The Resource-Based View, Dynamic Capabilities and SME Performance for SMEs to Become Smart Enterprises

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Abstract

This article explores critical areas for enhancing the competitiveness of SMEs in the globalized economy. Due to the fiercer nature of current competitiveness, the business sector has to adapt and enhance their capability in response to rapid environmental changes. This article explores the Resource-Based View (RBV) and Dynamic Capability perspective and their effects on the performance of small and medium-sized enterprises (SMEs). This review shows that the concept of RBV contributes to driving SME performance. Dynamic capability, which is part of the management process, also helps in stimulating RBV to enhance the performance of SMEs and their competitive advantages. Additionally, this article provides several useful implications for policy that is related to the development of SMEs. It will, hopefully, contribute to the process of developing effective strategies within their organizations. It will also be of great value for researchers and practitioners who are involved in the SME sector.

***Keywords*:** resource-based view, dynamic capabilities, strategy, small and medium-sized enterprises

Introduction

In today's world, the business environment has changed rapidly (Teece, 2007) and countries across the globe have become much more interconnected and interdependent (Sull, 2007). Organizations have thus been under severe pressure to continually improve their performance in order to compete in the world market (Becker & Gerhart, 1996; Dany, Guedri, & Hatt, 2008). In several developing countries, a vital mechanism in driving economies to grow up rapidly is small and medium-sized enterprises (SMEs). SMEs focus on creativity, innovation, technology, high-quality service, and continuously developing new technologies. SMEs now play a vital role in increasing dynamic economies in the industrial sector. They can significantly develop economic progress in many countries (Bendickson, Muldoon, Ligouri, & Midgett, 2017). As highlighted in many academic studies, the development of SMEs is one of the most viable strategies to

achieve national development goals. Not only do they play an important role in supporting economic growth at the societal level, but they can also provide a more sustainable environment that is focused on the micro-level of economic development (Bendickson et al., 2017). Besides, SMEs constitute an important part of the economy as they generate increases in innovation, gross domestic product (GDP), the export industry as well as employment opportunities (Baumol & Strom, 2007; Birch, 1987; Mazzarol, Volery, Doss & Thein, 1999). In general, previous research has substantiated that SME development is integral to achieving long-term and sustainable economic growth (Bendickson et al., 2017). In Thailand, SMEs have played a significant role in promoting economic growth and equitable, sustainable development that is connected to all types of economic activities. Thai SMEs have created major sources of employment as well as generating a significant increase in domestic and exported income. As a result of this, the Thai Government has incorporated the development of SMEs as an integral element of its future national economic and social development plans. In particular, they plan to establish SMEs that will provide financial assistance, boost their capabilities, and connect them to the current globalized economy (Jones & Pimdee, 2016). The Thai Government has recognized the necessity and criticality of SMEs with Dynamic Capabilities and will fully support their advancement and development.

Although Thailand is enriched with generous natural resources and geographical locations, the Thai SMEs are limited in many aspects. In particular, SMEs face some obstacles in developing their capacities. As indicated by the office of SMEs Promotion (2019), these difficulties include (1) their inability to access the international market as a result of poor product quality that falls below required market standards, (2) a critical shortage of skilled employees, specifically leadership and managerial skills as well as effective financial and human resources management, (3) a shortfall of key strategies for retaining long-term employees, (4) inadequate training and development procedures within each organization (5) an absence of essential highly-effective technology and equipment (6) and finally, a lack of sufficient funds to enable them to meet these important criteria. Most of Thailand's SMEs are family-based businesses that, to a certain degree, are directly responsible for them lacking the relevant resources and expertise needed to meet these key elements that are essential for the success of their businesses. The majority of the owners of SMEs utilize their personal work experiences, abilities, and skills to set up their businesses, which, in essence, are ideal. However, the hard reality is that, as the business starts to grow and expand successfully, their lack of critical management skills and expertise often leads to their SME's downfall. The advent of the ASEAN Economic Community (AEC) has generated an increase in additional challenges now facing SMEs (Petri, Plummer & Zhai, 2012), and, for this reason, Thai SME owners must brace and prepare themselves for this imminent transformation.

