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# The Transformation of Business Models in Technology-Enabled M&A: A Case Study of Amazon

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## Abstract

Little is known about how a configuration of dynamic capabilities (DC) contributes to the transformation of the business models (BM) of ICT acquirers. The chapter addresses this limitation by taking a strategy-as-practice theory perspective. The inductive (illustrative) case study Amazon.com acquisition of Whole Foods (2017) demonstrate how acquires sense new customer group and new key activity; seize new resources and key partnerships and transform organization by mean of new promotional channels and new customer relationship, therefore change cost structure, create new revenue streams, and develop new customer value proposition. The chapter develops a practice-driven model as a practical guide for scholars who have been studying DCs and BMs, as well as for those who are new to the field.

**Keywords:** dynamic capabilities, business model, merger and acquisition

## 1. Introduction

A focal firm's growth strategies and performance are greatly influenced by the integrative type of strategies, collaborative (alliances, networks, joint ventures) or consolidative (mergers, acquisitions), to foster the innovation and to deliver new customer value propositions. In recent years, collaborative and consolidation strategies have received great attention in strategic management literature. Researchers in strategic management argue that the performance outcome of a specific growth strategy is usually affected by the dynamic capabilities and business models [1–3]. What is the research gap in the existing literature on dynamic capabilities and business models? First, dynamic capabilities in merger and acquisition are complex events in the process of sustain complete advantage of merging business for which we have an incomplete understanding, in part because researchers have tended to consider an only explanation of them. What is more, there are very few research papers that applied the dynamic capabilities' framework as a tool of the business analysis of a reinvention of a business model of an acquirer company in M&A processes. Second, the reinvention of business models of acquirers is still an open area for research due to the following reasons. Johnson et al. [4] gave brilliant ideas on a reinvention of business models and their building blocks for focal companies, but still, a question remains, what capabilities are needed in a reinvention of business models in the process of M&A? Pursuing scientific rigor and helping

practitioners to reinvent of their business model, Amit and Zott [5] integrated dynamic capabilities with business model design process, but what about reinvention of operationalized components of the model or building blocks of business models in M&A process? To reinvent building blocks of business models, Kim and Mauborgne [6] recommended to apply “four steps framework: eliminate, reduce, increase and create,” namely, to eliminate and to reduce elements of business model thereby to eliminate and to reduce expenses as well as increase and/or create as new some elements of business model thereby to increase a revenue stream and to create a new customer value proposition [2]. However, it is silent about what dynamic capabilities are needed for that.

Capturing valuable insights from the dynamic capabilities’ framework [4] and business model canvas [2], this chapter aims to integrate two theoretical perspectives in the cohesive conceptual model. Why is it important to combine the dynamic capabilities and business model literature? Adoption of seminal Teece’s framework [7] of dynamic capabilities and operationalized components (building blocks) of business models [2], in online and offline grocery businesses, allowed the construction of the conceptual model for practitioners and scholars, which consequently can be tested by methods of statistical analysis in future research.

The motivation for the research is as follows: the author wanted to know how acquisition-based dynamic capabilities support a reinvention of building blocks of business models. The chapter discusses how a focal firm makes strategic decisions under uncertainty and deals with the commercialization of innovation by means of dynamic capabilities to sense a new demand, capture new resources and partnerships, transform channels and customers’ relationship, and deliver a new customer value proposition, particularly, by means of acquiring new technologies, advanced engineering team, and new users’ base. That is what Amazon did with Whole Foods in 2017. This case study of Whole Foods acquisition by Amazon was selected due to the following reasons. Firstly, this empirical literature is still at an early stage, and opportunities abound to dig deeper into the linkages between dynamic capabilities (DC), a reinvention of business models, and long-run firm performance. “The research paradigm of dynamic capabilities is still relatively new. Accordingly, illuminating case studies are likely to yield powerful insights” ([8], p. 1400). Secondly, the chapter digs deeper into the acquisition-based DC in M&A to develop an integrated practical example of how dynamic capabilities and building blocks of business models are interrelated in successful M&A process in the ICT industry. The main contribution of the chapter is an emerging conceptual model of research that integrates acquisition-based dynamic capabilities’ frameworks [7] and business model canvas [2] together and, thereby, illustrates how acquisition-based dynamic capabilities underpinning a reinvention of business models in M&A process. This conceptual practice-driven model can be a practical guide for scholars who have been studying DCs and BMs, as well as for those who are new to the field. What is more, the chapter has contributed to the interest of the strategy practice group of the Strategic Management Society by answering questions which the group attempt to answer: what are the capabilities required to perform strategy work, and what are the microfoundations of the activities involved in the doing of strategy?

