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**Exploring Interdependencies between Dynamic
and Operational Capabilities:
A Temporal Perspective Examining a Private
School**

Evi Konstantinidou

SCHOOL OF ECONOMICS, BUSINESS ADMINISTRATION & LEGAL STUDIES

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Student Name: Evi Konstantinidou
SID: 1102150013
Supervisor: Prof. Lida Kyrgidou

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1. Abstract

The aim of this dissertation is to identify key sets of dynamic and operational capabilities within a school organization and the ways that this school organization used these capabilities through a period of time. A capability, whether operational or dynamic, is the ability to perform a particular task or activity. This paper begins with a restatement of a framework of the two important classes of capability: dynamic and operational (or ordinary) capabilities based on literature. Capabilities arise in part from learning - from organizational resources and from the evolution of the organization. For this reason, through an empirical investigation examining a school's historical development and through the examination of the Resource Based View of the organization, this dissertation examines how this case company developed its capabilities necessary to influence schools' function and performance. Furthermore, this research is not only looking in the ways that these capabilities were used, but also investigates the resources that were needed. The study seeks to identify unique capabilities, which worked together as a system and might have been helpful for the case organization in order to gain competitive advantage. A successful organization generates the essential advantage that distinguishes leading companies and it might be sustainable and almost impossible to copy (VRIO framework). Furthermore, this paper will explore and reveal which kind of capabilities this case company used to follow in the past, what kind of capabilities it uses at present and give some recommendations for the future. Last but not least, this dissertation proposes the *matching process* that aims to identify and reinforce the dynamic capabilities system of an organization.

Keywords: dynamic capability, operational capability, resources, competitive advantage, matching process

Evi Konstantinidou

14/11/2016

2. Preface

This dissertation is original, unpublished, independent work by the author, E. Konstantidou.

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3. Introduction

The rapidly change of business environment where technology, knowledge, globalization and the intensity of competition affect the overall performance of a firm, creates a more *dynamic, complex and unpredictable environment* where managing directors face constantly (Asch and Slaman, 2002). Because of this changing environment, firms seek new business approaches in order to create wealth (Stopford, 2001).

Strategy research attempts to examine why firms differ in overall performance and how they achieve a sustainable competitive advantage over others (Barnett and Burgelman, 1996; Schendel, 1996). Competitive advantages are abilities, assets, skills, capabilities, that enable a company to compete more effectively in its industry (Chapter 3 Analyzing Internal Strategic Resources and Capabilities). Many studies focus on the resource-based view of strategy (RBV) and argue that competitive advantage emerges from organizational capabilities (Dierickx and Cool, 1989; Barney, 1991; Peteraf, 1993; Teece et al., 1997). This point of view recommends that competitive advantage and performance results arise from the firm specific resources and capabilities (Barney, 1986). At the same time specific capabilities types serve as drivers of innovativeness (L.P.Kyrgidou, and S. Spyropoulou). Innovation plays a significant role in capabilities' s creation. Certain innovative responses are required when time-to-market and timing is critical, the rate of technological change is rapid, and the nature of future competition and markets difficult to determine (David J. Teece; Gary Pisano; Amy Shuen, 1997).

Do firms need specific capabilities in order to gain competitive advantage? How an organization can identify and develop its ordinary capabilities? How do dynamic capabilities differ from ordinary capabilities in facilitating gains in competitive advantage for an organization?

This study attempts to explore the interdependencies of dynamic and operational capabilities, the links among capabilities and competitive advantage. Second, this paper provides the examination of a school in the northern Greece, in which this author are going to collect different types of capabilities that have been used for a specific period of time in the past. For this reason, path dependence theory will be explored using his-

torical data.

Third, this study examines the kind of dynamic capabilities this case company distinguishes at this moment through interviews especially from the administrative staff and subsequently to compare them with those that used in the past.

4. Literature review

This dissertation starts with the examination of the literature review, which aims to find some evidence about the dynamic and operational capabilities, the competitive advantage and how a firm and the role of innovation can gain it in business.

i) Dynamic and operational (ordinary) capabilities

Organizations and individuals find it far simpler to accomplish business as usual than to accomplish something different. As markets turn out to be more internationally integrated and new types of innovation and rivalry arise, organizations have to react. A significant part of the recent RBV research has focused on the results of resource utilization processes, which are generally distinguished in the literature as organizational capabilities (Morgan, Slotegraaf and Vorhies, 2009). Helfat and Peteraf (2003) believe that as a product lifecycle has to cross a specific road that its goal is to be developed, capabilities have their own path, such as *growth, maturity, and decline*. In addition, they try to be clear between the definition of organizational resources and operational capabilities. They define organizational resources as something that a firm controls like assets or input to production. In this paper the term “resource” is used to convey, “assets, capabilities, organizational processes, firm attributes, information, knowledge etc.”– On the other hand, an operational capability has the chance to utilize organizational resources in order to coordinate the actions that will be helpful to achieve a desirable result.

Various authors for both forms of capabilities have given numerous definitions. According to Teece (2014), a capability, ordinary or dynamic, can be “harnessed”, against the opposition of circumstance, to produce desirable outcomes. A capability system enables a company to create value in the path that it has chosen through its integrated group of activities. A company that wants to achieve a growth, needs to build a focused system of capabilities. Moreover assets like equipment or plant provide a monetary value whereas capabilities cannot. From this perspective, firm’s capabilities cannot be imitated easily, as it’s difficult to detect and analyze them within the firm (George S. Day, 1994). Overall, a capability belongs to a firm and it is more

difficult to be bought or be imitated. But if competitors manage to copy a firm's capability, probably they won't be able to make use of it as the firm does or because they have prior experiences

One more difference between assets and capabilities is that the later is not something that a firm can buy, it's intangible and it must be cultivated internally (Swink and Hergarty, 1998). Alfred D. Chandler (2002) claims that the most successful companies were those that continued to reinvest their earnings in improving their capabilities, bringing them together, and deploying them against competitors.

