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Tourism Employment Expansion and Labor Productivity Trade-Off: Evidence from Albania

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Abstract

This study examined the relationship between tourism employment expansion and labor productivity in Albania over the period 2014–2024, with a particular focus on the existence of a trade-off between employment growth and efficiency. While tourism is widely recognized as a driver of economic development in emerging economies, the extent to which employment expansion translates into proportional productivity gains remains insufficiently explored. Annual secondary data on GDP per capita and tourism employment were used to compute labor efficiency as output per employee. The analysis employed descriptive statistics, Pearson correlation, and simple linear regression to assess the relationship between employment and productivity dynamics. The results revealed a moderate negative correlation between tourism employment and labor efficiency, indicating that increases in employment were associated with reductions in output per worker. Regression findings confirmed this trade-off effect, showing that each additional 1,000 employees reduced productivity by approximately 1.9 USD per worker. Furthermore, a structural comparison between pre- and post-pandemic periods showed an increase of 8.86 USD in average efficiency, suggesting sectoral restructuring after 2020. The findings highlight the importance of balancing employment expansion with productivity improvements to ensure sustainable tourism development. These results contribute to the existing literature by providing empirical evidence from a small developing economy context. The study also offers important policy insights for improving labor productivity in tourism-driven economies. Finally, the findings suggest that future growth strategies should integrate both employment expansion and efficiency enhancement to ensure long-term sustainability.

Keywords: tourism employment, labor productivity, efficiency, trade-off, tourism growth, Albania

1. Introduction

Tourism has become one of the most dynamic sectors contributing to economic growth, particularly in developing and emerging economies. It plays a crucial role in job creation, income generation, and regional development, making it a key pillar of economic policy in many countries. In Albania, tourism has experienced significant expansion over the last decade, driven by increasing international arrivals, investments in infrastructure, and the diversification of tourism services.

Despite the positive contribution of tourism to employment, the relationship between employment growth and labor productivity remains a critical issue in economic analysis. While an increase in employment is generally associated with economic expansion, it does not necessarily imply improvements in efficiency. From the perspective of economic growth theory, sustainable development depends not only on the quantity of labor but also on its productivity.

In labor-intensive sectors such as tourism, rapid employment expansion may lead to a dilution of productivity if output does not increase proportionally. This phenomenon is commonly described as a productivity–employment trade-off, where firms absorb additional labor faster than they generate output, resulting in lower output per worker. Such dynamics are particularly relevant in developing economies, where tourism growth often relies on low-skilled and seasonal employment structures.

The case of Albania provides an important context for examining this relationship. Between 2014 and 2019, the tourism sector expanded rapidly, followed by a significant contraction during the COVID-19 pandemic in 2020 and a gradual recovery in the subsequent years. This period allows for the analysis of both expansion and restructuring phases within the sector.

Therefore, the main objective of this study is to examine the relationship between tourism employment expansion and labor productivity in Albania during the period 2014–2024. Specifically, the study aims to identify whether a trade-off exists between employment growth and efficiency, and to assess potential structural changes in the post-pandemic period.

2. Body of Manuscript

2.1 Theoretical Background and Literature Review: Tourism has been widely recognized as an important driver of economic growth, particularly in developing and emerging economies. This relationship is commonly explained through the tourism-led growth hypothesis (TLGH), which suggests that tourism development contributes to economic

expansion through employment generation, foreign exchange earnings, and multiplier effects. (J. Brida & Pulina, 2010; Shahzad et al., 2017)

Empirical studies have provided substantial evidence supporting the positive contribution of tourism to economic growth. For instance, Shahzad et al. (2017) found a significant positive relationship between tourism activity and GDP growth across major global destinations, although the magnitude of this effect varies across countries. Similarly, tourism plays a key role in promoting economic development in European economies (Xia et al., 2022).

However, despite the strong link between tourism and economic growth, the role of labor productivity remains a critical dimension in evaluating the sustainability of this relationship. Labor productivity, defined as output per worker, reflects the efficiency of resource utilization and is considered a key determinant of long-term economic performance. Economic theory suggests that growth driven solely by increases in labor input may not be sustainable unless accompanied by improvements in productivity.

In labor-intensive sectors such as tourism, rapid employment expansion may lead to a decline in average productivity if output does not increase proportionally. This phenomenon is consistent with the concept of diminishing returns to labor and the so-called productivity–employment trade-off. Additionally, the Baumol cost disease theory explains that service sectors, including tourism, often experience slower productivity growth compared to industrial sectors due to limited technological innovation (Baumol, 1967).

The empirical literature on tourism and employment further supports the importance of this trade-off. Meta-analytical evidence indicates that tourism significantly contributes to job creation; however, the relationship between employment growth and productivity is more complex and not always positive (Georgios, 2022). Moreover, recent studies emphasize that the tourism–growth relationship is not universally consistent and may depend on country-specific factors, structural characteristics, and the level of economic development (Song & Wu, 2022).

In the context of transition and developing economies, the relationship between employment and productivity is particularly relevant. Research suggests that increases in employment may initially reduce productivity levels, especially when growth relies on low-skilled labor, but structural adjustments and technological improvements may lead to productivity gains over time (Petreski et al., 2023).

Despite the growing body of literature on tourism-led growth, relatively limited attention has been given to the interaction between tourism employment expansion and labor productivity, particularly in small developing economies such as Albania. Most existing studies focus either on the impact of tourism on economic growth or on employment generation, without explicitly addressing the potential trade-off between employment and efficiency.

Therefore, this study contributes to the literature by examining the relationship between tourism employment expansion and labor productivity in Albania, with a particular focus on identifying the existence of a productivity–employment trade-off and potential structural changes in the post-pandemic period.

2.2 Data and Variables: This study is based on annual secondary data covering the period 2014–2024, providing a time-series dataset suitable for analyzing the relationship between tourism employment expansion and labor productivity in Albania. The dataset consists of eleven observations and captures key macroeconomic and sectoral indicators relevant to the research objectives.

The analysis focuses on three main variables. First, GDP per capita (measured in USD) is used as a proxy for overall economic performance and development. Second, tourism employment (measured in thousands) represents the total number of individuals employed in tourism-related activities and serves as the main independent variable reflecting employment expansion within the sector. Third, labor efficiency (measured as USD per employee) is used as the dependent variable and is calculated as output per worker, representing labor productivity.

Labor efficiency is computed as the ratio between economic output and total employment, as expressed in Equation (1). This measure captures the average productivity of labor and allows for the assessment of how efficiently human resources are utilized within the tourism sector.

Table 1 presents the classification and role of the variables used in the empirical analysis.

Table 1. Classification of Variables

Variable Type	Variable Name	Unit	Role
Dependent	Efficiency	USD per employee	Labor productivity indicator
Independent	Tourism Employment	Thousands	Employment expansion
Contextual	GDP per Capita	USD	Economic performance

2.3 Methodology: This study adopts a quantitative and explanatory research design aimed at examining the relationship between tourism employment expansion and labor productivity in Albania over the period 2014–2024. The analysis is based on annual time-series data and focuses on identifying both the direction and magnitude of the relationship between employment levels and labor efficiency.