## **2. Literature review**

The recent scientific discussion in the field of strategic management broadly favors the idea of dynamic capabilities in order to overcome potential rigidities of organizational capability building [9]. “The theoretical and practical importance of developing and applying dynamic capabilities to sustain a firm’s competitive

advantage in complex and volatile external environments has catapulted this issue to the forefront of the research agendas of many scholars” ([10], p. 917). This is especially true for strategic behavior in the digital economy, as shown in this chapter. This chapter examined DC in the online grocery business industry in which the external environment shifted to some extent from a click (online grocery) to a brick (offline grocery). DC can usefully be thought of as belonging to three clusters of activities and adjustments: (1) identification and assessment of an opportunity (sensing); (2) mobilization of resources to address an opportunity and to capture value from doing so (seizing); and (3) continued renewal of core competencies (transforming) [7]. Sensing implies that the organization must constantly scan, recognize, and appraise opportunities and threats across various markets and technologies. Investigating customer needs is a typical sensing activity. Once an opportunity has been sensed in order to bring the new services, processes, and activities, the organization should seize the opportunity. To seize an opportunity may require renewal and reconfiguration of organizational capabilities and investment in technologies, equipment, and markets. Thus, transforming is how to organize new and old resources for organization’s value maximization. One key implication of the DC concept is that firms are not only competing on their ability to exploit their existing resources and organizational capabilities but also on their ability to explore, renew, and develop their organizational capabilities [11]. During the past two decades, research in DC has promised to unlock the understanding of how competitive advantage arises in dynamic markets. However, to date, empirical work has, by and large, focused on what DC is. There has been little work demonstrating how they actually operate and contribute to competitive advantage other than at the conceptual level [12]. Stefano et al. argue that despite the exceptional rise in interest and influence of dynamic capabilities, criticisms of the dynamic capabilities’ perspective continue to mount [13]. Common concerns are related to a lack of consensus on basic theoretical elements and limited empirical progress [13]. Specific capabilities that have been identified and studied involve research and development [14], product innovation [15], ambidextrous organizational structures [16], network responsiveness [17], and human capital management [18]. However, there are only a few pieces of research on specific dynamic capabilities that have been identified and studied involving merger and acquisition. Teece argues that it might be “because assets are bundled together often tightly linked inside incumbent firms, it may be difficult to obtain assets in the desired configurations through asset purchase or sale in mergers and acquisitions” [7]. However, by Eisenhardt and Martin [11], practice with homogeneous acquisitions (i.e., those in the related markets) was positively associated with the accumulation of tacit and explicit knowledge about how to execute acquisitions and achieve superior acquisition performance. Making strategically important investment choice on M&A, dynamically capable management team needs such managerial capabilities as sensing and shaping, seizing and reconfigurations (transforming), as well as reinvention and implementation of new business model [7].

Value creation through M&A requires the simultaneous identification of target with similar dynamic capabilities on certain dimensions and different dynamic capabilities on other dimensions. “While similarity is seen as an indicator for efficiency-based synergies (scale and scope), complementarity provides firms with both efficiency synergies and value created from those differences that are mutually supportive. Studies give clear empirical evidence that complementarities are a significant factor for M&A success” ([19], p. 272). Through the interaction of complementary characteristics, value creation does not only derive from cost savings, but the value is also created by a growing turnover and market share [20]. Complementarity has been studied in terms of top management team

complementarity [20], technological complementarity [21], strategic and market complementarity [22], or product complementarity [23]. However, the study in terms of complementarity of dynamic capabilities in M&A is still waiting for researchers.

**Proposition 1.** The success of consolidative strategies (merger or acquisition) is provided by the degree of similarities and complementarity between the dynamic capabilities of two merging businesses.

In recent year, the business models have received increasing attention of strategy researchers. Business models characterize the focal firm's plan for its value creation and capture [24]. From the point of view of Johnson et al. [4], a business model consists of four main elements, the synthesis of which delivers value, customer value proposition, profit formula, key resources, and key processes.

Osterwalder and Pigneur [2] with real 470 business practitioners from 45 countries extended a number of elements and developed Business Model Canvas with nine building blocks: customer segment, value proposition, channels, customer relationship, revenue stream, key resources, key activities, key partners, and cost structure. Slightly adapted Johnson et al. [4] and Osterwalder and Pigneur [2], Teece proposed three main components of the business model: "Cost Model: Core Assets and Capabilities; Core Activities; Partner Network. Revenue Model: Pricing Logic; Channels; Customer Interaction. Value proposition: Product and Service; Customer Needs; Geography" ([25], p. 41). With respect to brilliant contributors to dynamic capabilities and business models' frameworks, there is still a gap in understanding what and how dynamic capabilities lead to new cost structure and revenue streams and how dynamic capabilities foster new value proposition of acquirer's company in M&A process. We must understand how acquisition-based dynamic capabilities transform and reinvent components of a business model acquirer's company.

What exactly is meant by the reinvention of building blocks of business models? The reinvention of building blocks of business meant the process of the transformation of the most important activities, capabilities, and resources of the company to reduce cost, to increase revenue stream, to deliver new customer value proposition, and thereby to sustain competitive advantages. How acquisition-based dynamic capabilities support a reinvention of building blocks of business models? There are three sets of acquisition-based dynamic capabilities which should be developed to transform and reinvent a business model of an acquirer to achieve competitive advantage. The first set of acquisition-based dynamic capabilities (sensing and shaping) is contributing to select new key activities and new customer segments, thereby contributing to an acquirer to shape emerging market demand and new technologies needed. The second set of acquisition-based dynamic capabilities (identifying and seizing) is supporting an acquirer's company to obtain new key idiosyncratic (VRIN) resources and to extend a partnership's networks. The third set of acquisition-based dynamic capabilities (transforming and reconfiguring) is contributing an acquirer's company to transform new customer relationships and promotion channels and, thus, to deliver the new customer value proposition. Thereby, an acquiring company would result in a new cost structure by eliminating and reducing capital expenditure and operating expenses, due to an economy of scope, and would generate new revenue streams by increasing and creating new key activities. A result of those transformation processes, acquirer's company can newly sustain competitive advantage. The theoretical framework of the research is presented in **Table 1**.

