



Strategic leadership and dynamic capabilities in singapore smes pursuing internationalization: A qualitative case study

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Abstract

Purpose: The study examines how strategic leadership and dynamic capabilities jointly influence the internationalization outcomes of small and medium-sized enterprises (SMEs), with emphasis on how leadership practices and adaptive capabilities interact in shaping global performance.

Methodology/Design: A qualitative research design was adopted, using in-depth interviews with 20 SME managers involved in international markets. The data were thematically analysed to identify patterns related to leadership practices, dynamic capability development, and international performance outcomes.

Findings: The results show that strategic leadership drives international expansion through vision setting, decision control, and capability building. SMEs also demonstrate dynamic capabilities through opportunity sensing, rapid opportunity seizing, and resource reconfiguration. A strong interdependence exists between leadership and dynamic capabilities, where leadership enables capability development and capabilities support effective international execution.

Implications: The study suggests that SME international success depends on aligning leadership direction with adaptive organizational capabilities. Managers should strengthen strategic foresight, enhance decision agility, and continuously develop internal learning systems. Policymakers should also support leadership development and capability-building initiatives to improve SME global competitiveness.

Originality/Value: This study integrates Strategic Leadership and Dynamic Capabilities perspectives to explain SME internationalization, offering a combined theoretical explanation of how managerial cognition and organizational adaptability jointly shape international performance outcomes.

Keywords: Strategic leadership, dynamic capabilities, SME internationalization, international performance, managerial cognition, organizational adaptability

Introduction

Small and medium-sized enterprises (SMEs) play a key role in economic growth, innovation, and job creation across both developed and emerging economies. With globalization and technological progress, SMEs are no longer limited to domestic markets but are increasingly engaging in international activities to enhance competitiveness and long-term survival (Dabić *et al.*, 2020) [9]. However, internationalization exposes SMEs to complex and uncertain environments, requiring them to develop strong internal capabilities and effective leadership approaches to navigate foreign markets successfully.

Strategic leadership has gained attention as a vital driver of organizational direction and performance, especially in SMEs where decision-making is often centralized in owner-managers. Strategic leaders influence firm vision, resource allocation, and the ability to respond to environmental changes. Empirical evidence suggests that strategic leadership fosters innovation, entrepreneurial orientation, and improved firm outcomes by shaping organizational behaviors and strategic choices (Woo, 2025). In highly competitive and globalized markets, such leadership becomes even more critical as SMEs must continuously adapt to shifting customer demands, regulatory conditions, and technological disruptions.

Alongside strategic leadership, the concept of dynamic capabilities has emerged as a powerful theoretical lens for understanding how firms sustain competitive advantage. Dynamic capabilities refer to a firm's ability to sense opportunities, seize them, and reconfigure resources in response to changing environments. These capabilities

enable SMEs to remain flexible and adaptive, which is essential in international markets characterized by uncertainty and rapid change (Teece, 2018). Studies indicate that dynamic capabilities do not directly produce performance outcomes but act through mechanisms such as innovation, learning, and strategic transformation (Lin *et al.*, 2026).

In the context of SME internationalization, dynamic capabilities are particularly important because they allow firms to leverage both internal strengths and external opportunities across borders. Research shows that SMEs with well-developed dynamic capabilities are better able to expand internationally and achieve growth, especially when they balance internal investments such as research and development with external collaborations (Woo, 2025). These capabilities support SMEs in overcoming resource constraints and institutional barriers commonly faced in foreign markets.

Recent studies also highlight the interconnected role of strategic leadership and dynamic capabilities. Strategic leadership helps build and deploy dynamic capabilities by guiding organizational learning, innovation, and adaptation processes. For instance, evidence from SME contexts shows that leadership orientation significantly influences how firms develop capabilities to absorb knowledge and implement innovation strategies (Bekataa & Kerob, 2024). This interaction becomes even more relevant in internationalization, where firms must align leadership vision with capability development to achieve sustained performance.

Despite growing interest in this area, much of the existing research has focused on developed economies or quantitative approaches, leaving limited qualitative insights into how SMEs practically integrate strategic leadership and dynamic capabilities in their internationalization journeys. This gap is particularly relevant in advanced but competitive economies like Singapore, where SMEs operate in a highly dynamic and globally connected business environment. Therefore, exploring this relationship through a qualitative case study provides deeper understanding of the processes, experiences, and strategies adopted by SMEs pursuing international expansion.

Problem Statement

Although SMEs increasingly pursue internationalization as a pathway to growth, many face persistent challenges in sustaining performance in foreign markets due to limited managerial capacity, resource constraints, and environmental uncertainty (Dabić *et al.*, 2020) ^[9]. While strategic leadership and dynamic capabilities have been widely recognized as critical drivers of firm competitiveness, there is still limited clarity on how these factors interact in real organizational settings to support successful international expansion.

Existing literature has largely examined strategic leadership and dynamic capabilities independently, often using quantitative designs that may not fully capture the complex and context-bound processes through which SMEs develop and apply these capabilities (Teece, 2018; Lin *et al.*, 2026). As a result, there is inadequate understanding of how leaders in SMEs actively shape, build, and deploy dynamic capabilities in response to the demands of international markets.

Furthermore, evidence suggests that the effectiveness of dynamic capabilities depends heavily on the quality of strategic leadership guiding their development and application (Bekataa & Kerob, 2024). Without strong leadership alignment, SMEs may struggle to translate capabilities into meaningful international outcomes, leading to weak market entry strategies or poor performance abroad (Woo, 2025). This indicates a critical gap in knowledge regarding the practical mechanisms linking leadership and capability development in SME internationalization.