In such a competitive environment, Thailand's business sector has got to introduce and implement very strong strategies and procedures to ensure they possess the required strengths and key aspects that will exceed international standards; this is to ensure that Thai SMEs are not only able to adjust to this rapid change with ease, but also to guarantee

long-term success for their businesses. The business sector should be able to use all the resources and expertise within their organizations effectively and efficiently (Barney, Ketchen, & Wright, 2011). To achieve this, SMEs should ensure their products and services are of an exceptionally high standard and quality that will accelerate their business growth and also have the full potential to meet the supply-and-demand needs required by their clients professionally and ethically that will guarantee them a greater competitive advantage and, ultimately, ensuring their business is effective and successful. The Resource-Based Views and Dynamic Capability strategy play a vital role in assisting SMEs in choosing the correct strategies to implement for their business. RBV is one aspect of strategic management (Lu, Shen, & Yam, 2008), which is divided into two parts. The first part emphasizes the strategies for improving business productivity and boosting operational efficiency, and the second part is the internal strategy formulation required to achieve superior business performance (Dansoh, 2005). Over the years, scholars have reported that both approaches have definite advantages to creating organizational success and lead to a competitive advantage in a climate of rapid change (Barney, 1991; Teece, 2007).

From a review of past and present literature where the focus was on the success of these practices in large corporations and organizations (Crook, Ketchen, Combs & Todd, 2008), it can be concluded that the Resource-Based theory can be used as an approach to enhance the performance of SMEs. The resource-Based theory is the factor that creates an organization's managerial process through strategies that essentially lead to higher business performance (Huselid, 1995).

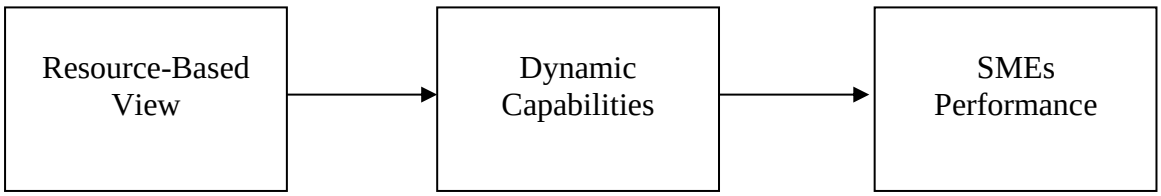
Besides, prior research carried out on Dynamic Capabilities has shown distinct improvements in an organization's existing internal operations capability as a result of various external changes having been made. The results of the study found that Dynamic Capabilities have a direct impact on marketing technology and the business performance of the organization. Accordingly, the study result of Iansiti and Clark (1994) and Clark and Fujimoto (1991) illustrated that Dynamic Capability could enhance the development and ingenuity of new products in an organization. It can also be used as an indicator to measure organizational performance, which, in turn, may lead to positive business performance.

The review of the current literature reflects that the positive effects of the Dynamic Capability on organizational performance are based in the Resource-Based View (RBV). Particular emphasis in this article highlights and confirms the successful improvements of the SME's performance across all economic sectors. This article aims to review the key concepts of Dynamic Capabilities as the mediator linking Resource-Based View theory and performance of SMEs. It enhances and adapts the ability of the SME sector to gain and maintain a close competitive advantage in a rapidly changing business environment. Using this knowledge provides an effective guide on formulating strategies for positive development in Thailand. It will hopefully contribute to the process of developing effective strategies in organizations and be of great value for researchers

and practitioners involved in the SME sector and are based on the conceptual framework, shown in Figure1 below.

Figure 1

The Conceptual Framework of the Effect of Resource-Based View (RBV) Theory and Dynamic Capabilities on Performance of SMEs



Resource-Based View Theory

From the Resource-Based View (RBV) perspective, a resource can be classified as a 'source of competitive advantage' as long as the resource will add value to the firm, is unique and rare, and hard to be imitated to add originality and value (Barney, 1991). Resources that are valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991; Wernerfelt, 1984) form a basis for a firms' survival (Pfeffer & Salancik, 1978) and sustainable growth (Barney, 1991). Firms that use VRIN are more likely to develop internal resources that are difficult to replicate by outside organizations (Barney, 1991). VRIN can generate these resources through human resources management practices such as the selective selection of workers, improved training quality and skill development, improved commitment and motivation, and the synergistic effects of each of these practices (Becker & Huselid, 2006). These internal resources can provide the basis for small firms to produce superior products and services, enabling them survival and growth potential (Barney, 1991). These internal resources can promote organizational survival and create added growth.