**Proposition 2.** Business model's elements of both acquirer's and the target's companies can successfully fold into the new business model by means of acquisition-based dynamic capabilities and contribute to reduce

Acquisition based dynamic capabilities of the acquirer	Sensing and shaping	Identifying and seizing	Transforming and reconfiguring	Resulting and sustaining
Designing new building blocks (operationalized components) of the business model of acquiring organization:	Sensing new key activities  Shaping new customers' segments	Identifying and seizing new key resources  Identifying and seizing new key partners	Transforming channels  Transforming customers' relationship  Reconfiguring new customers value proposition	Result in new revenue streams  Result in new cost structure  Sustaining new competitive advantages

**Table 1.**  
 The theoretical model of research: bridging together acquisition-based dynamic capabilities and reinvention of a business model.

cost, to create a new revenue stream, to deliver a new value proposition, and therefore to sustain competitive advantage.

### 3. Research design and methodology

“Building theory from case studies is a research strategy that involves using one or more cases to create theoretical constructs, propositions and/or midrange theory from case-based, empirical evidence” ([26], p. 25). Yin defines the case study research method as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used” ([27], p. 23). Some critics suggest case study research is useful only as an exploratory tool or for establishing a hypothesis, and some would claim it is unscientific [28]. When it comes to the validity of qualitative case study research, the validity refers to the extent to which the qualitative research results accurately represent the collected data (internal validity) can be generalized or transferred to other contexts or settings (external validity) [28]. Ultimately, each case can be viewed as a discrete experiment that could be repeated [29].

This chapter seeks to explore how acquisition-based dynamic capabilities underpinning a reinvention of business models in the M&A process. As objects of research, the author selected the company that is especially active and successful in online shopping and particularly in the online and offline grocery business. The unit of analysis is dynamic capabilities. In this research, two stages of research work will be involved. Firstly, to justify propositions, the author did the contextual content analysis which relied on an archival search that included financial statements, annual reports, internal documents, industry publications, and CEO statements to get at a microlevel understanding that really boosts data and the better understanding of the microfoundations of DC and building blocks of business models of acquirers and targets.

Even though a strategy-as-practice or process-based approaches in empirical qualitative research usually have an element of ethnographic or discursive analysis using primary data (sometimes in addition to secondary data, sometimes alone), the current chapter relied on an extensive search of secondary data. The key to secondary data analysis is to apply theoretical knowledge and conceptual skills to utilize existing data to address the research propositions. The major advantages associated with secondary analysis are the cost-effectiveness and convenience it provides [30]. A major disadvantage of using secondary data is that the secondary researcher did not participate in the data collection process and does not know exactly how it was conducted. However, the obvious benefits of using secondary data can be overshadowed by its limitations [31]. Original survey research rarely uses all of the data collected, and this unused data can provide answers or different perspectives to other questions or issues [30]. In a time where vast amounts of data are being collected and archived by researchers all over the world, the practicality of utilizing existing data for research is becoming more prevalent [30, 32].

The aim of the content analysis of illustrative case study of Amazon's acquisition of Whole Foods at 2017 is to explicate the relationship between acquisitions-based dynamic capability and reinvention of acquirer business model and, thus, sustained competitive advantage. Content analysis is a qualitative research method that uses a set of procedures to classify or otherwise categorize communications [33]. Typically relying on archival data to extract criteria of interest to strategic management scholars, content analysis has aided in analyzing corporate strategies [34], organizational boundaries [35], new product development [36], organizational resources [37], strategic groups [38], and joint ventures [39]. Any source of communication such as shareholder letters, interview narratives, video records, speeches, or transcripts from recorded meetings of executives could be used by a strategy researcher as an effective data source for content analysis. It provides a good match theoretically between the information being assessed (how information is being content analyzed) and the context from which it is drawn (does the type of text being used as a source of content analysis data fit the propositions?).

Generally, three broad types of content methodologies exist [40, 41]: human-scored schema, individual word count systems, and computerized systems using artificial intelligence. Human-scored systems involve training of coders to classify text according to specific classification categories. In this system, the first step is a determination of what aspect of text will serve as the unit of analysis (word, phrase, sentence, paragraph, full text). Then, categories are developed for classification, and coding rules are developed for each category. In contrast to human-scored schemas, individual work count systems classify text into several semantically equivalent categories and then use frequency of an occurrence to determine the relative importance of each category in a text [33]. Finally, artificial intelligence systems incorporate features that consider the syntax and lexicon of words [41]. Thus, there is a mechanism to resolve words with more than a single meaning. For this study, the author has chosen human-scored systems and individual work count systems. Dynamic capabilities served as a unit of analysis.