In the extant literature there is broad consensus that "dynamic" capabilities have a close relationship with change. Additionally, Winter (2003) conceptualizes that 'dynamic capabilities' contrast with ordinary (or 'operational') capabilities by being concerned with change. Many studies suggest different definitions for the term of dynamic capabilities. Collis (1994) made the point that dynamic capabilities govern the change of ordinary capabilities. He continues that the term 'dynamic' refers to the capacity to renew competencies so as to maintain a balance with the changing business environment. Few years later, Teece, Pisano and Shuen (1997) believe that there is a significant interrelationship between dynamic capabilities and change, "the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments". At the same time Helfat (1997) talks about co-evolution of knowledge, capabilities and products and mentions that dynamic capabilities enable firms to introduce products and processes and adapt to changing market conditions which this ability play an important role. As early as the mid-90s, Grant and Pisano (1994) defined the concept of "dynamic capabilities" as the antecedent organizational and strategic routines by which managers alter their resource base-acquire and shed resources, integrate them together, and recombine them- to generate new value-creating strategies. At the same period of time, Teece and Pisano propose the concept of dynamic capabilities (DCs). Luo (2000) argues that dynamic capabilities are the dynamic abilities that contributes to the creation of resources and to the enhancement of internal performance in order to gain "constant competitive advantage"

As the author mentioned before, the concept of dynamic capability includes the capacity with which to identify the need or opportunity for change. Zollo and Winter (2002) characterize dynamic capabilities as learned and stable patterns of aggregate

actions through which the organization systemically creates and alters operating routines in quest for enhanced effectiveness. Few years earlier, Zollo and Winter (1999) propose the following definition *A dynamic capability is a learned pattern of collective activity through which the organization systematically generates and modifies its operational routines in pursuit of improved effectiveness.* In recent times, Helfat et al. (2007) provide the definition of dynamic capability as “the capacity of an organization to purposefully create, extend or modify its resource base”.

In contrast, operational capabilities or “zero-level” capabilities enable an organization to earn a living in the present (Winter, 2003), through this kind of activities, firms manage to support their short-term performance. On the other hand, capabilities, which could change the product or the service, the customers (markets) or the process, not be utilized at the zero level. More recently, Teece (2014) believes that ordinary capabilities are responsible for more “technical tasks” like administrative duties or for operational functions. In 2001, Helfat and Winter support that a firm uses operational capabilities in order to satisfy the same customer population providing current products or services, in other words operational capability is an *on-going* process. Similarly, Cepeda and Vera (2007) argue that ordinary capabilities are adapted towards the operational functioning of the firm, like staff and line activities. As well as they define dynamic capabilities as the capabilities that are responsible for the modification of ordinary capabilities in order to change firm’s products or some production processes, a firm utilize its dynamic capabilities when it needs to rejuvenate its collection of ordinary capabilities (Teece, Pisano, Shuen, 1997). Taylor (1911) suggests that a firm ought to create two levels of related operational capabilities: 1) the ability of line workers to execute a given activity as has been arranged and 2) the ability to arrange the most effective work procedure for a given task.

Regarding to this study, the author propose that capabilities serve as value creation components that support the adoption of new approaches, processes and ideas empowering the focal organization to create and offer innovative services and methods.

ii) From capabilities to competitive advantage

The purpose of capabilities is to be developed and used in order to enhance firm's performance. To comprehend competitive advantage from dynamic capabilities, the author subsequently should first ask the amount of value a dynamic capability generates. The value of a dynamic capability depends on two factors: a) if its function generates value and b) simultaneously to what degree. There is a case in which a firm manage to create high value from its dynamic capability, but if it does not creates more value than the competitors, the firm cannot achieve advantage. Barnett, Greve and Park (1994) believe whether the design of capability is more demanding, this will offer a more valuable capability to the firm, because this kind of capability could be more difficult to be imitated from strategists. Therefore, a firm can own a valuable capability, if this capability is unique and help the firm to be competitive. Teece (2014) argues that a "strong dynamic capability" alone is unlikely to achieve competitive advantage, but a combination between the strong capabilities that a company carries, resources and at the same time taking into consideration the firm's strategy, could come up with more desirable results. However, every firm desires to gain sustainable competitive advantage, which does not require only difficult to replicate knowledge and assets, but seeks for difficult to replicate dynamic capabilities (Teece, 2007). Jay Barney (1991) argue that it's possible a firm to achieve a sustainable competitive advantage, if its resources or capabilities are *inimitable and non-substitutable*.

On the contrary, Fiol (2001) came to the conclusion that competitive advantage can exist in dynamic markets simply because of the firm's capacity to persistently change, however sustained competitive advantage can not exist in this kind of markets. A year earlier Eisenhardt and Martin (2000) argue that a firm is very difficult to achieve a sustainable competitive advantage as it tires to survive in a rapidly changing market. According to Andrews (1971), companies that hold distinctive capabilities relative to those of competitors *may become the basis of competitive advantage*. Some dynamic capabilities consolidate resources, for instance Toyota has utilized its expertise in product development skills to gain a competitive advantage in the industry of automotive.

Many scholars believe that one of the most important *ingredients* is innovation.

Porter (1990) claims that companies gain competitive advantage through “acts of innovation”. According to Kyrgidou and Spyropoulou (2015), entrepreneurial capabilities can effectively convert firm’s ideas and knowledge into innovation. Furthermore, Hill, Brandeau, Truelove, Lineback (2015) propose three capabilities of innovation *creative abrasion, creative agility, creative resolution*.

Additionally, the RBV (resource based view) conveys an explanation of how and why a firm achieves a competitive advantage. The RBV and dynamic capabilities theory create a basis to clarify how firms can establish new products and services by contributing in proper capabilities. In today's changing market environments, RBV has been criticized as a *static theory* that is not the adequate source that can offer a better understanding of the firm’s sustainable competitive advantage. From the resource-based view (RBV) of the firm, the DCs (dynamic capabilities) view evolves (Barney 1986, 1991), which aims to explain the conditions under which firms accomplish competitive advantage taking into account their resources and capabilities. However many researchers characterized DCs as stable patterns which led them thinking DCs as a path dependent phenomena.

A firm not only seeks for a competitive advantage, but if this advantage can be sustained, that would be the best scenario for each organization. However there are cases where a capability cannot be sustainable for ever, because it can be replaced or be surpassed from a different one or because a firm might be influenced by competitors, so a capability can become weaker. On the other hand, Collis (1994) claims that organizational capabilities are not vulnerable to these situations as their variety is endless. Additionally Peteraf (1993) claims that a firm can retain a sustainable competitive advantage if its resources cannot be imitated by others, whereas capability approach combines integrated assets, resources and capabilities that are prepared gradually over time and it's difficult to be adopted by others (Day, 1994).

