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## **Dynamic Capabilities and Innovative Orientation Towards Business Success in Turbulent Business Environments: The Experience of a Successful Woman Entrepreneur in Sri Lanka**

Sriyani, G.T.W.<sup>1\*</sup>, F. Mafasiya Fairoz<sup>2</sup>, Munasinghe, A.<sup>3</sup>

<sup>1 2 3</sup> Department of Management and Entrepreneurship, Faculty of Management and Finance, University of Ruhuna, Matara Sri Lanka.

\* Corresponding Author: [wsriyanigt@gmail.com](mailto:wsriyanigt@gmail.com)

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### **ABSTRACT**

Dynamic capabilities and innovative orientation are crucial for entrepreneurs achieving success in turbulent environments. Increasing number of women entrepreneurs and numerous obstacles face by them enhance the necessity of studying how women entrepreneurs utilize dynamic capabilities and innovative orientation for achieving success in turbulent business environments. This study is a qualitative inquiry of a successful woman entrepreneur in Western Province of Sri Lanka and utilized the narrative analysis by allowing the entrepreneur to share the experiences through the story telling. Business success was captured with her explanations on initial and present level of the business in terms of number of employees, physical facility improvement, market share, foreign markets, product developments and diversification. Environmental sensing & seizing, learning, integration & reconfiguration, and knowledge sharing are the dynamic capabilities that she possessed. Entrepreneurial characteristics including risk taking, need for achievement, tolerance of ambiguity, creativity & innovation, self-confidence & determination, passion, and optimism work as a strong drive for fostering the dynamic capabilities and innovative orientation throughout the success journey of her business. “Knowledge sharing” is recognized as a new dimension of dynamic capability and it affects to enhance business image, open avenue for creating networks with diverse groups in the society and fulfill the CSR requirement that is essential for business survival.

**Keywords:** Business Success, Dynamic Capabilities, Innovative Orientation, Turbulent Business Environment, Women Entrepreneur.

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### **INTRODUCTION**

Turbulent business environment creates challenges specifically for the small and medium scale entrepreneurs (SMEs) in any country. Dynamic capabilities (hereafter use as DCs) and innovative orientation have been identified as crucial for entrepreneurs to face strategically for the challenges in the turbulent business environment (Samsudin & Ismail, 2019;

Carayannis & Stewart, 2013). Even though the Resource-Based View (RBV) theory suggested that static capabilities are required for gaining competitive advantages in a turbulent environment, dynamic capabilities are essential (Elizabeth, et al., 2003; Samsudin & Ismail, 2019; Collis & Anand, 2018). In 1990s, though the RBV theory was utilized to enlighten the competitive advantage through the firm’s ability to

create and use valuable, rare and inimitable resources for ensuring its growth and sustain in the market, the application of this theory is limited in a changing environment (Priem & Butler, 2001; Samsudin & Ismail, 2019; Collis & Anand, 2018). Researchers, for example, Collis & Anand (2018) pointed out that to fill this gap by exploring the gaining competitive advantages in changing environment, the concept of dynamic capabilities draws its theoretical basis, since 1990s, from two classic traditions in strategic management field including the RBV of the firm (Wernerfelt, 1984) and market positioning (Porter, 1996). Porter's argument was that to compete in an industry it requires to have a capability that is better than that of every possible competitor in the market. However, the DCs arise from choices about internal activities that do not draw from competitive factor markets as viewed by the market positioning theory of Porter (Collis & Anand, 2018). In DC theory, the firm is no longer tied to the prior market position, instead identify and exploit a new source of competitive advantage by acquiring or building a new combination of resources. This is the Schumpeterian view on the ability to recombine, reconfigure and create new assets to realize an entrepreneurial opportunity and can be thought of as addressing the prior strategic question of "doing the right thing" rather than just doing the same thing in better ways. Corte & Del Gaudio (2012) argued that the concept of DCs provides an integrative approach to the RBV theory since it explains how firm can exploit or explore and even generate entrepreneurial opportunities in a volatile and hypercompetitive environment.

Cavusgil, et al., (2007) and Collis & Anand (2018) further pointed out that the DC theory came into the field by focusing several limitations of RBV theory. These were: the RBV focused

only on strategies for exploiting firm-specific assets and didn't adequately address several aspects of how firms should create sustainable competitive advantage in changing and turbulent environments; little elaboration of how firms can add to the stock of internal and external competencies and build new capabilities; and the RBV sees resources and capabilities as idiosyncratic. Instead, the DC theory argued that competitive advantage is not necessarily derived from the firm resources and it should be created by the managers through building new resource configurations and creating competitive advantages which help firms operating in dynamic markets to manipulate resources into new value-creating strategies. Also, RBV suggested gaining competitive advantages via VRIN (Valuable, Rare, Inimitable, Non-substitute) attributes and DC theory argued on from valuable, somewhat rare, substitutable DCs lies in resource configurations (Collis & Anand, 2018).

