

# Capability-Based Perspective on Business Performance among Women Entrepreneurs in Sarawak, Malaysia

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## Abstract

This study adopts a capability-based perspective to examine business performance among women entrepreneurs in Sarawak, with particular emphasis on the mediating role of dynamic capabilities and the moderating role of entrepreneurial orientation. Grounded in Social Capital Theory and supported by Dynamic Capabilities Theory, the study examines the relationships of market knowledge, innovation, and social capital with dynamic capabilities and business performance. Data were collected from 350 women entrepreneurs supported by Jabatan Wanita dan Keluarga Sarawak (JWKS) and analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings reveal that innovation and social capital significantly influence both dynamic capabilities and business performance, whereas market knowledge does not have a significant effect. Dynamic capabilities significantly enhance business performance and mediate the relationships between innovation and business performance and between social capital and business performance, but not between market knowledge and business performance. Furthermore, entrepreneurial orientation does not significantly moderate the relationship between dynamic capabilities and business performance. These findings challenge the assumption that resource possession alone is sufficient to generate performance outcomes, highlighting instead the importance of effectively mobilizing and transforming resources through dynamic capabilities. The study extends Social Capital Theory through a capability-based perspective and provides empirical support for Dynamic Capabilities Theory at the micro-entrepreneur level within a resource-constrained context.

**Keywords:** Dynamic Capabilities, Business Performance, Women Entrepreneurs, Innovation, Social Capital, Market Knowledge, Entrepreneurial Orientation

## Introduction

Women entrepreneurship has emerged as a critical driver of economic development, particularly in emerging economies where women-owned businesses contribute to income generation, employment creation, and community development. Despite this, women

entrepreneurs continue to face structural and institutional constraints that limit business growth and sustainability (Welsh et al., 2021; Brixiová et al., 2020; Neumeyer & Santos, 2018). In developing regions, these constraints are often manifested in limited access to resources, restricted networks, and constrained market opportunities, all of which may hinder business performance. In Sarawak, initiatives implemented by Jabatan Wanita dan Keluarga Sarawak (JWKS) have sought to enhance women's participation in entrepreneurship. However, sustaining business performance remains an important challenge for women entrepreneurs in the state.

Existing literature highlights the importance of organisational factors such as market knowledge, innovation, and social capital in shaping firm performance. Market knowledge enables firms to better understand customer needs and respond to market dynamics (Kohli & Jaworski, 1990; Najib et al., 2021), while innovation enhances competitiveness and long-term sustainability (Ferreira et al., 2019; Kraus et al., 2022). Social capital, encompassing networks, trust, and shared norms, facilitates access to critical resources and information (Nahapiet & Ghoshal, 1998; Stam et al., 2014). However, recent studies suggest that organisational resources do not automatically translate into superior performance, particularly when firms lack the capabilities to effectively mobilise and transform them (Mikalef et al., 2020; Supramono et al., 2025).

Dynamic Capabilities Theory provides a more process-oriented explanation by emphasising a firm's ability to integrate, build, and reconfigure resources to respond to changing environments (Teece et al., 1997; Teece, 2007). These capabilities enable firms to transform available resources into strategic outcomes and sustain competitive advantage. Recent research further highlights the importance of dynamic capabilities for enhancing firm adaptability and performance, particularly in uncertain and rapidly evolving environments (Warner & Wäger, 2019; Mikalef et al., 2020; Supramono et al., 2025). However, limited attention has been given to their role as a mediating mechanism linking organisational factors to performance, particularly at the micro-entrepreneur level and within developing regional contexts.

Furthermore, entrepreneurial orientation, characterised by innovativeness, proactiveness, and risk-taking, has been widely associated with firm performance (Covin & Wales, 2019; Wales et al., 2020). More recent evidence suggests that entrepreneurial orientation may influence the effectiveness of firm capabilities by encouraging proactive resource utilisation and opportunity exploitation (Monteiro et al., 2021; Dyduch, 2021). However, its role as a boundary condition in the relationship between dynamic capabilities and business performance remains underexplored, especially among women entrepreneurs operating under structural and contextual constraints.

