



INTERACTION OF INNOVATION STRATEGY AND DYNAMIC CAPABILITIES IN ACHIEVING COMPETITIVE ADVANTAGE: THE MODERATING ROLE OF ENVIRONMENTAL DYNAMICS

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Abstract

In a dynamic and competitive business environment, innovation strategy and dynamic capabilities are key to achieving competitive advantage. Although the relationship between innovation strategy and competitive advantage is well known, there is still a gap in understanding how environmental dynamism moderates this relationship. This conceptual proposal aims to answer the research questions about the effect of innovation strategy on competitive advantage and dynamic capabilities, as well as the mediating role of dynamic capabilities and the moderating role of environmental dynamism. This study uses a literature approach derived from various previous studies that raise the topic of strategic management, especially those discussing the role of innovation strategy in achieving competitive advantage. The results of this study are relevant for companies operating in an increasingly complex and dynamic business environment and provide direction for future research that explores the interaction between internal and external factors in determining the success of innovation strategies.

Keywords : Innovation Strategy , Capabilities Dynamic , Excellence Competitive , Dynamism Environment , Corporate Adaptation , Strategic Management

A. INTRODUCTION

In today's highly competitive and rapidly changing business environment, companies constantly seek ways to achieve and sustain competitive advantage. One of the key strategies companies use to remain competitive is the implementation of innovation strategies. Innovation strategies have been widely recognized as a crucial factor driving corporate performance and competitiveness by enabling companies to introduce new products, processes, and services that meet evolving market demands and technological advances (Desai, 2019). In addition, dynamic capabilities, which refer to a firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments, are gaining importance in the strategic management literature (Li & Liu, 2014).

Although the importance of innovation strategy and dynamic capabilities has been recognized, there is still a lack of comprehensive understanding of how these factors interact to influence competitive advantage. The relationship between innovation strategy and competitive advantage is not simple and is often influenced by external and internal factors. One such critical factor is environmental dynamism, which refers to the rate and uncertainty of change in the external environment, including market demand, technological change, and competitive actions (Li & Liu, 2014). Some previous studies have shown that environmental dynamism enhances the positive impact of innovation strategy on competitive advantage by creating opportunities for innovation and adaptation (Perez-Luno et al., 2014). However, other studies have argued that high levels of

environmental dynamism can also introduce uncertainty and risk, potentially undermining the effectiveness of innovation strategy (Desai, 2019).

Given the conflicting findings and the complexity of the relationships between innovation strategy, dynamic capabilities, and competitive advantage, there is an urgent need to explore how environmental dynamism moderates these relationships. Understanding this moderating role is critical for managers and policymakers who aim to formulate and implement effective innovation strategies that can navigate and exploit environmental change to achieve sustainable competitive advantage (Ting, 2012). Furthermore, the dynamic capabilities perspective, which emphasizes the importance of responsiveness, capture, and reconfiguration of resources and capabilities in response to environmental change, provides a valuable framework for examining these interactions (Desai, 2019).

This conceptual article proposes a conceptual framework to investigate the interaction between innovation strategy and dynamic capabilities in achieving competitive advantage, with environmental dynamism as a moderating variable. Specifically, this conceptual article will ask the following research questions:

1. *Research Question (RQ) – 1 : How does innovation strategy (IS) affect competitive advantage (CA) in a company (Pukas, 2023)?*
2. *Research Question (RQ) – 2 : How does innovation strategy (IS) affect firms' dynamic capabilities (DC)? (Desai, 2019)*
3. *Research Question (RQ) – 3 : How do dynamic capabilities (DC) affect competitive advantage (CA) in a company (Ting, 2012)?*
4. *Research Question (RQ) – 4 : What is the mediating effect of dynamic capabilities (DC) on the relationship between innovation strategy (IS) and competitive advantage (CA)? (Li & Liu, 2014).*
5. *Research Question (RQ) – 5 : How does environmental dynamism (ED) moderate the relationship between innovation strategy (IS) and competitive advantage (CA)? (Perez-Luno et al., 2014).*

This article aims to contribute to the strategic management literature in several ways by developing and testing this conceptual framework. First, it provides a deeper understanding of the conditions under which innovation strategies lead to competitive advantage by considering the moderating role of environmental dynamism (Adiele & Onuoha, 2023). Second, it integrates the dynamic capabilities perspective to explain how firms can effectively reconfigure their resources and capabilities in response to environmental changes, thereby improving their competitive position (Fatoki, 2021). Finally, it offers practical insights for managers on how to align their innovation strategies with dynamic capabilities to navigate complex and rapidly changing business environments (Desai, 2019; Li & Liu, 2014).