Despite its popularity in the extant literature, RBV has also received much criticism. One important critique is that this perspective tends to operate at a very general level of abstraction, simply suggesting that people or 'human resources' have the potential to be a source of competitive advantage and, as a result, HR systems are important. Thus, this perspective merely infers that organizational performance is based on the value of talented employees as a source of competitive advantage.

Resources are necessary for the survival of the firm (Pfeffer & Salancik, 1978). They are also are necessary for growth (Barney, 1991). Capabilities are unique resources that the organization could deploy that are difficult to imitate, substitute for, have value,

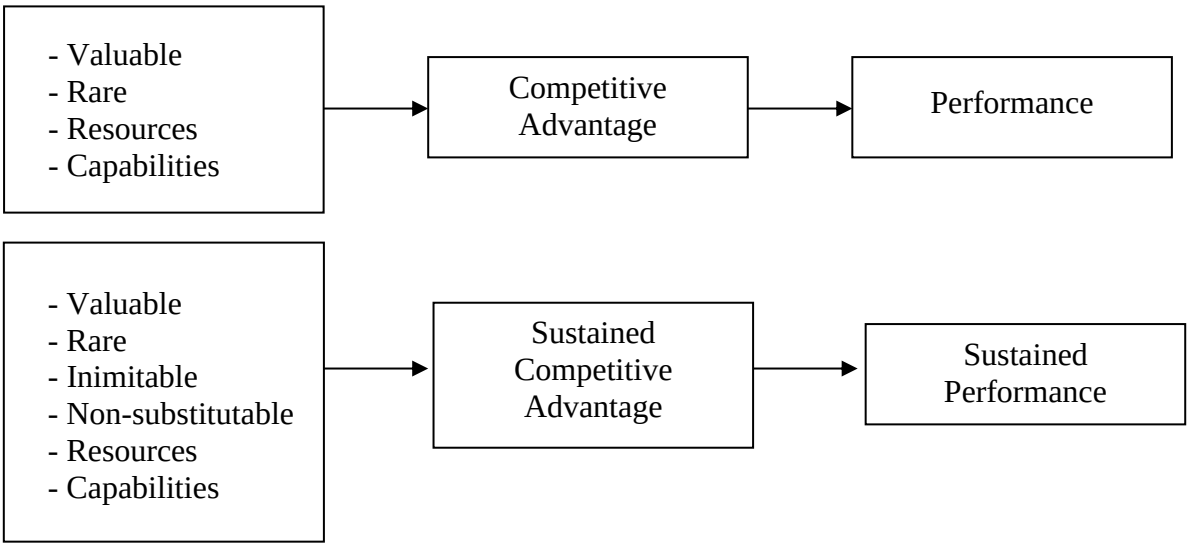
and are rare (Barney, 1991). The RBV argues that the firm's competitive advantage lies in its valuable, rare, imperfectly imitable, and non-substitutable resources (Barney, 1991; Wernerfelt, 1984). This perspective is predicated on the notion that firm-level resources are heterogeneous and that the differences in combinations of resources over time lead to sustainable competitive advantage (Amit & Schoemaker, 1993; Barney, 1991; Eisenhardt & Martin, 2000). One of the key elements cited as a potential lever of sustainable competitive advantage is a human resource (Barney, 1991; Delery, 1998). Human resources are viewed as potentially fitting the VRIN typology, as they allow organizations to garner profitability enhancements that help to build a sustainable competitive advantage (Chadwick & Dabu, 2009).

The results of the study of more than 29,000 SMEs found that RBV is the process that has been implemented between strategy and operations, which can automatically enhance organizational performance effectively (Crook et al., 2008). Furthermore, the study of Wernerfelt (1984) and Mintzberg et al., (2005), concurred that in order to be a leader, creating strategies should start with the development of the organizational performance in the following areas: 1) Guidelines for using resources to create products that make the difference appropriately, 2) Classification of resources to be related to resource positioning, 3) Shows the relationship balance between existing resources and the development of new resources, and 4) Acquisition of resources is comparable to buying a group of rare resources in an incomplete competitive market, making the most stable factors increase your trading and reduce the loss of products.

