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Moderating and Mediating Role of Dynamic Capabilities on Differentiation Strategy and SMEs' Sustainable Performance

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Abstract

Small and Medium Enterprises are an essential driver of the economy, and their performance is imperative to national development. Performance and long-term survival have become a focal concern for many business owners as a result of stiff competition and environmental and social factors; thus, there is a paradigm shift in the study of performance. This study examines sustainable SMEs' performance in an attempt to examine beyond profit as a holistic approach to performance. Among many SMEs, few incorporate the concept into the operation of the business, particularly in the context of Nigerian SMEs. The population of the study is six thousand and twelve (n=6,012) SMEs operating in the Northeast States of Nigeria, out of which three hundred and eighty-four (n=364) were selected using the Yamane formula and data were collected from (retrieved 325 copies) owners/manager for analysis. The findings revealed that the moderating effect of dynamic capabilities is found to be significant, and the direct influence on sustainable performance is also significant, indicating a substantial effect. However, the moderating effect increases when dynamic capability is greater compared to when dynamic capability is low. This revealed that the moderator also strengthens the relationship. This study extends understanding and importance of strategic moves that employ differentiation strategy and dynamic capabilities in a turbulent and competitive business environment. Therefore, SMEs' managers/owner should incorporate differentiation strategy and dynamic capabilities as a source of competitive advantage. Although these results provide valuable insight, further research with larger samples and more complex models could provide a deeper understanding of the dynamics underlying the relationships.

Keywords: ***Differentiation, Strategy, Sustainable, Dynamic Capabilities***

1. Introduction

The sustainable performance concept is a notion in understanding business performance that may be seen from three perspectives based on the 3Ps (people, planet, and profit). Organisations that perform well in sustainability performance attempt to fulfil duties beyond profit. The concept of sustainability performance is founded on the assumption that long-term and cross-generational company sustainability can only be accomplished when environmental and social concerns are factored in for the accomplishment of profit maximisation. This idea is often known as the 3Ps: people, planet, & profit, or the triple bottom line (Ismaeni et al., 2024).

Most importantly, recent literature reveals that there is a paradigm shift in the study of firm performance and considerable attention has been paid to the environmental, social, and economic performances of a business (Raza et al., 2021). Similarly, Nakruang et al. (2020) separated a company's performance into three dimensions: social performance, environmental performance, and economic performance, and concluded that the three dimensions are crucial aspects of performance (Ismaeni et al., 2024).

The Triple-bottom-line (TBL) refers to the simultaneous attention paid to the economic, social, and environmental aspects of SMEs' performance (Marzouk & El Ebrashi, 2024). The triple-bottom-line (TBL) idea has been used to implement company care activities for three decades. Elkington's TBL model, introduced in 1994, explicitly considers environmental and community factors when evaluating sustainability performance (Ismaeni et al., 2024). It focuses on all three performance measures (Marzouk & El Ebrashi, 2024). Furthermore, the TBL concept is applied in various forms such as social responsibility (corporate social responsibility, CSR), green management, and sustainability performance (Ismaeni et al., 2024). Few incorporate the concept into the operation of SMEs, particularly in the context of Nigerian SMEs.

Thus, the study's objective was to assess the influence of differentiation strategy on the performance of SMEs. The objectives are viz.: to assess the influence of the moderation of dynamic capabilities on differentiation strategy and SMEs' sustainable performance, to assess the effect of differentiation strategy on SMEs' sustainable performance, to examine the mediation of dynamic capabilities on differentiation strategy and SMEs' sustainable performance and to assess the conditional moderation of dynamic capabilities on SMEs' performance.

2. Literature Review

2.1 Differentiation Strategy and Sustainable SMEs' Performance

Differentiation strategy is a type of competitive strategy that organisations use to differentiate the company's products and services from other companies in the same industry. Differentiation strategy focuses on creating a product or service that is unique and different from competitors, so that it can attract the attention of consumers who are looking for additional features or benefits (Kusnanto & Azhari, 2023).