Also, DCs are considered as "higher-level competences that determine the firm's ability to integrate, build, and reconfigure internal and external resources and competences to address, and possibly shape rapidly changing business environments" (Teece, 2007, P.1319). In volatile environments, DCs may reconfigure the firm's idle resources or recombine them in novel ways like developing new products (Açıkdilli, et al., 2013). As per these arguments, the DC theory was treated as an offshoot of the RBV which addressed on its limitations as well as accentuated how competitive advantage is sustained in dynamic markets (Cavusgil, et al., 2007). Also, innovation plays a dominant role with the emergence of the knowledge economy, intense global competition and considerable technological advancements (Lawson & Samson, 2001; Samsudin & Ismail, 2019). Being innovative orientation is beneficial for an

entrepreneur at any stage of their business life cycle to achieve competitive advantages. Carayannis & Stewart (2013) expressed that the initiative for innovation is the first criteria for successful entrepreneurship and also regardless of gender, the “distinguished entrepreneur” reflects as an innovator; visionary; seizes initiatives; accepts change, risk and failure; and organizes and re-structure social and economic mechanisms, amongst added criteria. The views of such prior studies emphasize that in exploiting opportunities arise within the turbulent business environment, an entrepreneur needs to use their DCs in an innovative oriented manner in order to achieve success. Proper understanding of such capabilities provide safeguards for SMEs to secure their competitive positioning, particularly during the period of market shocks which requires strategic change (Borch & Madsen, 2007). This endeavor is boosted with the COVID-19 pandemic situation in many countries irrespective of the status of economic development. This concern might be a solution for the high failure rate and low survival and growth rate of the SMEs especially in Sri Lankan context as depicted by many past researchers (Sriyani, 2020; Bandara, 2016; Jayatilaka, 2016). By utilizing properly the DCs and innovation orientation, many entrepreneurs especially in Sri Lanka successfully faced to the changes and challenges occurred during the recent COVID – 19 pandemic periods and achieved success while majority of firms collapsed or temporarily closed down. Gunawardena (2020) highlighted that even though Easter Sunday attack and COVID 19 pandemic affected badly on many SMEs in the traditional handloom, craft, and agriculture sector, changes in people’s life styles in new normal situation create new opportunities for SMEs and they adapted quickly to supply value added products, and apply e-marketing. So,

COVID 19 pandemic situation created a ground for the SMEs to convert even threats into opportunities by properly utilizing the DCs and innovative orientation possessed by them.

Though many researchers (for example Wang, et al., 2007; Pavlou & Sawy, 2011; Teece, 2018) focused on diverse aspects of DCs, a few studies concern on how DCs are put into practice (Helfat & Peteraf, 2003). Also, an exact view on which DCs influence on business success is still not very well understood and this poor understanding caused for the impractical nature of using DCs in real business scenario (Pavlou & Sawy, 2011; Collis & Anand, 2018). Moreover, there is a dearth of empirical attention on SME capabilities which require for the promotion of innovative business platforms (Borch & Madsen, 2007; Ferreira, et al., 2020). As well, the majority of empirical studies emphasized on large-scale companies and ignore small firms and developing countries in talking about innovativeness and its drivers (Rhee, et al., 2010; Ferreira, et al., 2020). This study specifically focuses on SMEs because the external stimuli have a greater impact on SMEs and they face more difficulties to deal with the uncertainties than larger firms (Barnett, 1997, cited by Van Uden, et al., 2015). Furthermore, several researchers (Cyfert, et al., 2021; Ferreira, et al., 2020) argued that even though since 1997 with the study of Teece, et al., on DCs, the organizational performance is considered as a core issue and it is still vague how DCs effect on business performance.

On the other hand, emergence of women-owned businesses has become critical in the world economy during the 21<sup>st</sup> century (Kamberidou, 2020; Kothari, 2017). Though women entrepreneurs have a better future, it is lacking a due recognition for the women’s entrepreneurial role in economic

development of a country (Kamberidou, 2020). Also, barriers like lack of finance, insufficient entrepreneurial ability, heavy domestic workload, etc., often inhibit women entrepreneurial innovations (Nair, 2020; Kamberidou, 2020). Tavakol (2017) argues that without the support of the husband, women are unable to move forward. However, many role models of women entrepreneurs are evident from even developing countries who achieved the success without the support of their spouse (cited by Kamberidou, 2020). Also, the research literature on women entrepreneurship during the decade of 2010 to 2019 emphasized on motives, obstacles, behavioral characteristics, skills of the women entrepreneur (Kamberidou, 2020). So, specifically in Sri Lankan context, gap is there on the focus of how the women entrepreneurs achieved higher level of success by utilizing the dynamic capabilities possessed with them to face successfully on the challenges in the turbulent environment as well as achieving the success alone. Also, several researchers for example, Teece, et al., (1994) and Easterby-Smith, et al., (2009) argued that dynamic capabilities are difficult to measure empirically. So, in-depth discussions are must to grab the real DCs of a firm and how prudently utilize these in value creation of a firm (cited by Corte & Del Gaudio, 2012).

These debates emphasize the importance of focusing on how small-scale women entrepreneurs use their capabilities in dynamic business environment and how far they have been innovative oriented is necessary to explore in an in-depth manner. Based on qualitative research approach and real experience, authors emphasize to elaborate how a women entrepreneur in Sri Lankan context apply DCs and innovative orientation fostered by the specific entrepreneurial characteristics towards the success of venture, how face successfully the

challenges and changes in turbulent business environment, and reconfigure internal resources competitively throughout the business journey. Moreover, this study aims at revealing is there any new dimensions of DCs which leads to business success.