Barney explains that a company is said to a sustainable *competitive advantage* when it is implementing a value creating strategy not at the same time being actualized by any current or potential rivals and when these firms can't copy the advantages of this specific strategy. Schilke (2014a) proposed that the dynamic environment may restrict the performance effects of dynamic capabilities, therefore a company can lose its possible competitive advantage or can lose time in order to build up these

hopefully unique capabilities.

Eisenhardt and Martin (2000,) propose that the main way these dynamic capabilities can become a competitive advantage is whether they are utilized *sooner, more astutely, or more fortuitously*. However, Barney, Wright and Ketchen (2001) believe that if a firm has the ability to apply dynamic capabilities *sooner or more astutely* is itself a capability. Furthermore, they try to put differently the Eisenhardt's and Martin's assumption, to the degree that a few firms in a quickly changing business sector are more nimble, feel more ready and are aware of potential changes in their competitive environment, they will have the capacity to adjust to changing market conditions more quickly than rivals, and for this reason can increase the possibility of gaining competitive advantage. They continue that nimbleness, the capacity to change rapidly, and readiness to changes in the business sector are costly for others to imitate, these capacities can be a source of sustained competitive advantage.

Many researchers try to figure out how a company can use its capabilities in order to be differentiated from its rivals. Hayes and Pisano (1996) recommend that capabilities are activities that a firm can accomplish better than its potential rivals. They also add that capabilities support a wide range of ways, which are less imitable, and an organization can differentiate itself. According to resource-based view model, companies *concerned with the internal accumulation of assets*, resources and capabilities are the key to achieve a company a successful performance. Moreover, Barney (1988) clarifies that his resource-based view framework depends on how rare and inimitable might be the resulting combination of resources in order to be *differentially valuable to possible users*. Overall, literature does not focus only on how dynamic capabilities reconfigure operational capabilities, but at the same time literature explores how a firm utilizes dynamic capabilities to reconfigure tangible and intangible resources.



iii) From competitive advantage to innovation

Dynamic capabilities help a firm to change the resource base and ordinary capabilities as well (Helfat, Winter, 2011). Additionally, a dynamic capability focuses on capabilities that can offer a competitive advantage and at the same time add value to the firm (Teece, 1997). Consequently, dynamic capabilities may introduce *innovative changes* to the resource base (Ambrosini and Bowman, 2009). Felin and Powell propose ways that permit organizations to create dynamic capabilities for “sustained innovation” in dynamic environments. Innovation is a key word for organizational renewal and plays a central role to the theory of dynamic capability. Lawson and Samson claim that innovation represents today’s competitive advantage whereas it has a significant role as it could help a firm to shape the future of its industry. A manager needs not only to organize the every day routines, but he has to be aware of new innovation approaches that could lead to change. Dynamic capabilities can offer a change to the firm and this change may confer a competitive advantage, which can bring innovation. In the educational field innovation has a crucial role as school managers through innovative systems are looking for ways of engaging students and communities that do not believe in the phrase *one size fits all* (Bosetti, 2001; Flaherty, 1995).

5) Path dependence

That the past plays some part is self-evident, however the way of its impact requires to be examined carefully. In general, path dependence gives us evidence for our next

move. In order to do this, we need to examine our current position and our past moves as well. It is essential the fact that Zollo and Winter, 2002 characterized dynamic capabilities as routines that have the ability to *reconfigure the existing firm's resource based* or they could turn down some of them. Ambrosini, Bowman and Collier talk about three levels of capabilities that their aim is to improve firm's dynamic capabilities: a) incremental, b) renewing and c) regenerative dynamic capabilities. – In addition, Winter 2003 describes dynamic capabilities as “high order” capabilities that make a contribution to the change of an organization. Path dependency theory supports all the “types” of capabilities, history give evidence of what kind of capabilities you are going to use and how.

Dierickx and Cool 1989 posit that dynamic capabilities are significantly path dependent as they are formed by the choices the firm has made all through its history (Eisenhardt and Martin, 2000) . Teece et al. (1997) takes a first step at conceiving of the emergence of dynamic capabilities as a path-dependent process, and Helfat and Peteraf (2003) explore this idea further by describing capability development in terms of history dependence and path selection. Teece (2014) mentions that organizational histories help capabilities to be arisen.

Vergne and Durand (2010) argue that path dependence is a focal construct in organizational research, used to portray a mechanism that associates the past and the future in a abstract way.

In this paper the author is going to explore the path dependence of the focal organization which is a private school located in northern Greece with a long history. The author believes that path dependent process using historical data has an enduring influence, so assumptions of the outcomes of path-dependent process require looking at history, rather than simply at current conditions of technology, preferences, and other factors that determine outcomes. Ethiraj, Kale, Krishnan and Singh (2005) claims that capabilities can be collected based on path dependence and firm's knowledge “learning by doing”. The author adopts the definition that Salazar and Pelaez (2011) give to operational or ordinary capabilities which have been characterized as “the organizational glue that supports the basic underlying activity required for dynamic capability formation and innovation” that probably leads to competitive advantage.

This study tries to examine how a school organization utilizes its capabilities in

order to achieve a better performance. One of the dynamic capabilities that many schools take into consideration is the allocation of resources, which remains central in education decision-making. A portion of the studies looking at the interdependencies between school resources and performance, in the UK setting, detect a small, yet positive relationship between educational expenditure and performance (Cheti, Birgitta, 2012).

In this study the author examines a private school with long history in educational field and the author is going to distinguish the exceptional capabilities that were helpful to improving the efficiency of its system.

6) Methodology

The purpose of this paper is to identify capabilities and especially to focus on dynamic capabilities that a school organization used in the past and compare these with the present. In so doing, this study attempts to follow a strategy that would be useful providing information from people who have a core relationship with the school and their decision affect a lot the strategy that school pursue. This study follows the path dependent process using historical data. This process has an enduring influence, so assumptions of the outcomes of path-dependent process require looking at history. The dissertation is seeking for data that are useful in order to distinguish dynamic capabilities that school has built up and how these capabilities managed to remain strong during the years. Additionally, one more reason that the author chooses this method is because it can provide evidence like the exact duration of a capability's life and if one of the organization's capabilities became weaker through time. This study is based on face-to-face interviews with the administrative staff from different departments like Marketing or Human Resources. The author tried to approach employees that have an important work experience in school and many of them responded to questions for the previous years. The majority of the interviews was semi-structured and in the most of the cases in the form of a symbiotic dialogue; and all of them was also recorded for later transcription.