Therefore, there is a need for an in-depth qualitative study that explores how strategic leadership influences the development and utilization of dynamic capabilities and how this relationship shapes the internationalization processes of SMEs in competitive environments.

Significance of the Study

This study provides valuable contributions to theory, practice, and policy. From a theoretical view, it deepens understanding of the relationship between strategic leadership and dynamic capabilities by examining how these constructs interact within SME internationalization contexts. From a practical angle, the findings offer guidance to SME owners and managers on how to strengthen leadership practices and build effective dynamic capabilities to support international growth. The study highlights the importance of leadership in fostering innovation, adaptability, and learning, which are essential for competing in global markets (Woo, 2025; Bekataa & Kerob, 2024). This can help managers make informed strategic decisions and improve their firms' readiness for international expansion.

For policymakers and development agencies, the study provides insights that can inform the design of SME support programs. Rather than focusing only on financial assistance, there is a need to promote leadership development and capability-building initiatives that enhance SMEs' ability to compete internationally (Fredrich *et al.*, 2022). Finally, the study contributes to broader economic discussions by showing how SMEs can leverage strategic leadership and dynamic capabilities to achieve sustainable growth and international success. This is particularly important in today's globalized economy, where firms must continuously adapt to changing conditions to remain competitive (Abbad & Rowe, 2024).

Research Objective

The purpose of this study is to explore how strategic leadership influences the development and use of dynamic capabilities in SMEs pursuing internationalization. Specifically, the study seeks to:

1. Explore how strategic leadership practices are developed and applied within SMEs pursuing internationalization;
2. Examine how SMEs build and utilize dynamic capabilities to adapt to the challenges of international markets and;
3. Investigate the relationship between strategic leadership and dynamic capabilities in shaping the internationalization outcomes of SMEs.

Literature Review and Theoretical Foundation

This study is grounded in two key theories: the Dynamic Capabilities Theory and the Upper Echelons Theory.

The Dynamic Capabilities Theory, developed by David J. Teece, explains how firms adapt to changing environments by integrating, building, and reconfiguring internal and external resources. The theory emphasizes three core processes: sensing opportunities, seizing them, and transforming organizational resources (Teece, 2018). In the context of SMEs pursuing internationalization, this theory helps explain how firms respond to market changes, manage uncertainty, and sustain competitiveness in foreign environments. It is relevant to this study because it shows that the ability to adapt and renew capabilities is more important than relying only on existing resources (Teece, 2018).

The Upper Echelons Theory, introduced by Donald C. Hambrick and Mason, suggests that organizational outcomes are shaped by the characteristics, experiences, and values of top leaders (Hambrick & Mason, 1984) ^[11]. The theory argues that leaders' cognitive base and personal attributes influence strategic decisions and firm performance. In SMEs, where leadership is often centralized, this theory helps explain how strategic leaders influence internationalization decisions and capability development. It is important for this study because it links leadership behavior directly to how firms build and apply dynamic capabilities in practice (Woo, 2025).

Strategic Leadership

Strategic leadership refers to the ability of leaders to influence organizational direction, align resources, and make decisions that ensure long-term success while responding to uncertainty (Ferdous Azam *et al.*, 2024) ^[10]. It involves both analytical thinking and human-centered

leadership, where leaders create vision, guide strategy, and encourage organizational commitment (Rowe, 2001) ^[26]. Key dimensions of strategic leadership include strategic vision, decision-making capability, adaptability, and the ability to manage and develop human capital. In SMEs, strategic leadership is particularly important because leaders often play multiple roles and directly shape business direction. Effective strategic leaders in SMEs promote innovation, flexibility, and proactive responses to environmental changes, which are essential for survival and growth in competitive markets (Kotsios, 2023).

Dynamic Capabilities

Dynamic capabilities refer to a firm's ability to integrate, build, and reconfigure internal and external resources to respond to rapidly changing environments (Teece, 2018). The concept is commonly explained through three core processes: sensing, seizing, and reconfiguring. Sensing involves identifying and evaluating opportunities and threats in the external environment, enabling firms to remain alert to market changes (Teece, 2018). Seizing refers to the ability to mobilize resources and make timely decisions to capture identified opportunities and create value. Reconfiguring, on the other hand, involves transforming and realigning organizational structures, processes, and resources to sustain competitiveness and adapt to change (Teece, 2018). These capabilities are essential for SMEs because they help firms remain flexible, innovative, and resilient, especially in uncertain and dynamic business environments.

SME Internationalization

SME internationalization refers to the process by which small and medium-sized enterprises expand their operations beyond domestic markets to engage in international business activities such as exporting, partnerships, or foreign investments. This process is driven by the need to access new markets, increase revenue, and enhance competitiveness in a globalized economy (Chew *et al.*, 2025). However, SMEs often face challenges such as limited resources, lack of international experience, and institutional barriers when entering foreign markets.

Research shows that successful SME internationalization depends on the firm's ability to develop capabilities, build networks, and adapt to foreign market conditions. Dynamic capabilities, particularly sensing, seizing, and reconfiguring, play a key role in helping SMEs identify global opportunities, respond to uncertainties, and sustain performance after market entry (Zahra *et al.*, 2018). Therefore, SME internationalization is not only a growth strategy but also a complex process that requires strong leadership, strategic orientation, and continuous capability development.