## LITERATURE REVIEW

### Dynamic Capabilities

Dynamic capability originates with the work of Schumpeter's (1934) innovation-based competition which is based on the creative destruction of existing resources and novel recombination of operational capabilities into new ones that better fit the environment (Pavlou & Sawy, 2011). Also, DCs theory proposed by Teece and Pisano in 1994 as the extension of RBV of the firm by Barney in 1991. They emphasized "*DCs effect on performance, but indirectly by reconfiguring operational capabilities into new ones that better fit the environment*" (Pavlou, & Sawy, 2011). Specifically in turbulent environments, DC is "*the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments*" (Teece, et al., 1997, P. 517). As per Teece, et al. (1997), the term "dynamic" denotes the capability to rejuvenate competences compatible with the changing atmosphere and the term "capability" refers to "*the adaptation, integration, and reconfiguration of both internal and external organizational resources in response to the changing environment*" (Cited by Chien & Tsai, 2012, p. 435). Ferreira, et al., (2020) defined DC as the ability of solving problems systematically, sensing opportunities and threats, making timely decisions, and implementing strategic decisions prudently to achieve the expected direction. Within a turbulent business environment, DCs are useful to gain competitive advantages for any type of business organization. The DC is

considered as an extension of the RBV which focuses on how a firm acquires valuable resources to gain competitive advantage (Priem, & Butler, 2001; Helfat & Peteraf, 2003). In a turbulent environment, emphasizing only on accumulating resources may not adequate in gaining competitive advantages. It requires to reconfigure firm's resources into DCs which direct a firm towards creating differentiating advantages (Chien & Tsai, 2012).

Several researchers addressed on how firms develop DCs. Wang, et al., (2007) emphasized that both knowledge resources and learning mechanisms are vital in creating DCs. Knowledge-based DCs include absorption, creation, storage, and application of the knowledge. Organizational learning mechanism symbolizes a routine-based process of new knowledge resources exploration and internalization of employees' experiences into the organization (Heijden, 2004). The knowledge resource plays an immense role as a critical strategic resource for gaining competitive advantage (Grant, 1996; Griffith, et al., 2006; Wang, et al., 2007; Pavlou & Sawy, 2011), while learning facilitates to utilize these knowledge resources properly (Heijden, 2004; Pavlou & Sawy, 2011). Hence it is believed that the process of creating new knowledge from the existing knowledge resources may change the individual behavior, and then creatively respond to the changing environment and enhance performance (Slater & Narver, 1995). Some of the previous studies about DCs revealed the updating and flexible features of innovation (Jiao, et al., 2010). Froehlich, et al (2017) highlighted that a business organization requires unique and in-imitable DCs. Pavlou & Sawy (2011) emphasized four dimensions of DCs as sensing, learning, integrating, and coordinating. According to Teece (2018), DC is based on the entrepreneur's

skills and capacities to develop new goods and adapt effectively to changing market conditions.

The literature noted that several inconsistencies exist in utilizing the concept of DCs (due to its nature including hidden or invisible, complex and tacit difficult to observe, and causally ambiguous (Dierickx & Cool, 1989; Simonin, 1999; Zahra, et al., 2006). Also, there were claims about the lack of exact definition, empirical grounding, and measurements for DCs and scarcity of empirical studies which addressed how firms develop DCs (Cepeda & Vera, 2007; Chien & Tsai, 2012). These arguments imply that the requirement of exact measurements for identifying or revealing the extent of having DCs.

### **Innovative Orientation**

In the 21<sup>st</sup> century, being innovative orientation is crucial for the success of an entrepreneur. Firms should enhance their entrepreneurial capabilities and innovativeness to beat the rivals in hyper-competitive market space. (Borch, & Madsen, 2007). Therefore, the requirement to innovate is not just an occasional occurrence for a firm and it should happens as a process and with a solid success rate (Lawson, & Samson, 2001). Though the innovation is becoming complex and dynamic, it is very important for companies seeking to survive over the highly turbulent business environments (Chen, et al., 2010). Schumpeter, (1934) defined innovation as the combination of explicit and implicit production components. Covin & Slevin (1986) refer 'innovativeness' or 'innovative orientation' as the propensity to introduce novelties (cited by Sriyani, et al., 2020). Innovativeness also defined as *'a firm's capacity to engage in innovation: that is, introduction of new processes, products, or ideas'* (Rhee et al., 2010). Innovativeness is largely reflected as prerequisite for a firm's

success and survival, a growing number of studies have been conducted to determine what drives it (Rhee, et al., 2010). They identified innovativeness as a behavior-based construct and Lawson & Samson (2001) identified it as an ability to mold and manage multiple capabilities and DCs theory is well-matched with organizational innovations. Froehlich, et al. (2017) emphasized that companies require integrating different types of knowledge, capabilities, skills and resources and thereby needing to develop the capability to detect and seize opportunities in order to achieve successful innovations and targeting new markets. Also, in turbulent and fast-growing markets, the managers need to know how make strategic changes with the turbulences in the environment and create new skills that can meet the dynamic of the market (Monteiro & et al., 2017). Borch & Madsen (2007) emphasized that distinctive DCs of SMEs assist to pursue innovative strategies. RBV emphasized that in the era of the knowledge economy, innovation is a major source of competitive advantages (Prajogo & Ahmed, 2006). A successful innovation which cannot be blunt or imitated by other competitive firms ensure the competitive advantages and survival in the long run (Morales, et al., 2007). Also, the differentiated advantages created via innovation assist firms operate profitably (Teece, 2007). As emphasized in the past literature, the innovative orientation has a crucial role for business organizations to face successfully the competition in a changing environment.

### **Dynamic Capabilities and Innovative Orientation Towards Venture Success**

Past researchers highlighted that DCs, and innovative orientation cannot be separated in firm's operations within turbulent business environments. Salunke, et al. (2011) emphasized that innovation builds and nurtures a set of

DCs that enable several entrepreneurial service firms to gain competitive advantage. Teece (2007) suggested the DCs of sensing, seizing and reconfiguring capabilities as potential contributors to the development of innovation capabilities (cited by Froehlich, et al., 2017). Froehlich, et al. (2017) mentioned that in a context of change and innovation, DCs assist to organize resources in a distinctive manner to promote innovation capabilities. Monteiro, et al. (2017) emphasized that there is a mediating effect of organizational resources and DCs on the relationship between the entrepreneurial orientation and export performance whereby the innovation orientation works as one of the major dimensions of entrepreneurial orientation. Moreover, Ferreira, et al. (2020) viewed that creativity and innovation have an indirect mediated impact on the exploitative and explorative capabilities for influencing on competitive advantages and firm's performance. Pavlou & El Sawy (2011) viewed that environmental turbulence boosts the new product developments and DCs thus become more valuable to reconfigure their existing operational innovation capabilities.