Research Hypotheses

To guide the empirical analysis, two main hypotheses are formulated:

Hypothesis 1 (Trade-Off Effect)

H₀₁: There is no statistically significant relationship between tourism employment and labor efficiency.

H₁₁: There is a statistically significant negative relationship between tourism employment and labor efficiency.

Hypothesis 2 (Structural Shift After 2020)

H₀₂: There is no structural difference in labor efficiency between the pre-pandemic (2014–2019) and post-pandemic (2020–2024) periods.

H₁₂: Labor efficiency differs significantly between the two periods.

Statistical Procedures

The empirical analysis is conducted in four main steps, consistent with the objectives stated in the study.

1. Descriptive Analysis

Descriptive statistics are used to examine the evolution of tourism employment and labor efficiency over time. This step provides an initial understanding of trends and allows for the identification of structural changes, particularly during the pandemic period.

2. Pearson Correlation Analysis

The Pearson correlation coefficient is employed to measure the strength and direction of the relationship between tourism employment and labor efficiency. The coefficient (r) evaluates whether increases in employment are associated with proportional changes in productivity. Statistical significance is assessed at the 5% level.

3. Simple Linear Regression Model

To quantify the marginal effect of tourism employment on labor productivity, the following regression model is estimated:

$$\text{Efficiency}_t = \beta_0 + \beta_1 \text{Employment}_t + \varepsilon_t$$

Where:

Efficiency_{*t*} represents labor productivity (USD per employee),

Employment represents tourism employment (in thousands),

β_1 captures the marginal effect of employment on efficiency,

ε_t is the error term.

A negative and statistically significant value of β_1 indicates the presence of a productivity–employment trade-off.

4. Structural Mean Comparison

To assess potential structural changes after the COVID-19 pandemic, average labor efficiency is calculated for two sub-periods:

Pre-pandemic period (2014–2019)

Post-pandemic period (2020–2024)

The difference between these means is used to evaluate whether a structural shift in productivity has occurred.

All statistical procedures are applied using standard methods appropriate for small-sample time-series data. Given the limited number of observations, the results are interpreted with caution, emphasizing both statistical and economic significance.

2.4 Empirical Results

2.4.1 Descriptive Trends

The descriptive analysis reveals two distinct phases in the evolution of tourism employment and labor efficiency in Albania over the study period.

During the pre-pandemic period (2014–2019), tourism employment increased steadily from 26.7 thousand to 52.0 thousand employees. Although GDP per capita also increased during this period, labor efficiency declined from 156.5

USD per employee in 2014 to 103.4 USD per employee in 2019. This inverse relationship suggests that employment expansion was not accompanied by proportional productivity gains. Instead, the results indicate a dilution effect, where increases in labor input exceeded the growth of output.

In contrast, the post-pandemic period (2020–2024) exhibits a different dynamic. Tourism employment declined sharply in 2020 due to the COVID-19 shock, falling to 42.4 thousand employees. However, labor efficiency increased to 123.4 USD per employee in the same year and continued to improve in subsequent years, reaching higher levels despite only partial recovery in employment. This pattern suggests the presence of structural adjustments within the tourism sector, potentially reflecting improved resource allocation or shifts toward higher value-added activities.

2.4.2 Pearson Correlation Results

To test Hypothesis 1, the Pearson correlation coefficient between tourism employment and labor efficiency was calculated.

Table 2. Pearson Correlation Results (2014–2024)

Variable Pair	Pearson r	R ²	Interpretation
Employment ↔ Efficiency	-0.64	0.41	Moderate negative relationship

Source: Author’s calculations

The results indicate a moderate negative correlation ($r = -0.64$) between tourism employment and labor efficiency. The coefficient of determination ($R^2 = 0.41$) suggests that approximately 41% of the variation in labor efficiency is explained by changes in employment levels.

This negative relationship supports the alternative hypothesis (H_{11}), confirming the existence of a productivity–employment trade-off. In other words, increases in tourism employment are associated with decreases in output per worker.

2.4.3 Regression Analysis

To quantify the marginal impact of tourism employment on labor productivity, a simple linear regression model was estimated.

Table 3. Simple Linear Regression Results

Coefficient	Estimated Value	Interpretation
β_0 (Intercept)	188.4	Baseline efficiency
β_1 (Employment)	-1.9	Each additional 1,000 employees reduces efficiency by 1.9 USD
R ²	0.41	41% of efficiency variation explained

Source: Author’s calculations

The regression results confirm the findings from the correlation analysis. The estimated coefficient ($\beta_1 = -1.9$) indicates that an increase of 1,000 tourism employees is associated with a decrease of approximately 1.9 USD in output per employee.

The negative and economically meaningful coefficient provides strong evidence in support of the productivity–employment trade-off hypothesis. Although the model’s explanatory power is moderate, this is expected given the small sample size and the simplicity of the model.

2.4.4 Structural Comparison: Pre- and Post-Pandemic Period

To test Hypothesis 2, average labor efficiency was compared across two sub-periods.

Table 4. Mean Efficiency by Period

Period	Mean Efficiency (USD per employee)
2014–2019	122.67
2020–2024	131.53
Difference	+8.86

Source: Author’s calculations

The results indicate that labor efficiency increased by approximately 8.86 USD per employee in the post-pandemic period compared to the pre-pandemic phase.

This finding supports the alternative hypothesis (H_{12}), suggesting that the COVID-19 period was associated with structural adjustments in the tourism sector. The improvement in efficiency may reflect changes such as better resource allocation, increased productivity of remaining workers, or a shift toward higher value-added tourism services.

2.5 Discussion: The findings of this study provide clear evidence of a productivity–employment trade-off in Albania’s tourism sector over the period 2014–2024. The moderate negative correlation ($r = -0.64$) and the regression coefficient ($\beta_1 = -1.9$) indicate that increases in tourism employment are associated with reductions in output per worker. These results suggest that, during the expansion phase, tourism growth in Albania followed a predominantly labor-intensive model.

From a theoretical perspective, these findings are consistent with the tourism-led growth hypothesis, which emphasizes the role of tourism in generating employment and stimulating economic activity. However, the results also highlight a key limitation of this model, as employment growth alone does not necessarily lead to improvements in productivity. This outcome aligns with economic growth theory, which stresses that sustainable development depends on both the quantity and quality of labor inputs.

Furthermore, the negative relationship between employment and productivity supports the concept of diminishing returns to labor, particularly in service-based sectors such as tourism. The findings are also consistent with Baumol’s (1967) theory of cost disease, which suggests that productivity growth in service industries tends to lag behind other sectors due to structural and technological constraints.