B. LITERATURE REVIEW

1. Previous Studies

The following is a comparative table of ten articles discussing innovation strategies, competitive advantage, dynamic capabilities, and environmental dynamism.

Table 1. Comparison of Innovation Articles Strategy, Competitive Advantages, Dynamics Capabilities, and Environment Dynamism

Article	Focus	Key Findings	Limitations
Village, 2019	The Impact of Innovation Strategy on Firm Performance in high-tech Industries	Innovation strategy improves company performance through better adaptation and product innovation.	Limited generalization to other industries due to focus on high-tech sectors; lack of longitudinal analysis
Pukas, 2023	The relationship between environmental dynamism and competitive advantage in manufacturing firms	Environmental dynamism has a positive relationship with competitive advantage (differentiation and cost)	Limited sample size and geographic focus; does not explore long-term effects of environmental change
Kamasak et al., 2017	Moderating effect of environmental dynamism on the relationship between innovation strategy and firm performance	Environmental dynamism strengthens the relationship between innovation strategy and firm performance.	Lack of detailed examination of internal factors; cross-sectional design limits causal inference
Adiele & Onuoha, 2023	The impact of innovation strategy and environmental factors on company performance	A dynamic environment influences the success of innovation strategies in improving performance.	Focus on specific areas, limiting broader applicability; does not address different industry contexts.
Li & Liu, (2014).	Dynamic capabilities and their impact on competitive advantage	Dynamic capabilities contribute significantly to competitive advantage through rapid adaptation.	A narrow industry focus limits broader relevance; it does not consider different sizes or types of organizations.
Fatoki, 2021	The impact of environmental dynamism on dynamic capabilities and competitive advantage	Environmental dynamism influences dynamic capabilities, which in turn influences competitive advantage.	Lack of longitudinal data to observe long-term impacts; limited to certain external factors without internal dynamics
Jiao et al., 2011	Implementation of innovation strategies in high-tech companies	Implementation of innovation strategies improves performance and competitive advantage.	Limited discussion of external economic impacts, mainly focused on high-tech firms, limiting broader application.
José Ruiz-Ortega et al., 2013	The role of dynamic capabilities in achieving competitive advantage	Dynamic capabilities enable companies to cope with environmental changes	Does not detail industry-specific variations; lacks comprehensive analysis of competitive dynamics
Perez-Luno et al., 2014	The relationship between innovation strategy, dynamic capabilities, and competitive advantage	The combination of innovation strategy and dynamic capabilities enhances competitive advantage.	Focus on large firms, with limited applicability to SMEs; cross-sectional design limits understanding of dynamic processes.
Ting, 2012	moderating effect of environmental dynamism on the relationship between innovation strategy and competitive advantage	Environmental dynamism strengthens the positive relationship between innovation strategy and competitive advantage.	Focus on one type of industry, limiting generalization; does not discuss internal company mechanisms.

The table results show a gap in that although there is a consensus on the importance of innovation strategy and dynamic capabilities in achieving competitive advantage, each study has a different focus and results based on the context and variables examined. The limitations identified in previous studies also indicate the need for further research to expand the findings' generalizability and deepen our understanding of the

interaction between innovation strategy, dynamic capabilities, and environmental dynamism. This is especially relevant for companies operating in an increasingly complex and dynamic business environment.

2. Innovation Strategy Has an Influence on Competitive Advantage

Innovation strategy is widely recognized as an important driver of competitive advantage. It involves developing and implementing new ideas, products, processes, and services that enable a firm to differentiate itself from competitors and respond effectively to market demands. The innovation-based view suggests that firms that achieve competitive advantage do so by leveraging their innovative capabilities to introduce unique offerings not easily imitated by competitors (Jiao et al., 2011). Dynamic capabilities further reinforce this perspective by highlighting the ability of firms to reconfigure their resources and competencies to address rapidly changing environments (Desai, 2019; Jiao et al., 2011).

