

The Influence of Entrepreneurial Orientation and Dynamic Capabilities on Competitive Advantage of Thai-Cambodian Entrepreneurs

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Abstract

This study examines the relationships among entrepreneurial orientation, dynamic capabilities, and competitive advantage among Thai-Cambodian entrepreneurs. A sample of 245 entrepreneurs was analyzed using Smart PLS-SEM to evaluate both measurement and structural models. The results indicate that entrepreneurial orientation does not directly affect competitive advantage; however, it positively influences dynamic capabilities, which, in turn, significantly enhance competitive advantage, highlighting dynamic capabilities as a key mediating mechanism that transforms entrepreneurial orientation into concrete competitive outcomes. These findings suggest that entrepreneurial orientation alone is insufficient to achieve superior competitive performance without complementary organizational mechanisms, particularly dynamic capabilities. Entrepreneurial orientation, characterized by innovativeness, proactiveness, and risk-taking, fosters organizational agility and adaptability, enabling firms to identify opportunities, seize them, and reconfigure resources effectively. Theoretically, this study extends the entrepreneurial orientation, dynamic capabilities, and competitive advantage framework to cross-border and emerging-market contexts, emphasizing how dynamic capabilities convert entrepreneurial intent into realized performance improvements. In practice, the findings provide actionable insights for managers and policymakers, encouraging capability development, digital transformation, and cross-border collaboration as strategic pathways to strengthen entrepreneurial competitiveness. Overall, the study offers a comprehensive framework that integrates entrepreneurial orientation, dynamic capabilities, and competitive advantage, providing a useful foundation for guiding future research and managerial practice within emerging-market entrepreneurship.

Keywords: Entrepreneurial orientation, Dynamic capabilities, Competitive advantage

1. Introduction

Dynamic global economic conditions and intense competition render business expansion into the ASEAN region an increasingly vital strategy for entrepreneurs. Expansion momentum accelerated following the establishment of the ASEAN Economic Community (AEC), a framework that promotes free trade and facilitates the unrestricted movement of goods, services, investments, and skilled labor among member countries (ASEAN Secretariat, 2015). The AEC Blueprint 2025 outlines strategic measures for each of the core AEC 2025 characteristics. Successful Blueprint execution requires specific measures and implementation through sectoral work plans across ASEAN bodies, alongside periodic reviews to maintain relevance and

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effectiveness. ASEAN actively fosters partnership arrangements with private sectors, industry associations, and the broader community at regional and national levels to ensure an inclusive approach to integration. These efforts strengthen institutions and develop enhanced approaches to monitoring and public outreach to support effective Blueprint implementation (ASEAN Secretariat, 2025). With a population exceeding 670 million, ASEAN serves as a burgeoning region for consumption and production. Diversity in resources, cultural backgrounds, and cost structures provides fertile ground for developing efficient regional supply chains, enabling entrepreneurs to reduce costs, improve operational efficiency, and expand markets effectively. Such business expansion within ASEAN enhances competitiveness at both organizational and national levels by fostering innovation, cross-cultural management, and regional cooperation to adapt to global economic changes (Nguyen et al., 2020; Yam et al., 2019).

Thailand's strategic location in the heart of Southeast Asia, bordering Myanmar, Laos, Cambodia, and Malaysia, positions the nation well for border trade, a significant component of the country's economy. Statistical data indicate that Thailand-Cambodia border trade continues to expand, demonstrating a growth rate of 9.7% during January–April 2025 (Department of Foreign Trade, 2025). The strategic Thai-Cambodia border offers comparative advantages for cross-border trade, despite vulnerability to external disruptions, such as COVID-19 border closures, which impacted trade volumes between 2019 and 2023 (Department of Foreign Trade, 2023; Office of Industrial Economics, 2024). Post-pandemic trade demonstrates a gradual recovery. Cambodia, as a key neighbor, experiences relatively high economic growth compared to other ASEAN countries, driving domestic demand and attracting predominantly Thai foreign investment. The Cambodian government's liberal trade policies, characterized by minimal barriers, alongside favorable consumer perceptions of Thai products, supported by Thai media influence, strengthen Thailand's market presence. Despite such advantages, rising competition from Chinese and Vietnamese products intensifies market pressure. This competitive environment underscores the need for Thai entrepreneurs to strengthen their entrepreneurial orientation and dynamic capabilities to sustain competitive advantages and respond proactively to regional economic shifts.

Thailand's Ministry of Commerce reports that border trade with Cambodia in 2024 reached approximately 175.53 billion baht (USD ~5.1 billion), maintaining a substantial trade surplus. Key exports include beverages, mineral drinks, internal combustion engines, motorcycle parts, and agro-industrial products. Numerous border checkpoints facilitate the flow of goods, positioning the Thai–Cambodian border as a major commercial artery. This strategic significance underscores the need to enhance entrepreneurial orientation and dynamic capabilities among Thai traders operating in the cross-border sector (Department of Foreign Trade, 2024).

Thai-Cambodian entrepreneurs function as crucial actors driving regional business expansion despite challenges posed by cultural differences, management practices, innovation capacity, and changing business environments. Entrepreneurial orientation (EO) and dynamic capabilities (DC) emerge as essential factors for sustainable competitive advantage (CA). DC represents an organization's ability to create, adapt, and manage internal resources effectively to respond to external environmental changes, seize new opportunities, and maintain competitiveness (Teece et al., 1997; Eisenhardt et al., 2000; Ambrosini et al., 2009). In the international trade context, such capabilities encompass adaptation to diverse regulations, policies, technologies, and consumer behaviors, thereby fostering market knowledge, network management, and process adaptation (Wang et al., 2007; Zahra et al., 2006). Evidence from Thai exporters operating in

Cambodia illustrates how strong dynamic capabilities enable firms to adjust products, develop logistics solutions, and improve cost efficiencies. Such abilities remain essential for sustaining cross-border competitiveness. CA, achieved through quality, innovation, and responsiveness, functions as a key driver of customer satisfaction and differentiation (Healy et al., 2014).