7) The exploration of dynamic capabilities

The focal organization that has been examined it is a private, non-profit, educational institution founded in 1886 in Massachusetts, it is governed by a Board of trustees of American and Greek members, half of whom are alumni and now it is located in Greece. Through history the author tries to distinguish the core capabilities that the case organization utilized all these years after the World War II. To be more specific, the author studies the organization's history from 1945 in which the organization has been reopened until today. The case company that has been examined began with few resources beyond the vision and courage and faith of its founders. Time and again it faced disaster. Three times it has moved bodily from one campus to another.

To begin with, a leading strategist from organization has characterized ordinary capabilities as tools that keep the dynamic capabilities strong. He also characterized dynamic capabilities as pillars. One of the focal organizations' ordinary capabilities is funding and legacy that support all the "pillars". He mentioned that if this capability stops working and the organization can't find funding raise, the dynamic capabilities will not continue to be as strong as they used to be because the organization would start doing "discounts" in its services. If a dynamic capability is no longer as distinctive as it used to be, it will affect the others dynamic capabilities. He supported this argument with an example: *The accessibility and social role are walking hand in hand, dynamic capabilities are interdependent*. However, he continues saying that there are moments where school needs to give some priorities, for instance the organization this period focuses more on innovation and accessibility, but this does not mean that the focal organization needs to neglect the others dynamic capabilities.

i) The social role

Three times its doors have been closed by war. But from each seeming disaster the organization rose again, because of the contribution of trustees, teachers and staff, students and alumni. The reopening of the organization was not an easy task, as four years of army occupancy had left everything in terrible shape. From those years the

members of the organization try to offer their help not only to their students, but to the society as well.

At that period (after world war II) one of the school administrator mentions:

“Soon after our arrival, we arranged a huge clothing distribution and were able to provide outfits for over two hundred people, teachers, workers, and their families”.

He continues:

“All during these troubled days, work at the organization continued much as usual. The students were deeply concerned about the suffering caused to so many of their countrymen by the war and its aftermath, and they began to seek ways to help some of those who had been hardest hit”.

Close to the focal organization accommodation was a village, which had been destroyed by the German army. The students at the college organized a relief committee which made regular Saturday trips to the village carrying food, clothing, and medical supplies, most of which were provided by other organizations.

The feeling of sharing and giving back to the society was one of the most important capabilities during this period of time. This capability is one of the case company's characteristics that helped it to become more accessible to the society at that period of time.

However during our research, author came to the conclusion that some of the interviewees today have a different opinion.

“The alumni are not informed about the non-profit character that organization has, and they think that they pay for the school's services as in an ordinary private school. So the alumni have not the consciousness of giving back to your school, back to your society. However many people all these years have been given significant sum of money as donations, for instance the school's facilities, like a library”.

Additionally, a leading strategist mentioned that alumni during their school years managed to build strong relationship and they tend to keep it strong after the school as well. Additionally, he believes that alumni are not aware of their role in the organization.

However the path dependent method saw to us that alumni managed to keep a strong relationship with the organization and offer their help, through interviews author real-

ized that alumni during the years lost this feeling of giving.

A strong relationship with the customers that can remain strong through the years could be a dynamic capability. In our case this kind of capability was tending to be very important, but through all this period of time it probably became weaker.

ii) Non-profit profile

Furthermore, the non-profit profile of the case company can be considered as a dynamic capability as its purpose is to provide to all the students of the country its services. One of the organization's values is that every dollar and euro it takes in is applied to its educational mission.

“The organization is here for everyone and the tuition covers only the operational purposes. There are many people that don't know that our institution is a non-profit organization”.

Area leader, 2016

iii) Scholarship system-Accessibility

Not only a significant number of people don't know that the organization is a non-profit organization but also many of them don't understand how the scholarship system that the organization supports is working all these years.

Firstly it is important to be mentioned the fact that this organization is the only organization in Greece with a full boarding program and offers the most extensive scholarship program in Greece. The scholarship program was something that author encounter during our research. More specifically, in 1974 twenty-six Cypriot children, who left homeless because of the Turkish invasion, were brought to the school. Generally, from the time the school has opened until now it has offered more than 1.000 scholarships to students funded by individuals, donors and companies.

“ For six years school offered me a scholarship and this established all my aspects of

my life. From the time I graduated from the organization, school helped me find a scholarship abroad and this influenced positively my professional career”.

Alumni and scholar, class 1972

“ Living in this school, taught me how to be independent and that all my dreams can come true”.

Alumni, scholar, class 2004

“Today in high school (gymnasio and lykeio) 22% of students have a type of scholarship. It’s the only organization that still has a boarding school in all of Greece. The author has scholarships that are funds that exist in an investment account at the school’s managers that are giving for a specific purpose. In the case of endowed scholarship for a student from original Greece that they come here, they stay in boarding school and they spend six years at the school. I go back to the 1930s and we continue to fund students from different towns of the country. We raise every year money for the scholarship program and try to increase those funds because the scholarship program is important for the school. So we promoted diversity, access, a more balanced ecosystem in school and that hopefully outside of school. So scholarship system is one the school’s core mission not only for the school, but in general for Greece”.

Area leader

The previous interviewee but all of the employees that have been asked the same question believe that one of the dynamic capabilities that school continues to carry is the scholarship system. However some of them mentioned that not only people out of school, but also its customers don’t know the exact process that the organization follows in order to offer these scholarships. Through the path dependency method the author found some evidence about this system. During 1950s, which was a postwar period for Greece, the different service projects of college’s young people were appreciated and that convinced some other sectors to finance scholarships at the school. One of the President of this kind of sectors have mentioned at that period: “ We don’t know much about what is going on your campus, but we know what your young peo-

ple are doing in the community. And what we see leads us to believe that you are giving our young people the kind of training that Greece needs. We know of no better way of helping Greece than by making this fine education available to worthy boys and girls who cannot pay for it themselves”.

“The case organization offers 1 out of 5 some form of scholarship. However, the majority of the people don’ t know that the scholarships are not a discount”.

Area leader, 2016

Many of the organization’ s clients don’ t know that the focal organization supports and runs a specific program for scholarships. There are people that work on this a lot in order to offer a chance to every child that want to be a part of this organization.

“In the case of endowed scholarship for a student that he comes from any place of the country, he stays in boarding school and he spends six years at school. That’ s funding from private donors and sometimes donors give a very large amount of money”.

