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The Effects of Dynamic Capabilities on Firm's Financial Performance

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Abstract: Firms often face significant challenges to stay competitive in the present economic environment, thus, dynamic capabilities are vital as it is a substantial factor in accomplishing better business performance. This study involved yearly data of 62 firms in the ACE market that engaged with dynamic capabilities, the data was collected from the year 2012-2021. The data was gathered from the firm's annual report and has been analyzed using two-step GMM. Generally, the ACE market is consistently associated with inferior performance and capital compared to the main market. Hence, the market has the possibility of being delisted and affecting capital market performance. Therefore, this study includes dynamic capabilities in the ACE market to study the market's performance. The results obtained are consistent with the theory, whereby changes in dynamic capabilities contributed to a positive return on the firm's performance. However, the small capital nature of the ACE Market limits the investment in the dynamic capabilities. This study concluded that more priority to be given to the awareness of dynamic capabilities in the current competitive era. The result proved that the investment in the dynamic capabilities improved the performance of the Ace market even though some of the firms in the ACE market ignored dynamic capabilities due to capital constraints. Thus, policymakers should play their role in providing grants for the firms in the ACE Market to improve the investment in dynamic capabilities.

Keywords: *Firm's Financial Performance, Dynamic Capabilities, ACE Market, GMM, RBV Theory.*

1. Introduction and Background

A Firm's financial performance primarily reflects the business sector's overall growth and financial health over a specified period. The performing firm will maximize shareholders' wealth and profitability and then eventually sustain its business. Therefore, determinants of the performance of firms have been a focus of academic research for a long time in accessing achievement (Kaawaase, Bananuka, Peter Kwizina, & Nabaweesi, 2020). Successful firms represent a significant component of developing nations. Hence, numerous economists deliberate them parallel to an engine in determining their economic, social, and political development. To survive in a competitive business environment, every firm should operate in conditions of solid performance. Therefore, assessing the performance of organizations has always been one of interest to management teams of organizations and researchers. Researchers have extended efforts to determine measures for the concept of performance. Considering the vital of a firm's financial performance, various evaluation tools have been established to appraise and enhance a firm's viability.

Financial indicators, such as return on equity, return on assets, profit margin, sales growth, capital adequacy, liquidity ratio, and stock price, are used by analysts and researchers to analyze the firm's financial performance. Apart from that, researchers also have extended the evaluation of performance by looking at the relationship between performance and other related factors, especially on the item that could give value added to the firm's financial performance. Hence, this study is focusing on the changes in the dynamic capabilities of a firm in affecting its financial performance. The world is a global village, and everything is changing fast. The environment of the business market is becoming very dynamic. Only the best can survive, and the rest will go home. The first thing that the whole organization needs is a dynamic capability so that it can adapt to the dynamic environment. Thus, dynamic capabilities are essential in the current condition. Dynamic capabilities indicate a firm's ability to integrate, build and reconfigure its internal and external competencies to address rapidly changing business environments. The relationship between a firm's financial performance and dynamic capabilities is becoming an exciting issue, especially in severe economic

turbulence. Additionally, when firms are seeking new solutions to survive and develop their business.

These days, the business arena has become more globalized; thus, the organization needs to find new ways to maintain its existence as the businesses face more intense competition and rapidly changing consumer preferences (Wendra, Sule, Joeliaty, & Azis, 2019). There have been several different attempts to explain the indirect effect of dynamic capabilities on firm performance. Hence, this study is attempting to study the direct relationship between dynamic capabilities on a firm's performance in the ACE market. Therefore, organizations must balance their dynamic capabilities proactively with demand so that competitive advantage can be achieved along with business victory (Teece, 2018). Capabilities are the term within the Resource-Based View Theory; the best way to differentiate between resources and capabilities is that resources are the organization's own, and capabilities refer to the organization's ability. Generally, capabilities tend to arise over time as firms take action to build strategic resources. Dynamic capability has been viewed as an expanded paradigm for accomplishing competitive advantage. Therefore, all firms need to renew and reconfigure their capabilities to cater to sudden exogenous changes to attain superior performance (Pervan, Curak, & Pavic Kramaric, 2018). This study is vital as firms nowadays are facing significant challenges to stay competitive in the present economic environment. Especially firms in the ACE Market, as the firms, could not survive in the current market environment. Since the ACE Market is the platform for listing medium-and small-sized firms. The ACE Market keeps on changing, and one of the main reasons behind the listing and delisting is derivable to inconsistent financial performance (Isa, 2019). Therefore, including dynamic capabilities in the sponsor-driven market could enhance its financial performance.