Addressing these gaps, this study adopts a capability-based perspective by integrating Social Capital Theory and Dynamic Capabilities Theory to explain how organisational resources are converted into performance outcomes. Specifically, it examines the effects of market knowledge, innovation, and social capital on dynamic capabilities, the mediating role of dynamic capabilities in shaping business performance, and the potential moderating role of entrepreneurial orientation. Focusing on women entrepreneurs in Sarawak, this study extends existing theory by examining how the effective mobilisation of organisational

resources through dynamic capabilities may shape business performance, while also providing context-specific insights into entrepreneurship in a developing regional setting. Women entrepreneurship in Sarawak is characterised by uneven geographical distribution across administrative divisions. The data presented in Table 1 represent registered women entrepreneurs who are recipients of support from Jabatan Wanita dan Keluarga Sarawak (JWKS), and therefore may not fully reflect the entire population of women entrepreneurs in the state. As shown, the highest concentration of women entrepreneurs is found in Kuching (661) and Betong (614), followed by Sibu (282) and Miri (251), indicating that registered women entrepreneurs are concentrated in several major administrative divisions across Sarawak.

Table 1

*Distribution of Registered Women Entrepreneurs in Sarawak by Administrative Division (2023)*

| Division  | Number of Registered Women Entrepreneurs |
|-----------|------------------------------------------|
| Kuching   | 661                                      |
| Serian    | 49                                       |
| Samarahan | 79                                       |
| Sri Aman  | 52                                       |
| Betong    | 614                                      |
| Sarikei   | 210                                      |
| Sibu      | 282                                      |
| Mukah     | 105                                      |
| Kapit     | 54                                       |
| Bintulu   | 51                                       |
| Miri      | 251                                      |
| Limbang   | 84                                       |
| Total     | 2,492                                    |

Source: Jabatan Wanita dan Keluarga Sarawak, 2023

This distribution highlights the diversity of entrepreneurial contexts across the administrative divisions of Sarawak. It also underscores the presence of varying structural and resource conditions across regions, which further justifies the need to examine how organisational resources are transformed into business performance within such heterogeneous environments.

### Literature Review

Drawing on Social Capital Theory (Nahapiet & Ghoshal, 1998) and Dynamic Capabilities Theory (Teece et al., 1997; Teece, 2007), this study examines how organisational factors influence business performance directly and indirectly through dynamic capabilities, as well as whether entrepreneurial orientation moderates the relationship between dynamic capabilities and business performance.

#### *Market Knowledge and Dynamic Capabilities*

Market knowledge is essential for entrepreneurs to understand customer needs, identify opportunities, and respond to changing market conditions. Firms with stronger market knowledge are better positioned to sense changes in their environment and adapt their strategies accordingly. Such knowledge provides an important foundation for developing

dynamic capabilities because entrepreneurs can use market information to identify opportunities and reconfigure resources in response to changing conditions. Prior research highlights the importance of knowledge-related resources in supporting capability development and organisational performance (Mikalef et al., 2020). Therefore:

**H1: Market knowledge has a positive relationship with dynamic capabilities.**

Market knowledge may also improve business performance by enabling entrepreneurs to make more informed decisions, respond to customer needs, and align their offerings with market conditions. Accordingly:

**H4: Market knowledge has a positive relationship with business performance.**

#### *Innovation and Dynamic Capabilities*

Innovation reflects a firm's ability to develop and implement new products, services, processes, or business approaches. Innovation is particularly important in dynamic environments because it requires firms to continuously adapt and reconfigure existing resources. Recent evidence supports the connection between dynamic capabilities and innovation outcomes. Jie et al. (2025), for example, demonstrated that dynamic capabilities can mediate the relationship between organisational resources and innovation performance among SMEs. Accordingly:

**H2: Innovation has a positive relationship with dynamic capabilities.**

Innovation may also contribute directly to business performance by strengthening competitiveness, improving products and services, and enabling firms to respond to changing customer demands. Hence:

**H5: Innovation has a positive relationship with business performance.**

#### *Social Capital and Dynamic Capabilities*

Social capital provides entrepreneurs with access to networks, trust, shared knowledge, and collaborative relationships that can facilitate business development. These relational resources may support dynamic capability development by enabling entrepreneurs to obtain information, exchange knowledge, and access external resources. Recent evidence among women entrepreneurs indicates that relational social capital is positively associated with entrepreneurial performance and innovation-related outcomes (Bchini, 2024). Therefore:

**H3: Social capital has a positive relationship with dynamic capabilities.**

Social capital may also contribute directly to business performance by improving entrepreneurs' access to resources, knowledge, markets, and business opportunities. Thus:

**H6: Social capital has a positive relationship with business performance.**

#### *Dynamic Capabilities and Business Performance*

Dynamic capabilities play a central role in enabling firms to respond to environmental changes by integrating, building, and reconfiguring resources. Recent empirical research provides further evidence of their relevance to MSME performance. Supramono et al. (2025) found that dynamic capabilities contributed to MSME performance recovery and business sustainability, while Flynn et al. (2025) demonstrated their importance in explaining firm performance among women-owned micro and small-medium enterprises. Therefore:

**H7: Dynamic capabilities have a positive relationship with business performance.**

*Mediating Role of Dynamic Capabilities*

The capability-based perspective further suggests that organisational resources may not automatically translate into performance. Instead, their value may depend on the firm's ability to deploy, integrate, and reconfigure them through dynamic capabilities. Recent research supports this mechanism. Jie et al. (2025) demonstrated the mediating role of dynamic capabilities in linking organisational resources to innovation performance, while Flynn et al. (2025) highlighted the importance of dynamic capabilities in explaining performance among women-owned enterprises. Accordingly, this study proposes:

**H8: Dynamic capabilities mediate the relationship between market knowledge and business performance.**

**H9: Dynamic capabilities mediate the relationship between innovation and business performance.**

**H10: Dynamic capabilities mediate the relationship between social capital and business performance.**

*Moderating Role of Entrepreneurial Orientation*

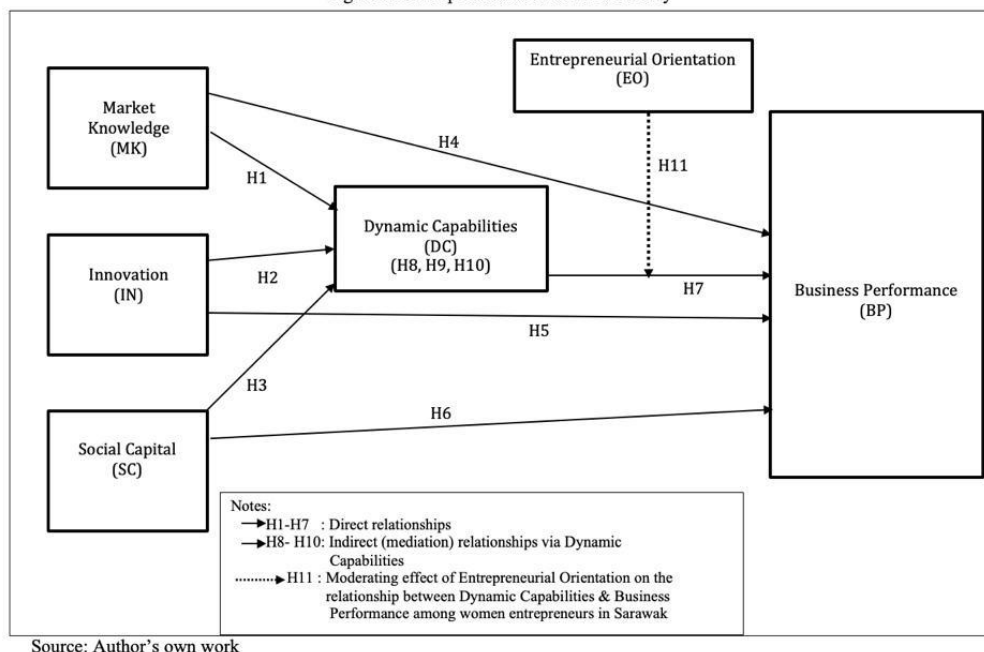
Entrepreneurial orientation (EO), characterised by innovativeness, proactiveness, and risk-taking, reflects a firm's strategic posture (Covin & Wales, 2019; Wales et al., 2020). An entrepreneurial orientation may encourage entrepreneurs to proactively identify opportunities, experiment with new approaches, and take calculated risks when deploying organisational capabilities. Consequently, EO may strengthen the extent to which dynamic capabilities are translated into business performance.