Consequently, this study investigates the influence of EO and DC on CA among Thai-Cambodian entrepreneurs. The research tests a causal model that illustrates how EO and DC affect CA and the overall performance of cross-border businesses between Thailand and Cambodia. Empirical validation involves a structured questionnaire, with the broader aim of proposing a practical framework to support international trade development within ASEAN's border-trade context.

Research Objectives

1. To examine the influence of entrepreneurial orientation and dynamic capabilities on the competitive advantage of Thai-Cambodian entrepreneurs.
2. To develop a structural equation model of variables that influence the competitive advantage of Thai-Cambodian entrepreneurs.
3. To assess the consistency of the developed structural equation model of the competitive advantage of Thai-Cambodian entrepreneurs with empirical data.

2. Literature Review and Hypotheses Development

This quantitative research investigates the effects of entrepreneurial orientation and dynamic capabilities on the competitive advantage of Thai-Cambodian entrepreneurs within the cross-border trade context. A systematic review of relevant theories, core constructs, and prior empirical research establishes the conceptual foundation, guiding the development of the proposed framework and the hypotheses outlined below.

2.1 Entrepreneurial Orientation and Competitive Advantage

Entrepreneurial orientation (EO) represents a firm's strategic posture characterized by innovativeness, proactiveness, and risk-taking, which collectively shape competitive behavior and the ability to exploit opportunities (Darshana et al., 2018). The strategic management literature widely recognizes EO as a critical driver of firm performance, although both internal capabilities and external contextual factors also influence effectiveness. Darshana et al. (2018) identify EO as a central component of SMEs' strategic approach, emphasizing that firms with higher EO maintain better positions to identify and exploit market opportunities, particularly in dynamic and uncertain environments. Arguments suggest that EO alone provides strategic intent, while interaction with dynamic capabilities (DC) determines actual performance outcomes. Similarly, Albertina et al. (2019) empirically demonstrate that EO directly enhances export performance, suggesting that firms with strong EO proactively seek new markets and innovative approaches, thereby increasing international competitiveness. Rodrigo et al. (2019) extend the EO literature across multiple national contexts, showing that while EO positively influences firm performance, institutional and cultural environments dictate the total impact. This finding underscores the importance of considering external context when evaluating EO effectiveness, as identical EO behaviors may yield differing results across countries. In contrast, Marcin et al. (2024) explore EO under crisis conditions, introducing the concept of entrepreneurial (re)orientation. EO behaviors, such as rapid opportunity recognition, proactive pivoting, and calculated risk-taking, enable firms to adapt and survive during systemic shocks,

underscoring EO's role in organizational resilience beyond growth. Consequently, the EO constructs used in this study encompass risk-taking, innovativeness, and proactiveness.

Competitive advantage (CA) functions as a central concept in strategic management, representing a firm's capacity to achieve superior performance relative to competitors through the effective utilization of resources and capabilities (Barney, 1991; Suhong Li et al., 2004).

Porter (1985) posits that organizations gain CA through cost leadership, differentiation, or focus strategies, underscoring the need to align internal activities with market positioning. Recent research emphasizes the role of dynamic capabilities (DC) in sustaining CA, enabling firms to adapt to changing environments and capitalize on emerging market opportunities (Astawa et al., 2021). Empirical evidence indicates that CA remains inherently multidimensional, encompassing operational efficiency, innovation, and strategic responsiveness. Successful integration of resources and capabilities increases the likelihood of maintaining superior performance and achieving long-term competitiveness in dynamic markets (Grant, 1991; Stalk, 1988). Astawa et al. (2021) highlight that combining a resource-based perspective with a capability-based approach provides a robust framework for understanding sustained CA over time. Similarly, Suhong Li et al. (2004) emphasize that effective management of key organizational capabilities remains critical to creating and maintaining CA in complex, competitive environments. Specifically, CA evaluation involves several core capabilities, including price/cost, quality, delivery dependability, product innovation, and time-to-market (Astawa et al., 2021; Suhong Li et al., 2004). Strategic resources and capabilities interact to generate and sustain competitive advantage. In conclusion, CA emerges from the interplay of valuable resources, capabilities, and strategic decision-making. Firms that leverage these elements effectively maintain a better position to outperform competitors and achieve sustainable success in dynamic, competitive business landscapes (Astawa et al., 2021; Suhong Li et al., 2004; Porter, 1985). Consequently, the CA constructs used in this study encompass price/cost, delivery dependability, and product innovation.

Empirical evidence and the reviewed literature demonstrate a significant relationship between EO and CA. Strategic management research widely recognizes EO as a strategic posture that shapes organizational capacity to create and sustain CA. EO—through innovativeness, proactiveness, and risk-taking—provides the impetus for firms to identify, exploit, and reconfigure opportunities into distinctive market positions (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003). Empirical studies demonstrate that EO fosters CA by driving product and process innovation, enhancing responsiveness to market shifts, and enabling firms to pursue differentiation and cost advantages simultaneously (Wiklund & Shepherd, 2003). For example, Kiyabo and Isaga (2020) found that EO significantly contributes to SMEs' CA, which subsequently mediates a positive effect on firm performance, confirming CA as the mechanism through which EO translates into superior outcomes. Similarly, Al-Buraiki and Khan (2018) showed that SMEs with high EO develop stronger cost and differentiation advantages, enabling them to outperform competitors in dynamic environments. More recently, Sabouri et al. (2024) argued that EO behaviors, such as proactive opportunity recognition and innovative market responses, remain crucial for sustaining CA in highly competitive retail and service industries. Collectively, these findings suggest that EO acts as a catalyst for building CA by transforming entrepreneurial intent into strategic capabilities that remain valuable, rare, and difficult to imitate (Barney, 1991). In this sense, EO not only equips firms to pursue new opportunities but also provides the foundation for

achieving sustainable CA across diverse contexts. Based on the preceding theoretical discussion and empirical evidence, the following hypothesis is proposed:

H₁: Entrepreneurial orientation has a positive influence on competitive advantage.