To justify the first proposition, the author has chosen human-scored systems and classified text into three specific classification categories, namely, sensing, seizing, and transforming dynamic capabilities. When it comes to the format of the presentation, the author has adopted a conceptual frame developed by Teece [42]. The conceptual frame helped to unravel data in the text that the author has collected in search of similarities and complementarity of the micro-foundations of the dynamic capabilities of both companies. To justify the second proposition, the author applied an individual work count system, the text has been allocated within nine building blocks of the business model of both companies (as semantically equivalent

categories), and identified compatibilities and complementarity of companies' business models. Then, the author has allocated operationalized components of the business model into each cluster of dynamic capabilities (sensing, seizing, and transforming) to demonstrate how acquisition-based dynamic capabilities underpinning the transformation of the business model. The second stage of research involves a demonstration of the development process of the new conceptual model of research by using illustrative content analysis finding and literature research outcomes. This empirical research helps to fill a gap in the literature which is primarily 75% theoretical and only 25% empirical—focusing on proving the existence of dynamic capability [43]. The chapter discusses and interprets the results of the qualitative and explorative research in the next subchapters.

#### **4. Data analysis and interpretation**

Teece argues that individual corporate histories and illuminative case studies yield powerful insights to dynamic capabilities research. [5]. In a move that surprised the 2017 year, Amazon, the largest online retailer, announced its intention to purchase Whole Foods for \$13.7B in cash. Amazon had been dabbling with traditional brick-and-mortar activities for a few years already—from owning a few physical stores to running experiments like “Amazon Fresh” and later “Amazon Go.” However, its competitors including Walmart were far ahead than Amazon with revenues of \$ 486 billion as compared to Amazon's \$136 billion [44]. Some have interpreted Amazon's move as a signal that the online giant is finally giving in and investing big in brick-and-mortar retail. How is this particular acquisition different from any other acquisition where the target firm is attractive because of its business channels and market reach? Most acquisitions are carried out to acquire these target firm's capabilities; how is the Amazon acquisition of Whole Foods different? The answer is this acquisition is carried out to acquire big data of more affluent customers with an interest in eating healthy and sustainable foods spending extra money to purchase. Digging deeper, though, it is clear that Amazon's real interest is in two things: first, the treasure trove of consumer data that comes with this acquisition; and second, Whole Foods private brand product [44]. The big data from Whole Foods customers are literally “rich.” What exactly is in the Whole Foods data that Amazon would want? The answer is grocery buying habits and patterns. Preferences and correlations between purchases of different products and even different categories [44]. Jeremy Stanley, vice president of data science for Instacart, one of Amazon's competitors in the grocery space, recently told CNBC: “One of the wonderful things about groceries is that compared to other e-commerce purchases, groceries are habitual and frequent. People need groceries every week” [44]. Amazon can also use its process and technology expertise to take enormous costs out of the supply chain and store operations of Whole Foods while improving the in-store experience. Amazon has mastered the “test and learn” approach to large-scale innovation that most companies aspire to. Whole Foods provides Amazon with an incredible platform for the transformation of industry [45].

**Justification of proposition 1.** The success of consolidative strategies (merger or acquisition) is provided by the degree of similarities and complementarity between the dynamic capabilities of two merging businesses.

The persistence of existing dynamic capabilities depends on the impetus for change (sensing), the strength of the perceived need to change (seizing), and the managerial capacity to integrate and recombine resources (transforming) as desired [46, 10, 7]. Zahra et al. [10] argue that the lack of success to solve a problem with current capabilities triggers the development and use of new dynamic capabilities.

The research has explored the selected dynamic capabilities of the target’s company and acquirer’s company. The justification of the first proposition is given in **Tables 2** and **3**. The research has identified several similarities in the dynamic capabilities of two companies. Both companies were successful to sense emerging market demands, to seize opportunities by developing products and platforms, keeping leading positions. Thereby, the dynamic capabilities of sensing and seizing of two companies are quite similar.

However, companies were not always successful in transformation or reshaping resources: Amazon’s low grocery’s margins, difficulties to deliver food considering their perishability nature, as well as Amazon Go store’s technology faced problems. Regarding Whole Foods, there is a massive cost disadvantage compared to their traditional grocery competitors. There are also several complementarities of the dynamic capabilities of an acquirer and a target. One of Amazon’s weaknesses is the huge cost of losses due to food items becoming bad, a problem which the company had never faced with toys and books. Even though the grocery business was approximately \$ 800 billion per the year 2016 in the USA alone [47], Amazon has limited knowledge and experience in the offline retail environment. That is why, for Amazon Fresh to be successful, the company needed to acquire more expertise in perishable grocery procurement. In contrast, Whole Foods becomes an organic

Products	Sensing	Seizing	Transforming	Result in
Online and offline food stores	Amazon sensed the need for having its footprint in the physical stores combined with online stores. Amazon saw a grocery business as an emerging business opportunity	Amazon set up a subsidiary Amazon Fresh, a grocery delivery service. Later Amazon decided to enter into food and consumable goods manufacturing through Amazon Elements, by establishing a partnership with TreeHouse Food Inc.	In March 2017, Amazon announced Amazon Fresh Pickup, a drive-in-type grocery store for Amazon Prime subscribers. In January 2018, Amazon started up offline retailing Amazon Go, first brick-and-mortar convenience food store on Amazon	Grocery’s <i>margins were low</i> , and its goods were <i>difficult to deliver</i> considering their perishability nature. Amazon Go store’s <i>technology faced problem</i> in tracking over 20 people

Source: Developed by author.