The empirical results are in line with previous studies that identify a complex relationship between tourism development and economic performance. While tourism contributes significantly to employment generation, its impact on productivity is not always positive, especially in developing economies characterized by low-skilled labor and seasonal employment patterns.

However, the analysis also reveals a structural shift in the post-pandemic period. The observed increase in labor efficiency after 2020 suggests that the COVID-19 shock may have triggered important adjustments within the tourism sector. Possible explanations include the reallocation of labor, improvements in operational efficiency, exit of less productive firms, and a shift toward higher value-added tourism services.

These findings indicate that tourism development in Albania has evolved from a purely employment-driven expansion toward a more efficiency-oriented model. This transition reflects a broader structural transformation within the sector and highlights the importance of improving productivity alongside employment growth.

From a policy perspective, the results emphasize the need for a balanced approach to tourism development. While employment creation remains essential for social inclusion and income generation, long-term sustainability requires investments in human capital, digitalization, and service quality. Strengthening vocational training systems and promoting innovation within the tourism sector may help enhance both employment stability and productivity performance.

3. Conclusions

This study examined the relationship between tourism employment expansion and labor productivity in Albania over the period 2014–2024, with a particular focus on the existence of a productivity–employment trade-off. The empirical findings indicate that increases in tourism employment during the pre-pandemic period were associated with declining labor efficiency, suggesting a predominantly labor-intensive growth pattern.

The moderate negative correlation ($r = -0.64$) and the regression coefficient ($\beta_1 = -1.9$) provide clear evidence that employment expansion was accompanied by reductions in output per worker. These results confirm that tourism growth, while effective in generating employment, does not necessarily lead to improvements in productivity.

However, the analysis also reveals a structural shift in the post-pandemic period. The increase in average labor efficiency after 2020 suggests that the tourism sector has undergone a process of adjustment, moving toward a more efficiency-oriented development model. This transition may reflect improvements in resource allocation, increased productivity of labor, and a gradual shift toward higher value-added tourism activities.

The findings contribute to the literature on tourism-led growth by highlighting the importance of considering both employment and productivity dimensions when evaluating sectoral performance. While tourism remains a key driver of

economic development in Albania, its long-term sustainability depends on balancing labor absorption with productivity enhancement.

From a policy perspective, the results suggest that strategies aimed at expanding tourism employment should be complemented by investments in human capital, technological innovation, and service quality. Strengthening vocational training systems and promoting digitalization may help improve both employment outcomes and productivity levels.

Future research could extend this analysis by incorporating additional variables such as tourism revenues, capital investment, and regional-level data, as well as by applying more advanced econometric techniques to better capture structural dynamics.

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The Role of Entrepreneurial Leadership and Community Networks in Empowering Sri Lankan Entrepreneurs in Hungary

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Abstract

This study examined the extent to which entrepreneurial leadership and community networking have empowered Sri Lankan entrepreneurs in Hungary. Sri Lankans with entrepreneurial aspirations are migrating to Hungary for educational and career development purposes. The study confirmed that many community members are willing to become entrepreneurs if given the right opportunities. No previous research had examined the extent to which their leadership skills and community networking contributed to entrepreneurial success. Despite more than sixty years of diplomatic relations between Hungary and Sri Lanka, no research had been conducted on Sri Lankans in Hungary, and this research aimed to fill that gap. Data were collected using a mixed-methods approach. Quantitative data were collected from 98 Sri Lankan respondents via a Google Forms questionnaire, and qualitative data were collected through semi-structured interviews with five Sri Lankans who were looking to start or had already established businesses in Hungary. The sampling strategy combined purposive and convenience sampling methods. Purposive sampling was used to select interview participants, and convenience sampling was used to collect questionnaire responses. Descriptive analysis was used to interpret and summarize the quantitative data. Since qualitative data were also available, thematic analysis was applied to the semi-structured interview responses. The findings highlighted that strong community networks and leadership skills significantly influenced entrepreneurial aspirations and business success. This research contributed to a better understanding of how migrant communities, especially Sri Lankans, used leadership and networking to establish businesses abroad, and may also provide insights for policymakers and support organizations in Hungary.

Keywords: Entrepreneurial Leadership, Community Networks, Migrant Entrepreneurship, Social Capital, Sri Lankan migrants in Hungary

1. INTRODUCTION

Nowadays, entrepreneurship is a key driver of economic growth, innovation, and job creation, and globalization has enabled individuals to pursue economic opportunities across national borders (Carree & Thurik, 2010). As such, migrant entrepreneurship actively contributes to the economic and cultural dynamism of host countries by introducing new business models and strengthening international relations (Schäfer & Henn, 2018). Migrants across Europe have improved local economies through their business innovations and cross-border trade, for example. At the same time, migrant entrepreneurs face structural barriers in the host country due to language difficulties, legal and cultural barriers. Therefore, it is essential for migrant entrepreneurs to have strong resilience and adaptability (Guerrero et al., 2021).

Sri Lankans have been migrating to Hungary for educational and professional purposes since the mid-20th century (Ministry of Foreign Affairs of Sri Lanka, 2021), but despite the qualifications and entrepreneurial aspirations of these migrants, little research has examined the factors shaping their entrepreneurial and leadership potential. While effective integration with local networks has a positive impact on host-country entrepreneurial ecosystems, third-country national migrants in Hungary face regulatory, administrative, and cultural constraints (Horváth, V, 2025). This study addresses this gap by exploring how entrepreneurial leadership and community networks empower Sri Lankan entrepreneurs in Hungary.

In this study, entrepreneurial leadership was analyzed under the factors of entrepreneurial opportunity recognition, innovation opportunity recognition, strategic decision-making, and business sustainability in foreign environments (Gupta et al., 2004). Community network participation was examined through social capital, mentorship, and emotional support (Putnam, 2000). The study adopts a mixed-methods approach, combining survey data and semi-structured interviews to analyze leadership skills, network support, and entrepreneurial challenges.

The findings contribute to both theory and practice by highlighting how leadership skills and community networks influence migrant entrepreneurial empowerment. The study also provides practical insights for policymakers and support organizations in Hungary, aiming to foster a more inclusive and supportive environment for Sri Lankan migrant entrepreneurs.

2. LITERATURE REVIEW

2.1. Entrepreneurial Leadership & Community Networks

This study focused on research and literature that examined entrepreneurial leadership and community networks, business knowledge, and skills as mediating factors in entrepreneurship empowerment. Based on these, the robustness of the research data was developed.

2.1.1. ENTREPRENEURIAL LEADERSHIP

Entrepreneurial leadership has a special impact on business success. It operates in uncertain and cross-cultural environments. Entrepreneurial leadership is important for entrepreneurs to identify opportunities, innovate, make strategic decisions, and sustain businesses over time. Gupta, MacMillan, and Surie (2004) conducted a quantitative survey in several countries to study cross-cultural constructs of leadership. In their study, they found that entrepreneurial leadership is characterized by risk-taking, proactivity, opportunity recognition, and vision. In this study, these leadership skills were essential for Sri Lankan entrepreneurs in Hungary in identifying and responding to environmental uncertainties.