Although the relationship between innovation strategy and competitive advantage has been recognized, limited empirical evidence specifically examines this relationship in various industry contexts, especially in high-tech and emerging market sectors (Desai, 2019; Jiao et al., 2011). In addition, many studies focus on large firms, leaving a gap in understanding how SMEs can leverage innovation strategy to achieve competitive advantage (Desai, 2019; Pukas, 2023). Thus, the following hypothesis is proposed:

Hypothesis 1 (H1): Innovation Strategy (IS) has a positive effect on Competitive Advantage (CA).

3. Innovation Strategy Has an Influence on Dynamic Capabilities

Dynamic capabilities refer to a firm's ability to integrate, build, and reconfigure internal and external competencies to cope with a rapidly changing environment. Innovation strategy is critical in building these capabilities because it drives firms to continuously evolve and adapt their processes, products, and services (Fatoki, 2021; Jiao et al., 2011). The relationship between innovation and dynamic capabilities is supported by numerous studies, which emphasize that firms with a strong innovation strategy are better at developing and enhancing their dynamic capabilities (Adiele & Onuoha, 2023; Desai, 2019).

More empirical research is needed to understand how innovation strategies contribute to developing dynamic capabilities across industries and organizational sizes. Most existing studies are conceptual, with few providing detailed empirical validation (Adiele & Onuoha, 2023; Desai, 2019; Fatoki, 2021). Thus, the following hypotheses are proposed:

Hypothesis 2 (H2): Innovation strategy (IS) has a positive effect on dynamic capabilities (DC).

4. Dynamic Capabilities Have an Impact on Competitive Advantage

Dynamic capabilities are critical to achieving and sustaining competitive advantage because they enable firms to adapt to environmental changes, seize opportunities, and reconfigure resources effectively (Desai, 2019; Jiao et al., 2011). The resource-based view (RBV) supports this by suggesting that unique capabilities, such as dynamic capabilities, are valuable, rare, and difficult to imitate, thus providing a sustainable competitive advantage (Desai, 2019; Jiao et al., 2011).

Although the importance of dynamic capabilities for competitive advantage is well established, there is a lack of studies that empirically test this relationship in various contexts, including SMEs and industrial sectors. In addition, the mechanisms through which dynamic capabilities influence competitive advantage need further exploration

(Jiao et al., 2011; Li & Liu, 2014).

Hypothesis 3: Dynamic capabilities (DC) positively affect competitive advantage (CA).

5. Innovation Strategy Influences Competitive Advantage Through Dynamic Capabilities.

The mediating effect of dynamic capabilities in the relationship between innovation strategy and competitive advantage is based on the understanding that dynamic capabilities enable firms to effectively implement innovation strategies, thereby improving their competitive position (Adiele & Onuoha, 2023; Desai, 2019; Jiao et al., 2011). Dynamic capabilities involve three main processes: sensing (detecting opportunities and threats), seizing (capturing opportunities), and reconfiguring (reconfiguring resources and capabilities) (Jiao et al., 2011; José Ruiz-Ortega et al., 2013). These processes are critical to ensuring that innovations resulting from innovation strategies can be implemented effectively and have maximum impact.

Dynamic capabilities enable firms to adapt and reconfigure resources, driven by innovative efforts continuously. For example, firms implementing an innovation strategy in new product development need dynamic capabilities to integrate new technologies, manage development projects, and adjust production processes according to changing market needs (Jiao et al., 2011; José Ruiz-Ortega et al., 2013). Without dynamic capabilities, firms may not maximize the benefits of their innovation strategy because they cannot respond quickly and effectively to changes in the external environment.

Limited empirical research has explored the mediating role of dynamic capabilities in the innovation-competitive advantage relationship. Most studies focus on the direct relationship between innovation strategy and competitive advantage without considering how dynamic capabilities mediate this relationship (Desai, 2019; Fatoki, 2021). By examining the mediating role of dynamic capabilities, this study contributes to a deeper understanding of the mechanisms linking innovation strategy to competitive advantage.

To support this hypothesis, research should demonstrate how dynamic capabilities mediate the relationship between innovation strategy and competitive advantage. This can be done by using mediation analysis to test the innovation strategy's direct and indirect effects on competitive advantage through dynamic capabilities. Empirical studies spanning different industries and contexts can strengthen these findings, demonstrating that dynamic capabilities are key factors that enable firms to translate innovation strategies into competitive outcomes (Perez-Luno et al., 2014; Pukas, 2023).