This relationship may be particularly relevant among women entrepreneurs operating in resource-constrained environments, where the ability to proactively utilise and reconfigure available resources may influence the effectiveness of existing capabilities. However, the strength of this relationship may depend on the institutional and resource conditions surrounding the entrepreneur. Therefore, this study proposes:

**H11: Entrepreneurial orientation moderates the relationship between dynamic capabilities and business performance.**

Figure 1 below shows the conceptual framework of the study, illustrating the relationships between organisational factors, dynamic capabilities, entrepreneurial orientation, and business performance.

Figure 1. Conceptual Framework of the Study



## Methodology

### *Research Design and Unit of Analysis*

This study adopts a quantitative research design to examine the relationships between organisational factors, dynamic capabilities, entrepreneurial orientation, and business performance among women entrepreneurs in Sarawak. The unit of analysis is the individual woman entrepreneur. The study focuses on women entrepreneurs who received support from Jabatan Wanita dan Keluarga Sarawak (JWKS), thereby providing a clearly defined population relevant to the research context.

### *Data Collection and Sample*

Data were collected using a structured questionnaire distributed to women entrepreneurs across Sarawak. A stratified sampling technique was employed to ensure proportionate representation of women entrepreneurs across the 12 administrative divisions in Sarawak. The sample allocation for each division was determined based on its proportion of the registered women entrepreneur population. A total of 350 valid responses were obtained for the analysis. The respondents represented women entrepreneurs from different administrative divisions in Sarawak. The questionnaire items were adapted from established measures to ensure consistency with the conceptualisation of the study constructs. All constructs were measured using multiple items on a five-point Likert scale.

The study population was identified using data provided by the Jabatan Wanita dan Keluarga Sarawak (JWKS) in 2023, which recorded 2,492 registered women entrepreneurs across the 12 administrative divisions of Sarawak. The 350 respondents were proportionately allocated across the 12 administrative divisions based on their respective population sizes. The sample therefore represents women entrepreneurs within the JWKS-supported population rather

than the entire population of women entrepreneurs in Sarawak. This distinction is important when interpreting the generalisability of the findings.

### Data Analysis

The data were analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM) through SmartPLS 4.0. PLS-SEM was selected because the research model involves multiple relationships, including direct effects, mediation, and moderation. The analysis followed a two-stage approach comprising measurement model assessment and structural model assessment.

First, the measurement model was assessed to establish the reliability and validity of the constructs. Indicator loadings, composite reliability (CR), and average variance extracted (AVE) were examined to assess convergent validity. Discriminant validity was assessed using the heterotrait-monotrait ratio (HTMT).

Second, the structural model was evaluated to test the hypothesised relationships. The analysis examined path coefficients and their statistical significance, followed by tests of the mediating role of dynamic capabilities and the moderating role of entrepreneurial orientation. Bootstrapping with 5,000 resamples was employed to assess the significance of the hypothesised relationships. Collinearity was also assessed using inner VIF values.

The model's explanatory power was assessed using  $R^2$ , while its predictive relevance was evaluated using  $Q^2$ . The structural model produced  $R^2$  values of 0.210 for dynamic capabilities and 0.177 for business performance, while the  $Q^2$  values were 0.191 and 0.122, respectively.

### Results

The structural model was evaluated using Partial Least Squares Structural Equation Modelling (PLS-SEM) with bootstrapping based on 5,000 resamples to test the hypothesised relationships. Prior to hypothesis testing, collinearity diagnostics confirmed that all inner VIF values were below the recommended threshold, indicating no multicollinearity concerns.

The measurement model was first assessed to establish the reliability and validity of the constructs. As presented in **Table 2**, all indicator loadings exceed the recommended threshold of 0.70, while composite reliability (CR) values are above 0.70 and average variance extracted (AVE) values exceed 0.50. These results indicate satisfactory convergent validity.

Table 2

*Measurement Model Assessment*

| Construct                   | Indicator Loadings | Composite Reliability (CR) | Average Variance Extracted (AVE) |
|-----------------------------|--------------------|----------------------------|----------------------------------|
| Market Knowledge            | 0.779 – 0.865      | 0.899                      | 0.690                            |
| Innovation                  | 0.741 – 0.863      | 0.899                      | 0.690                            |
| Social Capital              | 0.712 – 0.813      | 0.863                      | 0.613                            |
| Dynamic Capabilities        | 0.705 – 0.832      | 0.889                      | 0.573                            |
| Entrepreneurial Orientation | 0.702 – 0.874      | 0.888                      | 0.615                            |
| Business Performance        | 0.727 – 0.815      | 0.870                      | 0.625                            |

**Note:** All indicator loadings exceed the recommended threshold of 0.70. Composite reliability values are above 0.70, and AVE values exceed 0.50, indicating satisfactory convergent validity.

