP	0.306	0.304	0.070	4.384	0.000	…	…	…	0.306

*DC: Dynamic capability, VC: Value creation, CA: Competitive advantage, FP: Firm performance

6. Discussion

The study establishes dynamic capabilities as crucial for value creation, employing a structural equation model to investigate their impact on competitive advantage and firm performance. Dynamic capabilities, comprising sensing, seizing, and transforming, show a significant positive association with value creation, competitive advantage, and firm performance across various sub-dimensions. Positioning value creation as a dependent variable, the study underscores the role of dynamic capabilities in goal-oriented activities.

Highlighting the ongoing process of meeting customer needs through continuous renewal and transformation, the study emphasizes dynamic capabilities as antecedents to value creation, responding to customer interaction and market demands (Vu, 2020; Schriber & Löwstedt, 2020). Sensing, the first sub-dimension, involves research and development investment, enabling firms to adapt to market dynamics and identify new opportunities (Teece, 2007). Seizing, the second sub-dimension, requires strategic investment aligned with the firm's strengths, with technology playing a critical role in exploiting new opportunities (Wang & Kim, 2017). Data-based technology applications are crucial for value creation in a data-rich corporate environment (De Luca et al., 2021; Rahman et al., 2020), facilitating the sensing and seizing of opportunities (Pahnke & Welter, 2019).

Transformation, covering market, customer, and employee-related performance, enhances organizational processes and structures, correlating with increased satisfaction and loyalty (Kump et al., 2019). Dynamic capabilities enable organizations to shape new business models and processes, involving customers in product development for competitive advantage (Mezger, 2014). Sensing technology, business model opportunities, and leveraging existing resources are vital for transformation (Kump et al., 2019). Reconfiguring resources and integrating skills from stakeholders are essential for effective transformation (Teece, 2018). Empirical studies affirm the link between dynamic capabilities and performance (Karna et al., 2016; Dyduch et al., 2021). The research emphasizes that dynamic capabilities drive value creation, enhancing overall performance. Companies adapt at transforming resources into new value-added processes are more likely to boost performance.

7. Conclusion

This study underscores that dynamic capabilities serve as precursors to the formulation of organizational strategy, wherein managers dynamically alter, integrate, and consolidate their resource bases to devise innovative value creation strategies. The distinctive contribution of this research lies in the development of a dynamic capability-based value creation framework, facilitating the conceptualization and exploration of value creation from a dynamic perspective. Dynamic capabilities, encompassing the ongoing development, updating, and maintenance of various organizational resources—ranging from tangible and intangible assets to human resources—are instrumental in generating customer value. The formation, evolution, and recombination of these resources into novel sources of competitive advantage are recognized to be fueled by dynamic capabilities. Leveraging this driving force ensures the sustained enhancement of firm performance.

Managers are advised not to underestimate the pivotal role of formulating an appropriate competitive strategy that transforms dynamic capabilities into resources fostering opportunities and aids in restructuring resources to create value. If a competitive strategy fails to harness a firm's dynamic capabilities for value creation, managerial reconsideration of the adopted strategy becomes imperative.

Creating customer value is a multifaceted process involving a combination of external and internal resources. Elevating this process necessitates high-quality human resources and technology. Particular attention should be directed towards how knowledge and

competence are acquired within an organization and the mechanisms employed for their management. An awareness of possessed and lacking capabilities is crucial. Instead of solely examining business systems or knowledge management models, understanding the organizational culture is paramount for deciphering daily routines. While dynamic capabilities are generally attributed to the organization, the capabilities of individual actors within the organization appear closely linked to this concept, considering its dynamic nature in daily routines. Future research endeavors may explore the intersection of the dynamic capability concept with Human Resource Management (HRM), shedding light on the interaction between HRM and how an organization develops, manages, and sustains its capabilities.

The insights drawn from this study on dynamic capabilities hold particular relevance for Turkey as a developing country. In the face of unique challenges in resource management and strategy formulation, understanding and harnessing dynamic capabilities become crucial for fostering innovation and sustainable growth within Turkey's evolving business landscape.

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