The conceptual framework of RBV theory, therefore, focuses on the relationship between strategy and resources in the organization through the conceptual framework of the so-called VRIO of Barney (1991) presented as follows.

Figure 2

The VRIO Conceptual Framework of Barney (1991)



To successfully build a competitive advantage in an organization, it should be generated from 4 characteristics. Without any 1 of these four characteristics, a sustainable competitive advantage will not be reached in an organization. It might just happen to have a permanently sustainable competitive advantage.

In the past, organizational management strategies were divided into two groups. The first group focused on the market power which was the competitive force's approach (Teece, Pisano, and Amy Shuen (1997) and the second group emphasized the importance of organizational effectiveness, RBV, which focused on competitive advantage using the existing resources in the organization (Barney et al., 2011). Focus on external changes that result in existing resources and capabilities of the organization may not be able to create competitive advantages anymore, thereby, causing the concept of Dynamic Capabilities to play a role in supporting these gaps, which were divided into two categories, namely strategizing and economizing (Teece et al., 1997). These categories are summarized in Table 1 as follows;

Table 1

Paradigm and characteristics in strategic management

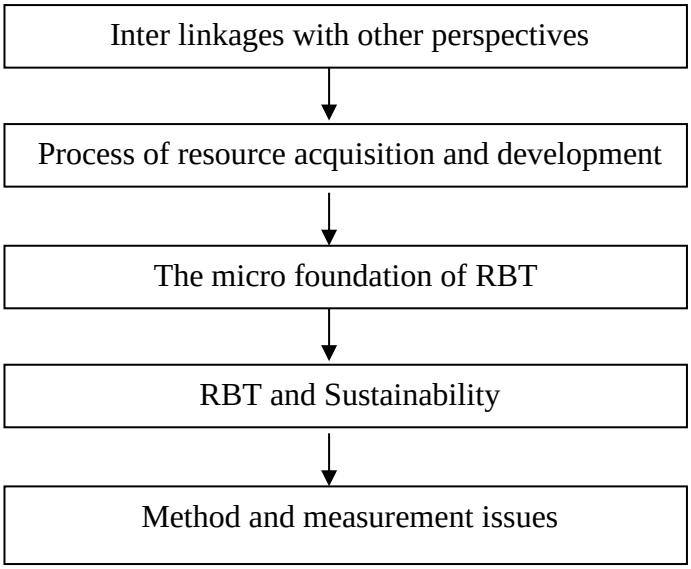
Paradigm	Analysis	Characteristics	Strategic Management
Competitive Force	● Industries ● Business ● Product	● Strategizing	● Structure Condition ● Condition ● Competitive positioning
Strategic Conflict	● Business ● Product	● Strategizing	● Interaction
Resource-based	● Resources	● Economizing	● Substitutability
Dynamic Capability Perspective	● Process ● Position	● Economizing	● Gathering ● Collect ● Inimitability

Note: Source Adapted from Teece et al. (1997)

Research over the past 20 years has summarized the overview of new contributions to the development and implementation of the Resource-Based View as follows (Barney et al. (2011);

Figure 3

The Development and Implementation of the Resource-Based View



Note: Source Adapted from Barney et al. (2011)

Dynamic Capabilities

Capabilities are the valuable assets of an organization (Peteraf, Di Stefano, & Verona, 2013; Tartaglione & Formisano, 2018). It is the result of a learning and selection process which relates to resources of gradual development. Teece et al. (1997) explained that Dynamic Capabilities consist of two parts: 1) dynamic is defined as having the ability to be consistent in a business change in response to innovations. 2) capability is defined as the role of strategic management, which appropriates help to integrate resources to a new resource group or so-called resource integration and reconfiguration. Furthermore, both internal and external skills are required to meet the needs for adapting to change in a rapidly changing environment, and consist of 3 elements: 1) the process of solving complex problems, 2) training, and 3) probability duration of trust (Schreyögg & Kliescheberl, 2007). Besides, Schiuma, Lerro, and Moustaghfir (2008) illustrated that the concept of Dynamic Capabilities plays a vital role in the expansion, through an organization's ability to change and improve their performance better than their competitors in the long-term. Additionally, the focus should be on the processes in the organization to create new knowledge development. An important capability that must be developed in any organization is to create new competency levels for self-development. Besides, Teece et al. (1997) indicate that organizations can change their resources and capabilities, which in turn leads to increased Dynamic Capabilities, particularly in market fluctuations, which can be transferred from one model to another.