In gaining competitive advantage, firms must be keen to focus on capabilities which cannot be imitated by its competitors. DCs are hard to imitate because they are built on the distinctive characteristics of entrepreneurial managers and the organizational culture (Teece, 2014). Kothari, (2017) expressed that in achieving success in the emerging markets, innovation is essential for the success of women entrepreneurs. Simply possessing static resources and capabilities may not lead to produce innovation (Nieves, et al., 2016). With the passage of time the rivalry among business firms intensified. Therefore, firms try to capture the market place and



retain their customer base by providing quality and unique products. Today's market leaders require to focus heavily on innovation and integrate capabilities and resources to inspire continuous innovation (Ferreira, et al., 2020). However, several researchers argued that the relationship between DCs and innovation capabilities shows overlaps, inconsistencies, and contradictions (Breznik & Hisrich, 2014; Strønen, et al., 2017).

## **METHODOLOGY**

Qualitative research approach was employed since the study aims to have an in-depth investigation into DCs and innovative orientation of a woman entrepreneur. Qualitative data focus to explore participants' understandings during the interviews, and data are real (Graebner, et al., 2012). A successful women entrepreneur from Western province of Sri Lanka was selected for the study through carefully examining the capabilities and innovation through field visit, and interviews prior to COVID 19 pandemic. Though we had several interviews with the entrepreneur prior to COVID 19, research team (three members) was eager to examine how she is capable in successfully managing the business even during the pandemic situation. Thus, the research team has contacted the respondent via telephone, and asked her willingness to participate for the study. Due to the COVID 19 pandemic situation, researchers couldn't able to visit the entrepreneur and interview was conducted via zoom online platform. Research team used an interview guide for smoothly conducting the interview, ensuring the consistency and covering all the required aspects while allowing the entrepreneur to share the experiences through the story telling. Probing was also used whenever needed further clarification and elaboration. Interview was recorded with the permission from the respondent for the

purpose of iteration and use the name of her firm for the analytical purpose was granted. Interview was terminated after 3 hours when new data are not emerged. After transcribing the interviews, each member of the research team conducted the initial analysis separately. Coding was given and shared the outcome of initial analysis and made several rounds of discussion to reach at a common agreement through transliteration of the interview. Business success was captured with her explanations about the status at the initial stage and present level of the business in terms of number of employees, physical facility improvement, market share, number of foreign countries entered, product developments and diversification efforts. After in-depth analysis, we could identify the main themes of sensing & seizing, learning, integration & reconfiguration, and knowledge sharing have been emerged under the concept of DCs and innovative orientation of the entrepreneur. Subsequently, detailed analysis of narratives was remarked over the identified themes. Narrative analysis allows the participant to tell the story and share experiences in a meaningful way (Moen, 2006). The analysis of data explores the descriptions of real experience of the women entrepreneur in the findings section.

## **FINDINGS**

### **Idea Formation and Origin of the Business**

The owner of the "Kavumkokis.com" was graduated from University of Moratuwa in Sri Lanka with ICT Engineering Degree and earned the Degree of MSc in ICT from a University in Japan. When she was in Japan, she realized that there was not a web portal to order the Sri Lankan traditional sweets though most of the Sri Lankans who live in Japan favour to buy traditional Sri Lankan sweets for festivals and parties

like New Year, Christmas, birthdays, anniversaries, arms giving, etc. So, she felt that how worth of having a web portal for ordering of Sri Lankan traditional sweets targeting the lovers of Sri Lankan taste who live in Japan. This was the “*first-sense of entrepreneurial feeling*” of her life. Meanwhile, she had to develop a webpage as one of the assignments of her MSc Degree program and turned this idea into the web portal of “*kavumkokis.com*”. After returning to Sri Lanka, though she started the career in a bank, she had to resign due to the family commitments as a mother. When her children came into the school going age, she was stimulated to activate the business idea that she dreamed while studying in Japan. In 2014, she started a business to produce Sri Lankan traditional sweets by targeting the migrated Sri Lankans who are living in European and Middle East countries. She initiated the business as a cottage-level business at Bandaragama, Kalutara, where her native place because she could easily find relatives and close neighbors who have the hereditary traditional proficiency in making Sri Lankan traditional sweets. It started with a single employee and presently 16 employees are there and majority is female. At the initial stage, she exported her sweets into Middle East countries and presently she exports her products among 16 foreign countries including European countries, Middle East countries and Australia. By the year 2025, her plan is to expand the market into 30 countries and increase the market share from 10% to 25%. Today, the business has been diversified into several product ranges by targeting the foreign market requirements including dehydrated products (ginger), spicy range (cinnamon powder and turmeric), and cinnamon oil. Physical facilities of the business have been improved by constructing a factory building, establishing dehydrate machineries,

purchasing lands for cultivation of ginger, turmeric, coconut, etc.

### **Entrepreneurial Characteristics Possessed by the Entrepreneur:**

In the interviews with the respondent, the research team was interested in recognizing the key drivers and dimensions of DCs. As described in the literature review section of this paper, entrepreneur's characteristics play a vital role as one of the key drivers of DCs (Teece, 2018). Therefore, this paper highlighted the entrepreneurial characteristics possess by the owner of Kavumkokis.com and the vital role of entrepreneurial characteristics in fostering the DCs and innovation orientation throughout the business journey.