2.2 Entrepreneurial Orientation and Dynamic Capabilities

The concept of Dynamic Capabilities (DC), developed by Teece, Pisano, and Shuen (1997), refers to an organization's ability to integrate, build, and reconfigure internal and external resources in response to changing environments. Dynamic capabilities play a crucial role in maintaining long-term competitiveness, particularly in cross-border trade settings involving political, economic, and cultural uncertainty. Zahra, Sapienza, and Davidsson (2006) emphasize that DC encompasses continuous learning, innovation, and strategic transformation, which remain essential for entrepreneurs to align organizations with ever-evolving business environments (Eisenhardt & Martin, 2000). DC enables firms to sense opportunities, seize them, and reconfigure resources to sustain CA and long-term resilience (Eisenhardt & Martin, 2000; Teece, 2007). Key components of DC include sensing, seizing, and reconfiguring. Sensing involves detecting market trends, customer needs, and competitor actions (Zahra et al., 2006). Seizing refers to mobilizing resources to exploit identified opportunities, such as innovating products or adopting new business models (Khurana et al., 2021). Reconfiguring involves restructuring organizational resources and processes to respond effectively to environmental changes (Kurtz et al., 2020; Wided, 2021), a perspective consistent with research by Putritamara et al. (2023). Consequently, the dimensions of the DC constructs used in this study encompass sensing, seizing, and reconfiguring.

Strategic management research focuses on the relationship between EO and DC, particularly concerning how EO influences organizational capacity to adapt and thrive in dynamic environments. EO encompasses dimensions such as innovativeness, proactiveness, and risk-taking, which collectively shape strategic posture and the capacity to exploit opportunities (Darshana et al., 2018). DC refers to a firm's ability to integrate, build, and reconfigure internal and external resources to address rapidly changing environments (Teece et al., 1997). Empirical studies highlight the significant interplay between EO and DC. For instance, Liu et al. (2021) found that CEO entrepreneurial orientation positively influences corporate DC, which, in turn, enhances firm performance. This relationship underscores the mediating role of DC in translating EO into tangible performance outcomes. Similarly, research by Jaisy et al. (2023) demonstrated that EO behaviors, such as rapid opportunity recognition and proactive pivoting, enable firms to adapt and survive during systemic shocks, underscoring EO's role in organizational resilience beyond growth. Furthermore, Chatzoudes et al. (2015) examined the entrepreneurship-performance relationship in Greek SMEs, revealing that DC mediates the relationship between entrepreneurial orientation and business performance. This finding suggests that while EO sets strategic direction, DC development remains crucial to achieving superior performance.

In summary, the literature indicates a robust relationship between EO and DC, where EO provides strategic intent and direction, while DC provides the mechanisms to adapt and reconfigure resources effectively. This interaction enables firms to maintain competitiveness and achieve sustainable performance in volatile and uncertain environments. Based on the preceding theoretical discussion and empirical evidence, the following hypothesis is proposed:

H₂: Entrepreneurial orientation has a positive influence on dynamic capabilities.

2.3 Dynamic Capabilities and Competitive Advantage

Strategic management research widely recognizes dynamic capabilities (DC) as critical drivers of competitive advantage (CA), as such capabilities enable firms to adapt, innovate, and reconfigure resources in response to rapidly changing and uncertain environments (Teece et al., 1997; Teece, 1997). Unlike ordinary operational capabilities supporting routine activities, DC represent higher-order abilities allowing firms to sense emerging opportunities and threats, seize them effectively, and transform organizational assets to create conditions for sustained CA. The resource-based view emphasizes that CA derives from valuable, rare, inimitable, and non-substitutable resources, while dynamic capabilities function as mechanisms that renew and leverage these strategic resources over time. Empirical evidence indicates that DC enhances CA both directly and indirectly. For instance, Protogerou et al. (2012) found that DC improved firm performance in Greek manufacturing and service firms indirectly by strengthening marketing and technological capabilities, highlighting DC as a meta-capability that influences lower-level routines to generate CA. Similarly, Drnevich and Kriauciunas (2011) reported that in multi-industry Chilean firms, DC contributed more to performance in highly dynamic markets, while ordinary capabilities dominated in stable environments, indicating that environmental dynamism dictates the effect of DC on CA. Furthermore, Wilden et al. (2013) emphasized that proper alignment between organizational strategy, structure, and environmental conditions enhances the translation of DC into CA. Additionally, Lin and Wu (2014) found that DC mediated the relationship between resources and firm performance in Taiwanese firms, with learning capability playing a key role in sustaining CA through continuous knowledge renewal. Collectively, research demonstrates that DC remains central to sustaining CA by enabling firms to deploy existing resources effectively while reconfiguring and enhancing capabilities to respond to market and technological changes. Thus, the literature establishes a clear linkage: DC functions as both a driver and a mediator of CA, with effectiveness influenced by environmental context, strategic alignment, and organizational capacity to translate DC into operational outcomes. Based on the preceding theoretical discussion and empirical evidence, the following hypothesis is proposed:

H₃: Dynamic capabilities have a positive influence on competitive advantage.

Synthesizing the preceding literature, this study proposes a theoretical framework elucidating the intricate pathways linking EO, DC, and CA within the highly volatile context of Thai-Cambodian cross-border entrepreneurship. In this conceptualization, EO functions as a critical internal stimulus—a latent strategic posture characterized by proactive, innovative, and risk-taking intents. Nevertheless, navigating the profound environmental turbulence inherent in transnational markets renders this entrepreneurial mindset insufficient as a standalone driver of superior performance. Actualizing strategic potential necessitates a transformational mechanism; herein, DC emerges as the essential operational conduit. By sensing emerging market shifts, seizing nascent opportunities, and continuously reconfiguring organizational architectures, DC operationalizes the strategic intent instigated by EO. Consequently, the proposed framework posits a sequential, fully mediated mechanism in which EO acts as the strategic catalyst that mobilizes DC. Dynamic capabilities subsequently translate these adaptive organizational efforts into sustainable CA, providing a granular and theoretically rigorous understanding of firm-level competitiveness in dynamic cross-border environments.

Based on the literature review, the following research framework can be synthesized for the study, as shown in Figure 1.