Hypothesis 4 (H4): Innovation strategy (IS) affects competitive advantage (CA) through dynamic capabilities (DC).

6. Environmental Dynamism Moderates the Relationship between Innovation Strategy (IS) and Competitive Advantage

Environmental dynamism refers to the pace and uncertainty of change in a firm's external environment. It has been proposed as an important moderating variable that can influence the effectiveness of innovation strategies in achieving competitive advantage. In highly dynamic environments, firms with strong innovation strategies can better adapt and respond to change, improving their competitive position.

Despite theoretical support, empirical evidence on the moderating role of environmental dynamism is limited. Most studies have not explicitly tested how environmental dynamism interacts with innovation strategy to influence competitive advantage, especially across industry contexts.

Hypothesis 5 (H5): Environmental dynamism (ED) moderates the relationship between innovation strategy (IS) and competitive advantage (CA), such that the relationship is stronger at high levels of environmental dynamism.

C. METHOD

This conceptual proposal aims to provide a more comprehensive understanding of the interactions between innovation strategy, dynamic capabilities, and competitive advantage by addressing these gaps and testing the proposed hypotheses. It focuses on the moderating role of environmental dynamism. This study uses a literature approach derived from various previous studies that raise the topic of strategic management, especially those discussing the role of innovation strategy in achieving competitive advantage. Data were taken from international journal articles published between 2011 - 2023.

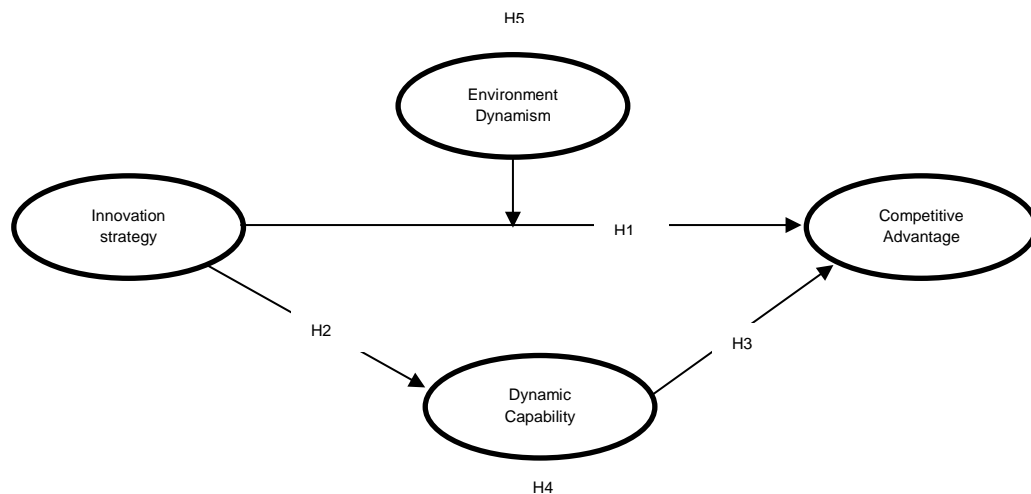


Figure 1: Conceptual Framework

D. RESULTS AND DISCUSSION

1. Hypothesis 1: Innovation Strategy (IS) Influences Positive to Superiority Competitive (CA)

Innovation strategy plays an important role in creating competitiveness for the company. Through innovation, the company can create new products, services, and processes that not only fulfill market needs but also provide a mark the hard one imitated by competitors. With this, the company could attract customers' attention and prevent competitors from entering the same market. Research previously confirmed that an effective innovation strategy can increase a company's performance through operational efficiency, capability adaptation, and the availability of products superior to customers' needs (Desai, 2019; Jiao et al., 2011).

In the Indonesian context, innovation strategies have proven to increase Power competition in the maritime and tourism sectors. For example, the government's "Wonderful Indonesia" campaign has succeeded in increasing position Power competition in Indonesian tourism globally, surpassing several major Southeast Asian competitors (Zwicker et al., 2023)region. An innovation strategy can create a competitive advantage (Baker et al., 2011; Rianawati et al., 2024).

Innovation strategy also involves the utilization of source internal power, such as operational improvement capability and response organization to change the external environment. For example, sector technology based on small and medium industries shows that allocation source Power For development capability dynamic and innovation

contribute directly to the success of business strategies (Musetti et al., 2023). With this method, the company can respond to market changes quickly, create new opportunities, and ensure they have a long-term product.