Area leader, 2016

iv) Facilities

The focal organization has managed all these years to establish an organization that consists of 27 buildings, and different kind of fields for each division. After World War II one of the significant development in 1960s but later also was the new building, in 1975 the gymnasium, the library in 1989 and the church in 1996. In 2002 a library was completed and is one of the most advanced libraries in Southeastern Europe. In general today the case company has three libraries. Additionally, in 2005 the new classroom building opened and in 2007 opened the new performing arts center. The organization had the first science laboratory in Northern Greece, the gift of an alumnus. Additionally, from 2003 the case company has been equipped with four classrooms with audiovisual equipment, two computer labs, a multimedia lab and production studio, a networking lab, a computing and telecommunications center. Today organization con-

tinues to improve their facilities and learning spaces.

When an organization builds new buildings, new classrooms or procures new material for educational purposes, it means that the case company has the ability to provide more experiences and opportunities to students. Resources tangible or intangible resources are important, but the question that arises is how a firm or an organization deploys them. An organization could have valuable resources if it knows how to manage them.

The long path of organization's history can influence the scholarship system, as a donor that want to offer a significant sum of money, needs to be sure that this amount would be utilized properly. History can give him some evidence of how many scholarships have been offered to the organization and how this kind of donation has been used in the past. Through history an organization can build not only a strong scholarship system, but also can cultivate a relationship with the customers or donors that is based on trust and admiration. The role of the case company is to continue hold this sense and remains attractive for the donors in order to contribute to this dynamic system.

v) Extra-curricular activities

The extra-curricular activities played an important role from the 1950s where university professors used to motivate their students in education to learn about the organization's program of extra-curricular activities. At the same time the focal organization has professors and teachers that are qualified and have the ability to support these different kind of activities. The case company holds a "systemic learning capability" that helps professors be aware of any new learning methods by providing different educational training. In 1950s a university professor was surprised to find that the most of the best essays were written from school's graduates. In addition the educational quality and the teacher's devotion can be seen from 1946 where graduates excelled in their careers despite of the different milestones that they encountered. Some of them earned a Ph.D. degree or headed a prominent architectural firm. The focal organization continues to seek for innovative programs and different ways of teaching

having always in its mind the quality of its services.

“Organization’ s goal is to follow a differentiated approach that leads to innovation”.

Area leader, 2016

History gave us some evidence about the case company’ s innovation. After World War II the alumni “adopted” a village, which was close to the organization and helped the people in piping water from a mountain spring to a fountain, which they erected in the village square. So women stopped walking nearly a mile to get their water.

“This organization exists in order to be different from the others”.

A leading strategist, 2016

However many educational organizations nowadays provide extra curricular activities that students can make their own choice depending on their interests.

“We continue offering different kinds of clubs to our students, but we always have in our mind the “New learning paradigm” because our society always changes and we need to follow this frequently change”

A leading strategist, 2016

vi) American identity

One of the question to all the interviewees was whether the focal organization currently has capability “gaps” or if the previous years it had a distinctive capability that today it does not exists. A leading strategist mentions that there are some examples but always they need to think about the external environment. One of the area leader pointed out the fact that the organization is an American school that carries the American educational identity and tries to follow it. To be more specific, he mentioned that one of the dynamic capabilities that school used to carry but now it is weaker is the “less strong American identity”, especially in the secondary education.

“We were able more frequently to attract American instructors from Physical education to Art, instructors that at times they did not speak a word of Greek that forced our students even outside the classroom to converse in English”. He continues: “Recent especially development in Greece make it a less appealing place for foreigners to come and teach, there are less opportunities for families that are not Greek families to find employment. That is a change, but I do not think that this change we can absolutely control, we offer more competitive financial packages these days to attract US especially instructors”. He also mentioned that the case organization through the partnership with a very popular US university which both of them provide a unique program to Greece, the focal organization has the chance to accommodates American instructors for three weeks or some of the school’ s Greek instructors the last years have the chance to visit America for educational development that the US university that I mentioned before provides the faculty training.

Throughout out history the author found that after Civil War in 1945 a particular deficiency appeared in school’ s English-language teaching. For this reason, the academic dean in that period decided to acquire American English-teaching staff.

As the author mentioned before the focal organization has a strong relationship and influence with American culture and on of its role is to support and bring to Greece American educational programs. Additionally the organization tries to keep this identity in everyday life and for this reason all the years that school exists provide English lessons to its students.

“Our school used to be the only school in the area that provides intensive English lessons to students, however nowadays all schools have this capability and many of them have native professors”.

Area leader

“Having native professors brings more value to school and people appreciate it”.

Area leader

“In the past we used to teach in English not only English lessons and this is a feature

that is missing these days from our school”.

Area leader

One of the interviewee declared that a school needs to cultivate good relationships. First of all, he mentioned the relationship among school and students. Schools’ goal must be the creation of a positive environment where students felt engaged and comfortable. Secondly, it is essential to exist a good relationship with schoolteachers and parents. Parents could be a helpful source for a school. Parents could be schools’ supporters and they could participate in schools’ activities or offer their ideas, suggestions. Last but not least a school need a strong relationship among teachers-colleagues.

Educators need to share their ideas and listen to new ones or they probably need an advice of a colleague about a teaching approach.

8) Data analysis

In this section the results of the data analysis are presented. The data were collected and then processed in response to the literature posed in chapter 1 of this dissertation. Chapter 1 provide information about: a) the role of dynamic and operational capabilities, b) how a firm or an organization can gain competitive advantage, and c) the relationship between competitive advantage with innovation. This kind of research and the different assumptions and opinions that there are in literature in general worked as the base of information. The second goal of this paper is to develop a base of knowledge about the focal organizations’ history from different kind of sources like books, information providing from organizations’ website and employees.

After that, face-to-face interviews followed and they don’ t only give us information about the schools’ history, but they focused especially to the present. All of them were also recorded for later transcription. This process of data collection gave the oppor-

tunity to compare the findings and after taking all this information into consideration, a discussion of findings was followed. The goal of the last chapter “Discussion of findings” is to demonstrate the potential for merging theory and practice. It is important to clarify that this research was based on different business practices. Business practices are compatible with practices in education. It is acceptable that education would benefit enormously from the resource input those grace the business and industrial community (Kaith Morrison).