Discriminant validity was assessed using the heterotrait-monotrait ratio (HTMT). As shown in Table 3, all HTMT values are below the recommended threshold of 0.90, indicating that discriminant validity is established.

Table 3

*Discriminant Validity (HTMT Criterion)*

| Construct                        | BP    | DC    | EO    | INNO  | MK    | SC |
|----------------------------------|-------|-------|-------|-------|-------|----|
| Business Performance (BP)        | —     |       |       |       |       |    |
| Dynamic Capabilities (DC)        | 0.672 | —     |       |       |       |    |
| Entrepreneurial Orientation (EO) | 0.541 | 0.548 | —     |       |       |    |
| Innovation (INNO)                | 0.543 | 0.644 | 0.512 | —     |       |    |
| Market Knowledge (MK)            | 0.396 | 0.502 | 0.451 | 0.514 | —     |    |
| Social Capital (SC)              | 0.566 | 0.651 | 0.487 | 0.618 | 0.479 | —  |

**Note:** All HTMT values are below the recommended threshold of 0.90, indicating that discriminant validity is established.

The structural model results are presented in Table 4. Innovation and social capital exhibit positive and statistically significant effects on dynamic capabilities ( $\beta = 0.263$ ,  $p < 0.001$ ;  $\beta = 0.268$ ,  $p < 0.001$ , respectively). Both constructs also significantly influence business performance ( $\beta = 0.158$ ,  $p = 0.007$ ;  $\beta = 0.148$ ,  $p = 0.005$ , respectively). Dynamic capabilities further demonstrate a positive and significant effect on business performance ( $\beta = 0.188$ ,  $p = 0.002$ ).

Table 4

*Structural Model Results and Hypotheses Testing*

| Hypothesis | Relationship                                                                                 | $\beta$ | t-value | p-value | Decision      |
|------------|----------------------------------------------------------------------------------------------|---------|---------|---------|---------------|
| H1         | Market Knowledge $\rightarrow$ Dynamic Capabilities                                          | 0.093   | 1.878   | 0.060   | Not Supported |
| H2         | Innovation $\rightarrow$ Dynamic Capabilities                                                | 0.263   | 4.602   | 0.000   | Supported     |
| H3         | Social Capital $\rightarrow$ Dynamic Capabilities                                            | 0.268   | 4.860   | 0.000   | Supported     |
| H4         | Market Knowledge $\rightarrow$ Business Performance                                          | 0.074   | 1.264   | 0.207   | Not Supported |
| H5         | Innovation $\rightarrow$ Business Performance                                                | 0.158   | 2.690   | 0.007   | Supported     |
| H6         | Social Capital $\rightarrow$ Business Performance                                            | 0.148   | 2.807   | 0.005   | Supported     |
| H7         | Dynamic Capabilities $\rightarrow$ Business Performance                                      | 0.188   | 3.098   | 0.002   | Supported     |
| H8         | Market Knowledge $\rightarrow$ Dynamic Capabilities $\rightarrow$ Business Performance       | 0.018   | 1.551   | 0.121   | Not Supported |
| H9         | Innovation $\rightarrow$ Dynamic Capabilities $\rightarrow$ Business Performance             | 0.050   | 2.532   | 0.011   | Supported     |
| H10        | Social Capital $\rightarrow$ Dynamic Capabilities $\rightarrow$ Business Performance         | 0.051   | 2.589   | 0.010   | Supported     |
| H11        | Entrepreneurial Orientation $\times$ Dynamic Capabilities $\rightarrow$ Business Performance | 0.016   | 0.314   | 0.753   | Not Supported |

**Note:** Significant relationships are determined at  $p < 0.05$ . Mediation effects are assessed using bootstrapping procedures.  $EO \times DC$  represents the interaction term for moderation analysis.