The success of an innovation strategy often depends on culture-embedded innovation in the organization. A culture of strong innovation pushes creativity and motivates Power Man To face challenges with innovative and solution-oriented customers. Studies show that companies with high culture innovation face growing business dynamics and a global environment, ultimately increasing their competitive superiority (Heij et al., 2024; Naveed et al., 2022).

In addition, adaptation of innovation strategies to the characteristics of the sector industry also becomes a factor that determines success. For example, companies in dynamic and fast-growing sectors tend to be more intensive in allocating source Power For research and development (research & development) and building partnership strategies with customers. In contrast, companies with more stable Possibilities focus on strategies such as efficiency, cost, and reliable products (Heij et al., 2024).

2. Hypothesis 2: Innovation Strategy (IS) Influences Positive to Capability Dynamic (DC)

Capability dynamic refers to the ability of a company To integrate, build, and configure repeat internal and external competence in response to a changing environment. Concept: This becomes essential for companies that want to remain competitive amid rapid and fraught market changes and uncertainty. A strong innovation strategy pushes the company to keep going, evaluate, and update its capabilities, allowing it to remain relevant and superior (Desai, 2019; Jiao et al., 2011). For example, sustainable innovation allows for the development capability and dynamics required. To adopt new technology or configure business process rework to fulfill changing market demands quickly.

3. Relevance of Innovation Strategy with Different Sectors.

In small technology-based firms (STBF), the sector where they operate often affects how they develop capability dynamics. As more sectors are dynamic and vulnerable to obsolescence, technology pushes companies to be more active in defining innovation strategies and allocating source Power For innovation. In a study by Musetti et al . (2023), STBFs operating in the sector with dynamic trends show a trend for adopting a formal competitive strategy involving employees in the innovation process. On the other hand, the low dynamics sector often focuses more on traditional attributes like reliability and price, so the push approach is more innovation-limited. This shows that the external environment can become the main booster in development capability dynamics through adaptive innovation strategies (Mousavi & Bossink, 2017).

4. Innovation Strategy and Business Model Replication.

In addition, research by Heij et al .(Heij et al., 2024) shows that business model innovation — good in the form of replication and update — can strengthen the connection between innovation strategy and capabilities dynamic. For example, replication of business models allows the company to study market changes gradually; temporary business model updates demand more flexibility for facing challenging, complex environments. In a certain situation, combining replication and updates has proven optimal in creating superior competitive term length. This study also emphasizes that the dynamic environment can influence the effectiveness of strategic innovation, where the

level of ongoing dynamics tends to have the most significant impact on the company's performance.

5. Importance Approach Collaborative in Innovation Strategy.

Development capability Dynamic also often depends on strategic collaboration with external partners. According to Musetti et al . (2023), strategic partnerships with customers or stakeholders' interests can help the company overcome limitations, organize them, and detect opportunity innovation in the external environment (Zhang et al., 2021). This matter is reinforced by the findings of Heij et al . (2024), who identified that decisions to adapt business models can change the level of dynamics of the environment, which in turn influences potential success innovation. For example, Uber succeeded in changing the industry by introducing a disruptive business model that meets the needs of previous consumers (Posch & Garaus, 2020).

6. Hypothesis 3: Capability Dynamic (DC) Influential Positive to Superiority Competitive (CA)

Capability dynamic role is important in build and maintaining superiority competitive in the middle dynamics environment business that continues changing. Ability This allows the company to effectively adapt to external change, capture new opportunities, and configure repeat source internal power to support relevant strategies (Teece, 2018). In the context of superiority competition, the capability dynamic covers the ability To create a mark through sustainable innovation and adaptive strategy implementation. For example, an innovative organization can produce products or unique, interesting, and relevant services that meet customers' needs (Alonso-Gonzalez et al., 2017). This matter is supported by research that shows that implementation of innovation strategy in management destination tourism and modern infrastructure improves the Power competition sector Indonesian (Hatani, 2023)tourism and maritime.