Furthermore, Cavusgil, Seggie, and Talay, (2007) explained that Dynamic Capabilities fall into four categories, as follows:

1) The organization and strategic processes are the reorganizations, the design process, creating knowledge resources, and new process applications.
2) Learning with Teece et al. (1997) explains that learning is repetitive and that testing of jobs can create better faster performances, which is different from the Resource-Based View theory of static learning.
3) Organizational path dependence can help an organization learn about gaining competitive advantages from the past to the present and into the future.
4) Assets are the process of imitation in terms of experience, conceptual framework, systems, process, succession, and best practice.

A survey of over 600 Australian SMEs found that SMEs following large enterprises in terms of strategy, innovation, and infrastructure, which include higher culture, innovation, and external structure as well, are the key drivers behind the success of their operations (Ternivka, 2010). Following the study of Wang, Senaratne, and Rafiq (2015), which examines the effects of success traps on Dynamic Capabilities and performance in the context of business strategies, found that market dynamics can lead to improved financial strategies. At the same time, a survey of 113 England high-tech SMEs found that developing Dynamic Capabilities with more internal than external factors creates variables that are turned into positive impacts on the SME's performance. Furthermore, the study of Wu (2007), who focused on the relationship between the resources, i.e., dynamic abilities and performance during rapid change, found that resources have a positive effect on organizational performance. Technologies can also be evaluated by measuring innovation speed, market response, production efficiency, and flexibility.

Additionally, Wang et al. (2015) examined the different types and sizes of relationships of high-tech SMEs, such as communication technology, aviation, pharmaceuticals, and chemical businesses, and found that these businesses are the high-order of dynamic abilities, their findings revealed a positive effect on the relationship between financial performance (in terms of sales and revenue); as well as on high product orders that impact positively on the research and development department (R&D), which, in turn, enables the improvement of operating results for innovations and dynamic abilities (Lin & Wu, 2014). Therefore, it is a key role in the organization to gain further advantage in long-term competition. Prieto and Revilla (2006) explain that creating new knowledge for the organization using existing knowledge clearly shows that organizations with Dynamic Capabilities are successful in building a competitive advantage over other organizations, ultimately leading to long-term sustainable performance (Cohen & Levinthal, 1990). Indeed, the continual development of Dynamic Capabilities can also reduce conflict in the workplace (Schreyögg and Kliescheberl (2007).

SMEs Performance

Performance is the activities relating to strategies and plans in order to achieve organizational goals by focusing on input and output (Romzek, 2000). Stuart-Kotze (2006) defined organizational performance as achieving goals by implementing capabilities to get results. Likewise, Singer and Edmondson (2006) explained that organizational performance is defined simply as achieving your goals. The organizational performance consists of KPI (indicators). Some dimensions may be important for one organization but not important for another organization. Performance measurement systems assist the organization with understanding company effectiveness, perceiving current situations, and assessing the efficiency of the strategies and the levels of success in the business. The study of organizational performance can be separated into two sections: 1) to examine the best way to develop and operate the business and 2) to predict business performance (Teece et al., 1997). Neely, Adams & Kennerley, (2002) pay attention to the balance between the performance measurement system and the dynamic system. Cagnazzo, Taticchi, and Brun (2010) explained that SME businesses do use some of these instruments to measure their financial situations, such as Return on Investment (ROI) and (ROE) which are successfully used in large corporations.