Background of the ACE Market: The ACE market comprises small to medium size firms. This is a perfect market to start up for firms and firms controlled by entrepreneurs seeking progressive capital by listing their firms publicly. The ACE Market is reasonable for the firms that probably won't have a huge and high amount of capital to invest in their firm in the Main Market but would presumably have a solid, strong product or service portfolio, which if given more capital. The ACE Market is not only limited to the technology sector like MESDAQ, and it is sponsor-driven. Thus, this implies that firms from any industry or size can apply to be listed in the ACE Market, which is intended to offer a more efficient and specific way. The firms also do not have to give the track records like how is required in Main Market as the guidelines and regulations for listing in the ACE Market are less stringent. In this study, the average changes in R&D deployment are proxies for dynamic capabilities for 62 firms in the ACE Market from 2012 to 2021. From the data gathered it can be concluded that the ACE Market firms are not concerned about dynamic capabilities. As the changes in R&D are in a declining trend. There is a downhill trend. The data for dynamic capabilities are primarily extracted from the firms that have changed in the R&D deployment. Previously 81 firms have been selected as a sample, however, a total of 19 firms have been excluded because the firms did not have changes in R&D at all. Meaning the firms are not concentrating on the investment in dynamic capabilities.

Nevertheless, RBV theory stipulates, to achieve superior performance, the prime importance is intangible assets and capabilities (Bleady, Hasaballah, & Ibrahim, 2018). However, it shows that firms in the ACE market do not involve much in R&D due to capital issues. A previous study by Jeng& Pak (2016) found that the size of the firms influences the investment in R&D. Hence, corresponding to the ACE market characteristics that consist of small-medium size firms with lower market capitalization. In addition, the ACE Market of Bursa Malaysia has not exhibited good performance for an extended period; also, in terms of the number of listed firms lower than the Main Market (Isa, 2019; Shinozaki, 2014). Figure 1.3 below exhibits the number of firms listed in the Main Market and the ACE Market from 2012 to 2021. Comparing both markets, the ACE Market shows the lowest number of firms listed. Since the share capital of the ACE Market firms is usually smaller than those on the Main Market, they are less liquid. Subsequently, share prices tend to fluctuate quickly compared with the Main Market counters. Also, the ACE Market's performance is uncertain; thus, it is highly riskier than the Main Market (Shari, 2019). Resulting in the lower market participants investing in the ACE Market. Additionally, the Main Market firm is always more valuable because many institutional investors do not buy the ACE Market stocks. Thus, dynamic capabilities are compulsory to enhance the ACE Market performance in a business environment that is more complex and demanding nowadays.

2. Literature Review

Firm's Financial Performance: Financial performance is the achievement of the firm's finances for a specific period covering the assortment and allocation of finance measured by capital adequacy, liquidity, solvency, efficiency, leverage, and profitability. The firm's capacity to oversee and control its resources is called financial performance. Income, accounting reports, profit loss, and capital change can be the premise of data for corporate superiors in management to make decisions. It is essential to comprehend fundamental analysis and technical analysis and learn to understand its budgetary conduct through financial aspects, financial management, and accounting. Moreover, financial performance plays a vital role in the organization's overall performance. It measures the organization's monetary well-being and viability in utilizing the assets to produce income from the business (Fatihudin & Mochklas, 2018). Generally, financial ratios have long been analyzed as measures of a firm's financial conditions to predict corporate success and failure (Masa'deh, Tayeh, Jarrah & Tarhini, 2015). The most common performance measurement in finance is financial ratios (Naz & Ijaz, 2016). Usually, a firm's financial performance is the primary concern for investors and creditors because it will provide information on a firm's economic conditions for their investments' safety and profitability.