**Table 2.**  
*Dynamic capabilities of Amazon before the acquisition of Whole Foods.*

Product	Sensing	Seizing	Transforming	Result in
Whole Foods	Whole Foods found that “where food comes from and how it is grown matter” (case)	Whole Foods becomes an organic supermarket which distinguishes itself by offering “highest quality natural and organic products”	Whole Foods attempted to expand to 1000 stores, it could either build stores more closely together or build lower-cost stores in areas that had more price-conscious consumers [32]	Whole Foods has a <i>massive cost disadvantage</i> compared to its traditional grocery competitors [32]

Source: Developed by author.

**Table 3.**  
*Dynamic capabilities of Whole Foods before the acquisition.*

supermarket which distinguishes itself by offering “highest quality natural and organic products.” However, Whole Foods recent poor performance stems from a major strategic mistake they made about 4 years ago. Whole Foods in its current incarnation is a niche business that can only profitably sell “food for the 1%” but is trying to sell to everyone [45]. Therefore, Amazon can provide resources for future Whole Foods development, and at the same time, Amazon can develop their own offline grocery business.

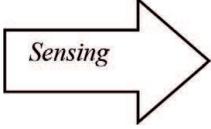
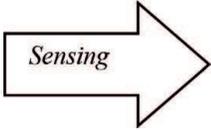
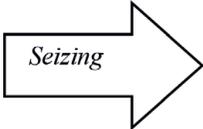
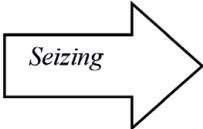
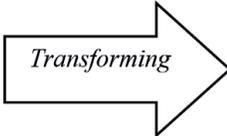
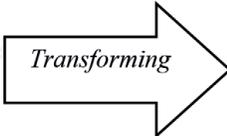
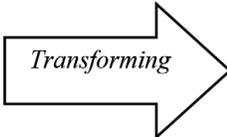
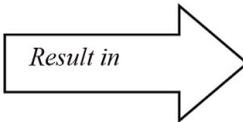
**Justification of proposition 2.** Business model’s elements of both acquirer’s and the target’s companies can successfully fold into the new business model by means of acquisition-based dynamic capabilities and contribute to reduce cost, to create a new revenue stream, to deliver a new value proposition, and therefore to sustain competitive advantage.

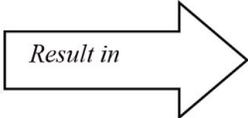
Having analyzed both Amazon and Whole Foods building blocks of business models, the research justified the second proposition, as shown in **Tables 4** and **5**. The acquisition-based dynamic capabilities helped Amazon to reinvent of building blocks of the business model as follows. Amazon sensed new key activities and new customers’ segments for their business: Whole Foods customer has over \$1000 per month disposable income. Amazon has a better understanding of the customer than any other retailer. The Motley Fool estimates that over 80 million people are Amazon Prime members. With this big data, it is capable of building analytic models which can predict what these consumers will want, how much they will want, and when they will want it.

Amazon seized new key (idiosyncratic) resources by acquiring Whole Foods logistic system, customer’s base, and a key partners’ network.

To be successful in the offline retail food segment and in own-brand grocery stores, Amazon needs to have knowledge of traditional retailing and effective supply chain management in both factories and retail stores. Amazon has limited knowledge and experience in the offline retail environment. The company learned about food market through Amazon Fresh but now can learn about food stores or grocery manufacturing. Amazon has good supply chain management in a warehouse for online retail order, but now Amazon is certain whether this experience is transferable to an offline retail store. Hence, Amazon reconfigured new *customers’ relationship and channels*.

While Amazon’s purchase of Whole Foods enables them to add a tremendous amount of data to their coffers, the true differentiator lies in the company’s mastery of using data to better understand their customer’s needs, predict shopping behaviour and generate longevity with its loyal customer base [47]. Therefore, Amazon transformed its *customer value proposition*, delivering new value to the clients of both companies and capturing new value for shareholders. “This partnership presents an opportunity to maximize value for Whole Foods Market’s shareholders, while at the same time extending our mission and bringing the highest quality, experience, convenience, and innovation to our customers,” John Mackey, Whole Foods CEO, said in a statement [49]. Given the jump in Amazon’s stock price after the announcement, shareholder approval of the deal has virtually paid its total cost. When people suggest that Amazon has overpaid for Whole Foods, they completely miss this point [45]. Amazon also can help Whole Foods buy high-quality products more cost-effectively and thus improve gross margins while keeping customers satisfied. As results, Amazon can change *cost structure* as well as potentially increase *revenue streams* for mobile professional users and can result in a new competitive advantage. Adding Whole Foods selection of items to its Amazon Fresh grocery delivery service could give the company a competitive advantage against Peapod, FreshDirect, and Google, whose express delivery service now reaches almost 90% of the USA [50].