The structural differences are found in the three planning strategies: 1) marketing, 2) entrepreneurship, and 3) learning (Barney, 1991). Hoq and Chauhan (2011) proposed that strategic planning can dramatically increase the success of SMEs. Furthermore, Teece, Pisano, and Shuen (1997) consider the strategy planning proposed to integrate an organization's capability as well as create both internal and external capabilities. They also considered that strategic planning is a part of organizational culture, value, and behavior, which has various perspectives and ideas that assist in achieving success for SME businesses.

Whereas Terziovski (2010) defined the forms of SMEs performance measurement as follows: 1) the number of product characteristics, 2) successful launching of new products, 3) entering their target market, 4) reduction of loss, 5) increased market opportunities, 6) prompt and on-time delivery of products, 7) creation of product innovations, 8) development of processes and performance, and 9) quality improvement.

During previous decades, several dimensions of performance measurement followed internal and external factors under the Resource-Based View theory (RBV). This theory focuses more on the value of resources, rareness, imitability, as well as being non-substitutable, which improved competitive and work performances to Dynamic Capabilities highlighted the strengths and weaknesses of their businesses, examined the need to increase production volumes as well as predict the future potential for the business's survival and its operational stability. Nowadays, various performance measurements are covering several dimensions, utilizing both internal and external factors, while creating an organizational balance for sustainable growth. The dimensions

of performance measurement linking from the past to the future can be summarized in Table 2.

Table 2

Dimensions of Performance Measurement

Year	Performance Measurement systems	Dimensions of performance measurement	
1985	Sink and Tuttle Performance Measurement model (Kirkendall, 2008)	• Efficiency • Effectiveness • Quality • Productivity	• Quality of work-life • Innovation • Profitability
1988	The Strategic Measurement Analysis and Reporting Technique system (Cross & Lynch, 1988)	• Marketing • Financial • Customer • Flexibility	• Productivity • Quality • Delivery • Timing process • Cost
1989	World Class Manufacturing Performance Measurement system (Maskell, 1991)	• Quality • Delivery	• Production time • Flexibility • Cost
1991	Skandia Business Navigator (Wingren, 2004)	• Financial • Customer • Human Resources	• Process • Development
1992	Balanced Scorecard BSC (Kaplan & Norton, 1992)	• Financial • Customer	• Internal process • Growth and learning
1997	Knowledge-based Measurement Model (Sveiby, 1997)	*Measurements* • Development and growth • Effectiveness • Stability	*Intangible assets* • Employee performance • Internal Structure • External Structure
1998	Comparative Business Scorecard (Kanji, 1998)	• Value of Stakeholders • Learning process in an organization	• Satisfying of stakeholders
2002	Performance Prism (Neely et al., 2002)	• Satisfying of stakeholders • Strategy • Process	• Competency • The benefits of stakeholder
2003	Dynamic Multi-dimension Performance framework (Maltz, Shenhar, & Reilly, 2003)	• Financial • Marketing • Process	• Personnel • Future
2008	Measuring Performance of Small-and-Medium Sized Enterprises: The Grounded Theory Approach (Chong, 2008)	• Goal • Systems resource • Stakeholder	• Competitive value • Financial
2010	Innovative Practice its Performance Implication in Small and Medium Enterprises (SMEs) the Manufacturing sector: A Resource-Based ViewView (Mile Terziovski, 2010)	• Innovation Strategy • Formal Structure	• Customer and supplier relationships • Technological capabilities

2015	Developing a lean supply chain performance framework in an SME: a perspective based on the balanced scorecard (Afonso & do Rosário Cabrita, 2015)	• Financial • Customer	• Internal business • Innovation and learning
2019	Translating Knowledge management into performance: the role of performance measurement systems (Asiaei & Bontis, 2019)	• Financial • Customer • Internal business	• Innovation and learning • Social and environmental

Note: Source Adapted from Ravelomanantsoa, Ducq, and Vallespir (2019) and Srimai, Radford, and Wright (2011)