Capability technology also becomes crucial in strengthening competitive superiority. In the era of digitalization, technology, such as online platforms, social media, and applications, is sophisticated. AI helps organizations create experiences that are more personal and engaging for customers (Sardana et al., 2016). Other studies also discuss the importance of development capability technology for still being relevant in the middle evolution global (Al-Mamary et al., 2022)technology. Capabilities: Responding to changing environments quickly and strategically also become important dimensions of the capability dynamic. Capabilities help organizations identify market trends, adjust strategies, and offer appropriate products and services to meet the needs of consumers (Onamusi, 2020). Findings This shows that Indonesian tourism and maritime can overcome uncertain environment business through capability strong responsiveness (Rianawati et al., 2024).

In addition, the success capability dynamics also depend heavily on organizational culture innovation. Cultural innovation Motivate source Power man For thinking creatively, taking risks, and encouraging the creation of solution alternatives to market (Naveed et al., 2022)challenges. Thus, cultural innovation can be seen as a source of valuable and rare power that provides superiority and competitiveness, as explained by the Resource-Based View (RBV) (Rofaida et al., 2020)theory. Based on the empirical and available literature, the hypothesis strengthens the argument that capability dynamics contribute significantly to the superiority of competitive companies through improved operational efficiency, innovation sustainability, and fast response to market changes.

Strengthening connection This can be proven more carry on through analysis quantitative, such as regression, as well as studies of case cross-industry that highlight the influence of positive capability dynamics on performance company (Fatoki, 2021; Kamasak et al., 2017; Li & Liu, 2014; Perez-Luno et al., 2014)

7. Hypothesis 4: Innovation Strategy (IS) Affects Superiority Competitive (CA) Through Capability Dynamic (DC)

Capability dynamics play an important role in translating innovation strategy into a superior real competitive environment. In a real competitive environment. Growing business complex, innovation strategy allows organizations to create new marks by developing unique products, services, or processes. However, this strategy is often difficult to implement without a strong dynamic. With a capability dynamic, the company can adapt innovation strategies by changing market demands, making it more relevant and useful for consumers (Smith & Thomas, 2024).

Companies with capability dynamic tall respond to change environment business quickly and efficiently. This covers recognizing market opportunities, identifying threats, and making strategic adjustments at the right time. Ability This enables innovation strategies to become the plan above the paper and produce superiority competitive through management source optimal (Alonso-Gonzalez et al., 2017)power. For example, research shows that Indonesian tourism and maritime sectors can develop effective promotional strategies, such as the "Wonderful Indonesia" campaign, with support capability dynamics for increasing power competition (Rianawati et al., 2024).

The effect of the mediation capability dynamic is also visible in how the company uses innovation strategies to develop technology-advanced and digital-based solutions. Technology This helps organizations fulfill customers' needs and deliver superior, sustainable, competitive, more personal, and efficient experiences (Sardana et al., 2016). For example, companies that utilize online platforms and digital applications have proven to increase customer loyalty and operational efficiency (Al-Shami et al., 2023).

For the hypothesis about the role of mediation capability dynamic to be accepted, research must include proof of empirical testing connection direct and indirect between innovation strategy and competitive excellence. Approach This can use analysis mediation, such as the path model or bootstrapping method, to evaluate to what extent the capability dynamic influences the connection. (Budler et al., 2021)Empirical study across industries is also important for identifying general patterns and variations influencing capability dynamics in various business contexts (Smith & Thomas, 2024).

Studies previously show that the innovation strategy combined with capability dynamic allows an organization To remain competitive amid rapid global market changes. The company can endure and be superior to the competition by developing cultural innovation and improving internal capabilities. Thus, the capability dynamic connects innovation strategy, competitive excellence, and key success in long-term organizations (Bruni & Comacchio, 2023; Butler et al., 2021).

8. Hypothesis 5: Dynamism Environment (ED) Moderating Connection between Innovation Strategy (IS) and Excellence Competitive (CA)

The dynamic environment is an important factor that reflects the level of change and uncertainty in the company's external environment. In dynamic business, companies face challenges and opportunities that continue developing, so they demand the ability To respond quickly and precisely. In conditions like this, innovation strategy becomes a

tool that is still relevant and competitive. With a strong innovation strategy, the company can be more flexible in overcoming uncertainty, taking advantage of new opportunities, and reducing risks that arise from sudden change (Filser et al., 2021).