9) Discussion of findings

The role of the alumni is versatile. Each organization, which managed to develop an alumni association, must always keep this complex role in mind. The main purpose of the organization is to build a positive relationship with the alumni as they may share a positive opinion with other people out of school. The alumni relations are important not only for fund raising, but also for reputational reasons as alumni generate a word-of-mouth marketing. If an organization wants to create an alumni team, it needs to cultivate a strong relationship during the years in which the present alumni were students. From their early years, they could learn about the importance of giving back to the case company and to the society in general in different ways. After graduation, the majority of the alumni start developing their professional career. If the organization has managed to engage the alumni, they will probably be useful to the institution providing their new skills, experiences and ideas. It is possible that this engagement would bring innovation to the organization. At the same time, this continuing collaboration would be useful for the other students, namely the alumni that are especially engaged to the focal organization, they could be some good examples or even mentors to the current students. However, it is important for the institution to support its alumni (after graduation) in different ways. For instance, this organization holds a tertiary division that it could offer some workshops or seminars for their professional careers or it could also give the alumni the chance to get in touch with people (older alumni) that are more experienced in the working life and they could share their advice.

With this technique the organization still engages the alumni (unstoppable engagement) and they believe that the organization continues to support them, so they have to do the same. This complex role of the alumni needs to be understandable for all the students of the institution. But first of all, it is vital that it be understandable from the professors, teachers and staff. All the members that belong to the organization need to adopt this thought. If they do not, it will be very difficult for students to accept and follow it. Harrison, Mitchell and Peterson (1995) believe that some of the alumni tend to give because of what the organization did for them in the past, but others might offer because of what they perceive the institution will do for them now or in the future. At the same time, Fullan (1982) suggests that only when people are engaged with the nature and shape of a problem can leaders and colleagues begin to initiate and implement changes.

As far as the different identities that the organization carries between its divisions, it depends firstly on how the staff and faculty behave in their everyday operations. The organization needs to focus especially on primary and high school, as the number of students that continue their studies in high school is very important. This transition from primary to higher education is very important in general, still students and customers need to be sure that these both divisions provide the same value. In order for this normalization to be achieved, both divisions need to have a number of same goals and same educational approaches. One way to achieve this is if the staff of both divisions could cooperate and share their experiences. An educational organization, apart from the tangible resources that it holds and uses in different ways in order to support its dynamic capabilities, it holds or it invests on intangible resources as well. One of the dynamic capabilities that the case company holds is “systemic learning style”. This source of dynamic capability could be characterized as intangible resource that has to be refreshed very often, as educational needs and technology change very frequently. Ambrosini, Bowman and Collier (2009) suggest the renewing dynamic capabilities, which aim to refresh the capabilities and “augment the resource base”. However, it is important that professors share the new knowledge not only among, for instance, the staff of primary education, but it needs to be shared among all the professors from all the divisions. For this purpose, the professors where they could refer to some educational methods or best practices that they followed can use an electron-

ic platform. Through this platform, everyone could be informed and inspired at the same time. There is no point in having valuable knowledge if it is not used effectively. Additionally, some exceptional programs that the High school holds could be adopted by the primary school or the primary school could find ways in order to prepare its students for this kind of high school programs. Furthermore, just as the collaboration of the professors and the faculty is vital, the cooperation of the students could be equally important. If smaller children could cooperate with the students of high school, this would bring equilibrium between these divisions. At the beginning of a new school year, the directors or some other employees that hold a managerial position in the organization could arrange a meeting where they could share their ideas and their goals. With these actions, both divisions would build an educational organization with the same identity and culture. Last but not least, facilities could be helpful so that the case company could build a common identity. Especially primary and secondary education could share some classrooms or labs. To be more specific, if the high school has new laboratories, students from primary school could visit them and utilize them. Educators need to know why the organization has opened these new educational places and how they could take advantage of them. The focal organization opened these new innovative classrooms because it needed them or because it wanted to bring a new program or a new pedagogical approach.

As far as the American identity that the case company wants to make stronger and make it again a dynamic capability, nowadays the focal organization takes advantage of another core capability, “innovative programs”, in order to try and keep the American identity as strong as it can. During our research, the author realized that a dynamic capability could support and reinforce another dynamic capability. However, if an organization wants to carry an American identity, it is vital to have American instructors that can offer the language skills to students but the American culture as well. According to Winter (2003), dynamic capabilities may need to be refreshed.

It is an essential fact that one of the programs that the organization owns is an American programme through partnership that is unique in Greece because the focal organization managed to gain a competitive advantage and many educators attend America for training purposes. However, the goal of this training is to have qualified teachers that can participate in that specific program. Additionally, Greek teachers that desire

to attend America for training reasons need to fulfill some specific criteria for this program. That means that not everyone can participate in that training process. The organization needs to find ways to offer training programs to America for all the educators from all the divisions. The case company could make some exchanges with other American organizations because many of the educators do not only want to participate in a training program but want to see how an American organization functions and talk with other foreign educators who have the same interests and ideas. With this approach the focal organization could have educators that have gained an American teaching experience but at the same time they could achieve some new partnerships or get new educational ideas or methods. Bush and Bell posit that partnerships in education seek to impact on activities in the classroom that influence pupil performance as much as on the school and the regional administrative structure. Partnership in this context refers to the formation of co-operative relationships as well as may challenge teachers' professionalism. Partnerships are much more positive and productive, reinforcing the virtuous win/win circle; everyone could benefit from "lengthening and embracing their own and each others' perspectives respectively".

A school manager has a double role in terms of professional development. On the one hand, a school manager can appreciate what an educator wants to learn and find ways to accept it and make it adoptable to the organization, but at the same time he needs to manage the learning community as a whole and provide common training programs to all the educators.