Financial performance has a more prominent effect on growth opportunities also the success and failure of business organizations, as it is a critical need in all economic decision-making (Chashmie & Fadaee, 2016). Generally, in measuring a firm's financial performance, ROA and ROE are widely used indicators by investors, creditors, and managers (Samiloglu, Oztop, & Kahraman, 2017). Some of the researchers used Tobin's q. However, Dybvig and Warachka (2015) said that the research's theoretical and empirical analysis demonstrates that Tobin's q does not measure a firm's financial performance since underinvestment increases rather than decreases Tobin's q. There have been quite some previous studies conducted a study between dynamic capabilities and financial performance that used ROA as a proxy specifically in terms of profitability (Duho & Onumah, 2019). On the other hand, return on equity is the ability of the firm to generate a profit using the asset. Academically, higher ROE represents a better organization's profitability, as it measures the firm's ability to gain profitability efficiently concerning the firm's stockholders' equity. ROE is very suitable to represent the profitability of an organization apart from ROA (Fatihudin & Mochklas, 2018).

Dynamic Capabilities: Dynamic capabilities refer to "firms' ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece, 1997). Dynamic capabilities encompass "the management of capabilities and resources of all functions of the firms, with the overall objective to get a competitive advantage" (Arranz, Arroyabe & Fernandez, 2020). The researcher found that leading firms achieve rapid product and process innovation responses by developing dynamic capabilities (Wendra et al., 2019). Moreover, the researchers found that dynamic capacities expand the RBV hypothesis in which a firm's resources are used to gain a competitive advantage (Teece et al., 1997). Dynamic capabilities were utilized to allude to the firm's capacity. Dynamic capabilities were used to refer to the firm's ability to renew the firm's competencies over time to address changes in the business environment through integration, reconstruction, and reconfiguration of functional skills, resources, and competencies, including them in strategic changes (Teece et al., 1997).

The Objective of the Study: To examine the effect of dynamic capabilities in influencing the firm's financial performance in the ACE Market. Since the ACE Market is the platform for listing medium-and small-sized firms in Malaysia, samples are explored across firms listed on the ACE Market in Bursa Malaysia. The ACE Market is the most important market that allows medium-and small-sized firms and entrepreneurs to try and inject more capital into their firms.

3. Research Methodology

In general, this study consists of two proxies in measuring a firm's financial performance, namely, return on asset (ROA) and return on equity (ROE). ROA_{it} (return on asset) and ROE_{it} (return on equity) are financial performance indicators for firm $_i$ in year $_t$. Data was collected from the audited annual reports, and the period of the analysis is from 2012 to 2021. The data was obtained from 62 firms in sponsor-driven markets in Malaysia (The ACE Market). In obtaining a robust evaluation, the General Methods of Moment (GMM) panel

estimator is used to estimate the dynamic relationship between dynamic capabilities and a firm's financial performance in the ACE Market. This study uses the GMM model established by Arellano and Bond (1991); the well-developed GMM estimator can produce consistent results in the presence of heteroscedasticity and resolve autocorrelation by differencing (Baltagi, 2008). GMM can combine this dynamic nature of relationships to provide practical tools to deal with endogenous issues. Due to the endogenous lag-dependent variable or explanatory variable, the FE or RE panel model may not be applicable (Ibrahim & Law, 2016). In addition, GMM can also control endogenous problems (Roodman, 2009). Consistent with the previous work (Al-Hamadanya et al., 2020; Zhang, 2021), the latter also considers the endogenous effect and considers GMM for regression. Table 1 exhibits all variables used in the model with the definition and proxies.

Table 1: Variables and Proxies, Summary of Variables

Variables	Indicators	Proxies
Financial Performance	Return on Assets	Net Profitit/Total Assetit (Al-Musali & Ku Ismail, 2014)
Financial Performance	Return on Equity	Net Profitit/Equityit (Al-Musali & Ku Ismail, 2014)
Dynamic Capabilities	Changes in R&D	Percentage Changes in R&D (% increase in R&D development) (Dadashinasab & Sofian, 2014) (1/2) {[(R&Dt-1 – R&Dt-2) / R&Dt-2] + [(R&Dt-2 – R&Dt-3) / R&Dt-3]} x 100
Size	Firm size	Natural logarithm of total assets of the firm
Leverage	Total liabilities/ total asset	Total liabilities/ total asset

The econometric equation for the estimation is presented in equations 1 and 2 and followed by the proposed hypotheses:

Model 1

$$ROA_{it} = \alpha_{it} + \beta_0 + \delta ROA_{it-1} + \beta_8 DC_{it} + \beta_5 LSZE_{it} + \beta_6 LEV_{it} + \mu_i + \omega_{it} \quad (1)$$

Model 2

$$ROE_{it} = \alpha_{it} + \beta_0 + \delta ROE_{it-1} + \beta_8 DC_{it} + \beta_5 LSZE_{it} + \beta_6 LEV_{it} + \mu_i + \omega_{it} \quad (2)$$

H1: There is a significant linear relationship between dynamic capabilities and ROA of the firms in the ACE Market.