Entrepreneurial opportunities can be identified by understanding the potential business opportunities in dynamic environments. Shane and Scott (2003) conducted a study using case studies and secondary data to explore how entrepreneurs identify and exploit opportunities. This study revealed that, to become an entrepreneur, one must have prior knowledge, experience, and cognitive processes. The results of this study explored how Sri Lankan migrants in Hungary should act during pre-entrepreneurship exposure.

Ireland et al. (2003) in their study that innovation opportunity recognition is the ability to develop new products, services, or business models. It is revealed that migrant entrepreneurs can enhance sustainable growth and sustainability by identifying opportunities based on innovations that achieve competitive advantages. This study examined the ability of migrants to adapt products for the Hungarian market or introduce culturally unique services.

Strategic decision-making is the ability to deal with uncertainties promptly. Kirkpatrick and Locke (1991) have identified key leadership characteristics in their study. They concluded that effective leaders should act decisively, confidently, and with a strategic vision. In this study, Kirkpatrick and Locke's study is important in addressing the barriers faced by migrant entrepreneurs, including financial risks and market access barriers, and in analyzing strategic decision-making.

Adaptability and resilience are essential in establishing business sustainability. Renko et al. (2015) found in their study that the legal frameworks and cultural expectations of the host country have a strong impact on entrepreneurial leadership. The results of this study made it easier to analyse the legal frameworks, cultural expectations, and economic conditions that affect Sri Lankan entrepreneurs in Hungary.

2.1.2. COMMUNITY NETWORKS

Community networks consistently provide opportunities for resources, information, and emotional support. This was revealed by Putnam, Robert (2000) in his study using a mixed methods approach that combines survey and historical analysis. Their findings were that social solidarity, social ties, and trust enhance the sharing of social resources. This study supported the assertion that strengthening the social capital ties of Sri Lankan entrepreneurs in Hungary opens up business opportunities.

Positive mentoring provided through community networks is a fundamental step in business development. Jack, Sarah (2005) revealed in her study that mentoring knowledge and guidance provide opportunities for business entry. These findings, which were based on a qualitative case study of small business owners, support the findings that Sri Lankan entrepreneurs in Hungary can benefit from mentors, local business advisors, and support groups.

Emotional support is defined as the ability to strengthen an individual's resilience and self-confidence. Portes and Sensenbrenner (1993) used sociological analysis to demonstrate that migrant communities rely on social networks to promote their capabilities. Their study found that emotional support reduces uncertainty and increases entrepreneurial resilience. This research also provided evidence that emotional support can help Sri Lankan migrants in Hungary cope with challenges.

This literature demonstrates that entrepreneurial leadership and community networks jointly influence the success of migrant entrepreneurs. Accordingly, integrating these factors is essential for Sri Lankan entrepreneurs in Hungary to identify leadership opportunities, make strategic decisions to innovate, overcome structural barriers, and achieve business success in foreign markets.

2.2. THEORETICAL BACKGROUND

Entrepreneurial Leadership Theory

Entrepreneurial leadership theory describes the ability to grow, innovate, make strategic decisions, and mobilize resources (Gupta et al., 2004). It explains how entrepreneurs succeed in uncertain or foreign environments by revealing characteristics such as adaptability and foresight (Kirkpatrick & Locke, 1991).

Social Capital Theory

Social capital theory explains how social networks provide support and access to information (Putnam, 2000). It suggests that immigrant entrepreneurs can overcome institutional and cultural barriers and build trust and succeed through community support.

Empowerment Theory

Empowerment theory explains entrepreneurial success by revealing that businesses succeed as a result of the integration of personal capabilities, leadership skills, and social networks. Spreitzer (1995) reveals that business efficiency should be supported by community networks and institutional environments in accessing resources.

Integration for the study

Using these three theoretical lenses, this study analyzes how Sri Lankan entrepreneurs in Hungary can utilize leadership, networks, and empowerment to achieve successful business outcomes. Entrepreneurial leadership theory explains capabilities and strategies, while social capital theory explains the support for networking. Furthermore, empowerment theory explains business performance and resilience.

2.3. CONCEPTUAL FRAMEWORK

This study also examined entrepreneurial leadership and community networks, business knowledge, and skills as mediating factors in entrepreneurial empowerment. This factor is discussed through three main dimensions: theoretical knowledge, experience, and market awareness. By categorizing and analyzing these variables, this study aimed to develop a structural understanding of the factors that influence entrepreneurial empowerment.

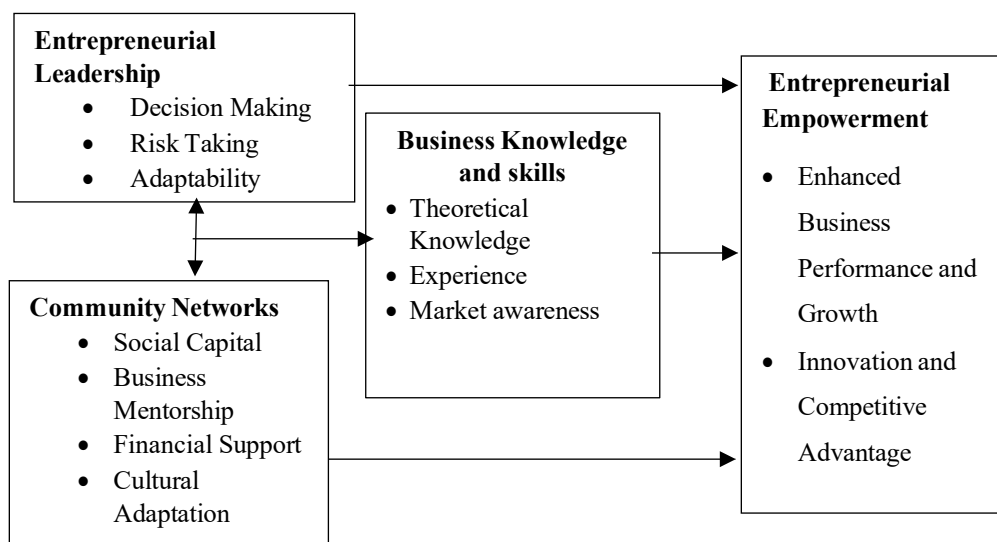


Figure 1: Conceptual Framework (own edition)

2.4. RESEARCH METHODOLOGY

This study used a **mixed-methods design** to examine entrepreneurial empowerment among Sri Lankan entrepreneurs in Hungary, combining quantitative surveys and qualitative interviews for a comprehensive understanding.