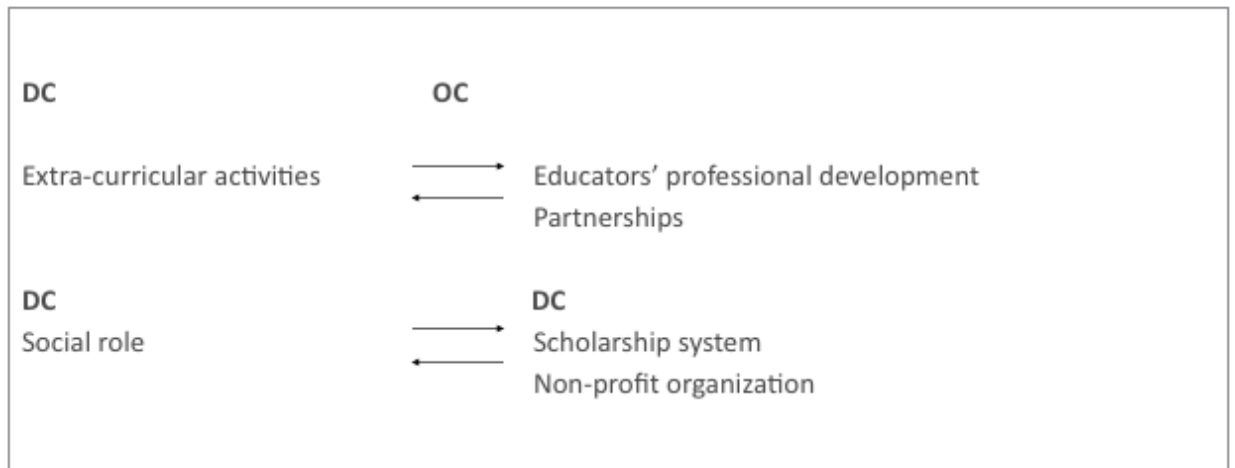
Simultaneously, the case company could create and work on projects or on workshops with students that require the cooperation of American students. They could cooperate through the social media, as students nowadays are very familiar with them. In order to change or to reinforce the American culture inside the school, school leaders could make the difference. A leader has the ability to change the culture of an organization by understanding it and then realigning the organization's culture with a probably new vision. A leading strategist from the organization informed us that all these years the vision and mission of the focal organization has remained the same and all the leaders tend to follow them. However, a leader not only needs to follow the vision of an organization but he needs to build a strategy that reinforces this vision. That

means that the case company could have American leaders, for instance directors or a manager, who could provide his advice and experiences to all the teachers.

When someone examines an organization like this, which holds so many resources and has so many experiences through all these years of its existence, he can be more flexible. Kenneth Arrow posited that an organization can “acquire more information than any individual”. That means that the organization or a firm could use its capabilities in different ways in order to gain a sustainable competitive advantage. Furthermore, when someone examines an organization like this, strategists need to know very well the organization’s capabilities, so that they could utilize them properly and make some “matches” between them. So through this process they could find a unique capability that is of value to its customers and that probably no other organization has. If organizations have the capacity to find out new capabilities, that would happen only if the organizations design flexible mechanisms for differentiation.

The matching process indicates that a dynamic capability can remain distinctive because of a set of ordinary capabilities. In the previous example, one of the dynamic organizations’ capabilities as the majority of the interviewees mentioned was the extra-curricular activities. In order to stay as strong as possible, ordinary capabilities are there to support and reinforce them. This kind of activities need educators that have the knowledge to support them and probably partnerships can offer new innovative programs and ideas.

At the same time, a dynamic capability can be distinctive because of the contribution of another dynamic capability. In the previous example, the dynamic capability of social role has a direct relationship with the scholarship system that the organization holds.



2. The matching process

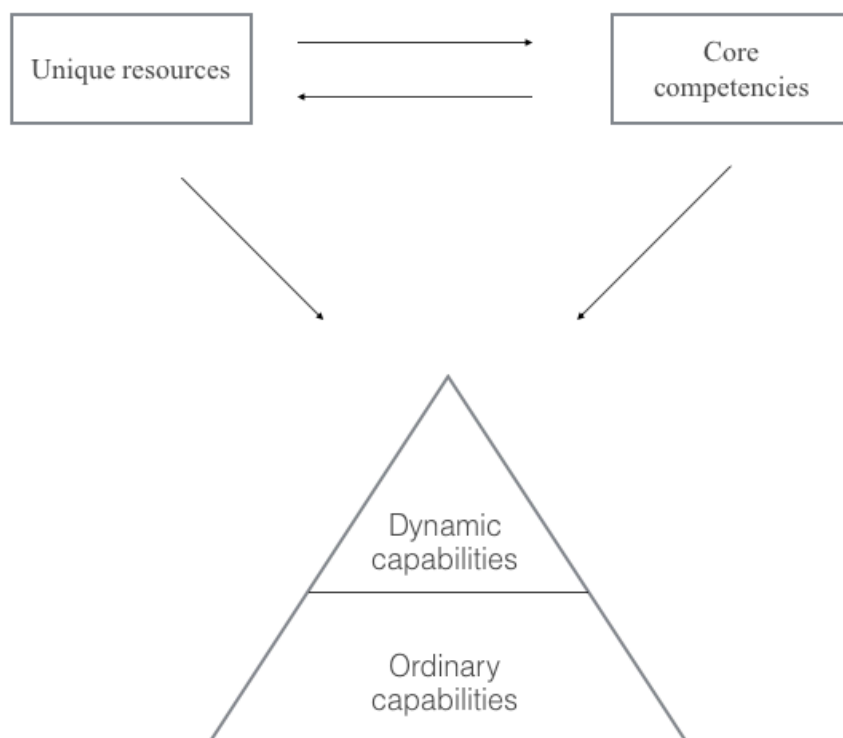
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However useful experiences and history can be for a strategist to follow this "matching process", at the same time he has to be equipped with unique competencies or "core competencies" that would help him deploy the organization's unique resources in a way to achieve competitive advantage. The author came to the assumption that a dynamic capability could arise if there was a strong combination between unique resources and core competencies. For example, as the author mentioned before, the focal organization that has been examined owns a unique library (tangible resource), so a strategist could think how the case company can take advantage of it and if the staff has the appropriate knowledge and skills to use this library and create a new learning experience (core competencies). On the other hand, an organization could think this

process in the opposite way. That means that the organization could examine the core competencies that the staff owns in order to understand which for instance tangible resources the staff will need. That process could lead to a unique tangible resource as well. Any manager needs to remember that one stage, which is very important for the resource allocation process, is the evaluation of the past use of resources with a view to informing future decision-making.

An organization needs to think very frequently how it can reinforce its threshold capabilities in general and make them unique. It has to find ways and use the adequate knowledge, skills and resources to make them stronger and turn them into dynamic capabilities. However, the author cannot forget the ordinary capabilities, as they are responsible for different tasks such as administrative, operational or other related functions that are important to complete tasks and support dynamic capabilities. Without a strong system of ordinary capabilities, it is difficult to achieve a system of dynamic capabilities. The author can imagine that ordinary capabilities are the base that never stops working and helps an organization to feel prepared for any change.