H2: There is a significant linear relationship between dynamic capabilities and the ROE of the firms in the ACE Market.

4. Results

Table 2: Descriptive Statistics

Variable	Observation	Mean	Standard Deviation	Minimum	Maximum
ROA	620	-0.0680	0.7626	-14.391	10.614
ROE	620	-0.1193	0.9644	-21.652	2.784
DC	438	0.5685	4.8637	-0.09	0.9855
SZE	620	6.76E+07	1.22E+08	1049000	1.32E+09
LEV	620	0.3286	0.4895	0.002	9.573

Table 2 presents the statistical description of all the variables during the sample period from 2012 to 2021. It shows that firms listed in the ACE Market are experiencing more negative returns than positive ones. The mean values display that -0.0680 and -0.1193 dropped in the ROA and ROE of the 62 firms in the ACE market. The mean value of ROA indicates, on average, for every RM 1 from the total assets, the firms experience negative returns of (RM 0.0680). For ROE, on average, for every RM 1 invested in the total equity, the firms are experiencing a negative return (RM 0.1193). The minimum value for ROA and ROE are -14.391 and -21.652. The maximum value for ROA and ROE are 10.614 and 2.784. Both proxies of return have a standard deviation below 1, showing that the data for ROA and ROE are clustered around the mean value. The value of DC (dynamic capabilities) indicates the independent variable of this study, which is measured by changes in

R&D deployment. The number of observations for dynamic capabilities is different from the other variable because all the variables in this study are from 2012-2021 (10 years) for 62 firms. Thus, the 620 observations have been derived from the number of years multiplied by the number of firms. However, the number of observations for dynamic capabilities is 438 due to unbalanced data.

There is a missing value of 182 as there are only 19 firms have all the values of changes in R&D from 2012-2021; the rest of the 43 firms do not have changes in R&D deployment every year from 2009-2018. The dynamic capabilities mean value of 0.5685 signifies that for every 1% increase in R&D deployment, the firms in the ACE market generated 56.85% of value creation (profit). The minimum value of dynamic capabilities is -9%, and the maximum value is 98.55%. The descriptive statistics results designate those dynamic capabilities to play a crucial role in enhancing a firm's financial performance in the ACE Market. It shows that dynamic capabilities could generate 56.85% value creation in the market. This is persistent with the previous works of literature, which concluded that dynamic capabilities impact the firm's financial performance (Wendra et al., 2019). Due to the rapid global evolution of the knowledge economy and increased competition, organizations face challenges to sustain their competitiveness. In this challenging and dynamic business environment, dynamic capabilities have become an essential element of corporate growth, survival, and competitiveness (Adnan, Abdulhamid & Sohail, 2018; Claver-Cortes, Zaragoza-Saez, & Gonzalez Illescas, 2018; Singh & Rao, 2016).

Therefore, dynamic capabilities have become a common goal for every firm to achieve strategic goals. This study's first control variable is the SZE proxied by the total asset. On average, the firms in the ACE Market have RM 67,600,000 in total assets. Total assets refer to the sum of the book value of all assets owned by the firms. The maximum value for the total asset is RM1,320,000,000, and the minimum value of RM 1,049,000. The descriptive statistics show a positive relationship between the SZE and the value creation of the firms. Meaning, the higher the size of the firms (total asset), the higher the return will be. The total asset is essential as it shows the firm's ability to generate revenue, increase business values and simplify the running of the business. Moreover, the more assets a company has amassed, the more sales and potential profits the company may generate (Tiwari & Vidyarthi, 2018). Finally, the second control variable of this study is LEV (leverage), measured by the firm's total debt/total assets in the ACE Market. This variable indicates the usage of leverage in the firms listed on the ACE Market. Leverage amount also reveals whether or not the firms have loans and, if so, how the firm credit financing compares to assets.