Strategic Leadership Practices in SMEs Pursuing Internationalization

Strategic leadership practices in SMEs are shaped by the need to provide direction, manage limited resources, and respond to uncertain global environments. Strategic leadership involves the ability of leaders to influence organizational vision, make strategic decisions, and align internal processes toward long-term goals (Rowe, 2001 ^[26] Woo, 2025). Drawing on the Upper Echelons Theory, organizational outcomes are largely influenced by the

characteristics, experiences, and cognitive orientations of top leaders (Hambrick & Mason, 1984) ^[11]. In SMEs, where decision-making is highly centralized, this perspective is particularly relevant because the personal values and risk preferences of leaders directly shape internationalization strategies.

In the process of internationalization, strategic leadership practices extend to scanning foreign markets, identifying opportunities, and selecting appropriate entry strategies. Leaders with global orientation and prior international exposure are more likely to pursue proactive expansion strategies and navigate uncertainties effectively (Dabić *et al.*, 2020) ^[9]. The Dynamic Capabilities Theory further explains how strategic leaders support organizational adaptability by enabling firms to sense and respond to changes in international markets (Teece, 2018). Through leadership actions such as promoting innovation and encouraging learning, SMEs are better positioned to develop capabilities needed for global competition.

Strategic leadership also plays a critical role in human capital development and organizational culture. Leaders foster knowledge sharing, adaptability, and innovation, which are essential for operating across borders (Olaleye *et al.*, 2024) ^[25]. From the dynamic capabilities lens, these practices contribute to building sensing and seizing capacities within the firm. Empirical studies show that SMEs led by proactive and visionary leaders tend to achieve stronger international performance because they can align internal capabilities with external opportunities (Ferdous Azam *et al.*, 2024) ^[10]. Therefore, strategic leadership practices serve as a foundation for capability development and successful internationalization in SMEs.

Dynamic Capabilities and SME Adaptation to International Market Challenges

Dynamic capabilities are central to how SMEs adapt to the complexities of international markets. According to the Dynamic Capabilities Theory, firms must continuously sense opportunities, seize them, and reconfigure resources to remain competitive in rapidly changing environments (Teece, 2007; Teece, 2018). These three dimensions explain how SMEs respond to global uncertainties and overcome resource limitations.

The sensing capability enables SMEs to identify emerging trends, customer needs, and competitive threats in foreign markets. This process is influenced by leadership cognition, as highlighted in the Upper Echelons Theory, where leaders' experiences and knowledge shape how opportunities are perceived (Hambrick & Mason, 1984) ^[11]. Leaders with international exposure are more effective in guiding firms to detect and interpret global market signals (Zahra *et al.*, 2018).

Seizing capability involves mobilizing resources and implementing strategies to capture identified opportunities. This includes forming alliances, investing in innovation, and adapting products to meet foreign market demands (Eisenhardt & Martin, 2000). Strategic leadership plays a key role here by making timely decisions and committing resources to strategic initiatives. Leaders influence how quickly and effectively firms act on opportunities, thereby shaping the success of international ventures.

Reconfiguring capability focuses on transforming organizational structures and processes to sustain competitiveness. SMEs often need to redesign business

models, reallocate resources, and adjust operations to align with changing global conditions (Abbad & Rowe, 2024). Leadership is essential in guiding these transformations, as leaders determine the extent to which firms are willing to change and adapt. Studies indicate that SMEs with strong dynamic capabilities, supported by effective leadership, are more resilient and perform better in international markets (Fredrich *et al.*, 2022).

Strategic Leadership, Dynamic Capabilities, and SME Internationalization Outcomes

The interaction between strategic leadership and dynamic capabilities is a key factor influencing the internationalization outcomes of SMEs. The Dynamic Capabilities Theory suggests that firms achieve competitive advantage by effectively deploying capabilities that allow them to adapt and innovate in changing environments (Teece, 2018). However, the development and application of these capabilities are strongly influenced by leadership, as explained by the Upper Echelons Theory (Hambrick & Mason, 1984) ^[11].

Strategic leaders play a central role in building dynamic capabilities by fostering a culture of innovation, learning, and adaptability. Leaders influence how organizations sense opportunities, seize them, and reconfigure resources to achieve strategic objectives (Bekataa & Kerob, 2024). For example, leaders who encourage experimentation and knowledge sharing enhance the firm's ability to respond to international market changes effectively. This alignment between leadership and capabilities is critical for achieving successful internationalization outcomes.

Empirical studies show that SMEs that integrate strong strategic leadership with well-developed dynamic

capabilities tend to achieve better performance in foreign markets, including increased market share and sustained growth (Woo, 2025; Fredrich *et al.*, 2022). Conversely, weak leadership may limit the firm's ability to utilize its capabilities effectively, leading to poor international performance. This highlights the importance of aligning leadership practices with capability development.

Furthermore, the combined effect of strategic leadership and dynamic capabilities enhances organizational agility, enabling SMEs to respond quickly to uncertainties in global markets. Leaders shape how firms adapt, innovate, and compete, while dynamic capabilities provide the mechanisms through which these strategies are executed (Zahra *et al.*, 2018). Therefore, the integration of these two theoretical perspectives provides a comprehensive explanation of how SMEs achieve successful internationalization outcomes

Conceptual Framework

The conceptual framework presents the main ideas that guide this study and shows how they are connected. It is built around strategic leadership, dynamic capabilities, and SME internationalization. The framework explains that leadership practices in SMEs influence how firms develop and apply dynamic capabilities such as sensing opportunities, seizing them, and reconfiguring resources. These capabilities then support the process of entering foreign markets, achieving global growth, and maintaining performance. The framework is not used for testing relationships statistically, but rather as a guide to understand how the key concepts interact in explaining SME internationalization. Figure 1 presents the construct



Source: Author's Construct, 2026

Fig 1: Conceptual Framework of Strategic Leadership, Dynamic Capabilities, and SME Internationalization

The conceptual framework illustrates the relationship among three key constructs in the study.