The discussion had with the respondent revealed that several entrepreneurial characteristics: risk taking, creativity and innovation, self-confidence and determination, need for achievement, tolerance of ambiguity, optimism, passion, and independence affect immensely on the success journey of “*Kawumkokis.com*”. When inquired about the entrepreneurial characteristics, the respondent proudly mentioned that

*“I got experience about risk taking through my first job in the bank. Risk-taking ability highly affected to face successfully the problems and challenges that I faced in my business journey. The first and unforgettable challenge that I faced was damaging totally the first Kokis shipment to Qatar which worth three hundred and fifty thousand rupees due to lack of knowledge in packaging and specific requirements need to be concerned in exporting such crispy texture products. However, the client company in Qatar understood the real reason for failure and paid half of the payment*



*of the order. However, I didn't give up the idea to export and instead I search to receive enough knowledge in packaging technology".*

Further she possessed the entrepreneurial characteristics of self-confidence and determination. She stated that

*"I didn't give up and firmly determined to search solution for exporting such products, I was eager to receive the technological know-how on the packaging of such Sri Lankan traditional sweets for export purpose. I visited to several food products exhibitions which were held at BMICH in Colombo, Sri Lanka and brought several similar products to observe the technology of product packaging. Meanwhile, I searched about from where I could get such a technology know-how and even myself studied the product catalogues of foreign countries and got an advanced knowledge on product packaging and faced successfully on the challenge as well as neutralized one of the weaknesses that suffered by my business".*

Moreover, she is a woman with need for achievement and independent. She expressed that

*"I always try to achieve my goals and keen to do what I feel as good. At the beginning, my parents and my husband's parents strongly opposed on my business because I am a female IT graduate. Then, I kindly let them to understand what I can do as an entrepreneur, though I am a woman, rather merely work as an employee. I faced all these challenges alone and reach to my expectations even without the assistance of my husband due to his busy work-life".*

This woman entrepreneur is well-planned and passion to grow the business day by day. As she noted,

*"I am always planning my business from the beginning. Right now, we have captured only less than 10% of the market share in the foreign market and we are planning to capture about 25% of market share by the year 2025..... I am working hard to achieve this target."*

Tolerance of ambiguity is another important characteristic that she possessed since she has faced successfully to uncertain situations in the environment. She spoke out that

*"I could manage the sales dropouts in the export market during the Covid 19 pandemic through several strategies.... like doing R & D for new product development, new designs for packaging and existing products, diversifying the business into the spices sector, growing local herbs in-house etc."*

Though she makes traditional sweets, creativity and innovation characteristics have with her affect massively on the business success. The ICT expertise of her affected to sharpen the creativity and innovation skills further. For example, she used her ICT expertise in developing the web portal of KavumKokis.Com, package designing, designing Kokis molds, shape and size of Asmi to differentiate her products from the similar products. According to her,

*"I always try to add new values to our customers through tastes, preferences, designs etc. I have introduced about 13 Kokis designs with 50 flavors in natural colors from local herbs. I talked with our team and generated new product ideas in diversifying the business even in the Covid 19 pandemic".*

These expressions at the interview provide sound evidence for entrepreneurial characteristics that has been utilized for the business success.

### **Dynamic Capabilities and Innovative Orientation Backed Up by Entrepreneurial Characteristics**

A major challenge faced in turbulent environments by the SMEs is to adapt and make required changes quickly. The DCs of environmental sensing & seizing capabilities, and reconfiguring capability are very important specifically for the SMEs (Teece, 2007, Min & Kim, 2021). Due to lack of these capabilities, they are unable to identify business opportunities and challenges properly and grab the opportunities well to invest in innovations, do new product developments and new designs, etc. Also, reconfiguring capability is of great importance as it strengthens the entrepreneur to adapt, integrate and reconfigure the resources to gain competitive advantage. As per Min & Kim (2021), if the entrepreneur does not adequately sense and seize the opportunities first, any entrepreneur will not be able to gain competitive advantages by using the reconfiguring capability.

In the research literature, diverse definitions were used to define the dynamic capabilities. Pavlou & El Sawy, (2011) defined DCs as a means for addressing turbulent environments to extend, modify, and reconfigure existing operational capabilities into new ones that better match the environment. Min & Kim (2021) and Teece (2007) identified opportunity recognition, seizing, and resource reconfiguration as the dimensions of DCs. By considering these definitions and dimensions for DCs as a means for addressing turbulent environments, this study focused on three key dimensions including: sensing and seizing the business environment,

learning, and integrating & reconfiguring the resources. Moreover, how the innovative orientation is further sharpening in the application of such dynamic capabilities is also discussed in this paper.

### **Environmental Sensing and Seizing Ability**

Turbulent business environment may give an incentive to develop new capabilities among the entrepreneurs. Management must be adopted agile strategies to promote innovations and leverage existing areas of expertise to anticipate and fulfill changing customers' needs. The continuous research series of Teece (1997, 2007, and 2018) pointed out that sensing & seizing the environment as the first element of the DCs.

The interview had with the owner of the Kavumkokis.com revealed that an incessant sensing of what is happening in the environment, specifically the technology improvements, new product developments and offerings in the export market, customer demand changes and new requirements, government policy decisions, impact of different hazards like Covid-19 pandemic, etc. As she expressed

*"I have links with the agents who distributed traditional sweets in European and Middle East countries and via them I regularly diagnose the changes and improvements in technology, customer demands, competitor strategies, and so on and adopt quickly to protect my position in the foreign markets". .... "And by sensing the happenings in the environment and discovering the deep customer insights, I always took actions to rapidly adjust product offerings, production methods, packaging designs, etc. to meet ever-evolving target market demands".*

This DC of environment sensing assists her to apply the proactive strategic approach and take advantages from the opportunities and challenges that the business must face since its origin.