The mean value of 0.3286 implies that for every RM 1 of the firm's total asset, the company finances the asset by using RM 0.3286 of total debt for business operations and improving firm performance. The descriptive statistics show a maximum value of 9.573 and the minimum value of 0.002. Denotes that the firm finance RM 9.573 of debt for every RM 1 of total assets. This amount is considered a high amount of leverage as the value of 95.73% of the firm's leverage shows that the firm has more debt than assets. Furthermore, from the mean value of the total asset (firm size), it can be concluded that at the mean value of RM 67,600,000, the firm finance debt of RM 22,213,360 (67,600,000 x 0.3286) to run the business operations. This is mainly because of the low capital issues firms face in the ACE Market. According to the rule of thumb for leverage ratios, a firm's ideal level of leverage should be 50% or less. In other words, no more than half of the firm's assets should be financed by debt. From a risk perspective, a debt ratio of 0.4 (40%) or lower is considered better, while a ratio of 0.6 (60%) or higher makes borrowing and managing debt more challenging (Yao, Haris, Tariq, Javaid & Khan, 2019).

Table 3: Estimated Result

Variable	Notation	Model 1 (ROA)	Model 2 (ROE)
lag DV	L.ROA/L.ROE	0.654***	0.359***
		(0.032)	(0.025)
Dynamic capabilities	DC	0.259***	0.485***
		(0.056)	(0.087)
Size of the firms	lsze	0.327***	0.463***
		(0.051)	(0.083)
Leverage	lev	0.123**	0.069
		(0.052)	(0.077)

Constant	-5.938***	-8.444***
	(0.875)	(1.443)
Observations	397	397
Number of Firms	62	62
Number of Instruments	26	26
AR(2)		
(p-value)	0.789	0.985
Hansen		
(p-value)	0.615	0.549

Notes: ***, **, and * indicate 1%, 5%, and 10% significance levels, respectively, while values in parentheses are the standard errors.

Referring to Table 3 above, the relationship between dynamic capabilities, Model 1, and Model 2, is positive at a 1% significant level. Showing that the investment in dynamic capabilities increased the firm's financial performance. The finding is consistent with the previous studies (Pundziene, Nikou, & Bouwman, 2021; Rehman & Saeed, 2015; Wilden & Gudergan, 2017), whereby the researcher has proven that dynamic capabilities significantly helps in improving a firm's financial performance. Moreover, previous research proved that dynamic capability under the Resource-Based View Theory (RBV) is considered one of the most influential theoretical frameworks for understanding how companies gain a competitive advantage and maintain this advantage over time (Barney et al., 2001). In particular, due to more and more unpredictable environmental challenges (such as the global financial crisis, climate change, and emerging economies), the dynamic capability approach has become more influential (Pundziene et al., 2021). The result of this study verified that, in Model 1, for every 1% increment in the changes in R&D (dynamic capabilities), this could create a value creation of 25.9% to the firm's return on the asset. In model 2, for every 1% increase in the changes in R&D, the firms in the ACE market will be able to attain a positive return of 48.5% in return on equity. The effect of dynamic capabilities on the firm performance in the ACE market shows a positive.

Therefore, the firm should increase and maintain a good investment amount in R&D to attain superior performance. Moreover, according to Makkonen, Pahjola, Olkkonen & Koponen (2014), dynamic capabilities help adapt to environmental changes in highly dynamic environments. A dynamic business environment is a condition where the business is rapidly changing, including vigorous market activity, constantly developing new products, constantly expanding markets, constantly evolving technologies and social revolutions. However, this study explores the ACE Market, which does not involve much in such an environment. Still, it can attain an excellent result on the effect of dynamic capabilities on the firm performance. Thus, this study validated the finding of Wendra et al. (2019), whereby dynamic capabilities are needed in all firms. It does not matter whether the firm is involved in a rapidly dynamic environment. Therefore, the influence of dynamic capabilities on a firm's financial performance (direct relationship) is strong and contributes to a higher impact. In addition, regarding the control variables, for Model 1, the result of SZE is consistent with Xu and Li (2020), whereby a positive and significant relationship of 4.919 between SZE and ROA. The higher the firm's total assets, the higher the firm's return on assets in the ACE Market.