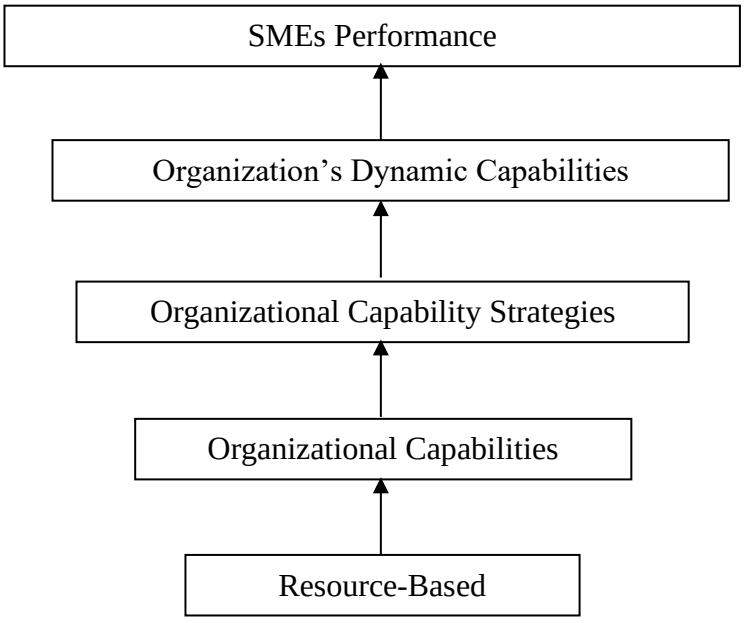
The factors mentioned above are per Hudson and Smith (2000). SMEs' work performance measurement should have dynamics that relate to the business. This perspective leads to redefining what performance is and has influences on how a performance management system must be constituted (Ravelomanantsoa et al., 2019). In the same way, plans and activities should be designed, created, and prepared specifically for each SME based on their products and services (Holtby & Thorstenson, 2000).

Relationships between Resource-Based Views, Dynamic Capabilities, and SME Performances

Dynamic Capabilities are the part of the Resource-Based View theory that define the competitive advantage in an environment where the technology is volatile, by considering both touch and untouchable processes (Wang & Ahmed, 2007). The evolution is outlined as follows in Figure 4:

Figure 4

The Method of Determining Relationships Between Resources, Organizational Capabilities, Dynamic Capabilities, and SME Performances



Note: Source Adapted from Wang and Ahmed (2007)

Wang and Ahmed (2007) pointed out that the relationships between resources, organizational capabilities, Dynamic Capabilities, and work performance originated from internal factors within the Resource-Based View of the business as it is the basic function of the organization. The processes and capabilities can be developed as resources of sustained competitive advantage, which linked to Barney's VRIO framework (1991), affirming that it can lead to the capabilities building competitive advantage. For instance, revenues achieving company objectives can lead to the core competencies being developed as Dynamic Capabilities, which, in turn, affects the sustained work performance.

Teece et al. (1997) proposed that the differences in the operation of organizations that have developed Dynamic Capabilities would be far more successful than both the work performances and new competencies in other organizations who have not. Teece et al. (1997) also noted that Resource-Based View is accessing competitive strategies. On the other hand, Dynamic Capabilities extend knowledge and comprehensive strategies at the organizational level by focusing on enhancing values from the resource's center, which has added value against the competition. Menguc and Auh (2006) studied the market competition levels using the Resource-Based View theory. The finding confirmed that if an organization improves its new structure, it will generate better marketing ideas, which then become Dynamic Capabilities. From this, it can be interpreted that the form of knowledge relating to society can generate Dynamic Capabilities and a response-changeable business environment (Marcus & Anderson, 2006).

Dynamic Capabilities are the capabilities to select the resources, to build the integration and to abandon resources (Eisenhardt & Martin, 2000), and the relations in renewable learning and adaptation (Teece et al., 1997). Otherwise, basic factors and Dynamic Capabilities can support the superior idea of operation for long-term work, including business adaptation skills, production processes, and decision power.

Teece (2007) pointed out that Dynamic Capabilities are self-based learning, research and sourcing, innovation, and pursuing profitability and are related to the selection and implementation for production. Business failure could lead to ideas for success and new concepts. This study is following Bowman and Ambrosini (2003), who proposed the way for building Resource-Based View on the Dynamic Capabilities perspective.