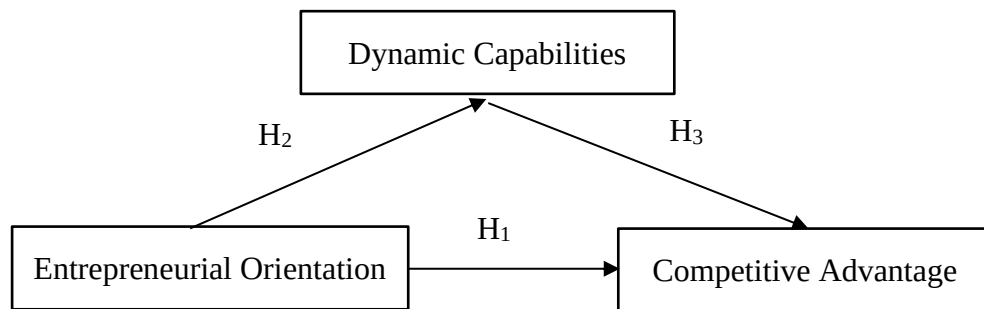


Figure 1. The Research Framework

3. Methodology

This research, entitled "The Influence of EO and DC on the CA of Thai-Cambodian Entrepreneurs," employs a quantitative research design utilizing Structural Equation Modeling (SEM) to examine hypothesized relationships among variables. The following sections summarize the methodological procedures adopted in this research.

3.1 Questionnaire Design and Measurements

The questionnaire consists of two main sections. Section one gathers demographic information, including gender, age, education, position, work experience, number of employees, business activity, and firm age. Section two comprises measurement scales for the study constructs, utilizing a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). Key constructs include EO, DC, and CA.

Prior to the main survey, three academic specialists conducted an expert review to ensure clarity, content validity, and alignment with research objectives. A pilot test evaluated instrument reliability and internal consistency. Table 1 presents the constructs, sources, number of items, and Cronbach's alpha reliability coefficients. Specifically, the pilot test involved 30 entrepreneurs—excluded from the final analysis—to ensure clarity of the questions and instrument reliability. Cronbach's alpha values from this pilot test ranged from 0.772 to 0.857, confirming satisfactory internal consistency. As all coefficients exceed 0.70, the measurement scales demonstrate satisfactory reliability and suitability for the study (Nunnally & Bernstein, 1994).

Table 1 The Study Constructs, Sources, and Reliability Results

Name of the variable	Source	Number of items	Cronbach's alpha
Entrepreneurial Orientation (EO)	Darshana et al. (2018); Albertina et al. (2019); Rodrigo et al. (2019); Marcin (2024)	9	0.857
Dynamic Capabilities (DC)	Jaisy et al. (2023)	9	0.772
Competitive Advantage (CA)	Astawa et al. (2021); Suhong Li et al. (2004)	9	0.824

3.2 Data Collection and Sample

The target population for this study comprises Thai entrepreneurs operating businesses in Cambodia. The sampling frame derives from the membership databases of the Thailand–Cambodia Business Council (TCBC) and the Thai Business Council of Cambodia (TBCC) in 2024, totaling 1,350 potential respondents (Thailand–Cambodia Business Council, 2024; Thai Business Council of Cambodia, 2024). Determination of the sample size considers the structural complexity of the research model. According to Hair et al. (2010) and Hair et al. (2022), the minimum sample size in PLS-SEM should rest on the number of predictors pointing to a particular construct. With the current model focusing on inter-construct relationships (10 structural parameters), a minimum of 200 respondents was targeted. This aligns with the "rule of thumb" identified by Kline (2015) and Hair et al. (2019b), which establishes 200 as a critical threshold for achieving sufficient statistical power and stable parameter estimates. While a ratio based on total measurement items (27 items) might suggest higher requirements, PLS-SEM specifically provides robust results with smaller, focused samples. Thus, the 245 valid responses significantly exceed the critical threshold, ensuring robustness and validity.

A hybrid approach combining offline and online methods facilitated data acquisition. Offline data collection involved distributing physical questionnaires at two major trade exhibitions: "Cambodia Expo 2024" (Phnom Penh) and "Mini Thailand Week 2024" (Battambang Province), yielding 115 valid responses. Online data collection utilized the "Thai Community in the KH" Line group, yielding an additional 130 valid responses from approximately 499 active entrepreneurs. To address potential nonresponse bias, the study follows the procedure recommended by Armstrong and Overton (1977), comparing early and late respondents. Results of independent-samples t-tests show no significant differences ($p > 0.05$) in the mean scores of the primary constructs between groups. This indicates that nonresponse bias remains negligible, confirming the data's representativeness. Retaining 245 fully completed questionnaires for analysis represents a response rate of 90.74%, consistent with prior cross-border entrepreneurial research (Mellahi & Harris, 2016).

3.3 Data Analysis

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS version 4 (Ringle et al., 2020). PLS-SEM was selected for its ability to handle complex models and modest sample sizes, enabling the simultaneous examination of measurement and structural models (Hair et al., 2022).

Prior to structural analysis, data preparation included screening for missing values and outliers, and assessing assumptions of normality, linearity, and multicollinearity (Tabachnick & Fidell, 2019). Missing data were minimal and handled through listwise deletion. The analysis proceeded in two main stages: the evaluation of the measurement model and the assessment of the structural model. The measurement model was assessed for indicator reliability, internal consistency, convergent validity, and discriminant validity. Indicator loadings were expected to exceed 0.70 (Hair et al., 2019a), while Composite Reliability (CR) and Cronbach's alpha values above 0.70 indicated acceptable internal consistency (Nunnally & Bernstein, 1994), and average variance extracted (AVE) values needed to be above 0.50 to establish convergent validity (Fornell & Larcker, 1981). Discriminant validity was confirmed through the Fornell-Larcker criterion and cross-loadings.

Structural model evaluation involved examining the path coefficients representing the hypothesized relationships among latent variables. Bootstrapping with 5,000 resamples was used to assess the significance of these coefficients (Hair et al., 2019a). Explained variance (R^2) of endogenous constructs was assessed, with values above 0.25 interpreted as moderate explanatory power (Chin, 1998). All hypotheses were tested at a 5% significance level ($\alpha = 0.05$). The results provided evidence on how EO and DC influence CA among Thai–Cambodian entrepreneurs, supporting both theoretical interpretation and practical application.