2.5. RESEARCH QUESTIONS:

- What are the key leadership qualities that contribute to the success of Sri Lankan entrepreneurs in Hungary?
- How do community networks influence the entrepreneurial empowerment of Sri Lankan business owners in Hungary?
- What role does business knowledge and skill development play in entrepreneurial success?
- What challenges do Sri Lankan entrepreneurs face in Hungary, and how do they overcome them?
- How can entrepreneurial leadership and community support structures be optimized to enhance business sustainability?

2.6. RESEARCH OBJECTIVES:

General objective

To examine the role of entrepreneurial leadership and community networks in empowering Sri Lankan entrepreneurs in Hungary.

I. SPECIFIC OBJECTIVES

To analyse leadership qualities, assess community network influence, evaluate business knowledge and skills, identify challenges, and propose policy recommendations.

2.7. POPULATION AND SAMPLE:

- Population: Sri Lankans residing in Hungary with entrepreneurial aspirations or business experience.
- Sample: 98 survey respondents (quantitative) and 5 interview participants (qualitative).
- Sampling: Purposive sampling for interviews and convenience sampling for surveys.

2.8. DATA COLLECTION METHODS:

Primary Data Collection Method

Semi-structured interviews (5 participants) explored leadership, community networks, business knowledge, and entrepreneurial challenges.

Google Form questionnaire (98 respondents) covered 67 questions on the conceptual framework (<https://docs.google.com/forms/d/1qpl-QKlgwfyCaedLqW20hfTd0AoNN69hBg41SMY2Yjw/edit>).

II. SECONDARY DATA COLLECTION METHOD

Academic literature and online sources provided theoretical support and context. The mixed-methods approach enabled both statistical analysis of trends and in-depth understanding of personal experiences, allowing a holistic view of Sri Lankan migrant entrepreneurship in Hungary.

3. DATA ANALYSIS

3.1. Semi-Structured Interview findings and analysis

This chapter presents the findings from five semi-structured interviews conducted with Sri Lankan migrants residing in Hungary. All participants had lived in Hungary for more than one year and were either engaged in entrepreneurial activities or actively working toward business establishment. The interviews explored their personal backgrounds, pre-migration expectations, entrepreneurial goals, leadership capabilities, community network support, and the challenges encountered as foreign entrepreneurs.

3.1.1. ENTREPRENEURIAL STAGES AND EXPERIENCES.

Five Sri Lankan entrepreneurs residing in Hungary with varying levels of experience were selected for the study. Ms. Samadhi, a 34-year-old MSc Management student, was running a small business in Sri Lanka and was planning to start a Sri Lankan goods export business to Hungary. Mr. Dhanush, a 41-year-old engineer, was an operations manager in Sri Lanka and was working in a restaurant in Hungary, gaining experience to start the first Sri Lankan restaurant in Hungary. Mr. Ronald, a 30-year-old MSc student, had experience as a bank officer and had a health equipment business in Sri Lanka. He is running a student consultancy service and hopes to start a formal consultancy firm in Hungary once he gains financial stability. Mr. Sameera, 34, has over ten years of entrepreneurial experience in Sri Lanka and runs small businesses in Hungary. In the long term, he plans to import Sri Lankan spices. Finally, Mr. Rohan Nanayakkara, 82, is a former Hungarian-Sri Lankan Honorary Consul and a multi-business owner. He has built an extensive network in Hungary through decades of diplomatic, business, and international experience, running businesses in the fields of education, tourism, and trade.

Four respondents migrated primarily in search of improved economic conditions, higher education, and long-term stability in the face of economic and political uncertainties in Sri Lanka. In contrast, Mr. Nanayakkara continued to pursue professional diplomacy and business expansion. Short-term goals among the younger participants included completing higher education, securing financial stability, and gaining local experience. Long-term aspirations included establishing sustainable businesses in Hungary, such as goods and services, restaurants, student advisory services, and imports. In many cases, the interviews revealed that they also viewed entrepreneurship as a path to financial independence and social stability.

3.1.2. ENTREPRENEURIAL LEADERSHIP SKILLS AND EMPOWERMENT

Participants revealed that leadership qualities such as decision-making ability, risk tolerance, adaptability, market awareness, and practical experience are essential for entrepreneurship empowerment. Ms. Samadhi has used administrative and academic qualifications to strengthen her decision-making skills. She is also demonstrating proactive adaptation by studying the Hungarian language and business culture. Mr. Dhanush and Mr. Sameera demonstrated their ability to handle business risks through their experience and education. Mr. Dhanush specifically emphasized how to manage risks and time while minimizing cultural and regulatory barriers. Mr. Sameera and Mr. Ronald relied heavily on their long-term business experience in Sri Lanka to manage uncertainties and respond quickly to challenges. Mr. Nanayakkara revealed that his success was due to strong decision-making skills, international exposure, mentorship from his father, and extensive professional networks. He emphasized through experience that language and cultural

barriers can be managed if trust, strategic thinking, and relationship building are possible. Overall, leadership skills have consistently been identified as a central factor in providing entrepreneurial confidence and resilience.

3.1.3. COMMUNITY NETWORK EMPOWERMENT

The study examined the role of social capital, mentorship, financial support, and cultural adaptation in entrepreneurial development. All participants acknowledged the importance of family and community support for Sri Lankans who have migrated to Hungary. Mr. Ronald and Mr. Sameera noted that although community networks provide advice and knowledge sharing, financial support is limited within the relatively small Sri Lankan community in Hungary. Mr. Nanayakkara highlighted the crucial role of strong international and Hungarian networks in his entrepreneurial success. Unlike young entrepreneurs, he reported receiving more support from Hungarian stakeholders than from the Sri Lankan community. Participants emphasized that building relationships with Hungarian society is essential to understanding local consumer behaviour, legal systems, and cultural expectations. Seeking guidance from lawyers, business partners, and local contacts was identified as an important strategy for overcoming institutional barriers.

3.1.4. CHALLENGES FACED BY FOREIGN ENTREPRENEURS

Common challenges included: Language barriers, particularly the complexity of Hungarian, frequently changing immigration and business regulations, Strict tax policies affecting small and medium enterprises, Limited use of English in official processes, and uncertainty regarding long-term residence and employment opportunities. Some participants expressed concerns about tightening immigration policies and reduced opportunities for non-EU nationals. These factors created instability and influenced future migration considerations. Several respondents indicated that if conditions worsened, they might consider relocating to another European country. However, Mr. Nanayakkara presented a contrasting perspective, asserting that long-term success is achievable through skill development, strategic adaptation, and strong social integration.

3.1.5. OVERALL INSIGHTS OF INTERVIEW DATA FINDINGS

The interviews reveal that Sri Lankan entrepreneurs in Hungary operate within a challenging yet opportunity-rich environment. While legal, linguistic, and regulatory obstacles persist, entrepreneurial leadership skills and community network engagement significantly influence empowerment and resilience. A key finding is that even legally migrated entrepreneurs face structural difficulties; however, those who effectively leverage leadership competencies, build cross-cultural networks, and continuously develop business knowledge are more likely to achieve stability and long-term entrepreneurial success in Hungary.