Differentiation strategies are all-encompassing in market economies and are a prevailing means of getting competitive advantages (Pehrsson, 2016; Gorondutse & Hilman, 2017). Literature in strategic management gives several classifications of business strategies that explain how firms compete in their relevant market environments (Pehrsson, 2016; Yulliansyah et al., 2016). Porter's differentiation strategy gives businesses a chance to declare a premium price while retaining better market share or becoming the market leader (Gorondutse & Hilman, 2017). The dominant perception behind a differentiation strategy is customers' preparedness to pay more for the perceived value offered in the product that differentiates it from that of competitors (Michael & Nma, 2020).

Differentiation strategy is one of the business strategies of an enterprise; the definition of the concept of strategy and related theoretical statements can provide the basis and background for the operationalisation of differentiation strategy. The essence of differentiation strategy can also promote a better understanding of the relationship between it and sustainable SMEs' performance (Mei, 2022).

In smaller companies, there are basically three levels of strategy: company, functional and operational. In this case, the owner of the company is responsible for the conduct of effective

strategies at various levels of strategy; three generic strategies can be used either alone or in combination to create a secure position in the long term and to outperform its competitors, namely: differentiation (strategy), dynamic capabilities and cost leadership (Murni, 2017).

Competitive advantage is one of the important terms of strategic management literature which is applicable for firms' achieving superior performance from the marketplace. Differentiation strategy is a sustainable and effective strategy for firms' competitive advantage compared with cost leadership strategy; firms apply differentiation strategy to introduce innovative and high-quality products and services, which ensures firms' superior growth performance, (Hossain & Azmi, 2020).

Several theoretical frameworks have been advanced and used to understand the link between differentiation strategy and performance of firms (Wambaka, 2021). Within the framework of strategic management theory, achieving a sustainable competitive advantage necessitates the adoption of unique and distinctive business practices, arguing that a firm possesses a sustained competitive advantage when it generates more economic value over time than its competitors operating in the same market; differentiation is a viable strategy to secure such an advantage (Waerness & Bertheussen, 2024).

Besides, the differentiation strategy seeks to build competitive advantage through products or services by making them different from other available competitive products based on features and performance. Differentiation strategy is whereby a firm distinguishes its products or services from those of competitors for gaining competitive advantage (Danbauchi et al., 2020) and counter threats posed by the existence of similar products in the market. The ultimate goal for enterprises is to secure a long-term sustainable advantage and superior performance over their rivals that contribute to wealth creation and growth over time (Arafa & Elmaraghy, 2011).

In other words, differentiation strategy refers to creating and marketing a product that is considered relatively unique in the entire industry. Similarly, SMEs can differentiate their offerings based on brand image, product design, advanced technology, product features, and customer service; creating brand loyalty and less price sensitivity keeps the company away from competitors' aggressive moves. Companies use their expertise to invent products and product approaches that differentiate them from competitors. SMEs typically do not have the economies of scale to pursue cost leadership approaches, and foreign markets may include multiple competitors. Thus, differentiation strategy is found to be a suitable strategy for small and medium-sized companies' performance (Wambaka, 2021).

Generic competitive typology is composed of three major strategies, including lower-cost strategy, differentiated strategy, and market focus strategy (Wambaka, 2021). Differentiation strategies include using assets through innovative work, marketing new products and services and advancing brand image (Porter, 1985). Differentiation strategy is related to being unique in the market with the exceptional or distinctive items and services that administrations/organisations offer.

Such a strategy is perfect with a low-cost position; excellent companies that focus on building total share growth and profitability, to create value advantage over rivals, appreciate the highest market that buyers perceive as unique, thus empowering the firm to build customer reliability and charge premium prices that surpass the additional expenses related to the strategy (Hossain & Azmi, 2020). Research by Banker et al. (2014), Zulfiqar et al. (2019) and Wambaka (2021) shows that the differentiation strategy leads to more sustainable performance. Thus, SMEs can gain a competitive advantage over other competitors through a differentiation strategy.