Dynamic Capabilities Integrated basic organization through adopting to build resources in organizational levels that are separated into the following six categories: 1) Adaptation of external structures which support the business activities, 2) Adaptation of suitable external processes, 3) Utilization of existing resources, 4) Encouragement for learning and acquiring new updated knowledge, 5) Innovative Creativity, 6) Using the perspective of Dynamic Capabilities indicated Resource-Based View. From Lin and

Wu's study (2014), Meta-analysis was used to determine the relations of SME business work performances. This study confirmed that non-substitutable resources do enhance business performance. Whereas, substitutable resources (nonVRIN) do not affect the development of Dynamic Capabilities and are, therefore, not necessary for business performance Dynamic Capabilities(Lin & Wu, 2014).

As a result, the management of Resource-Based View and Dynamic Capabilities are deemed to be the main components of success evaluation and are used to analyze the competency of many different organizations. The management system of Resource-Based View and Dynamic Capabilities can be used to create suitable strategies for all organizations and businesses. Also, the relationship evolution of Resource-Based View, Dynamic Capabilities, and work performance are repeatedly identified over vast periods and studies. Resources developed from internal factors are the fundamental elements required in order to generate Dynamic Capabilities and emerge in the form of potential work performance (Barney et al., 2011; Gerschewski, Rose, & Lindsay, 2015; Hyvonen & Tuominen, 2006; Srimai et al., 2011; Wang & Ahmed, 2007).

Conclusion

Overall, this article is based on literature that highlights the crucial role of Resource-Based View and Dynamic Capabilities in order to assist SMEs in Thailand to enhance the performance of their organizations. This study enhances the literature on dynamic capabilities and resource-based view, improving our understanding of the conditions under which approach is converted into superior performance in the context of SMEs. This study further implies and recommends that CEOs or SME owners who wish to accomplish successful performance should provide more support and encouragement towards the development of unique abilities and skills for their employees. This development should be with its existing resources coupled with innovative drives to achieve Dynamic Capabilities in order to increase organizational performance and foster greater economic growth of SMEs. As such, any SMEs, who intend to become and remain outstanding, sustainable, and advantageous in the current economic climate, have to ensure that all aspects of organizational support are fulfilled. This approach is more likely to be the key to motivating their day-to-day workforce and, consequently, leading to healthy and successful organizational performance. Although SMEs constitute a major source of employment, they face many inherent difficulties in developing their capacities to meet the demands of the changing business environment. As indicated by The Office of SMEs Promotion (2019), owners of family-owned businesses tend to lack management skills as well as the knowledge strategies that are required to attract and retain skilled employees. Although, indeed, owners of SMEs usually utilize their personal work experiences to start their businesses, the hard reality is that when their businesses grow bigger, good management skills become indispensable. Thus, the government needs to equip SMEs (and their top leaders) with the necessary resources and skills that could be

used to meet these inherent challenges. Continuous building networks or communities of practices among SMEs that would allow them to access and share valuable knowledge strategies and experiences could be an effective way to overcome these challenges.

SMEs should also give rise to unique, innovative thinking to ensure their products are original and attractive to consumers. In order to achieve this, it may be deemed necessary to utilize such approaches in their organizations. CEOs or SME owners should clearly define guidelines for motivating their employees to develop innovative new ideas, which, in turn, will lead to higher levels of customer satisfaction. This article can jointly benefit CEOs or SME owners about achieving Dynamic Capabilities, which affect employee loyalty and performance, offer greater competency and efficiency procedures, and increased levels of organizational performances. Thus, CEOs or SME owners should be considered dynamic capacity as distinctive strategies for support the innovative performance of SMEs (Eikelenboom & de Jong, 2019; Rodríguez-Serrano & Martín-Armario, 2019; Tartaglione & Formisano, 2018).SMEs that implement the value of resources, rareness, imitability, and non-substitutable are more likely to achieve higher growth and, therefore, be better positioned to reap the performance benefits and rewards in the future (Barney, 1991; Bendickson, Muldoon, Ligouri, & Midgett, 2017; Gerschewski et al., 2015; Mudalige, Ismail, & Malek, 2019; Pittino, Visintin, Lenger, & Sternad, 2016; Rodríguez-Serrano & Martín-Armario, 2019; Schreyögg & Kliesch-Eberl, 2007; Wang & Ahmed, 2007). These insights may be useful for any business practitioners or CEOs who are proposing to enhance organizational performance throughout their entire organization.

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