4. Results

4.1 Descriptive statistics and correlation matrix

Table 2 presents the sample of 245 Thai entrepreneurs participating in this study, alongside descriptive statistics regarding demographic and organizational characteristics. Male respondents represent the majority of the sample (58.40%), with most respondents falling within the 31 to 40-year age range (32.20%). Over half of the participants hold a bachelor's degree or higher (50.60%). In terms of organizational roles, nearly half of the respondents (49.80%) hold managerial positions, while business owners account for 38.00%. This distribution indicates that the majority of the sample possesses substantial decision-making authority within their respective firms. Regarding work experience, a large proportion has 1–5 years (41.20%), followed by 6–10 years (29.80%), reflecting early- to mid-level professional maturity. Firm size, measured by the number of employees, varies considerably. The largest segments include firms with fewer than 5 employees (27.30%) and those with over 101 employees (26.10%), representing a mix of microenterprises and large organizations. Business activity remains most prevalent in the retail and wholesale sector (36.30%). Regarding firm age, the majority of businesses have operated for either 1–5 years (31.80%) or 11–20 years (30.60%), ensuring representation from both emerging and well-established enterprises.

Table 2 Sample Characteristics (n = 245)

Variable/ Definition	Frequency (n)	Proportion (%)	Variable/ Definition	Frequency (n)	Proportion (%)
Gender			Number of employees		
Male	143	58.40	Fewer than 5 employees	67	27.30
Female	102	41.60	6-15 employees	55	22.40
Age			16-30 employees	30	12.20
21-30 years	51	20.80	31-100 employees	29	11.80
31-40 years	79	32.20	101 employees	64	26.10
41-50 years	50	20.40	above		
51-60 years	31	12.70	Business activity		
Above 61 years	34	13.90	Agriculture and forestry	48	19.60

Table 2 Sample Characteristics (n = 245) (Cont)

Education					
Lower Bachelor's degree	24	9.80	Manufacturing	33	13.50
Bachelor's degree	97	39.60	Construction	12	4.90
Higher than a bachelor's degree	124	50.60	Retail and wholesale Services	89	36.30
				63	25.70
			Firm age		
Position			Less than 1 year	22	9.00
Owner	93	38.00	1-5 years	78	31.80
Manager	122	49.80	6-10 years	70	28.60
Others	30	12.20	11-20 years	75	30.60
Work experience					
Lower 1 year	24	9.80			
1-5 years	101	41.20			
6-10 years	73	29.80			
11-20 years	19	7.80			
More than 21 years	28	11.40			

4.2 Measurement Model Evaluation

Rigorous evaluation of the measurement model utilizes the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach to establish indicator reliability, internal consistency, and construct validity. Adhering to the methodological frameworks suggested by Hair et al. (2019b, 2022), assessment of the measurement model quality precedes structural analysis.

Outer loadings provide the basis for examining indicator reliability. As Table 3 demonstrates, the majority of items exhibit loadings exceeding the 0.40 threshold, a level deemed acceptable for exploratory and applied research contexts. Although specific items within the price/cost dimension show lower loadings (0.245–0.484), these items remain in the model to ensure theoretical completeness and substantive integrity of the competitive advantage construct. All Composite Reliability (CR) values range from 0.832 to 0.888, and Cronbach's Alpha values range from 0.772 to 0.857. Since both metrics comfortably exceed the recommended 0.70 threshold, the results confirm internal consistency reliability (Peterson & Kim, 2013; Hair et al., 2019b).

Average Variance Extracted (AVE) serves to assess convergent validity. While AVE values for EO (0.474), DC (0.356), and CA (0.448) fall below the conventional 0.50 threshold, the constructs remain for analysis based on the psychometric criteria of Fornell and Larcker (1981). Arguments by Fornell and Larcker (1981) suggest that if AVE remains below 0.5 but Composite Reliability (CR) exceeds 0.6, convergent validity of the construct remains adequate. Given that all CR values (0.832–0.888) significantly exceed this 0.6 threshold, the measurement model demonstrates sufficient convergent validity for subsequent structural analysis (Malhotra & Dash, 2011), as presented in Table 3.

Table 3 The measurement model displays convergent validity, alpha, and reliability.

Construct	Second-Order	Items	Loading	Cronbach's Alpha	CR	AVE
Risk-taking	EO	R1: I like to take bold actions by venturing into the unknown.	0.707	0.857	0.888	0.474
		R2: I tend to act confidently in situations where risk is involved.	0.701			
		R3: I can accept a high level of risk if it offers a chance for above-average profits.	0.675			
Innovativeness		I1: I prefer a unique approach to carrying out projects rather than revisiting tried and true approaches used before.	0.666	0.765		
		I2: I prefer to try my own unique way when learning new things rather than doing it like everyone else does.	0.765			
		I3: I favor experimentation and new approaches to problem solving.	0.837			
Proactiveness		P1: I tend to plan ahead in business and projects.	0.590	0.493		
		P2: I analyze our external environment.	0.493			
		P3: My organization is often the first business to introduce new products or services, administrative techniques, operating technologies, etc.	0.706			

Table 3 The measurement model displays convergent validity, alpha, and reliability. (Cont)

Construct	Second-Order	Items	Loading	Cronbach's Alpha	CR	AVE
Reconfiguring	DC	Rec1: I can control and access products prices.	0.507	0.772	0.832	0.356
		Rec2: I can invite business partners with high potential to work together, and I terminate partnerships with lower potential.	0.653			
		Rec3: I can adapt the business processes to respond to changing business priorities.	0.650			
Seizing		Sei1: I continue to improve business strategies to take advantage of the current situation.	0.651			
		Sei2: I continue to increase my knowledge to develop products.	0.618			
		Sei3: I use knowledge to create new products.	0.567			
Sensing		Sen1: I always try to identify obstacles that make business processes inefficient.	0.552			
		Sen2: I can identify new opportunities in the business that competitors have not discovered.	0.565			
		Sen3: I continue to develop products to suit consumer needs.	0.591			
Delivery dependability	CA	Del1: I deliver the kind of products needed.	0.651	0.824	0.868	0.448
		Del2: I deliver customer's order on time.	0.804			
		Del3: I provide dependable delivery.	0.788			