In contrast, market knowledge does not exhibit a statistically significant effect on either dynamic capabilities ( $\beta = 0.093$ ,  $p = 0.060$ ) or business performance ( $\beta = 0.074$ ,  $p = 0.207$ ). This indicates that market knowledge does not significantly contribute to dynamic capabilities or business performance in the present context.

The mediation analysis reveals that dynamic capabilities significantly mediate the relationships between innovation and business performance ( $\beta = 0.050$ ,  $p = 0.011$ ) and between social capital and business performance ( $\beta = 0.051$ ,  $p = 0.010$ ). These findings indicate that the effects of innovation and social capital are partly transmitted through dynamic capabilities. However, the mediating effect of dynamic capabilities on the relationship between market knowledge and business performance is not significant ( $\beta = 0.018$ ,  $p = 0.121$ ).

The moderation analysis indicates that entrepreneurial orientation does not significantly moderate the relationship between dynamic capabilities and business performance ( $\beta = 0.016$ ,  $p = 0.753$ ). This suggests that the relationship between dynamic capabilities and business performance does not significantly vary according to the level of entrepreneurial orientation in the present sample.

With respect to explanatory power and predictive relevance, the model evaluation results are presented in Table 5. The model explains 21.0% of the variance in dynamic capabilities ( $R^2 = 0.210$ ) and 17.7% of the variance in business performance ( $R^2 = 0.177$ ). In addition,  $Q^2$  values are greater than zero for both dynamic capabilities ( $Q^2 = 0.191$ ) and business performance ( $Q^2 = 0.122$ ), indicating predictive relevance of the model.

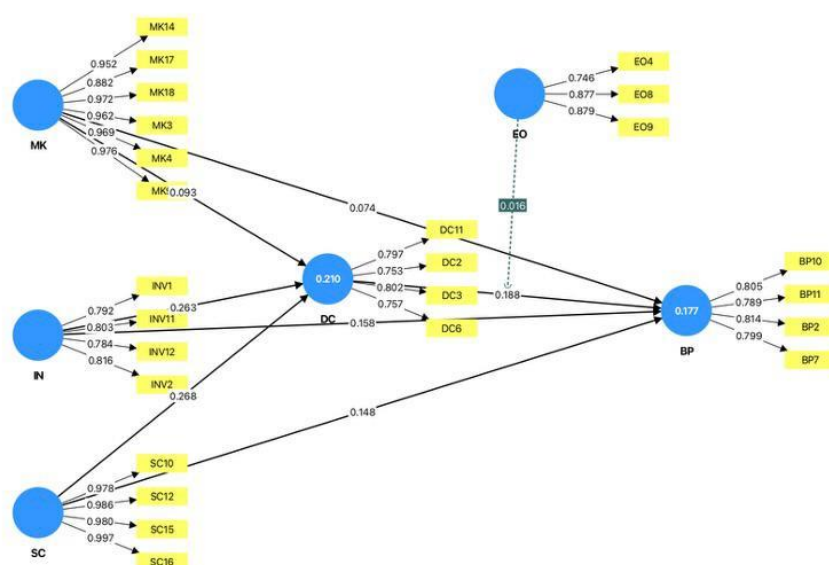


Figure 2. Structural Model Results (PLS-SEM)

Source: Author's own analysis using SmartPLS 4.0

Figure 2 illustrates the structural model results, including the standardized path coefficients and significance levels for all hypothesised relationships. The diagram provides a visual representation of both significant and non-significant paths, supporting the findings presented in Table 4.

Table 5

*Model Evaluation*

| Construct            | R <sup>2</sup> | Q <sup>2</sup> |
|----------------------|----------------|----------------|
| Dynamic Capabilities | 0.210          | 0.191          |
| Business Performance | 0.177          | 0.122          |

**Note:** R<sup>2</sup> values indicate the model's explanatory power, while Q<sup>2</sup> values greater than zero confirm predictive relevance of the model.

Overall, the results provide empirical support for the capability-based perspective, with innovation, social capital, and dynamic capabilities showing significant relationships with business performance. At the same time, market knowledge does not demonstrate significant direct or indirect effects, while entrepreneurial orientation does not significantly moderate the relationship between dynamic capabilities and business performance.