3.2. QUESTIONER DATA FINDINGS AND ANALYSIS

3.2.1. Demographic Data Analysis

From the data obtained from 98 Sri Lankans in Hungary, 93.6% were female and 45.4% male (42.9%) aged 36-50 years. 22.4% had a degree, with current MA/MSc students (17.3%) and MA/MSc graduates (14.3%). This included professionals (40.8%) and entrepreneurs (9.2%). The largest group had lived in Hungary for 1–4 years, with 49% on student visas. Regarding social integration, 63.3% hoped to establish a permanent family life in Hungary, while 53% preferred to live in Hungary with a Sri Lankan spouse.

3.2.2. ECONOMIC MOTIVATIONS AND STABILITY OF SRI LANKANS IN HUNGARY

This study examined the economic motivations of Sri Lankans to migrate to Hungary and their current financial stability. Regarding their economic situation in Sri Lanka, before migration, 45.4% reported living at an average income level, 25.8% slightly above average, and 12.4% well above average. In response to the questionnaire, 84.7% agreed or strongly agreed that they came to Hungary in search of a better life than the economic situation in Sri Lanka. 78.6% agreed or strongly agreed that they would migrate to other European countries if Hungary did not provide support for economic development.

3.2.3. FUTURE PLANS OF RESPONDENTS

The survey revealed that most Sri Lankans in Hungary are aiming to pursue entrepreneurship. Their motivation is driven by theoretical knowledge (73.2% agree/strongly agree), leadership skills (45.9% agree), social network support (45.4% agree), and previous business experience (74.5% agree/strongly agree). These results indicate that they are highly confident in their ability to start and manage businesses in Hungary.

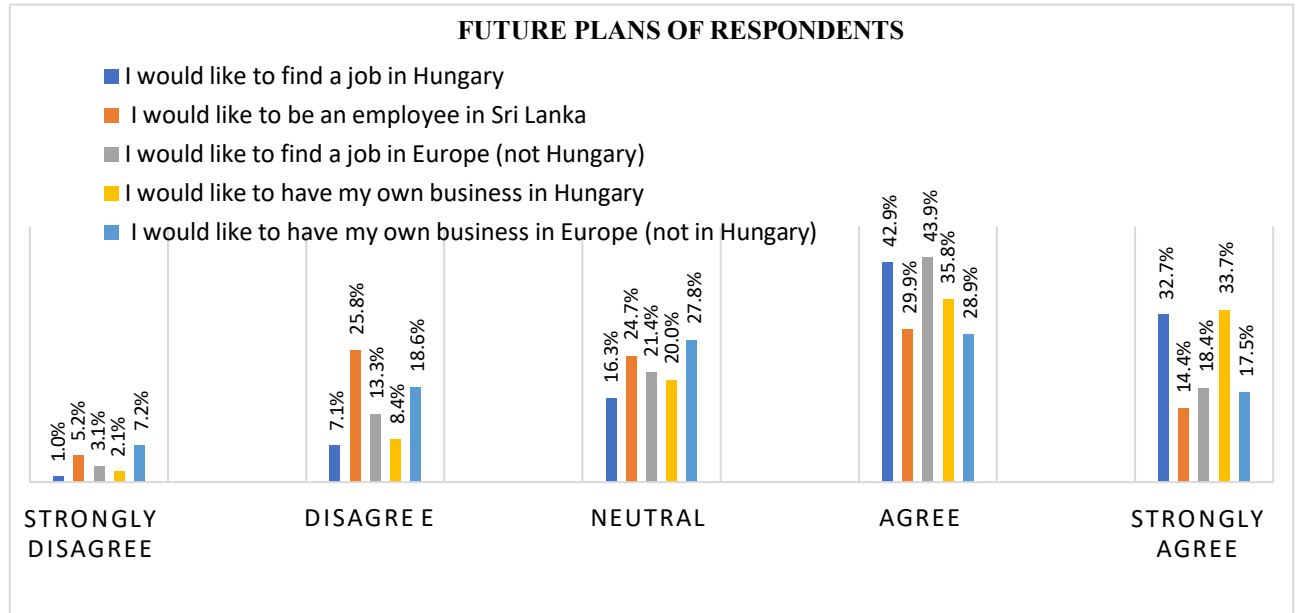


Figure 2: Future Plans of Respondents

3.2.4 ENTREPRENEURIAL INTENTIONS

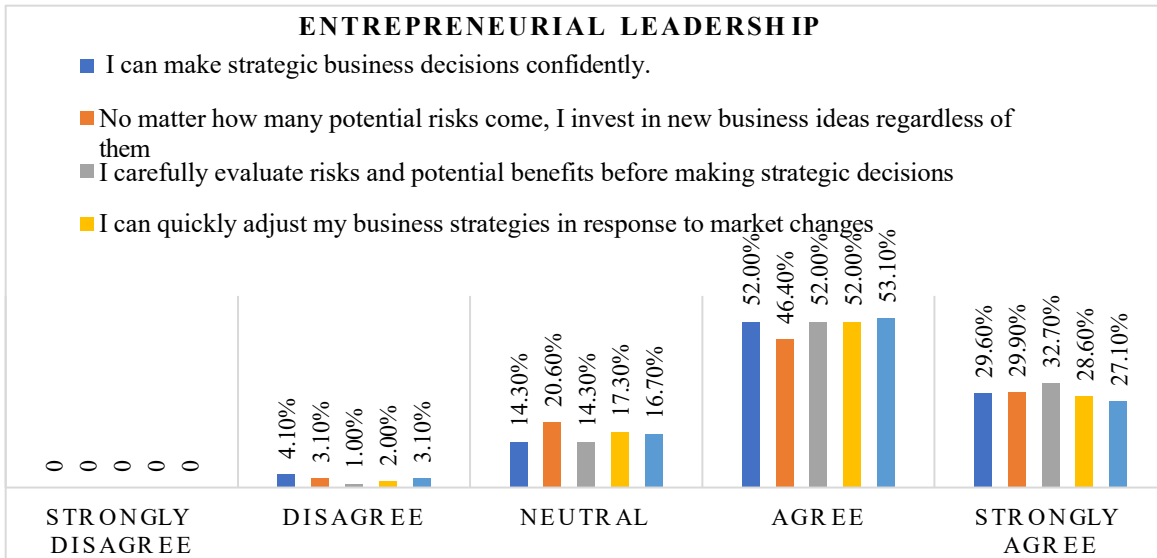
The questionnaire revealed that most Sri Lankans in Hungary aspire to become entrepreneurs. When asked about starting a business if given the opportunity, 73.2% felt confident due to their theoretical knowledge, 45.9% cited leadership skills, 45.4% emphasized support from social networks, and 74.5% highlighted prior entrepreneurial experience. These findings indicate a strong entrepreneurial intention supported by knowledge, skills, experience, and community networks.