After identification of the opportunities or challenges in the turbulent environment, the entrepreneur who possesses the DC of environmental seizing seeks the possibilities to address perceived technology and market opportunities with new products, processes, and/or services. This capability further associates with business model selection or invention, investment decision on where, when, and how to invest (Min & Kim, 2021). It was realized many examples at the interview with the owner of Kavumkokis.com for the capability to seize opportunities which stimulates for adapting and innovation. As per her words,

*“...during the recent Covid-19 pandemic period, I concerned more on innovations and new product development. During the lockdown period of the country, together with my team of employees who reside in walking distances, I cultivate plants like turmeric, drumstick, curry leaves, indigo flowers, etc. which require as inputs of my production process and then I could be able to easily find the required flavors for my production at lowest cost and without any scarcity. This action definitely added a value to my business. Also, I test the making sugar-free oil cakes (Kavum) as per the demand of migrated Sri Lankans and with the R & D assistance of Wayamba University of Sri Lanka. I respond promptly to fulfill such specific demands of customers”.*

The research team captured another example for her opportunity sensing and

seizing capabilities as well as innovative orientation with her explanation of

*“...I designed 13 molds of kokis to represent every part of the X-Mass tree to celebrate the Christmas season and what the customer eager in this season”.*

This expression evidenced on how she caters to the customized demands during the religious based festival seasons.

Moreover, she utilized the opportunity seizing capability and her innovative orientation to face successfully the competition come from the Indian sweet producers. She elaborated that

*“.... I am keen in the new products and new varieties of traditional sweets which offered by the Indian producers who is the single competitor for the traditional sweets, and I take actions to differentiate my products from the Indian sweets”.*

As she further explained,

*“....With the advancements in technology and demand shifts or new demands of the customers in the international markets, opportunities arise to think innovatively about how to create distinctive advantages. So, new product designing and development, designing new packages and testing new materials such as eco-friendly packaging are being continuously practiced to differentiate my products from the rivals. I cater to the demand of the customers who prefer medicinal and nutrient values even in sweets. I tested natural and herbal flavors and introduced about a range of 50 flavors of Kokis like ginger, turmeric, dayya kochchi, kathurumurunga, drumstick leave, indigo flower and so on. Also, I tested to make Sugar-free oil cake (Kavum) as well as use of different traditional rice varieties in cooking*

*Kavum and ensure the nutrient value by totally applying the labor-intensive methods throughout the process of producing Kavum. For this, specifically I get the assistance of Wayamba University of Sri Lanka...". She further mentioned that... "I produced Asmi with different natural colors and designed a triangular shape Asmi and its package by focusing on the Arms-giving purpose and avoiding the damages in transporting..."*

Lack of talented human resources in traditional sweet manufacturing is one of the constraints has to be faced in expanding the business. She expressed that,

*"... to face this challenge, I plan to start a training school by using the expert women in traditional sweet manufacturing to train village level young women"*

By explaining how she confronted on the changes in government policy decisions, she mentioned that,

*..... "The new regulations relating to use of polyethene is highly affected highly on packaging of my products. Then I got the advices from the experts in this field like IDB, ITI, and Sri Lanka Packaging Institute as well as study the packaging materials used by the foreign countries and apply such integrated knowledge to face successfully for the regulatory requirements posed by the government. Further by taking into account the sustainability rules in environment protection and preferences of eco-friendly customers, I use eco-friendly packaging materials for the outer layer of the box...."*

Due to innovation orientation, this women entrepreneur always tests new approaches in every stage of its business process. For example, she mentioned

*"....By seeking the opportunities in the business environment, I quickly adjust or adopt. When it comes the digital marketing and social media as sales and promotional platforms, I quickly adjust to use these new approaches by using my ICT knowledge and innovativeness. Today, it helps the customers to access my FB page, Instagram, Twitter and aware about my product lines and order directly what they want through such digital marketing platforms...."*

Also, her creativeness improved her imagination as well. As she stated

*"....by looking at a product package on the internet I can guess how it was designed and sometimes when we order that product to check the packaging, I felt that my pre-imagination is perfectly tally with the actual...."*

Also, her idea on establishing a "Hot-Hot sweets" stall in city areas and providing facilities for getting hands-on experience for her customers about preparing any sweet that they prefer are perfect evidences for her future plans and applying creative and innovative approaches to drive the venture towards the success.

These examples demonstrate that the owner of Kavumkokis.com has utilized properly the environmental sensing and seizing capabilities together with her innovative orientation that she possessed to ensure the success of the business. Therefore, it is obvious that being creative and innovative behavior of this entrepreneur provide solutions to customer requirements, competition as well for the problems that arise within the business process. Discussion further revealed that the entrepreneurial characteristics such as risk taking, creativity and innovation, tolerance of ambiguity possessed by this woman were backed up for proper utilization of

environmental sensing and seizing capabilities.