Operating companies in a dynamic environment, such as industry technology or e-commerce, often face more innovation quickly compared to more industry stability. In such a situation, an innovation strategy creates superiority and competitiveness as a balancer to market uncertainty. For example, by developing technology and new or diversified products, the company can strengthen its position in a changing market (Clauss et al., 2021).

In addition, a dynamic environment can significantly influence the connection between innovation strategy and excellence competition. In a highly dynamic environment, innovation strategies allow the creation of values but also demand the capability of more adaptation from the organization. On the other hand, in a stable environment, relationships are not strong enough because the company is not faced with significant changes (Chang et al., 2021).

A study empirically is required to delve deeper into how the dynamic environment moderates the connection between innovation strategy and excellence competitiveness. Approach analysis moderation, such as interaction models or regression moderation, can be used to measure the influence of various levels of dynamism environment on the effectiveness of innovation strategy. For example, evidence from different industries, such as manufacturing and services, can show variation in effect moderation. The results will help explain how environmental dynamism influences potential innovation and creates competitive superiority (Bigelow & Barney, 2021).

Dynamism, the environment also functions as a catalyst that accelerates the implementation of innovation strategy. In a fast-paced environment, such as the digitalization era, companies with an agile innovation strategy can profit from trend new before competitors do it. For example, company technology uses market dynamism to identify opportunities for innovation based on customers, improve efficiency, and create superior products or services (Zhang et al., 2021).

Thus, the dynamic environment influences the innovation strategy methods applied and improves the connection between innovation strategy and excellence competition. Findings This underlines the importance of understanding the role of the dynamic environment as a moderator for helping a company design a more innovative strategy, especially in the middle of continuing global uncertainty increase. Cross-evidence supporting industry hypothesis This will give an outlook that is more extensive and helpful for the company to optimize its strategy To create superior sustainable competition (Adiele & Onuoha, 2023; Fatoki, 2021).

9. Future Research Directions

This discussion shows that innovation strategy and capabilities dynamic are key to reaching superiority competitively, especially in dynamic environments. By understanding the interaction between factors, the company can develop a more comprehensive strategy For adapting and excelling in a market that continues to change. However, some areas require study to deepen understanding Of the Topic. Here are several directions for future research that can be explored :

a. Study Empirical in Various Industries and Contexts Geographical

Future studies must expand their coverage to cover various industries and contexts geographically, including SMEs in emerging markets. This will help generalize

findings and provide more insight into how innovation strategy and capabilities dynamic contribute to superiority competitiveness in various business environments (Desai, 2019; Pukas, 2023).

b. The Role of Moderation Dynamism Environment :

Studying more is required to explore how a dynamic environment moderates the connection between innovation strategy and excellence competition. Research This must cover various levels of dynamic environments to determine the conditions under which innovation strategies are most effective in creating superior competitiveness (Adiele & Onuoha, 2023; Fatoki, 2021).

c. Interaction between Internal and External Factors

Future research must explore the interaction between internal factors (such as capability dynamic) and external factors (such as dynamic environment) to determine the innovation strategy's success. This will help identify the most supportive factor of achievement superiority competitive (Desai, 2019; Perez-Luno et al., 2014).

E. CONCLUSION

Based on the discussion, the hypothesis proposed can concluded that innovation strategy (IS) and capabilities dynamic (DC) have a role in reaching superior competition (CA). Findings mainly show that innovation strategy contributes positively to superiority competition by allowing the company to develop new products and services and improve adaptability and operational efficiency. In addition, innovation strategies also help in the development capability of the dynamics required to respond to market and technology changes quickly. The capabilities dynamic allows the company to adapt, catch opportunities, and configure repeat source power, contributing to excellence and competitiveness. Further, the capability dynamic mediates the connection between innovation strategy and excellence competition, strengthening the positive effect of innovation on the company's performance. Dynamism, the environment also moderates the connection between innovation strategy and excellence competition, strengthening the connection in a very dynamic environment.

The company must keep investing in innovation strategies to develop unique and valuable products and services for customers. It is also important to increase the capability dynamic by investing in training employees, new technology, and system information. In addition, the company's strategy must be adaptive and responsive to the changes in the environment to maintain superiority. Research empirically carries on the required tests of the hypothesis proposed in various contexts, industries, and geography, including longitudinal analysis for understanding dynamics over a long period.

Adopting effective innovation strategies and developing a capability dynamic can make the company more challenging and help it achieve superiority and sustainable competitiveness.

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