Building blocks of the business model	Amazon business model	Dynamic capability of Amazon	Whole Food business model
<i>Customer segments (Scope)</i>	<ul style="list-style-type: none"> <li>Millennials</li> <li>Global consumer market (North America, Europe, Asia)</li> </ul>	<i>Sensing</i> 	<ul style="list-style-type: none"> <li>The more affluent customer with an interest in eating healthy and sustainable foods spending extra money to purchase</li> </ul>
<i>Key activities (Scope)</i>	<ul style="list-style-type: none"> <li>Customer focused product development</li> <li>Well-developed supply chain</li> </ul>	<i>Sensing</i> 	<ul style="list-style-type: none"> <li>Natural and organic foods supermarket chain operations</li> <li>Production of packaged goods, prepared foods, body care, pet foods, and household goods</li> </ul>
<i>Key partners (Resources)</i>	<ul style="list-style-type: none"> <li>The business alliances and collaborations with logistic partners</li> <li>Partnership with third-party sellers</li> </ul>	<i>Seizing</i> 	<ul style="list-style-type: none"> <li>Supplier and procurement partners</li> <li>Agriculture and sustainability partners</li> <li>Whole trade certifier partners</li> </ul>
<i>Key resources (Resources)</i>	<ul style="list-style-type: none"> <li>Amazon Web Services</li> <li>Big data analytics</li> <li>Productive employees</li> <li>Physical warehouses</li> </ul>	<i>Seizing</i> 	<ul style="list-style-type: none"> <li>Distribution &amp; procurement centres</li> <li>The network of 412 stores across 42 US states, as well as ten stores in Canada, and nine stores in the UK</li> </ul>
<i>Channels (Organization)</i>	<ul style="list-style-type: none"> <li>Amazon.com</li> <li>Country-specific online portals</li> <li>API (for AWS)</li> </ul>	<i>Transforming</i> 	<ul style="list-style-type: none"> <li>The network of physical retail outlets</li> <li>Retail infrastructure, procurement, production, and distribution network</li> </ul>
<i>Customer relationship (Organization)</i>	<ul style="list-style-type: none"> <li>Fuse data, technology, and content to engage a loyalty program (their best customers) with geo-location reminders to incentivize store visits</li> </ul>	<i>Transforming</i> 	<ul style="list-style-type: none"> <li>A full range of products to its customers on a self-service basis through its online sales channel, which enables customers to browse products, place orders, and arrange deliveries</li> </ul>
<i>Customer value propositions</i>	<ul style="list-style-type: none"> <li>Eliminating the checkout line</li> <li>Real-time offers via mobile push notifications when customers are in store</li> </ul>	<i>Transforming</i> 	<ul style="list-style-type: none"> <li>The diverse catalog of premium products</li> <li>The commitment to organic and sustainable sourcing</li> <li>Offering online shopping services on desktop and mobile platforms</li> </ul>
<i>Cost structure</i>	<ul style="list-style-type: none"> <li>Investing profit back into the technology and the infrastructure</li> </ul>	<i>Result in</i> 	<ul style="list-style-type: none"> <li>The procurement of products and supplies</li> </ul>

Building blocks of the business model	Amazon business model	Dynamic capability of Amazon	Whole Food business model
	<ul style="list-style-type: none"> <li>• Research &amp; Development</li> <li>• Low-cost structure</li> </ul>		<ul style="list-style-type: none"> <li>• The operation and development of the online sales channel</li> <li>• The maintenance of IT and communications infrastructure</li> </ul>
Revenue streams	<ul style="list-style-type: none"> <li>• Revenues from product and service sales</li> <li>• Utility computing fees (for AWS)</li> <li>• Economy of scale</li> </ul>		<ul style="list-style-type: none"> <li>• The sale of various organic and fair-trade products</li> </ul>

Source: Developed by author

**Table 4.** Acquisition based dynamic capabilities of Amazon.com in the reinvention of their business model by acquiring Whole Food.

The reinvention of the business model of Amazon.com	Microfoundations of acquisition-based dynamic capabilities of Amazon.com
Selection, sensing, and shaping <i>new activities</i> and <i>new customer's segments</i>	Amazon is discovering the power of virtual and physical channels that interact seamlessly in support of the customer. Amazon has begun to test that logic with its venture into physical bookstores. Amazon is sensing more affluent customer with an interest in eating healthy and sustainable foods spending extra money to purchase. The proposed acquisition of Whole Foods catapults those efforts and provides extraordinary opportunities for experimentation in and execution of integrated retailing [45]
Identification and seizing <i>new resources</i> and <i>a new partnership</i>	Amazon did not just buy Whole Foods grocery stores. It bought 431 upper-income, prime-location distribution nodes for everything it does [44]. Amazon has mastered the “test and learn” approach to large-scale innovation that most companies aspire to. Therefore, Whole Foods provides Amazon with an incredible platform for the transformation of an industry
Reconfiguration and transforming <i>new customer relationship, new channels, and new customer value proposition</i> . Result in <i>new cost structure and new revenue stream</i>	This acquisition gives Amazon to reinvent and reengineer the process of buying, moving, and selling goods of Whole Foods. With 460 locations and a history of highly localized habits and preferences, Amazon will benefit from a trove of data that it can mine to write the future [52]. The brand Whole Foods is a good compliment to Amazon Fresh and Go and allow them to more aggressively target fresh food delivery to the at-home market. Amazon will ultimately be able to tailor the grocery shopping experience to the individual to better understand their needs, predict shopping behavior, and generate longevity with loyal customers

Source: Developed by author.