### Learning Capabilities

Learning capabilities are essential for regenerating competencies which require to identify new production opportunities as well as the better, faster, and more efficient completion of jobs (Bowman, 2009). As pointed out by several researchers, both knowledge resources and learning mechanisms are vital in creating DCs (Pavlou & Sawy, 2011). Knowledge-based DCs include absorption, creation, storage, and application of knowledge (Wang, et al., (2007). The knowledge resource plays an immense role as a critical strategic resource for gaining competitive advantage, while learning facilitates to utilize these knowledge resources properly. The importance of learning capability for the business success was explained by this woman as,

*“...I never stop learning and receiving trainings related to my business field. “Recently, I was selected for a training program conducted by ADB and EDB. Through this training, I learned about how prepare a sound business plan, timely improvements and adjustments to it, adding value to our products, product valuation, branding, pricing for export and local market with the changing rules and regulations.... They are of course beneficial... since I had lack of knowledge in these areas and this helped me to run the business smoothly.” She further expressed that ....“I use the ICT knowledge that I acquired from the BSc and MSc Degree programs for product designing, package designing, and getting the service of social media productively for the business promotion, and network building”.*

Moreover, she tries to identify new technology to improve her business and learn about them. She voiced

*“....through the internet I found so many things.... Previously we used only Facebook but now there is an option called liveware. Through that we share videos on how we make sweets and also, we use Tiktok too for our promotions. Now there is a new WhatsApp business app but most of the people are reluctant to use this.... but I use it and try to embrace new technology and thereby create new ideas for my business”*

These are good evidences to show her interest in learning about new technology for the business success.

She further stated that

*“....I search new things related to my field through Google and I read number of articles to update my knowledge. Also, we take feedback from our customers, and we ask about the taste, quality, and whether we should change our packaging style”.*

From each point she was able to learn something new and useful for the growth of her venture. Also joining with Wayamba University of Sri Lanka for R & D purpose, as well as with IDB, EDB, and ITI for receiving new knowledge and updating the knowledge on technology prove her propensity to learn about and test new things. She expressed that ,

*“Actually I believe the lifelong learning is very important for the success of my business and the acquisition of new knowledge and competencies definitely support me to come up with new product ideas like sugar-free sweets, add different natural herbal flavors, attractive designs of sweets, maintain high quality of products via use of right packaging materials and*



*designing, and finally such expertise knowledge assist me to develop distinguished competencies in the industry which require to gain competitive advantages by differentiating everything that we do”.*

The learning capabilities and competencies that she described support her to develop new products, improve the quality of packaging, find new media and platforms for promoting her products, etc. All these achievements can be identified as the outcomes of her learning capabilities and assist her to face successfully the challenges in turbulent environments.

### **Integration and Reconfiguration**

Integration refers to distributing and assigning knowledge resources and sharing individual knowledge in the group (Okhuysen & Eisenhardt, 2002). Reconfiguring refers to an “*ability to recombine and to reconfigure assets and organizational structures*” to match the organization’s internal processes with seized opportunities. It may, thus, involve changes in the business model, mergers, acquisitions and divestments (Teece, 2018). Accordingly, reconfiguration means that an entrepreneur’s ability to reconfigure, reorganize or rearrange its resources to capture new business opportunities in the changing environment.

She updates and acquires new skills whenever she identifies as necessary to run the business successfully. Since the preparation of Sri Lankan traditional sweets required authentic culinary skills, she obtained the knowledge and skills from the employees who are well-experienced in preparing traditional sweets for a long period of time. As she said

*“...Due to lack of knowledge on how to prepare traditional sweets, first I acquired knowhow*

*from my grandmother and next from my employees about the ingredients, quality, taste, freshness, shape etc. to prepare high quality sweets with great tastes what the customers expect as the value.*

Apart from acquisition of skills, she is keen to acquire the required physical resources also by considering the trends in market demands, industry growth pattern, etc. As she explained

*“...by considering the demand for turmeric powder and coconut, I bought 20 acres land in Kurunegala area to grow turmeric and coconut and one of my relatives was appointed as the Manager of this yard. Because of high prices of turmeric powder and coconut, I think this investment decision was a timely very prudent decision and the payback period of this investment was shorter than that I expected”.*

She often put her effort in combining and adding resources and skills for the success of the business. Owner of the Kavumkokis.com builds network with entrepreneurs in foreign countries where Sri Lankan employees are working and maintaining trust and good relationship with them to acquire new customers. Therefore, she could expand the market to 16 countries including USA, Europe, Australia, and East Asian countries like Japan considerably within a shorter period of time.

As she mentioned

*“Customers are very important for us. So... I constantly concern about the quality, attractiveness, taste, customer specificities, on time delivery, etc. We check the quality of each sweet item based on our quality standard as well*



*as adjust the quantity and packages based on the customer requirement. Further..., we send greetings for our customers on special occasions such as birthday, X-mass, and New Year. Hence, I could improve the customer loyalty on the brand of 'Kavumkokis.com' as well to increase the market share."*

She has a good relationship with a group of her university associates who are entrepreneurs, and they get together to share their ideas. She pointed out that,

*"I have a good team of my friends that I could share my ideas with them. Normally we meet once a week and discuss about our business, share opinion, improvements, suggestion whenever required. This association provides me an upright platform to aware the updates regarding a technology, new product ideas, new designs, market, etc. Also, I network with my friends who are living in foreign countries as well and I could obtain required information regarding the products available in those countries especially from India, and to identify new customers etc."*

Creating resources and skills are vital to the development of the business is also an important aspect of reconfiguration. Continue the traditional way of cooking sweets may threaten in the future since reluctance of younger generation. Hence, she is venturing into set up an institute to teach younger generation on how to make Sri Lankan traditional sweets. She shares her view as

*"This would provide a platform to continue our customs especially traditional culinary skills to next generation. I am*

*working hard to make the business sustainable through creating resources and skills for the future"*.

Moreover, she is planning to invite for a few experts in preparing Indian sweetmeats from India to train her employees. She said,

*"Diverse range of Indian sweets is available in the foreign market and there is a high demand for these. So...this would be a good opportunity for us to make available those sweets under the Kavumkokis brand"*.