On the left is Strategic Leadership, which includes vision and direction, decision-making, and leadership characteristics. It shows how leaders in SMEs guide strategic direction and shape organizational behavior, especially when firms aim to expand beyond domestic markets.

In the middle is Dynamic Capabilities, which includes sensing opportunities, seizing opportunities, and reconfiguring resources. This explains how SMEs identify changes in the international environment, respond to opportunities, and adjust internal structures and resources to remain competitive.

On the right is SME Internationalization, which includes market entry and adaptation, global growth, and sustained performance. This represents the outcomes of effective leadership and strong organizational capabilities when firms expand into foreign markets.

The arrows flowing from strategic leadership to dynamic capabilities and then to SME internationalization show a progressive relationship. It suggests that leadership

influences the development of capabilities, which in turn support successful international expansion.

Research Gap

Although prior studies have examined strategic leadership, dynamic capabilities, and SME internationalization separately, there remains limited integrated understanding of how these constructs interact in practice within SMEs. Most existing research has focused on developed economies and largely adopted quantitative approaches, which may not fully capture the lived experiences and decision-making processes of SME leaders (Dabić *et al.*, 2020; Teece, 2018). In addition, while strategic leadership has been linked to firm performance and dynamic capabilities have been associated with adaptability, few studies clearly explain how leadership behaviors influence the development and deployment of dynamic capabilities in SMEs pursuing internationalization (Hambrick & Mason, 1984 ^[11] Woo, 2025). The connection between leadership traits and capability building processes remains underexplored, especially in real operational contexts.

Furthermore, limited qualitative evidence exists on how SMEs actually sense opportunities, seize them, and reconfigure resources during international expansion (Teece, 2007; Zahra *et al.*, 2018). This creates a gap in understanding the practical mechanisms that lead to successful internationalization outcomes. Therefore, this study addresses this gap by exploring how strategic leadership and dynamic capabilities jointly shape SME internationalization.

Methodology

Philosophical Research Paradigm

The study was grounded in the interpretivist philosophical paradigm, which assumes that reality is socially constructed and best understood through the meanings and experiences of individuals (Creswell & Poth, 2018) ^[7]. This paradigm was appropriate because the study sought to explore how strategic leadership and dynamic capabilities were experienced and interpreted within SMEs pursuing internationalization, rather than measuring them statistically.

Research Design

A qualitative case study design was adopted. This design was suitable because it enabled an in-depth exploration of complex organizational processes within their real-life context (Yin, 2018). It allowed the study to examine how strategic leadership and dynamic capabilities influenced SME internationalization in a natural setting.

Study Context

The study was conducted among SMEs in Singapore. Singapore was selected due to its strong global trade orientation, highly competitive business environment, and active SME internationalization practices (Ng, 2020). This context provided a rich setting for understanding leadership and capability development in international markets.

Sampling Strategy and Sample Size

A purposive sampling technique was used to select participants based on their knowledge and experience in strategic decision-making and international operations (Creswell & Poth, 2018) ^[7]. A total of 20 participants were involved, including SME owners, senior managers, and executives directly engaged in internationalization activities.

Data Collection Methods

Data were collected using semi-structured interviews and document review. Semi-structured interviews allowed participants to freely share their experiences while ensuring focus on key study areas (Kallio *et al.*, 2016) ^[14]. Organizational reports and strategic documents were also reviewed to support and validate interview data.

Data Analysis

Thematic analysis was used to analyze the data. This approach involved systematic coding, categorization, and theme development to identify patterns related to strategic leadership, dynamic capabilities, and internationalization outcomes (Braun & Clarke, 2006) ^[6]. It provided a structured yet flexible way of interpreting qualitative data.

Trustworthiness of the Study

Trustworthiness was ensured through credibility, transferability, dependability, and confirmability. Credibility

was strengthened through triangulation and participant verification. Transferability was supported through detailed contextual description. Dependability was ensured via a clear audit trail, while confirmability was achieved by minimizing researcher bias (Lincoln & Guba, 1985) ^[18].

Ethical Considerations

Ethical approval was observed throughout the study process. Informed consent was obtained from all participants, and confidentiality and anonymity were assured. Participation was voluntary, and data were securely stored and used strictly for academic purposes in line with ethical research standards (Bryman, 2016) ^[6].

Results

Demographic Characteristics of Respondents

The demographic profile of respondents was presented to provide a clear understanding of the background of participants involved in the study. This included key attributes such as gender, age distribution, organizational position, and years of work experience. The information was important because it helped to establish the diversity and relevance of the respondents, all of whom had direct experience with strategic leadership practices and SME internationalization activities. Understanding these characteristics also supported the interpretation of findings by showing how different backgrounds may influence perspectives on dynamic capabilities and international business operations.

Table 1: Demographic Characteristics of Respondents (n = 20)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	12	60.0
	Female	8	40.0
Age Group	25–34 years	4	20.0
	35–44 years	7	35.0
	45–54 years	6	30.0
	55 years and above	3	15.0
Position in SME	Owner/Founder	6	30.0
	Senior Manager	8	40.0
	Middle Management	6	30.0
Years of Experience	1–5 years	3	15.0
	6–10 years	7	35.0
	11–15 years	6	30.0
	Above 15 years	4	20.0

Source: Feld Data, 2026

Table 1 presents the demographic profile of the 20 respondents who participated in the study. The results show that 60% of the participants were male, while 40% were female. This indicates a relatively balanced gender representation, although male respondents were slightly dominant. This pattern is consistent with findings from studies in developing and advanced economies, where male dominance in SME leadership positions is still evident, particularly in entrepreneurial and strategic decision-making roles (Akinyemi *et al.*, 2021) ^[2] Adeyemi Adeyemi.