### Discussion

This study advances the literature by shifting the explanation of entrepreneurial performance from a resource-based perspective toward a capability-based perspective. While Social Capital Theory emphasizes access to resources through networks, the findings demonstrate that access to resources does not automatically translate into performance outcomes. Instead, the value of resources depends on the entrepreneur's ability to mobilize, integrate, and reconfigure them through dynamic capabilities. This extends Social Capital Theory by introducing a capability-based mechanism through which relational resources can be converted into tangible performance outcomes (Nahapiet & Ghoshal, 1998; Stam et al., 2014).

At the same time, this study contributes to Dynamic Capabilities Theory by providing empirical evidence at the micro-entrepreneur level, particularly within the context of women-led enterprises in a developing regional setting. Unlike studies that predominantly examine dynamic capabilities at the firm level, the findings demonstrate that dynamic capabilities can function as an entrepreneur-driven process through which available resources are transformed into business outcomes. This perspective is consistent with recent research highlighting the importance of dynamic capabilities for performance and sustainability across SME contexts (Supramono et al., 2025; Flynn et al., 2025).

The findings further indicate that organisational factors do not uniformly translate into business performance. While innovation and social capital demonstrate both direct and indirect effects through dynamic capabilities, market knowledge does not show a significant direct or indirect effect. This highlights the importance of distinguishing between resource availability and the capability to effectively mobilise and utilise those resources. In this sense, the findings reinforce the central premise of Dynamic Capabilities Theory that performance

depends not only on possessing resources but also on the ability to orchestrate and transform them into valuable outcomes.

In the context of women entrepreneurs in Sarawak, this transformation process becomes particularly relevant. Structural and contextual constraints may limit the extent to which entrepreneurs can access, combine, and exploit resources effectively. Consequently, the ability to recombine and leverage available resources becomes an important mechanism through which innovation and social capital contribute to business performance. This finding reinforces the view that the effectiveness of social capital depends not only on network access but also on how entrepreneurs utilise relational resources to support their business activities (Stam et al., 2014; Bchini, 2024).

The significant mediating role of dynamic capabilities provides further support for this transformation logic. Dynamic capabilities act as a transmission mechanism through which innovation and social capital contribute to business performance. This finding highlights the importance of adaptability, learning, and strategic reconfiguration in converting organisational resources into performance outcomes. Recent empirical research similarly demonstrates the importance of dynamic capabilities in linking organisational resources and capabilities with performance-related outcomes (Saputra et al., 2024; Supramono et al., 2025).

Furthermore, the findings provide an important qualification regarding the role of entrepreneurial orientation. Although entrepreneurial orientation reflects a proactive and opportunity-oriented strategic posture, it does not significantly moderate the relationship between dynamic capabilities and business performance in the present context. While previous studies have suggested that entrepreneurial orientation can strengthen the contribution of organisational capabilities to performance, the present findings indicate that this moderating effect may not be universally applicable (Wales et al., 2020; Monteiro et al., 2021; Dyduch, 2021). This suggests that entrepreneurial orientation alone may not be sufficient to enhance the performance value of dynamic capabilities when entrepreneurs operate within specific structural and contextual constraints.

Taken together, these findings contribute to the literature in three key ways. First, they extend Social Capital Theory by demonstrating that access to relational resources does not automatically ensure performance and that their value can depend on the entrepreneur's capability to mobilise and utilise them. Second, they advance Dynamic Capabilities Theory by demonstrating the mediating role of dynamic capabilities at the micro-entrepreneur level within a developing regional context. Third, they contribute to the understanding of entrepreneurial orientation as a potential boundary condition by demonstrating that its moderating role is context-dependent rather than universally applicable.

Overall, this study provides a more integrated and process-oriented explanation of business performance by demonstrating how organisational resources, dynamic capabilities, and entrepreneurial orientation relate to performance within the context of women entrepreneurship in Sarawak. The findings underscore the importance of adopting a capability-based perspective in understanding how entrepreneurs transform available resources into business outcomes, particularly when operating within resource-constrained environments.

## Implications

This study offers important theoretical and practical implications by demonstrating how organisational resources, dynamic capabilities, and entrepreneurial orientation relate to business performance among women entrepreneurs in Sarawak.