Likewise, differentiation strategy involves a firm seeking to be unique in product features, services or any other dimension valuable to the buyer, excluding price, to which a special interpretation is attached in economic theory; the product features could be real features or perceived features (Wambaka, 2021). However, since differentiation often involves risk, a successful differentiation strategy requires the firm to be able to command a competitive advantage. To have a sustainable competitive advantage, the firm should choose sources of differentiation that are unique and difficult to imitate by competitors (Hossain & Azmi, 2020).

Similarly, a differentiation strategy ensures customers' brand loyalty through offering unique products, which assist the firm to perform better (Hossain & Azmi, 2020). Under competitive conditions, firms have great discretion in terms of choosing how to be unique; differentiation not only involves the actual uniqueness created by a firm but also relies heavily on uniqueness perceived by customers (Asiva, 2015). Differentiation effort is to design a set of differentiating tools or product attributes to differentiate a company's products; differentiation can also be a consideration and comparison for consumers (Sherly & Samboro, 2024).

Differentiation strategy is one of Porter's generic competitive strategies that aim at establishing a profitable and sustainable competitive position against the forces that regulate industry competition (Omar, 2024). Inimitable uniqueness will enable a firm to create a sustainable competitive advantage and strong identity in a specific market, and that will be driven by providing differentiating products in terms of quality, innovation, responsive customer needs, perceived prestige and the delivery system (Omar, 2024).

A differentiation strategy aims to provide unique advantages to marketed products, both in product and service; for instance, an e-wallet service might offer an engaging user experience. This strategy also appears in food products, such as healthier, vitamin-rich instant foods compared to typical options (Waisapi, 2024).

Product differentiation involves a firm developing a brand that is perceived as unique and distinctive compared to those of the competitors; the business attempts to make its products or services more attractive and appealing to the customer than what the rivals have to offer while, at the same time, commanding a profitable price (Museve, 2023). Shafiwu and Mohammed (2013) argue that there are several ways in which a firm can differentiate their products: first, by introducing features that the competitor does not have; second, differentiate on performance by having a product that is of better quality and more powerful or having more professional credibility, inter alia; third, a firm may decide to differentiate its products based on certain physical attributes which may include reliability, conformance, reparability, innovation and consistency. Moreover, a firm may also decide to differentiate the image of the product and not just the physical attributes (Museve, 2023).

Differentiation strategy enables the company to stand out in a market and differentiate the products of the company from its competitors. Differentiation strategy is a more important task than the marketing strategy, and it is always carried out at the time of the development of the marketing strategy (Olson et al., 2018). Typically, companies that have a successful differentiation strategy are very skilled and have creative products and ideas. The fundamental need of a business is to have a successful business strategy that is essential for the sustainability of the business (Crane et. al., 2019). This is to say, without a successful business strategy, the organisations are considered to lack efficiency. A successful business strategy helps in measuring the growth and success of the business and increases adaptability (Purwanti et al., 2020; Alipoor & Khodaparasti, 2024).

2.2 Differentiation Strategy and Sustainable SMEs' Performance

Researchers have long engaged in a debate on whether differentiation strategy affects firm performance. The findings attributed to this debate show a mixed picture, with a number of them reporting the existence of a significant relationship between the two variables, while others show no significant relationship between differentiation strategy and firm performance (Wambaka, 2021). In a competitive environment, businesses should look for ways of being constantly informed of the needs and wants of customers so that they can take a step towards differentiating themselves and outperforming their competitors by providing innovative services tailored to customer needs, thereby achieving superior performance (Brakhas, et. al., 2022).

The right and effective use of differentiation strategy is one of the prominent ways of achieving sustainable SMEs' performance (Purwanti et al., 2020). Studies demonstrate that with the help of differentiation strategy, firms enjoy economies of scale, meet the challenges and enhance business performance. Better use of resources and strategies at the right time is very crucial for sustainable business performance. A study revealed the importance of differentiation strategy and demonstrates that a differentiation strategy is the extent to which a business focuses on core values of the product/services (Purwanti et al., 2020).