3.The role of dynamic capabilities

10) Theoretical and managerial implications

One of the purposes of this paper is to add further knowledge in the field of improving education. People that work in this organization and all of them have a managerial position expressed their thoughts, ideas and tried to provide information that will be helpful not only for this specific organization but for the educational field in general. One more goal of the paper's contribution is to highlight the dynamic capabilities that an educational organization could hold and how operational capabilities can support dynamic capabilities. Additionally, the importance of resources towards this direction draws on the RBV and path dependence theory and how these ideas reinforce organizations' capabilities. Last but not least, the paper aims to give some evidence of how a capability system leads to competitive advantage.

Managers and especially those who work in the private sector need to understand that the private educational system provides resources that encourage choice, autonomy, and competition that make organizations more flexible and innovative. That means that managers have to know very well the company's capabilities and figure out how they could bring new ideas and educational methods or program to their organization. The private sector has clients that are demanding, as they want to find the best organization for their children. So, parents as all the consumers tend to compare different organizations. Many of the parents take into consideration the innovative programs that an organization operates, so innovation capability is one of the most distinctive capabilities that a school manager has to cultivate all the time. Innovation could arise from teachers' professional development, which is an ordinary capability that the focal organization holds many years now. However, managers must be able to provide innovation programs to all the students. In many of the innovative programs that the school holds, parents need to pay an extra sum of money, and this is helpful as a new program needs extra funding for operational purposes. But a manager needs to find ways in order to bring innovation to all the students on a daily basis.

“It seems that especially the primary division managed to incorporate innovation programs into everyday teaching”.

Area leader

Additionally, managers need to focus on the American identity that the focal organization wants to hold and find ways to support this. As many interviewees mentioned, the case company used to be the only organization in the town that offers English lessons and many of the courses used to be taught in English. This dynamic capability lost its direction through the years and the managers have to refresh this strong capability. If this capability does not gain ground, it is difficult for the focal organization to retain its American identity. The author proposes that this organization could offer all its extra-curricular programs in English from primary division to high school. That could be a new dynamic capability in the future. The case organization could make this difference as it holds unique programs (operational capability) and at the same time it is an American school.

Another dynamic capability that the school holds is its scholarship system. Through this system, schools build a good reputation the purpose of which is to provide its services to all the students of the country. People tend to appreciate this thought and students learn the meaning of giving to the others.

In addition, the history of the focal organization and the most recent years made us understand that one of the strong organizations' capabilities is the sense of giving back to the society. The case company through some cooperations with other organizations, for instance bookstores, banks or environmental organizations, can organize activities which have this goal. These activities could be open to the society in general, but if the case company wants to induct students to this way of thinking it is better to organize these kinds of ideas in their everyday life. In addition, managers could settle specific activities for all students depending on their age but the goal would be the same. With this approach the organization will probably continue to have alumni that still care about their school.

Innovation plays an important role in education and especially in this organization as it is one of the dynamic capabilities or it is one of the “pillars” that the focal organization supports. There are many and new programs that exist in the educational field and could offer unique experiences to students. Innovative programs are essential

as they can offer practices that could change not only the classroom but even the organization as a whole. Innovative programs can give teachers new tools which, with the adequate training, they could use in their teaching process. Technology has a vital role as an educational innovative tool. There are many educational organizations that use computers or tablets in their everyday teaching process. However, educational organizations need to understand and know why they want to use these devices and if these machines reinforce teaching and students' effectiveness. In this organization students use technology as a tool and teachers have the adequate training experience in order to support this program. To be more specific, the primary division runs the one-to-one program, which means each student, has its own tablet. In this program students that are in the 4th and 5th grade participate. Research shows that students who utilize one-to-one technology devices were found to be more independent in their learning (Ricci, 1999; Zucker & McGhee, 2005) and better organized (Lowther, Ross & Morrison, 2003). In general, an organization that has the ability to introduce new programs and have the resources to support them needs to know why they need them in every division. Managers have to keep the equilibrium between innovation and educational systems, all the divisions and especially primary and secondary divisions need similar innovative programs that support students and build the mission and the vision of the organization.

One of the programs that the primary school of this organization supports and needs to be introduced especially to the secondary education as well is the "Entrepreneurship education" which has the ability to provide the skills and the knowledge that are important for every young person to carry. The purpose of this program is to help a student be an individual who can turn his ideas into action through innovativeness and creativity. As Carden claims, creativity, innovation, and entrepreneurship became critical factors for modern prosperity in the 21st century. At the same time Cone mentions that more than 2000 institutions offer entrepreneurship courses.

The author proposed the importance for each organization to find and be aware of its dynamic capabilities, but at the same time to have the management skills to collaborate these dynamic capabilities in order to make them stronger and their duration to become longer.

11) Limitations-Future research directions

The aim of this study is to provide implications to public policy makers and help in understanding the importance of using dynamic capabilities as a tool in educational management and to start a research with this theme in public organizations. In addition, the focal case study organizations' governance structure have the chance to evaluate the focal organizations' capabilities and take decisions of how they are going to handle them in the future in order to gain a better performance. Last but not least, this study aims to provide implications to teacher trainings' organizations as well as implicates for future research not only in Greece but internationally.

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Appendix

Area leader

Responsible for establishing excellent community relations with a focus on maximizing the company's positive publicity and enhancing its corporate image the last five years. This leader has the capacity, to create opportunities for the company to promote its corporate responsibility program through significant sponsorships and partnerships.

Area leader

Responsible for the organization branding and for the promotional material for example the development of TV commercials and different campaigns from 2007. In addition this leader is in charge of qualitative and quantitative surveys that are helpful in order to build organization's strategy.

Area leader

Responsible for all financial management aspects of institutional operations, including the supervising of financial planning, accounting and budgeting efforts at all three divisional levels from 2009.

Area leader

Responsible for organization's strategy of all three educational divisions since 2012.

Area leader

Responsible for oversight of organizations' two junior, senior high schools (gymnasia and lykeia) and elementary school since 2011.

Area leader

Responsible for oversight of school's primary division since it was founded in 2003 until 2014.

Area leader

Responsible for the branding, marketing, and fundraising team whose aim is to maximize both engagement and support from the College's many constituency groups and supporters.

Area leader

Responsible for innovation and planning and in charge of cross-divisional programs. In addition this leader is responsible for operational issues like facilities, security, IT.

Area leader

Responsible especially for the instructional design and organization' s development. Academic Dean in one of the school' s programs. Coordinator of one of the organization' s conferences and in general this is leader serves as an instructor in organization.

Public School Leader

Doctor in Philosophy and Education