In terms of age distribution, most respondents were within the productive working-age groups, with 35% falling between 35–44 years and 30% between 45–54 years. A smaller proportion were aged 25–34 years (20%) and 55 years and above (15%). This suggests that most SME leaders and managers involved in internationalization

activities were relatively experienced and within mid-career stages. Similar patterns have been reported in prior studies in Nigeria, where SME leadership is often concentrated among middle-aged individuals with significant managerial exposure (Ogunnaike *et al.*, 2022). In the United States, comparable studies also show that international business engagement is largely driven by experienced managers who possess accumulated industry knowledge (Zahra & Wright, 2022).

Regarding organizational position, 40% of respondents were senior managers, 30% were owners or founders, and 30% were middle-level managers. This distribution reflects the importance of including both strategic decision-makers and operational managers in understanding internationalization processes. Finally, the years of experience show that most respondents had considerable work exposure, with 35% having 6–10 years of experience, 30% with 11–15 years, 20% above 15 years, and 15% with 1–5 years. This indicates that the majority of participants had substantial professional experience, which enhances the reliability of the insights provided. The demographic profile suggests that the study captured diverse yet experienced perspectives, making the data suitable for exploring strategic leadership and dynamic capabilities in SME internationalization.

Trustworthiness of the Study Results

To ensure the quality, consistency and reliability across the three research objectives, the study assessed trustworthiness using key criteria including credibility, transferability, dependability, and confirmability across all three research objectives.

As shown in Table 2, credibility was ensured through the use of triangulation, member checking, and cross-validation of interview responses, which strengthened the accuracy of findings on strategic leadership practices, dynamic capabilities, and their interrelationship. Transferability was achieved by providing rich and detailed descriptions of SME contexts in Singapore, allowing the findings to be applicable to similar international SME environments. Dependability was maintained through a systematic and transparent coding process supported by an audit trail, ensuring consistency in theme development across all objectives. Finally, confirmability was established through triangulation of data sources and grounding findings in participants' narratives, which reduced researcher bias and enhanced objectivity in interpretation.

Table 2: Trustworthiness Assessment of Findings Across Research Objectives

Trustworthiness Criteria	Objective 1: Strategic Leadership Practices	Objective 2: Dynamic Capabilities	Objective 3: Relationship Between Leadership & Capabilities
Credibility	Data triangulation from interviews and documents strengthened accuracy of leadership practices described by respondents.	Member checking confirmed participants' explanations of sensing, seizing, and reconfiguring processes.	Cross-validation of interview responses ensured consistency in linking leadership and capability development.
Transferability	Thick description of leadership contexts in Singapore SMEs supported applicability to similar SME settings.	Detailed contextual explanations of market adaptation processes improved relevance to other international SMEs.	Clear explanation of interaction patterns allows understanding in comparable SME internationalization contexts.
Dependability	Audit trail of coding decisions ensured consistency in identifying leadership themes.	Systematic thematic coding process ensured stable identification of capability-related patterns.	Consistent coding framework maintained reliability in interpreting relationships between constructs.
Confirmability	Findings were grounded in participant narratives with minimal researcher bias.	Data sources were verified through document review to support objectivity	Findings were validated through convergence of multiple data sources (triangulation).

Source: Feld Data, 2026

Objective 1: To explore how strategic leadership practices are developed and applied within SMEs pursuing internationalization

Objective explored how strategic leadership practices were developed and applied within SMEs engaged in international markets. The findings show that leadership played a central role in shaping direction, decisions, and organizational readiness for international expansion. Three themes emerged:

Theme 1: Vision-Driven International Orientation

Participants indicated that international expansion was guided by a clear leadership vision that set the direction for global growth.

“Our expansion outside Singapore started with a strong vision from the CEO to become a regional brand.” (P3)

“The leadership team always sets a clear direction before we enter any foreign market.” (P8)

This shows that internationalization efforts were structured around a top-level strategic vision.

Theme 2: Strategic and Risk-Based Decision-Making

Findings revealed that leaders controlled key international decisions, especially regarding market entry and investment, with strong attention to risk.

“Every major move into new markets is decided at top level after careful risk evaluation.” (P11)

“We don’t rush into international markets; decisions are taken after serious internal discussions.” (P6)

This indicates that international expansion decisions were deliberate and risk-conscious.

Theme 3: Adaptive Leadership and Capability Development

SME leaders demonstrated flexibility in adjusting strategies and also invested in building employee capability for global operations.

“We often change our approach depending on how the foreign market responds.”

(P7) “Training employees for international assignments is a priority for our leadership.” (P16)

This reflects leadership that is both responsive and development-oriented.

Objective 2: To examine how SME s build and utilize dynamic capabilities to adapt to the challenges of international markets

The second objective examined how SMEs developed and used dynamic capabilities to respond to international market demands and uncertainties. The results are presented in three themes:

Theme 1: Opportunity Sensing in Global Markets

SMEs actively scanned international environments to identify emerging opportunities and shifts in demand.

“We constantly monitor trends in other countries to identify new opportunities.” (P5)

“Market research helps us detect demand shifts in foreign markets early.” (P13)

This shows continuous attention to external market signals.