Table 3 The measurement model displays convergent validity, alpha, and reliability. (Cont)

Construct	Second-Order	Items	Loading	Cronbach's Alpha	CR	AVE
Product innovation		Prod1: I provide customized products.	0.755			
		Prod2: I alter our product offerings to meet client needs.	0.837			
		Prod3: I respond well to customer demand for new features.	0.826			
Price/cost		Pri1: I offer competitive prices.	0.245			
		Pri2: I am able to offer prices as low or lower than our competitors.	0.484			
		Pri3: Our product or service costs are lower than those of our competitors.	0.313			

Evaluation of discriminant validity primarily utilizes the Fornell–Larcker criterion, comparing the square root of each construct's AVE with inter-construct correlations. As Table 4 illustrates, the square root of the AVE for CA (0.670) and EO (0.689) exceeds the correlations with other latent variables.

Table 4 Discriminant validity of the constructs

	CA	DC	EO
CA	0.670		
DC	0.556	0.597	
EO	0.372	0.636	0.689

To further ensure the robustness of the data, the study performed a Full Collinearity Assessment to detect potential Common Method Bias (CMB), as recommended by Kock (2015). Based on the analysis, the Inner VIF values for all latent constructs were as follows: EO (1.681), DC (1.681), and CA (1.000). Since all VIF values are significantly below the conservative threshold of 3.3, it can be concluded that common method bias is not a concern in this study, and the data is suitable for structural model analysis as shown in Table 5 below.

Table 5 Full Collinearity VIFs for CMB Testing

Latent Construct	VIF	Result
CA	1.000	Pass (<3.3)
DC	1.681	Pass (<3.3)
EO	1.681	Pass (<3.3)

Overall, the measurement model demonstrates high psychometric quality, characterized by robust internal consistency and acceptable validity. Although some AVE values show marginal results—reflecting the complex and interconnected nature of dynamic capabilities and entrepreneurial orientation within cross-border contexts—strong reliability measures firmly support the model's integrity. These results provide a sound foundation for subsequent structural model evaluation.

4.3 Structural Model Assessment

The structural model proposed in this study was assessed in multiple stages. Initially, the measurement model was evaluated and analyzed to ensure reliability and validity. Subsequently, the structural model was tested using Smart PLS-SEM path modeling. According to Hair et al. (2019c), the significance of path coefficients and the coefficient of determination (R^2) are key criteria for evaluating structural models in PLS-SEM. Both direct and indirect hypotheses were examined, and the bootstrap method with a re-sampling size of 245 respondents was employed to assess the hypothesized relationships using t -statistics and path estimates. In addition, both direct and indirect paths, as well as mediation effects, were analyzed (Preacher & Hayes, 2008).

This study specifically investigated the direct relationships between EO and CA, with DC serving as a mediating variable. As presented in Table 3 and Figure 3, the structural model estimates provide robust statistical evidence supporting the proposed relationships. The R^2 value is an essential metric for assessing a model's explanatory power. As noted by Hair et al. (2019c), R^2 indicates the proportion of variance in the endogenous variable explained by the exogenous variables. Regarding the explanatory power, the R^2 value for DC is 0.404, indicating that EO explains 40.4% of the variance in DC. Similarly, the R^2 value for CA is 0.309, suggesting that EO and DC together account for 30.9% of the variance in CA among Thai–Cambodian entrepreneurs. According to Cohen's (1988) guidelines, this reflects substantial explanatory power. The outer loadings of all constructs exceed the threshold of 0.70, confirming good indicator reliability and construct validity.

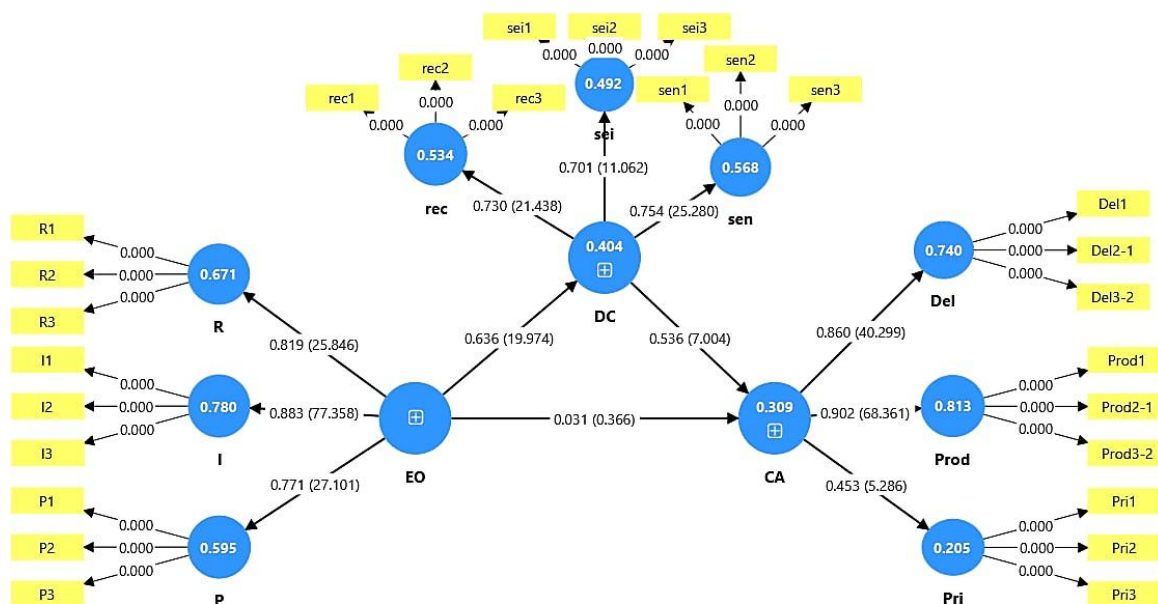


Figure 2. Structural model (PLS-SEM bootstrapping analysis)

The findings from the structural model assessment indicated mixed results for the hypothesized relationships. Specifically, Hypothesis 1 ($EO \rightarrow CA$) was not supported ($\beta = 0.031$, $t = 0.366$, $p = 0.000$), indicating that EO does not exert a direct and significant influence on CA. In contrast, Hypothesis 2 ($EO \rightarrow DC$) was supported ($\beta = 0.636$, $t = 19.974$, $p = 0.000$), indicating that EO has a strong, significant positive effect on DC. Furthermore, Hypothesis 3 ($DC \rightarrow CA$) was also supported ($\beta = 0.536$, $t = 7.004$, $p = 0.000$), suggesting that DC plays a crucial mediating role in enhancing CA. Table 6 below displays hypothesis testing.