However, for Model 2, SZE and ROE obtained a negative and significant 1% result (-0.255), this is supported by Buallay (2019); theoretically, the relationship between firm size and performance is unclear, but there is a consensus regarding the effect of firm size on performance. Large firms may perform better with more resources and capabilities and higher efficiency (Alipour, 2011). Concerning the control variable of leverage, the relationship between leverage and Model 1 is positively significant at 5%. Thus, an increase in leverage by 1% will increase the return on the asset by 12.3%. The finding is in line with the result of Buallay et al. (2019) and Soewarno and Tjahjadi (2020). Therefore, the increase in leverage will increase the ROA of the firms in the ACE market. The finding is also relevant to the fact that the capital of the ACE Market is small. Therefore, companies tend to borrow to raise funds to operate the business. However, in Model 2, leverage tends to be insignificant with ROE. This finding parallels the previous literature, as the relationship between leverage and a firm's financial performance can be positive (Yao et al., 2019), negative relationship (Xu & Li, 2019; Xu & Wang, 2019), or insignificant relationship (Buallay, Cummings & Hamdan, 2019; Tran & Vo, 2018) like this study for Model 2. This is because different firm comes in different sizes (total asset) and different levels of leverage (total liabilities/ total asset); thus, the result and contributions of this control variable to the ROA

and ROE may provide different results (Tran & Vo Duc, 2020).

5. Conclusion and Recommendations

Based on the limitation of data on dynamic capabilities, the researcher would recommend future studies to broaden the scope of the research; for example, by doing a cross-country study can be done between Malaysia and other emerging markets. Also, a comparison between sectors can be done, such as financial and manufacturing sectors, hence better understanding of the needs of dynamic capabilities can be based on the sector can be obtained. In addition to profitability, future research can also consider other aspects of financial and non-financial performance, such as liquidity, productivity, and asset efficiency. Lastly, in the future, the researcher should include additional control variables as this study only focuses on two control variables, such as the firm's leverage and size, since these are the most used control variable for studies of a firm's financial performance. However, in the future, a firm's specific variables, such as corporate governance mechanism, ownership structure, and age, can be used as control variables in the analyses.

Conclusion: In conclusion, this study answers the effect of dynamic capabilities on the firm's financial performance proxied with ROA and ROE. The results are relevant to the nature of dynamic capabilities that can help to improve a firm's performance. With dynamic capabilities, a firm can integrate, build, and reconfigure internal and external competencies to address rapidly changing environments (Teece et al., 1997). Studies have proven that dynamic capabilities are needed as firms face significant challenges to stay competitive (Claver-Cortes et al., 2018). Also, dynamic capabilities help explain why some firms are more successful in creating competitive advantage in a dynamic market than others (Teece et al., 1997). Furthermore, dynamic capabilities are an extension of the Resource-Based View theory. It defines the firm as a bundle of resources and capabilities persistent over time but heterogeneous between firms (Ambrosini, Bowman, & Collier, 2009). Thus, firms possessing value, rare, inimitable, and non-substitutable resources and capabilities can implement value-creation strategies that lead to sustainable competitive advantages (Barney, 1991). However, having such resources and capabilities does not guarantee the value creation and the development of competitive advantages; hence, dynamic capabilities are required (Claver-Cortes et al., 2018; Fernandes et al., 2017). Due to the close relationship with a competitive advantage, the literature has extensively explored the relationship between corporate dynamic capabilities and performance (Seo, Woo, Mun, & Soh, 2021).

Moreover, most of the literature generally supports a positive link between dynamic capabilities and a firm's financial performance (Seo et al., 2021). Scholars further believe that there is a specific function in a company's dynamic capabilities that can better explain its contribution to competitive advantage and a firm's financial performance (Karna, Richter, & Riesenkampff, 2016; Pezeshkan et al., 2016). The concept of dynamic capabilities has been of interest to researchers. This interest can be explained by increased awareness of the impact of dynamic functions on competitiveness, business practices, and performance results (Dharni & Jameel, 2021). Dynamic capabilities are related to organizational changes that promote innovation and improve the evolutionary adaptability of the enterprise (Anwar et al., 2018a). The importance of dynamic capabilities has long been recognized. It is the only way to be superior to the other firms, sustain competitive advantage, and back in improving a firm's financial performance (Teece et al., 1997; Adnan et al., 2018). Also, the concept of dynamic capabilities is the only answer for some firms that still can be more successful than others in establishing competitive advantages in dynamic markets (Teece et al., 1997). Accordingly, the finding of this result backs the RBV theory whereby dynamic capabilities help improve firm performance (Wendra et al., 2019). Both Model 1 and Model 2 are reliable.

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