In a similar study conducted by Adimo (2018), the relationship existing between adopted product differentiation and the firm's performance was investigated. The researcher adopted the stratified simple random sampling technique, which supported the selection of 134 participants as the sample size; analysis of collected primary data was done using descriptive statistical tools, while the Pearson correlation and simple regression were utilised in the test of advanced hypotheses. The study established that product differentiation is positively correlated with firm performance.

Differentiation strategy is considered an important variable for businesses to gain competitive advantage and increase growth momentum (Song et al., 2022). On the one hand, firms' desire for new knowledge and ideas, exploration of new technologies, and differentiation to expand into new markets to meet rapidly changing consumer needs, exploit existing technologies and explore new technologies (Daradkeh & Mansoor, 2023; Urban & Maphumulo, 2022).

Competitive strategies are important because they give a firm a competitive niche over its competitors; there are majorly two types of competitive strategies, including cost leadership strategy and product differentiation strategy. A firm seeking to gain competitive advantage and achieve sustainable performance can either choose to adopt a strategy of cost leadership or differentiation strategy. Conversely, a combination of these strategies, as this may translate into wastage of resources (Wambaka, 2021).

The differentiation strategy, as part of business-level strategy, is resourcefully executed when businesses give exclusive or better significance to the buyer in terms of product quality, features, or follow-up support. The differentiation strategy appeals to complex or well-familiar customers who are concerned with uniqueness or quality of product and willing to give benefit cost (Allen & Helms, 2006; Porter, 1985; Nandakumar et al., 2010; Gorondutse & Hilman, 2017).

Differentiation is one of the most widely applied competitive strategies in pursuit of competitive advantage and firm performance. Accordingly, the link between product differentiation and firm performance has been extensively explored theoretically and empirically. Theoretically, a product differentiation strategy is expected to enhance firm performance because it allows firms to compete with rivals in the market using something other

than price. This means that even if rivals offer lower prices for their products, if they can't match the perceived quality attributes of the other company, they will not succeed in attracting customers. Besides, differentiation creates a perception of uniqueness in customers' minds, so firms may use this opportunity to charge premium prices, which increases their profitability margins (Wambaka, 2021).

Design or architecture of the value creation, delivery, and capture mechanisms by introducing business model themes that drive value creation (Gerdoçi et al., 2023). Adoption of this strategy by a firm is expected to enhance the competitive advantage of the firm and, in turn, propel it to superior performance. This is because such a strategy allows firms to compete with rivals in the market using something other than price (Wambaka, 2021). Differentiation strategy illustrates that a business should add some basic features to products or services that differentiate itself from its competitors. The resource-based theory also supports the argument and relationship between performance and differentiation strategy (Purwanti et al., 2020).

The concept of differentiation is concerned with the creation of an offering that can be considered unique or different by the consumers in terms of its design, perceived quality, aesthetic features or price of the product. Differentiation involves a firm or company developing a brand that is perceived as unique and distinctive when compared to those of competitors (Kotler & Keller, 2011). Besides, product differentiation strategies are also based on attempts to convince customers that a product is superior in terms of quality, innovative design and aesthetics than what is offered by the competitors. As the competition attempts to imitate the firm's previous differentiation move, creative firms would have already developed a new strategy to be able to stay ahead of the competition (Museve, 2023).

Additionally, according to Pradipta et al., (2023) differentiation strategy has a positive and significant effect on performance, meaning that the higher the level of implementation of an effective and optimal differentiation strategy by firms to offer different, unique, valuable and quality products and services to customers, the more it can improve the achievement of SMEs' performance and win the competition. In addition, differentiation strategy (DS) is to provide unique goods and services to satisfy the demands of customers, forming a competitive advantage (Omar, 2024).

There is limited understanding of the impact of DS on performance as measured by the balanced scorecard approach (Ngo, 2024). The relationship between strategy and performance has been examined in numerous works, both theoretically and empirically (Gorondutse & Hilman, 2017). Among these studies, Waisapi, (2024) found that differentiation Strategy has a positive and significant effect on Performance. The enterprises that implement differentiation strategy have specialised operations and development (Omar, 2024). The implementation of differentiation strategy is more helpful to improve the performance of enterprises and win the sustainable competitive advantage (Mei, 2022).