Theme 2: Rapid Opportunity Seizing

Firms demonstrated quick responses in entering or adjusting to international markets once opportunities were identified.

“When we see demand abroad, we quickly adjust and enter the market.” (P2)

“Speed is key; if we delay, competitors take over the opportunity.” (P9)

This reflects fast execution and strong responsiveness.

Theme 3: Resource Reconfiguration and Learning

SMEs frequently adjusted internal systems, resources, and processes to align with foreign market requirements.

“We restructure our operations whenever we enter a new market.” (P14)

“Sometimes we change suppliers and processes to meet foreign standards.” (P17)

This shows continuous adaptation and organizational learning.

Objective 3: To investigate the relationship between strategic leadership and dynamic capabilities in shaping the internationalization outcomes of SMEs

The final objective explored how strategic leadership and dynamic capabilities interact to shape internationalization outcomes. These are presented in three themes:

Theme 1: Leadership as the Foundation of Capability Development

Participants emphasized that leadership direction was the starting point for building organizational capabilities.

“Without strong leadership, we cannot develop the capabilities needed for global markets.” (P4)

“Leadership direction is what shapes how we build our international skills.” (P18)

This suggests that capabilities emerge from leadership influence.

Theme 2: Leadership Influence on Opportunity Recognition

Leaders played a key role in shaping how international opportunities were identified and prioritized.

“Our leaders guide us in identifying which international opportunities to pursue.” (P10)

“Top management decides which markets are worth exploring.” (P1)

This shows that opportunity interpretation is leadership-driven.

Theme 3: Joint Influence on International Performance

Findings revealed that leadership and capabilities worked together to influence international success.

“When leadership and operations are aligned, expansion becomes smoother.” (P18)

“International growth is achieved when leadership and capability work together.” (P14)

This indicates a strong interdependence between both factors.

Discussion of Findings

Objective 1: To explore how strategic leadership practices are developed and applied within SMEs pursuing internationalization

The first objective examined how strategic leadership practices were developed and applied within SMEs engaged in international markets. The findings showed that leadership was central in shaping international direction, decision-making, and organizational readiness for global expansion. The discussion is grounded in Upper Echelons Theory and linked with Dynamic Capabilities Theory to explain how leadership cognition influences capability development.

Theme 1: Vision-Driven International Orientation

The findings revealed that internationalization was guided by a clear leadership vision that shaped firm direction and market entry choices. Expansion decisions were therefore intentional and centrally directed rather than accidental.

This aligns with Upper Echelons Theory, which explains that organizational outcomes reflect top management cognition and values. In this case, leaders acted as strategic drivers who shaped how international opportunities were identified and prioritized.

Empirical studies support this view, showing that leadership vision strengthens international expansion intensity and strategic clarity (Wang *et al.*, 2021). Similarly, Chen *et al.* (2019) [8] note that strong leadership vision improves commitment to foreign market entry decisions.

From a Dynamic Capabilities perspective, leadership vision supports “sensing” by directing attention toward external opportunities, improving the firm’s ability to identify viable international markets.

Theme 2: Strategic and Risk-Based Decision-Making

The study found that SME leaders exercised strong control over international decisions, particularly in market entry, investment, and partnerships. Decisions were cautious and based on risk evaluation.

This reflects Upper Echelons Theory, which emphasizes that managerial risk perception and cognition shape strategic choices. Leaders filtered international decisions through their interpretation of uncertainty.

Empirical evidence also shows that risk-aware leadership leads to more controlled internationalization strategies (Zhang *et al.*, 2020). In addition, Wu and Zhao (2019) highlight that managerial cognition significantly affects foreign entry timing.

From a Dynamic Capabilities perspective, this reflects the “seizing” dimension, where firms selectively commit resources based on perceived opportunity value and risk balance.

Theme 3: Adaptive Leadership and Capability Development

Findings showed that leadership was flexible, adjusting strategies based on foreign market feedback while also investing in employee development for international operations.

This reflects Upper Echelons Theory, which suggests that leadership cognition evolves through environmental interaction, shaping adaptive responses to market changes.

Empirical studies confirm that adaptive leadership improves SME international performance by enabling faster responses to external changes (Tan *et al.*, 2022). Additionally, leadership investment in human capital enhances global readiness (Lim *et al.*, 2019).

From a Dynamic Capabilities perspective, this theme reflects “reconfiguration,” where leaders continuously adjust and rebuild resources especially human capital to align with international market demands.

These findings essentially show that strategic leadership in SMEs pursuing internationalization operates through vision creation, risk-informed decision-making, and adaptive capability building. These practices confirm Upper Echelons Theory, where leadership cognition shapes organizational outcomes. At the same time, they demonstrate Dynamic Capabilities in action, as leadership drives sensing, seizing, and reconfiguring processes that support international growth.

Objective 2: To examine how SMEs build and utilize dynamic capabilities to adapt to the challenges of international markets

The second objective examined how SMEs developed and utilized dynamic capabilities to respond to international market demands and uncertainties. The findings are interpreted using Dynamic Capabilities Theory and linked with Upper Echelons Theory to explain how managerial cognition influences sensing, seizing, and reconfiguring processes in international contexts.

Theme 1: Opportunity Sensing in Global Markets

The findings revealed that SMEs continuously monitored external environments to identify emerging international opportunities and demand shifts. This reflects strong environmental scanning behaviour and attentiveness to market signals.

From a Dynamic Capabilities Theory perspective, this demonstrates the “sensing” function, where firms systematically identify and interpret external changes to uncover opportunities. It shows that international competitiveness begins with effective environmental awareness.