From a theoretical perspective, this study advances the literature by integrating Social Capital Theory (SCT) and Dynamic Capabilities Theory (DCT) within a unified framework and repositioning the role of resources in explaining entrepreneurial performance. While SCT emphasizes access to resources through networks, the findings indicate that the performance value of such resources may be enhanced when they are effectively mobilised and transformed through dynamic capabilities. This extends SCT by introducing a capability-based explanation of how social capital can contribute to tangible outcomes. In addition, the study contributes to DCT by providing empirical evidence of its mediating mechanism at the micro-entrepreneur level, thereby extending its application beyond traditional firm-level contexts. The inclusion of entrepreneurial orientation as a potential moderating condition further contributes to the theoretical model by demonstrating that its moderating role may be context-dependent rather than universally applicable.

From a practical perspective, the findings provide actionable insights for policymakers, support agencies, and women entrepreneurs. For policymakers and agencies such as Jabatan Wanita dan Keluarga Sarawak (JWKS), the results suggest a shift from resource provision toward capability development. Rather than focusing solely on financial assistance, intervention programmes should prioritise building entrepreneurs' abilities to sense opportunities, reconfigure resources, and respond strategically to market changes. This can be achieved through targeted training in market intelligence, innovation practices, and network development, as well as structured mentorship and coaching initiatives that support the development of entrepreneurial capabilities.

For women entrepreneurs, the findings highlight that access to resources alone may not be sufficient for achieving sustainable performance. Instead, emphasis should be placed on actively developing the capacity to integrate knowledge, leverage networks, and continuously adapt business strategies. Strengthening social ties, investing in innovation, and enhancing market responsiveness are important pathways to building dynamic capabilities and improving long-term competitiveness.

Overall, this study underscores the importance of adopting a capability-driven approach to entrepreneurship. By aligning resource access with capability development, women entrepreneurs may enhance their ability to adapt and improve performance in resource-constrained and dynamic environments.

## Conclusion

This study examined how organisational resources are translated into business performance through dynamic capabilities, and whether entrepreneurial orientation moderates this relationship among women entrepreneurs in Sarawak. The findings demonstrate that innovation and social capital contribute to business performance both directly and indirectly,

with dynamic capabilities serving as an important mechanism through which these organisational resources are translated into business outcomes. In contrast, market knowledge does not demonstrate significant direct or indirect effects on business performance. In addition, entrepreneurial orientation was found not to significantly moderate the relationship between dynamic capabilities and business performance, suggesting that the performance implications of dynamic capabilities may not vary significantly according to the level of entrepreneurial orientation in this context.

This study makes several key contributions to the literature. First, it advances the understanding of entrepreneurial performance by integrating Social Capital Theory and Dynamic Capabilities Theory and shifting attention from resource access towards resource mobilisation and transformation. Second, it provides empirical evidence on the mediating role of dynamic capabilities at the micro-entrepreneur level, extending the application of the dynamic capabilities perspective beyond traditional firm-level contexts. Third, it contributes to the understanding of entrepreneurial orientation as a potential boundary condition by demonstrating that its moderating role is context-dependent rather than universally applicable.

Overall, the findings underscore that sustainable business performance is not solely dependent on the availability of organisational resources, but also on the entrepreneur's ability to effectively mobilise, integrate, and reconfigure these resources to generate business outcomes. This highlights the importance of adopting a capability-driven perspective in understanding entrepreneurship, particularly among women entrepreneurs operating within resource-constrained and developing regional contexts.

### **Theoretical and Contextual Contribution**

This study contributes to existing knowledge by integrating Social Capital Theory and Dynamic Capabilities Theory to explain how organisational resources are transformed into business performance among women entrepreneurs. Social Capital Theory highlights the importance of relational resources, such as networks, trust, and shared knowledge, while Dynamic Capabilities Theory explains how these resources can be mobilised, integrated, and reconfigured to generate performance outcomes. The integration of these perspectives therefore provides a more comprehensive explanation of the process through which resource access can be converted into business performance. Contextually, this study extends empirical understanding of women entrepreneurship in Sarawak, Malaysia, where entrepreneurial activities take place across geographically diverse and resource-constrained environments. The findings show that organisational resources do not uniformly translate into business performance in this context: innovation and social capital contribute to performance through dynamic capabilities, whereas market knowledge does not demonstrate significant direct or indirect effects. These findings highlight the importance of considering both resource availability and the capability to mobilise and transform resources when explaining business performance in a specific entrepreneurial context.

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