Table 6 Hypothesis Testing

Hypothesis	Relationship	Std.Beta	t-Value	p-Values	Results
H1	EO -> CA	0.031	0.366	0.714	Not supported
H2	EO -> DC	0.636	19.974	0.000	Supported
H3	DC -> CA	0.536	7.004	0.000	Supported

To address the mediating role of Dynamic Capabilities (DC), the indirect effect of the path $EO \rightarrow DC \rightarrow CA$ was specifically evaluated. As presented in Table 6, the results indicate a significant indirect effect ($\beta = 0.341$, $p < 0.05$). Since the direct relationship between EO and CA (H1) was found to be non-significant ($\beta = 0.031$, $p > 0.05$), and the indirect path through DC was significant, it can be concluded that Dynamic Capabilities (DC) fully mediate the relationship between Entrepreneurial Orientation (EO) and Competitive Advantage (CA). This finding suggests that EO enhances competitive advantage solely by being transformed into dynamic capabilities within the Thai–Cambodian business context.

Taken together, these results emphasize that while EO does not directly contribute to CA, it indirectly facilitates its development by enhancing DC. This finding reinforces the importance of DC as a strategic mechanism that transforms entrepreneurial initiatives into sustainable CA. Table 7 below displays Results of Specific Indirect Effect.

Table 7 Results of Specific Indirect Effect (Mediation Analysis)

Path	Indirect Effect (β)	Result	Mediation Type
EO -> DC -> CA	EO -> CA	Significant	Full Mediation

5. Discussion and Conclusion

5.1 Discussion

Structural model analysis yields three pivotal findings. While results do not support Hypothesis 1 ($EO \rightarrow CA$), analysis confirms that Hypotheses 2 ($EO \rightarrow DC$) and 3 ($DC \rightarrow CA$) remain statistically significant. These findings collectively confirm a full mediation model, underscoring that, for Thai entrepreneurs in Cambodia, strategic intent alone remains insufficient to secure a competitive edge unless dynamic organizational capabilities effectively translate it into outcomes.

The lack of a direct relationship between EO and CA (H1) contradicts traditional perspectives but aligns with the modern resource-based view (Eisenhardt & Martin, 2000; Teece et al., 1997). In the volatile economic landscape of Cambodia (2024–2026), characterized by rapid digital shifts and intensifying regional competition, Thai entrepreneurs face unique institutional voids. Findings suggest

that innovativeness or risk-taking (EO) does not automatically guarantee success. This insignificance highlights a critical reality: without an internal mechanism to process strategic intentions, EO remains a latent potential rather than a realized advantage. This perspective remains consistent with Rinthaisong and Duangtong (2024), suggesting that in emerging markets, the path to performance remains contingent upon internal developmental mechanisms.

Consistent with H2, EO functions as a powerful antecedent of DC. In the contemporary Cambodian market, where digital trade platforms and consumer behavior evolve rapidly, Thai firms that are highly proactive are better equipped to sense and seize new opportunities. Recent research by Fernandes et al. (2025) and Liu et al. (2021) reinforces this, suggesting that EO acts as the behavioral fuel driving resource reconfiguration. For Thai businesses, the willingness to innovate directly translates into organizational agility, enabling more effective adaptation to local market shifts than less-innovative competitors.

Support for H3 reaffirms that DC represents the definitive driver of CA. As Cambodia integrates further into regional value chains, the ability to integrate and reconfigure competencies remains vital (Cavusgil & Deligonul, 2024). Results echo those of Hernández-Perlines (2025) and Heubeck (2024), demonstrating that firms with superior sensing and reconfiguration capabilities sustain market positions despite environmental turbulence. This implies that for Thai entrepreneurs, the capacity for adaptation (DC) is more critical than strategic orientation (EO) in a foreign, rapidly evolving market.

In summary, findings provide a substantial contribution by revealing the full mediation role of DC. For Thai-Cambodian business stakeholders, the primary benefit lies in the shift in focus: from purely strategic orientation to capability-based execution. To achieve sustainable CA, Thai firms must foster an entrepreneurial spirit while investing heavily in organizational learning and resource reconfiguration systems. This research provides a strategic roadmap, suggesting that internal dynamic capability development remains the only reliable path to overcoming cross-border challenges and achieving long-term competitive success.

5.2 Conclusion

This study investigates the effects of EO and DC on the CA of Thai-Cambodian entrepreneurs, offering valuable theoretical and practical contributions to the fields of entrepreneurship and strategic management.

First, findings indicate that EO does not exert a significant direct impact on CA. This suggests that EO alone remains insufficient for achieving superior competitive performance, underscoring the importance of internal organizational mechanisms—particularly DC—in translating entrepreneurial intent into sustainable outcomes. This conclusion corroborates previous research while extending the theoretical view that EO functions as both a strategic posture and a capability facilitating the development of broader organizational competencies.

Second, EO positively influences DC. Entrepreneurial characteristics, including innovativeness, proactiveness, and risk-taking, enhance organizational agility, learning capability, and adaptability. Such traits enable firms to identify opportunities, seize them, and reconfigure resources effectively. These results reinforce the understanding of EO as a dynamic capability that stimulates the development of complementary organizational capabilities, thereby enhancing competitive advantage.

Third, DC significantly strengthens CA. Firms with strong dynamic capabilities integrate, build, and reconfigure internal and external competencies in response to complex, rapidly changing

environments. This confirms DC as the primary mechanism through which EO indirectly contributes to CA, highlighting its strategic importance for entrepreneurs operating in cross-border and emerging-market settings, such as the Thailand–Cambodia trade environment.