The implementation of product differentiation strategy in the SME industry is composed of two types, namely vertical differentiation with regard to the provision of quality products at multiple levels, and horizontal differentiation with regard to the provision of some of the features and product delivery. Studies indicate that the application of differentiation strategy negatively affects the operating performance of industrial SMEs (Yunus, 2015). Also, another study revealed that there is no significant difference in the impact of differentiation on the performance of both large-scale restaurants and small-scale restaurants (Kankam-kwarteng et al., 2020). This may be because the literature on strategic management lacks significant empirical research on the complex differentiation strategy relationship model on performance (Islami et al., 2020).

Thus, differentiation often requires investment in research, development, marketing, or innovation; it can lead to long-term efficiency and brand strength, allowing companies to set higher prices and improve profit margins. Additionally, effective differentiation strategies enable companies to adapt to market changes and competition, maintaining a competitive edge through continuous innovation. However, differentiation also involves risks, such as high development costs and potential for quick imitation by competitors. Therefore, the success of differentiation strategies in enhancing performance depends on managing these variables effectively, including customer perception, operational efficiency, market adaptation, and associated risks and challenges (Waisapi, 2024).

Differentiation is a strategy where companies distinguish their products or services by offering unique features or added value, impacting customer perception and loyalty, increasing sales, and expanding market share, which ultimately boosts revenue and profitability (Waisapi, 2024).

A study by Kreiser et. al. (2020) on differentiation strategy in the petroleum industry showed a positive relationship between profitability and product differentiation in Total Ghana Ltd. They revealed how product differentiation and firm growth are impacted by volunteer marketers in a field experiment with Ugandan marketers; they stated that product differentiation is an important aspect in achieving firm growth. The findings of the study indicated that monthly sales, monthly profits and total assets of the firms increased as a result of product differentiation. At the same time, average prices, profits, margins and value-added per unit increased for the entrepreneurs who differentiated their products compared to volunteer marketers (Museve, 2023). Differentiation strategy predicts the financial performance of manufacturing firms; however, the direct effect of differentiation strategy on financial performance has reduced when a moderator was introduced into the model. Similarly, findings also indicate a positive association between differentiation strategy and performance (Ngo, 2024).

2.3 Hypotheses Development

H_1: Dynamic capabilities do not moderate the relationship between differentiation and SMEs' sustainable performance.

H_2: Differentiation strategy does not influence SMEs' sustainable performance.

H_3: Dynamic capabilities do not mediate the relationship between differentiation strategy and SMEs' sustainable performance

H4: Differentiation strategy and performance have no conditional mediation of dynamic capabilities

3. Methodology

The research study employed a cross-sectional design through a primary method of data collection and a survey method in terms of data collection criteria. Questionnaires were distributed to collect primary data; questionnaires were chosen because they are faster for respondents to complete, easier to administer, easier to analyse, and guarantee respondents' confidentiality. The Likert scale was used in the study to create questions based on the investigation's goals. Questionnaires were distributed to SME owners/managers who possessed sufficient information. The researchers carefully selected all qualified SMEs after conducting a detailed and comprehensive study of the statistical population. The population of the study is six thousand and twelve (n=6,012). SMEs operating in the Northeast States of Nigeria, out of which three hundred and eighty-four (n=364) were selected using the Yamane formula, and data were

collected (retrieved 325 copies). The research questionnaire was then provided to the selected respondents, and the data collected were analysed using SmartPLS 4 software.

4. Results and Discussions

4.1 Respondents Profile and Descriptive Statistics

Table 1: ***Demographic Characteristics of Respondents (n=325)***

Gender	Frequency	Percent
Male	295	91
Female	30	09
Total	325	100.0

Age	Frequency	Percent
25 - 35 years	57	17.5
36 - 45 years	122	37.5
46 - 55 years	81	24.5
> 55 years	64	17.5
Total	325	100.0

Experience	Frequency	Percent
1 - 2 years	46	14.1
3 - 5 years	98	30.1
6 - 10 years	74	22.7
10 - 15 years	107	32.9
Total	325	100.0

Source: Field Survey (2026)

Table 1 presents the results of the demographic characteristics of the respondents of this study. As seen in Table 4.4, there are more males than females among the respondents of this study. 91 per cent of the total respondents of this study are males, while the remaining 09 per cent are females.