3.2.5. ROLE OF ENTREPRENEURIAL LEADERSHIP, COMMUNITY NETWORKS, AND BUSINESS KNOWLEDGE

What entrepreneurial leadership and community networks can empower Sri Lankans seeking to establish businesses in Hungary was investigated. Business knowledge and skills were examined as a mediating factor, and decision-making, risk-taking, and adaptability as entrepreneurial leadership. Community networks were assessed through social capital, mentorship, financial support, and cultural adaptation, highlighting the role of social relationships and understanding of local norms. Business knowledge and skills included theoretical knowledge, prior experience, and market awareness, and emphasized the application of learning and practical understanding. Finally, entrepreneurial empowerment was evaluated through improved business performance, growth, innovation, and competitive advantage, demonstrating how leadership, community support, and skills collectively facilitate successful entrepreneurship.

3.2.6. ENTREPRENEURIAL LEADERSHIP

The questionnaire assessed entrepreneurial leadership through decision-making, risk-taking, and adaptability. For decision-making, 76% of respondents strongly agreed and agreed. They expressed confidence in making strategic business decisions and investing in new business ideas despite potential risks. Regarding risk-taking, 84% responded positively, while the ability to adapt to business risks was also 81.7%. These results indicate that Sri Lankan entrepreneurs in Hungary generally demonstrate strong leadership qualities essential for entrepreneurship empowerment.



I. FIGURE 3: ENTREPRENEURIAL LEADERSHIP

3.2.7. Community Networks Empowerment

The study examined the impact of empowering community networks on Sri Lankan entrepreneurs in Hungary. 23.5% strongly agreed that social capital is a good source of entrepreneurship, and 49% agreed that collaborating with other

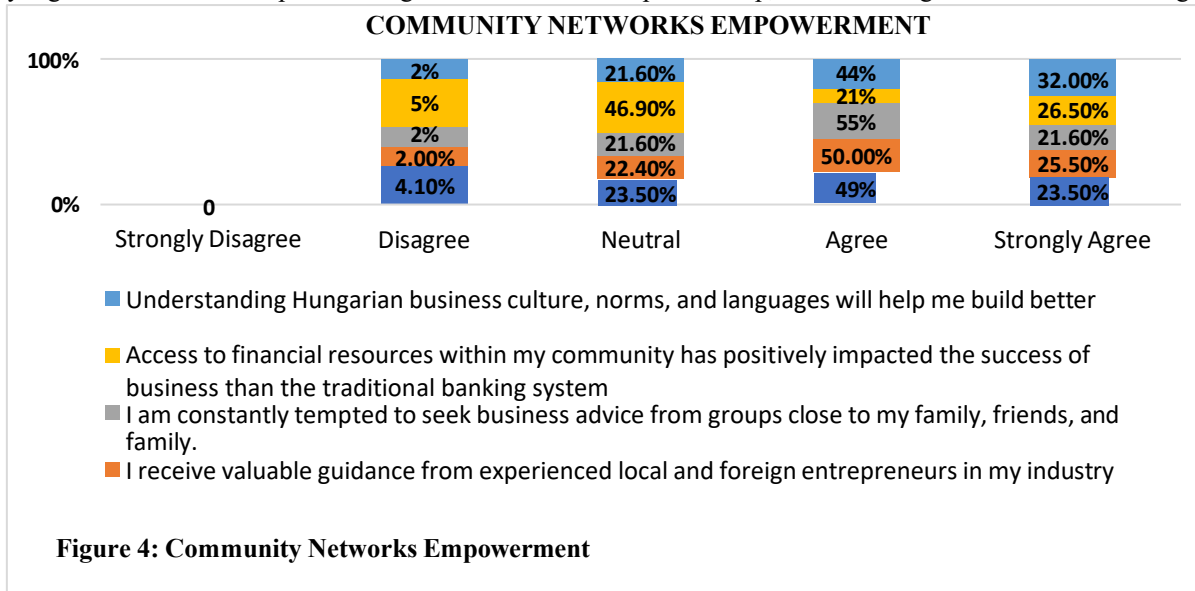


Figure 4: Community Networks Empowerment

entrepreneurs strengthened their businesses. 75.5% indicated that they received business mentorship from local and foreign entrepreneurs. 55% agreed that they received advice from family and friends when starting a business. Financial support through community networks was found to be moderate (46.9%). In terms of cultural adaptation, 32% stated that they needed to learn Hungarian business culture, understand norms and language, and improve customer relations. Thus, the support of community networks was revealed to be essential for success in migrant entrepreneurship.

3.2.8. ENTREPRENEURIAL EMPOWERMENT

The study examined Entrepreneurial Empowerment as the dependent variable, focusing on two aspects: Enhanced Business Performance and Growth and Innovation and Competitive Advantage. 83.7% of respondents agreed that they feel confident managing and growing their business. 26% agreed that community support played a crucial role in their business performance. 80% agreed that they are constantly looking to improve products/services and are interested in gaining a competitive advantage through their innovations. Entrepreneurial leadership and community networks were found to positively impact the confidence, business growth, innovation, and competitive advantage of Sri Lankan entrepreneurs in Hungary.

3.2.9. CHALLENGES FACED BY SRI LANKAN ENTREPRENEURS IN HUNGARY

37.7% of respondents agreed that Hungarians offer a warm welcome to foreigners. Language difficulties were a significant problem, and 45.9% strongly stated that communication with the local population was challenging. 3.1% indicated that insufficient language skills caused them difficulties. Rapidly changing state laws frustrated 46.9% of respondents, and 33.3% strongly stated that these laws had a strong impact on entrepreneurial decisions. 50% of participants stated that environmental changes were also a problem for their entrepreneurship. High start-up costs were reported by 66.3% as affecting entrepreneurship. When asked whether it was difficult to find suitable business premises, 51% agreed, and 25.5% strongly agreed. 80.2% stated that complying with taxes and regulations was a challenge. When considering market and financial challenges, 74.5% stated that cultural understanding of the local market was a barrier. Accordingly, financial instability strongly affected 45.9% of respondents when starting a business.

4. OVERALL INSIGHT:

The study examined how entrepreneurial leadership and community networks empower Sri Lankan entrepreneurs in Hungary. Many Sri Lankans migrate for economic opportunities, education, and better living conditions. Middle-aged individuals and women are overrepresented among those pursuing career growth and entrepreneurship. 44.9% of migrants reported improved financial stability. Entrepreneurs face high business costs, language barriers, regulatory changes, and tax burdens, which complicate long-term business sustainability. Decision-making, risk-taking, and adaptability skills are critical for success. Those with these skills are more likely to overcome obstacles and thrive. Strong social and business networks empower entrepreneurs, providing mentorship, advice, and support despite financial, cultural, and legal challenges. Overall, entrepreneurial leadership and community networks play a crucial role in enabling Sri Lankans to pursue business goals in Hungary, and migrant entrepreneurs have the potential to contribute meaningfully to the Hungarian economy if properly supported.