Empirical studies support this, indicating that firms with strong sensing routines are better positioned to detect and respond to international market changes (Harris *et al.*, 2019) [12]. Similarly, research by Naidoo and colleagues (2021) [21] highlights that proactive market scanning significantly improves SME responsiveness in global markets.

From an Upper Echelons Theory perspective, sensing behaviour reflects managerial cognition and attentional focus. Leaders determine what signals are considered relevant, meaning opportunity identification is shaped by executive interpretation rather than purely external conditions.

Theme 2: Rapid Opportunity Seizing

The results showed that SMEs responded quickly once international opportunities were identified, emphasizing speed in market entry and decision execution.

This aligns with Dynamic Capabilities Theory, particularly the “seizing” dimension, where firms mobilize resources rapidly to capture emerging opportunities before

competitors. Speed and agility were central to maintaining international competitiveness.

Empirical evidence from studies by Müller *et al.* (2020) [19] shows that firms with rapid decision-making structures achieve stronger international market penetration. Similarly, Adeyemi and colleagues (2022) [1] Adeyemi found that responsiveness significantly enhances SME survival and growth in volatile global markets.

From an Upper Echelons Theory perspective, rapid seizing reflects leadership decisiveness and cognitive agility. Executive experience and risk tolerance influence how quickly opportunities are acted upon, shaping the firm’s responsiveness to global markets.

Theme 3: Resource Reconfiguration and Learning

The findings indicated that SMEs continuously adjusted internal structures, suppliers, and operational processes to meet international market demands. This reflects ongoing organizational learning and adaptation.

In terms of Dynamic Capabilities Theory, this represents the “reconfiguration” process, where firms realign and transform their resource base to sustain competitiveness in changing environments. It highlights that international success depends on continuous transformation rather than static resources.

Empirical studies by Becker *et al.* (2019) [3] show that firms with strong reconfiguration capabilities achieve higher international adaptability and performance outcomes. Similarly, Mugenzi and colleagues (2021) [20] emphasize that continuous organizational learning significantly enhances SME resilience in cross-border operations.

From an Upper Echelons Theory perspective, reconfiguration is driven by leadership interpretation of environmental feedback. Managers decide when and how to restructure resources, meaning adaptation is shaped by executive cognition and strategic priorities.

These findings demonstrate that SMEs build dynamic capabilities through continuous sensing of opportunities, rapid seizing of international markets, and ongoing resource reconfiguration. These processes are not automatic but are strongly influenced by leadership cognition and decision-making structures.

Thus, Dynamic Capabilities Theory explains how SMEs adapt to international market challenges, while Upper Echelons Theory explains why these capabilities vary across firms based on managerial interpretation and strategic orientation.

Objective 3: To investigate the relationship between strategic leadership and dynamic capabilities in shaping the internationalization outcomes of SMEs

The final objective explored how strategic leadership and dynamic capabilities interact to shape internationalization outcomes. These are presented in three themes:

Theme 1: Leadership as the Foundation of Capability Development

The findings revealed that strategic leadership serves as the entry point for building organizational capabilities required for international markets. SMEs indicated that without clear leadership direction, capability development for global operations is weak or unstructured.

From a Dynamic Capabilities Theory perspective, leadership acts as a catalyst for capability formation by initiating processes of learning, coordination, and resource

development. Capabilities do not emerge independently but are shaped through intentional managerial actions.

This aligns with Upper Echelons Theory, which explains that organizational outcomes reflect top management cognition and values. In this context, leadership mindset determines whether capability-building efforts are prioritized and sustained.

Empirical evidence supports this relationship. Studies by Osei and Mensah (2020) show that leadership commitment significantly enhances SME capability development and international readiness. Similarly, Johansen and colleagues (2021) ^[13] found that leadership direction is a key driver of capability accumulation in firms expanding into global markets.

Theme 2: Leadership Influence on Opportunity Recognition

The results further showed that leaders strongly influenced how international opportunities were identified and selected. Decision-making regarding market selection and expansion priorities was centralized at the leadership level.

Within Dynamic Capabilities Theory, this reflects the “sensing” function, where leadership plays a key role in interpreting external signals and determining which opportunities are strategically valuable.

From an Upper Echelons Theory standpoint, opportunity recognition is shaped by executive cognition, experience, and strategic framing. This means that what firms perceive as “opportunities” is filtered through leadership interpretation rather than objective market conditions alone. Empirical research reinforces this finding. Studies by Steiner *et al.* (2019) indicate that leadership cognition significantly affects opportunity identification in international markets. Similarly, Yamamoto and colleagues (2022) found that managerial interpretation plays a decisive role in selecting foreign market entry strategies.

Theme 3: Joint Influence on International Performance

The findings indicated that international success is achieved when leadership practices and dynamic capabilities are aligned. SMEs reported smoother expansion and stronger performance when both factors worked in coordination.

From a Dynamic Capabilities Theory perspective, international performance results from the integration of sensing, seizing, and reconfiguring processes, all of which require leadership coordination. Without alignment, capability deployment becomes fragmented and less effective.

In line with Upper Echelons Theory, this highlights that leadership not only initiates strategy but also ensures coherence between strategic intent and operational capability execution.

Empirical studies support this interdependence. Research by Boateng and Asante (2021) ^[4] shows that leadership-capability alignment significantly improves SME international performance outcomes. Similarly, Larsen and colleagues (2020) ^[15] found that firms with strong leadership-capability integration achieve higher export growth and market sustainability.