In continuation, in Table 1, 17.5 per cent of the total respondents of the study are within the ages of 25 - 35 years. 37.4 per cent are between the ages of 36 - 45 years, 24.6 per cent are between the ages of 46 - 55 years while the remaining 17.5 per cent are between the ages of > 55 years. It is therefore evident that most of the respondents in this study are between the ages of 36 - 45 years. This is expected, as that age bracket (i.e., 36 - 45 years) is the period when most people attain the working class.

Most of the respondents in this study are experienced business owners; they constitute 14.2 per cent of the total respondents, who spent 10 - 15 years in the business, while 30.0per cent spent 3 - 5 years in their business, and 22.1 per cent indicated that their experience in business is not more than 1 - 2 years, but only 32.8 per cent of the respondents indicated that they spent 6 - 10 years in business. This indicates that males constitute the highest number, and the age of the owners is 36-45 years, a youth age with an average year of experience of 10-15 years; they constitute the highest percentage; therefore, sachet water business is a male- and youth-dominated business with many years of experience.

Table 2: ***Validity and reliability***

Items	Loadings	α	CR	AVE
DC1	0.766	0.863	0.865	0.647
DC2	0.833			
DC3	0.791			
DC4	0.827			
DC5	0.803			
DS1	0.864	0.881	0.886	0.680
DS2	0.869			
DS3	0.857			
DS4	0.804			
DS5	0.720			
SP1	0.815	0.889	0.894	0.644
SP2	0.782			
SP3	0.851			
SP4	0.736			
SP5	0.831			
SP6	0.794			

Table 3: ***Discriminant Validity Heterotrait-monotrait Ratio***

Matrix	**DC**	**DS**	**SP**
DC	0.889		
DS	0.653	0.693	
SP	0.884	0.863	0.432

4.2 Measurement Model

To assess the measurement model, several measures, such as Cronbach's alpha, composite reliability, and AVE, were utilised to assess the reliability and validity of the measurement items, so that the measurement model could be tested in terms of its reliability and validity (Arshad et al., 2024)**.** Table 3 above shows how the model fits the study, with factor loadings indicating the reliability and the validity of the variables.

Table 4: ***Path Coefficients***

Hypotheses	Os (O)	STDEV	T statistics	P values	Decision
DC x DS -> SP	0.211	0.054	3.933	0.000	Supported
DS -> SP	0.628	0.093	6.729	0.000	Supported

Specific indirect effects

Path	Original sample (O)	STDEV	T statistics	P values	Decision
DS -> DC -> SP	0.336	0.076	4.424	0.000	Supported

Conditional Direct Effects

Hypotheses	Original sample (O)	STDEV	T statistics	P values	Decisions
DS -> SP DC at +1 SD	0.840	0.125	6.706	0.000	Supported
DS -> SP DC at -1 SD	0.417	0.087	4.805	0.000	Supported
DS -> SP DC at Mean	0.628	0.093	6.729	0.000	Supported

All three (3) constructs (dynamic capability, differentiation strategy and sustainable performance) are within the recommended HTMT threshold of 0.90. Hair (2020) suggests these constructs are conceptually distinct from each other and represent different underlying concepts. The variance extraction factors are well within the .5 threshold among the items of the constructs.

4.3 Structural Model

The moderating effect of dynamic capabilities between differentiation strategy and sustainable performance is found to be significant (β = 0.211, p.000). Also, differentiation strategy has a direct influence on sustainable performance (β = 0.628, p = 0.000), indicating a substantial direct effect between differentiation strategy and sustainable performance. However, the moderating effect of dynamic capability on the relationship between differentiation and sustainable performance increases when dynamic capability is high (0.840, p = 0.000) compared to when dynamic capability is low (0.417, p = 0.000). This revealed that the moderating effect strengthens the differentiation strategy and sustainable performance relationship.