**Table 5.** Bridging perspectives together: the reinvention of the business model and micro-foundations of acquisition-based dynamic capabilities.

## 5. Findings and discussion

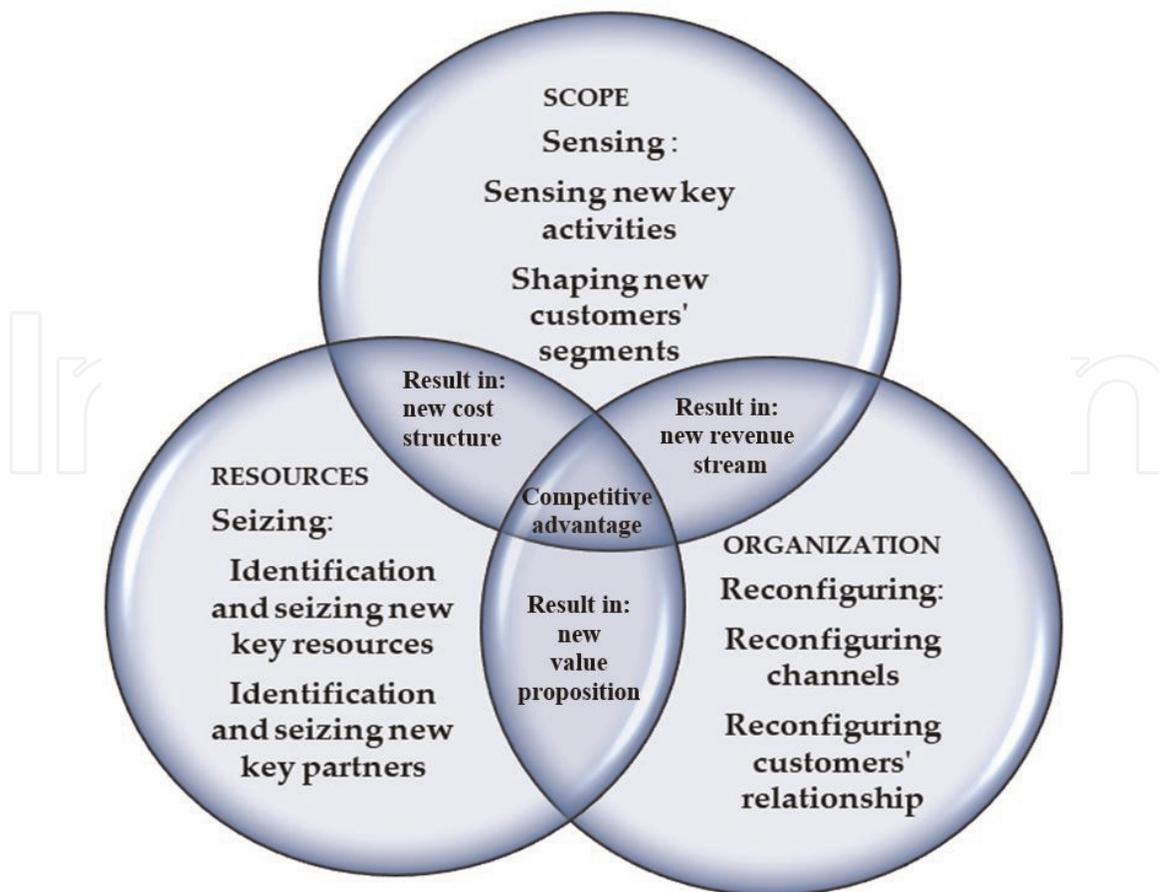
“The literature on dynamic capabilities has addressed the fundamental question of how companies develop the skills and competencies that allow them to compete and gain an enduring competitive advantage... However, the literature does not tell much about the antecedents of new firms’ dynamic capabilities” ([33], pp. 919–920). This chapter addresses the latter issue in great depth. The author used contextual content analysis [32] to justify two propositions. The contextual analysis provided a comprehensive solution to the challenge of identifying and categorizing key textual data [51]. Content analysis transformed unstructured data into organized information to give you a competitive edge [51].

When the chapter explored acquisition-based dynamic capabilities and business models of Amazon and Whole Foods, the research found the acquisition enabled a series of strategic innovations to integrate Whole Foods products with Amazon functionality and vice versa. Bridging two perspectives together, **Table 5** demonstrates what and why Amazon did with Whole Foods at the end of 2016 and how acquisition-based dynamic capabilities support a reinvention of building blocks of business models.