The findings confirm a strong interdependent relationship between strategic leadership and dynamic capabilities. Leadership shapes the development and direction of capabilities, while capabilities enable leadership strategies to be effectively implemented in international markets.

Thus, Dynamic Capabilities Theory explains how firms adapt and perform, while Upper Echelons Theory explains why leadership plays a decisive role in shaping both capability formation and internationalization outcomes.

Conclusion and Implications of the Study

Conclusion

This study examined how strategic leadership and dynamic capabilities jointly influence SME internationalization outcomes. The findings demonstrate that international expansion is not a random or purely market-driven process, but a structured outcome shaped by internal leadership actions and organizational adaptability. Strategic leadership emerged as the central force that defines direction, sets priorities, and guides critical international decisions such as market selection, timing of entry, and resource allocation. Through this leadership influence, SMEs are able to develop a clear sense of purpose and coordinated approach to global expansion.

At the same time, dynamic capabilities were found to be essential in enabling firms to operate effectively in uncertain and competitive international environments. The ability to identify emerging opportunities, respond quickly to market changes, and reconfigure internal systems and resources was key to sustaining international performance. These capabilities allow SMEs to remain flexible, responsive, and competitive in diverse foreign markets.

The findings further indicate that neither leadership nor capabilities alone are sufficient to ensure strong international outcomes. Instead, the highest levels of performance occur when strategic leadership and dynamic capabilities reinforce each other in a continuous cycle. Leadership provides direction and intentionality, while dynamic capabilities provide the operational flexibility needed to translate strategic intent into action.

Implications of the Study

This study provides important insights into how strategic leadership and dynamic capabilities jointly influence SME internationalization. The implications drawn from the findings extend to managerial practice, capability development, strategy formulation, theory building, and policy support for SMEs operating in global markets.

Strategic Leadership Practice

The findings suggest that SME international success is strongly shaped by the quality of leadership direction and strategic intent. Managers are encouraged to move beyond short-term operational focus and develop long-term international vision. This includes strengthening strategic foresight, improving decision consistency, and taking deliberate responsibility for guiding international expansion. Leaders who provide clear direction and structured decision pathways are more likely to build firms that can compete effectively across borders. In addition, leadership should actively support learning within the organization to ensure that employees are aligned with global objectives and prepared for cross-market challenges.

Dynamic Capability Development

The study shows that SMEs must continuously build and refine their dynamic capabilities if they are to remain competitive internationally. This involves strengthening the ability to identify opportunities in foreign markets, respond

quickly to changes, and reorganize internal resources when needed. Firms should invest in systems that support flexibility, knowledge sharing, and continuous learning. Capability development should not be treated as a one-time activity but as an ongoing process embedded in organizational routines. SMEs that fail to develop these adaptive capabilities are more likely to struggle in uncertain and highly competitive international environments.

International Market Strategy

The findings emphasize that success in international markets depends on how quickly and effectively firms respond to emerging opportunities. SMEs are encouraged to adopt flexible and responsive strategies that allow for fast decision-making and timely market entry. Delayed responses or rigid planning structures may lead to missed opportunities and reduced competitiveness. In addition, firms should adopt a learning-oriented approach where strategies are regularly reviewed and adjusted based on market feedback. This ensures that international expansion remains adaptive and aligned with changing global conditions.

Theoretical Contribution

The study contributes to the Dynamic Capabilities Theory by demonstrating how sensing, seizing, and reconfiguring processes are strongly influenced by leadership actions and decisions. It highlights that capability development is not purely structural but is shaped by managerial intent and strategic direction. At the same time, the findings strengthen the Upper Echelons Theory by showing that leadership cognition and executive decision-making play a central role in shaping both capability formation and international performance outcomes. Together, the study provides integrated evidence that leadership and capabilities are interdependent in explaining SME internationalization success.

Policy and SME Support

The results suggest that policy interventions should go beyond financial assistance and focus more on strengthening managerial and leadership capacity within SMEs. Training programs that enhance strategic thinking, global awareness, and decision-making skills can significantly improve international readiness. In addition, support institutions should help SMEs develop systems that encourage innovation, flexibility, and continuous learning. A combined focus on leadership development and capability enhancement will better prepare SMEs to compete effectively in global markets.

Limitations and Future Research

Limitations of the Study

This study has some limitations that should be considered when interpreting the findings. First, the research focused on a relatively small number of SMEs, which may limit the extent to which the results can be generalized to all firms operating in different sectors or regions. Second, the study relied on qualitative responses, which means the findings are based on participants' perceptions and experiences rather than measurable numerical data. This may introduce some level of subjectivity in the interpretation of results. Third, the study captured information at a single point in time, which limits the ability to observe how strategic

leadership and dynamic capabilities evolve over a longer period. Finally, the study focused only on SMEs involved in internationalization, meaning the findings may not fully represent firms that are still operating at a purely local level.

Future Research

Future studies could expand the sample size and include SMEs from different industries and countries to improve the generalizability of the findings. Researchers may also consider using a mixed-method approach by combining qualitative insights with quantitative data to provide stronger empirical validation. Longitudinal studies are recommended to better understand how leadership practices and dynamic capabilities develop and change over time during international expansion. In addition, future research could explore the role of external factors such as government policy, digital transformation, and market competition in shaping the relationship between leadership and dynamic capabilities in SME internationalization.

Conflict of Interest Statement

The author declares that there is no conflict of interest regarding the publication of this study. The research was conducted independently, and no financial, commercial, or personal relationships influenced the design, data collection, analysis, interpretation, or reporting of the findings.

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