All hypothesised paths remained significant ($p < 0.001$), with similar effect sizes (β differences ranged from 0.02 to 0.11). The mediating role of dynamic capability was replicated (indirect effect = [value], $p < 0.001$), and the moderating pattern remained consistent: differentiation strategy's effect on sustainable SMEs' performance was strongest under high dynamic capability conditions compared to low dynamic capability.

5. Conclusion and Recommendation

The study provides evidence of the significant impact of differentiation strategy on performance. The impact of the differentiation strategy is found to be significant on SMEs' performance. This study is viewed as an extension of previous studies in the field of strategic management, especially related to strategic moves that employ differentiation strategy, in competitive business environments and industry structure streams. The study looks into the relationship between the differentiation strategy and sustainable SMEs' performance. Considering the direct impact of differentiation strategy on performance, the findings of the study confirmed that less competition is achieved through differentiation strategy. Moreover, considering the mediating and moderating effect of dynamic capability, it is evident that dynamic capability is a significant factor in enhancing firms' performance. These findings have several important implications; they show the importance of understanding and carefully managing product attributes to increase demand and attractiveness to customers.

Although these results provide valuable insight, further research with larger samples and more complex models could provide a deeper understanding of the dynamics underlying the relationship by introducing more variables. (Sherly & Samboro, 2024)

5.1 Recommendations

Based on the study findings, it is recommended that for strategy makers and SMEs' managers

1. To encourage the adoption of a proper and well-articulated differentiation strategy,
2. To demonstrate and enhance competitive advantage and performance.
3. More academic literature is needed to provide significant guidelines for strategic decisions.

4. Managers must ensure that innovative ideas are translated into a clear strategic posture, distinctive products, unique value propositions, and differentiated positions.
5. SMEs' owners should understand that dynamic capability is a strong factor in enhancing performance.
6. SMEs' owners should invest in dynamic capability; this is the most important moderator, which is not a discretionary predictor but a fundamental requirement for transforming sustainable performance.

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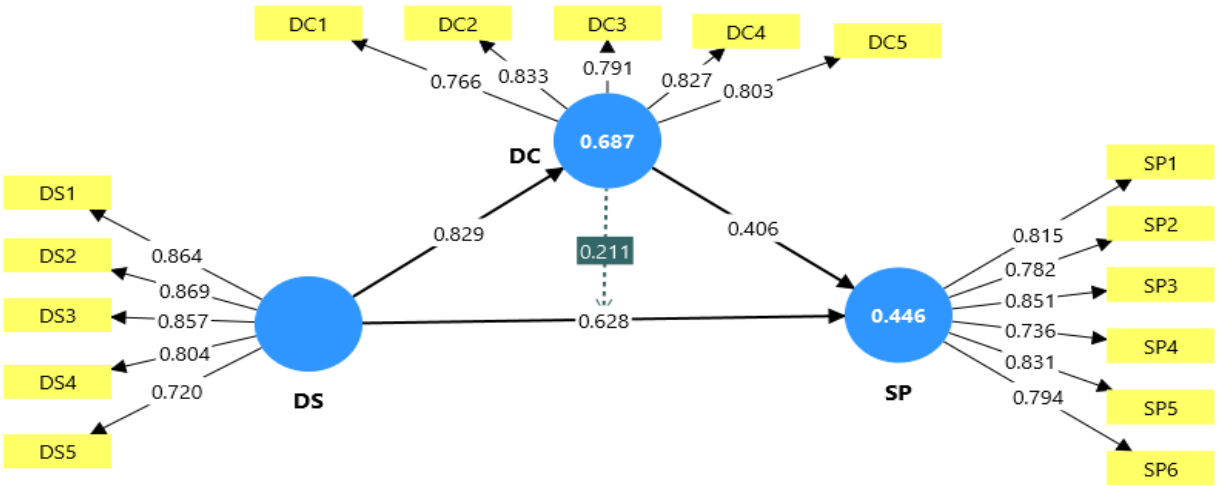
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