Amazon has high dynamic capabilities in *online technology but not in food distribution*. When some dynamic capabilities are missing, a company has the option to develop them internally or purchase them from outside. Amazon needed to acquire more knowledge of the retail market, improve management of its supply chain for the offline retail store, and continue investing in R&D for the grocery retail business. Dynamic capabilities of Amazon and Whole Foods are aligning and allowing them to improve existing products by *sharing’ experience, advanced technologies, and broad users’ base*. With Whole Foods acquisition, Amazon would benefit as it would get access to *tons of consumers and lifestyle data packed into consumer’s buying habits* [44]. Whole Foods is an attractive platform for Amazon for the transformation of an industry. Therefore, two propositions have been justified empirically. Does click successfully meet brick? The integration of Amazon and Whole Foods is not fully finished. Amazon is trying to become Walmart—not just an online megalith but also a physical powerhouse with dynamic pricing and stocking strategy—faster than Walmart can become Amazon [44].

With Whole Foods acquisition, Amazon would benefit as it would get access to tons of consumers and lifestyle data packed into consumer’s buying habits [44]. Morgan Stanley analysts think that the new Whole Foods has the ability to close the pricing gap between it and its competitors [53]. Zahra et al. [10] argue that entrepreneurs and other key organizational decision-makers failing with current applications spur attempts to change. However, key dynamic capabilities, such as transforming resource and developing new competencies, might be challenging for Amazon. Should Amazon manufacture its own products to make a higher margin? Could Amazon’s offline retail marketing concept be developed globally [54]? To become one of the biggest offline retail players, Amazon needs to educate customers and make a lot of investment. According to Tom Caporaso, the chief executive officer of Clarus Commerce, the Amazon Go business model relied on several recent technological innovations that required more time for testing [55].

Don Stuart, a managing partner at Cadent Consulting Group, concurred that even for the biggest online retailer like Amazon, to make the platform was a huge challenge [55]. What novel have I learned that goes beyond these existing frameworks of dynamic capabilities and business models? How do we need to change these frameworks based on insights from the case? The current research gave



**Figure 1.**

*The conceptual model of future research: bridging together acquisition-based dynamic capabilities and a process of the transformation of a business model.*

substantially more insights into the role that dynamic capabilities can play in acquisitions and how dynamic capabilities relate to business model transformation. Besides contributing to dynamic capabilities view on competitive advantages by adding fresh insights about successful acquisition practice, the research core contribution is in the emergent conceptual model for future research on the reinvention of a business model in merger and acquisition process as shown in **Figure 1**. Collis and Montgomery [56] argue that good corporate strategy requires a continual reassessment of the company's scope, requires continual investment in building and acquiring strategically valuable resources, and develops organization ability to marshal them. Thereby, the conceptual model also integrates a great corporate strategy triangle: strong market positions (scope), high-quality resources, and an efficient organization [56] as shown in **Figure 1**.

The conceptual model makes dynamic capabilities more visible, tangible, and to some extent measurable with the help of business model canvas.

## 6. Conclusion, limitations, and future works

When some dynamic capabilities are missing, a company has the option to develop them internally or purchase them from outside. Teece argues: "In short, the business model outlines the (industrial) logic by which customers are served and money is made" ([25], p. 41). The current chapter contributes to theory and practice by illustrating how this logic works in the M&A process. The model demonstrates that the intersection of sensing and seizing capabilities can result in a new

and more efficient cost structure; the intersection of sensing and transforming capabilities can result in the generation of a new revenue stream. The intersection of seizing and transforming capabilities can result in a new customer value proposition. Thereby, the acquisition-based dynamic capabilities are transforming the acquirer's business model and underpinning the acquirer's competitive advantage. The conceptual model integrates dynamic capabilities and business model perspectives in the new conceptual model for future research that encourages practitioners to grasp an exact relationship between the micro-foundations of each perspective. The conceptual model makes dynamic capabilities more visible, tangible, and to some extent measurable at least on the level of expected results (reduced cost and increased revenue streams). The resulting model is given in **Figure 1** also advances the discourse on DCs and BM.

There are several strong limitations to the research. Due to a limitation of the number of submitted pages, the research has provided only one evidence from M&A practice. Through the small data size and missing validation through a lack of robust analysis, the current chapter serves more as an introduction to the research, then as the results. Thereby, the chapter, being of an exploratory and interpretive in nature, raises several opportunities for future research, both in terms of theory development and findings validation. The conceptual model discussed in **Figure 1** could also be used to generate a number of hypotheses for further empirical testing using a broader sample and quantitative research methods.

What is more, because changing the BM is a central top-management task, there is potentially very fruitful link to top management team (TMT) theory [57]. For example, what dynamic managerial capabilities are more needed in BMI in M&A the process: managerial cognition capabilities, social capital, or human capital [58]? What is more important and what are less important dynamic managerial capabilities for decision-making processes in technology-enabled M&A deals (idea, justification, due diligence, negotiation) and for integration processes in M&A deals (acquisition integration, synergy management) [59]? The study can also be extended in longitudinal and comparative ways.

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