Overall, the research proposes an empirically supported mediation model where EO influences CA indirectly through DC. This underscores the mediating role of organizational capabilities in converting entrepreneurial orientation into tangible competitive outcomes. For Thai–Cambodian entrepreneurs, cultivating DC remains critical for sustaining bilateral trade, expanding market opportunities, and achieving long-term competitiveness within ASEAN.

These conclusions contribute to theory and practice by offering deeper insights into the EO–DC–CA relationship within emerging economies. In practice, results inform managerial strategies and policy initiatives, highlighting the need for capability development programs, digital transformation efforts, and cross-border networking to strengthen entrepreneurial competitiveness.

In conclusion, this study provides an integrated framework connecting EO, DC, and CA in Thai–Cambodian entrepreneurship, offering guidance for future research, managerial practice, and policymaking. By emphasizing the central role of DC, the research lays the groundwork for further exploration of mediating mechanisms and cross-border entrepreneurial strategies in emerging markets, serving as a relevant reference for scholars and practitioners alike.

6. Implications

6.1 Theoretical Implications

This study offers highly actionable recommendations for managers and entrepreneurs engaged in Thai–Cambodian cross-border trade, grounding each strategic directive in empirical findings to avoid reliance on anecdotal management practices.

First, empirical confirmation that Entrepreneurial Orientation significantly influences Dynamic Capabilities (H2) indicates that a proactive, risk-taking mindset must be systematically operationalized rather than relying on ad hoc managerial intuition. Given the statistical findings, EO should be treated as an internal stimulus, and executives should translate innovativeness into formal "sensing" routines. Practically, instead of relying on informal market observations, cross-border SMEs must establish dedicated data-gathering mechanisms to monitor Cambodian regulatory shifts, currency fluctuations, and emerging consumer trends. This empirical-driven approach ensures that entrepreneurial intent effectively triggers a firm's "seizing" capabilities.

Second, empirical validation of the fully mediated mechanism—demonstrating that EO necessitates DC to achieve Competitive Advantage—provides a critical mandate for targeted resource allocation. Statistical evidence reveals that an entrepreneurial posture alone remains insufficient to secure market superiority in volatile environments. Consequently, managers must avoid the pitfall of over-investing in ideation without structural execution. Firms should explicitly allocate capital toward "reconfiguring" capabilities. By investing in agile transnational supply chains and flexible pricing architectures, managers can directly translate dynamic responsiveness into the validated dimensions of CA identified in this study: specifically, sustained cost efficiency and high delivery dependability.

Finally, responding to the robust empirical link between DC and CA (H3), managerial practice must institutionalize continuous capability renewal. Findings suggest that static resources quickly lose value in transnational markets characterized by institutional voids. Therefore, business owners should actively leverage reconfigured organizational assets to drive localized

"product innovation"—another core CA dimension validated in the model. By explicitly aligning dynamic capability deployment with tangible product and service enhancements tailored to the cross-border demographic, Thai-Cambodian entrepreneurs can systematically navigate environmental turbulence and secure long-term competitive superiority.

6.2 Managerial and Policy Implications

From a practical perspective, empirical findings offer a strategic roadmap for managers and policymakers navigating the volatile, digitally-driven, post-pandemic Cambodian market.

For managers and practitioners, results necessitate a fundamental paradigm shift in managerial focus. Thai entrepreneurs must transition from a purely product-centric or innovation-led strategy to a capability-based adaptation strategy. The identification of a full mediation effect implies that entrepreneurial proactiveness and risk-taking (EO) represent merely latent potentials that do not automatically translate into market success. Consequently, managers should prioritize strategic investments in organizational learning mechanisms and resource reconfiguration systems. In the current era of digital transformation, highlighted by the rapid adoption of Cambodia's Bakong digital payment system and the burgeoning e-commerce landscape, firms must leverage EO to cultivate "Digital Dynamic Capabilities." This involves developing systematic processes to sense cross-border market shifts in real-time and seize opportunities through rapid digital integration. Sustainable competitive advantage in the Thai-Cambodian context depends less on strategic intent and more on the effectiveness of reconfiguring the operational base to match environmental shifts.

For Policymakers and Trade Agencies, to bolster regional economic resilience, policymakers—including the Department of International Trade Promotion (DITP) and various Chambers of Commerce—should evolve beyond providing basic market-entry information. A critical requirement exists for high-level intervention programs that foster adaptive managerial competencies among SMEs. Governmental support should focus on facilitating transnational business networks and cross-border digital infrastructures that enable seamless knowledge sharing. As knowledge serves as the primary fuel for dynamic capabilities, such targeted infrastructure empowers Thai-Cambodian entrepreneurs to transform entrepreneurial spirit into robust regional competitiveness. This strategic alignment between policy support and capability building remains essential for ensuring the survival and growth of firms within the increasingly integrated RCEP framework.

7. Limitations and Suggestions for Future Research

Despite significant contributions, several limitations merit acknowledgment. First, the sample focuses exclusively on Thai–Cambodian entrepreneurs, which may restrict the generalizability of findings to other cross-border or emerging-market contexts. Future research should broaden the scope by incorporating diverse geographic regions and industry sectors to validate and refine the proposed EO–DC–CA framework. Second, the cross-sectional research design constrains the ability to infer causal relationships among variables. Longitudinal or experimental designs remain recommended to better capture the evolving nature of EO and DC over time and their long-term effects on competitive advantage. Third, although this study focuses on EO and DC as key determinants of CA, other organizational and environmental factors—such

as institutional pressures, cultural dynamics, and technological adoption—merit further examination.

For future research, scholars should explore the moderating and mediating effects of additional variables, including leadership styles, digital transformation intensity, and network capabilities, to deepen the understanding of how EO translates into sustained CA. Moreover, qualitative approaches—including case studies and ethnographic methods—could provide rich, context-sensitive insights into the complex processes underlying dynamic capability development in entrepreneurial firms. Finally, expanding the theoretical lens to incorporate perspectives from international business, innovation management, and strategic entrepreneurship may yield a more comprehensive model applicable across diverse business contexts and market maturity stages.

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