With reference to innovative orientation of Kavumkokis.com, she always encourages her team to generate new ideas and conduct experiments regarding new sweet items with unique flavors. As she mentioned

*"Innovation is one of the success factors in my business. I encourage our employees to come up with new flavors and ask them to test while providing required resources and reward them accordingly. Also, I have formal and informal networks with our stakeholders and I discuss with them as a team or as individually whenever required regarding the improvement of the process of preparing sweets, testing quality, packaging, and distribution to reach the market without any delay. R & D is also our main focus and I invest money and work collaboratively with stakeholders to come up with innovations"*.

Initiating new technologies also stimulate for functioning the business successfully. As an entrepreneur with ICT background, she often alerts to new technologies coming to the industry and mindful in adopting those for the benefit of the business. Formally, she uses Facebook

and WhatsApp to promote the business. Currently she also applies new apps such as Facebook live, and Instagram. She expressed that

*“I continuously search about new apps in Google and aptness of those technologies to our business. I received high responses through Facebook from local market whereas through Instagram from export market while more response from younger generation via Tik-Tok”.*

### Knowledge Sharing

Knowledge sharing is another important aspect of DC that we could identify through her success story. She is in the process of forming Young Exporters' Association with the objective of sharing her expertise knowledge with young export entrepreneurs. Moreover, a pressing problem faced by small scale entrepreneurs is printing their promotional materials at low cost. She assists them to receive this facility and provides consultancy services to plan, design, and create their materials in an attractive manner using simple technology. In addition, she voluntarily participates as a resource person for training programs organized by BDS organizations such as SEDD even during her busy schedule to share her knowledge among entrepreneurs. Most importantly, she shares her knowledge and experience with university undergraduates by participating their forums and providing internship training placements at her firm can be identified as her CSR activities as well as knowledge sharing. Finally, she noted

*“As an entrepreneur with social responsibility, I have to give back to the nation through sharing my knowledge to the society and other ways....”*

Through the application of narrative inquiry, the paper explored the role of DCs and innovative orientation towards

the success of a women entrepreneur in Sri Lanka. Present study revealed that risk taking, need for achievement, tolerance of ambiguity, creativity & innovation, self-confidence & determination, passion, and optimism are the specific entrepreneurial characteristics which possess by the entrepreneur in directing the businesses towards the success. This study proves that entrepreneur's characteristics played an immense role as one of the key drivers of DCs (Teece, 2018). Sensing & seizing, learning, integrating & reconfiguring, and knowledge sharing have considered as DCs in the study. With reference to sensing & seizing, kavumkokis.com has adopted proactive strategic approach in searching new opportunities through her networks with stakeholders, conduct R&D in-house as well as in collaboration with a State University to introduce innovations and satisfy the customers. Thus, findings are consistent with Buccieri et al., (2020) which revealed that dynamic capabilities enhance new product development and performance of international ventures. Similarly, international ventures in the emerging markets apply exploration processes to sense for opportunities to attract international clients (Park and Xiao, 2020).

Moreover, she has learning capability and always focus her attention to acquire new knowledge as well as updating existing knowledge in order to create new values for the customers through following business management degree program, took part in technology related programs conducted by IDB, ITI, EDB, SEDD etc., learning through R&D, self-learning through her knowledge on ICT, and having stakeholders' view. Having concern on reconfiguration, she updates and acquires new skills, creating & integrating resources and skills, and implementing new technologies play an important role in enhancing innovation

and success of the business. Findings of the study is harmonious with the findings of Teece (2007) and Min & Kim (2021) and they emphasize that innovative orientation support firms to operate profitably in the market, achieve competitive advantages, and enables companies to attain long-term business performance. In addition, Monteiro et al., (2017) pointed out that dynamic capabilities play a vital role to adjust the strategy with the environment to create new skills and achieve success. Knowledge Sharing is identified as an important dynamic capability that the research team could revealed through the entrepreneurial journey of the owner of Kavumkokis.com. She is forming Young Exporters' Association with the objective of sharing her knowledge in the industry with young export entrepreneurs. She shares her knowledge with small scale entrepreneurs through facilitating to promote their business, dissemination her knowledge with university undergraduates, and participating in different forums etc. This would also open avenue for creating networks with diverse groups in the society. Findings of the present study revealed that knowledge sharing is important dynamic capability and which advances the findings of existing literature for example: Koentjoro and Gunawan (2020) indicates that knowledge acquisition is important dynamic capability to improve innovative performance. Finally, this study concludes that dynamic capabilities and innovative orientation plays a vital role for the success of Kavumkokis.com.in turbulent business environment even in the COVID 19 pandemic situation.

## CONCLUSION

Sensing & seizing, learning, integrating & reconfiguring, and knowledge sharing plays an important role in achieving the business success. The paper contributes to the existing knowledge of DCs and

innovative orientation and their role for the success of a women entrepreneur in the turbulent business environments by highlighting empirical investigation in Sri Lankan context. Specifically, entrepreneur could achieve success even in the COVID 19 pandemic situation through utilizing properly the DCs. Moreover, in addition to the existing literature, the study identified knowledge sharing as a new DC that the entrepreneur practices throughout the entrepreneurial journey to disseminate the knowledge and skills among small scale entrepreneurs, potential entrepreneurs, and the undergraduates. This is important because most of the entrepreneurs have achieved success, however, their willingness to share knowledge and the knowledge sharing capability is lacking. Therefore, this study proves that in addition to knowledge acquisition and creation, knowledge sharing capability provides a plus point for the entrepreneur to work with diverse groups in the society and ensure the entrepreneurial sustainability. This exploratory study helps entrepreneurs, BDS organizations, and future researchers to understand the strategic role of women entrepreneurs in facing the turbulent business environment to achieve success and ensure the survival.

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