5. CONCLUSION AND RECOMMENDATIONS

Entrepreneurial success among Sri Lankan entrepreneurs in Hungary depends not only on individual motivation but also on the strength of the surrounding support systems. Developing entrepreneurial leadership through training in strategic decision-making, risk management, and adaptability can help entrepreneurs navigate complex business environments. Mentorship programs that connect aspiring entrepreneurs with experienced Sri Lankan business owners could further bridge knowledge gaps and provide practical guidance. In addition, minimizing bureaucratic barriers, reducing regulatory uncertainty, and offering tax incentives would create a more supportive environment for new businesses. Financial support, such as start-up grants, low-interest loans, and financial literacy programs can also strengthen long-term business sustainability. Finally, expanding community and networking support by strengthening Sri Lankan business associations in Hungary and encouraging collaboration with Hungarian business organizations can open opportunities for mentorship, partnerships, and strategic growth. By implementing these measures, policymakers and community leaders can foster a stronger entrepreneurial ecosystem that benefits both Sri Lankan entrepreneurs and the broader economy.

6. RECOMMENDATIONS

- **Policy Support**
Hungarian policymakers should facilitate the host country to achieve more successful economic benefits by simplifying business regulations and administrative barriers, providing tax breaks, and providing financial incentives such as start-up funds.
- **Entrepreneurial Leadership Development**
Since entrepreneurship is a sector that can generate large financial value, universities and business support organizations should work to improve skills such as risk management and adaptability.
- **Strengthening Community Networks**

Through the Sri Lankan community network counselling, business support can be obtained, and it would be good to organize programs such as "Business Meetups" to expand contacts with Hungarian business communities.

- Language and Cultural Integration

Government intervention can help migrant entrepreneurs better integrate into the host country's business environment by providing Hungarian language training and cultural awareness programs.

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Human Abilities as Micro-Foundations of Organizational Resilience and Long-Term Value Creation

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Abstract

Organizations increasingly operate under conditions of persistent uncertainty, systemic complexity, and accelerating change. While strategy research has long emphasized resources, structures, and policies, less attention has been devoted to the human abilities that underpin organizational decision-making and adaptive capacity over time. This paper addresses this gap by developing a human-centered conceptual framework that explains organizational resilience and long-term value creation through the interaction of three interrelated domains of ability: cognitive abilities, behavioral abilities, and reflective abilities. Cognitive abilities support sense-making, interpretation, and strategic foresight; behavioral abilities enable coherent action, coordination, and execution; reflective abilities foster learning, self-regulation, and adaptive adjustment. Rather than treating these abilities as isolated attributes, the framework theorizes their dynamic interaction as a reinforcing cycle that strengthens organizational sensing, seizing, and transforming processes. The paper adopts a conceptual research design, integrating insights from strategic management, behavioral strategy, and organizational learning to clarify how ability configurations become micro-foundations of resilience. The discussion advances capability-based explanations by specifying human generative mechanisms, and it offers managerial implications for designing organizations that navigate complexity while sustaining coherent long-term action.

Keywords: human abilities; micro-foundations; dynamic capabilities; organizational resilience; long-term value creation; behavioral strategy.

1. Introduction

Organizations today operate in environments marked by heightened turbulence, interdependence, and ambiguity. In such contexts, the ability to adapt is not an episodic response to disruption but a core determinant of long-term viability. Classic strategic management explanations focused on firm-level resources and structural positions, arguing that heterogeneous resource endowments and their imperfect imitability underpin sustained competitive advantage (Barney, 1991; Grant, 1996). Yet, as environments become more dynamic, performance differentials increasingly depend on how organizations interpret change and mobilize timely responses rather than on the mere possession of valuable assets.

Dynamic capabilities theory shifted attention from static resource stocks to higher-order processes that enable adaptation, typically conceptualized as sensing opportunities and threats, seizing opportunities through strategic action, and transforming organizational configurations over time (Teece, Pisano, & Shuen, 1997; Teece, 2007; Teece, 2014). Although this perspective advanced understanding of adaptation, it has been criticized for leaving its micro-level generative mechanisms underspecified—capabilities are invoked to explain outcomes without adequately unpacking how they arise and operate through human agency (Eisenhardt & Martin, 2000; Winter, 2003).

In response, a micro-foundations movement emerged to “open the black box” of capabilities by grounding firm-level phenomena in individual-level cognition, behavior, and interaction (Felin & Foss, 2005; Felin, Foss, & Ployhart, 2015; Foss & Pedersen, 2019). From this view, organizations do not sense, decide, or learn independently of the individuals who compose them. Capabilities are enacted through patterned human action and social coordination (Winter, 2003). Recent contributions further emphasize that micro-foundations are not merely about adding individual variables, but about specifying the mechanisms through which individual actions and interactions aggregate into collective outcomes (Barney & Felin, 2013; Felin, Foss, Heimeriks, & Madsen, 2012).

A parallel development concerns the growing prominence of organizational resilience as organizations face recurrent shocks and chronic uncertainty. Resilience is commonly defined as the capacity to anticipate, cope with, and adapt to disruption while maintaining functional continuity (Lengnick-Hall, Beck, & Lengnick-Hall, 2011; Duchek, 2020). While existing resilience research highlights structural and processual antecedents (e.g., flexibility, slack, routines, learning mechanisms), it often remains less explicit about the human capacities that make these antecedents effective in practice. Yet, resilience is fundamentally enacted through human interpretation, action, and learning.

Behavioral strategy research reinforces this point by showing that strategic outcomes are shaped by bounded rationality, managerial attention, and psychological processes that influence how decision-makers perceive environments and commit to courses of action (Powell, Lovallo, & Fox, 2011; Hodgkinson & Healey, 2011). In practice, the same objective environment can lead to different organizational trajectories depending on how managers interpret signals and translate intentions into coordinated

behavior. These insights support a human-centered view of adaptation and motivate the need for an integrated framework that identifies the core human abilities enabling organizational sensing, seizing, and transforming.

This paper develops an ability-based framework that conceptualizes cognitive, behavioral, and reflective abilities as micro-foundations of organizational resilience and long-term value creation. Cognitive abilities refer to the capacity to perceive and interpret complex environments; behavioral abilities refer to the capacity to convert intentions into coherent and coordinated action; reflective abilities refer to the capacity to learn from experience, regulate behavior, and adjust over time. While each dimension has been studied in isolation across multiple literatures, their integration provides a parsimonious mechanism-based explanation of how adaptive capacity emerges.

The paper contributes to theory in three ways. First, it advances micro-foundations research by specifying a minimal set of human abilities that serve as generative mechanisms of capability enactment. Second, it refines dynamic capabilities by mapping sensing, seizing, and transforming to underlying ability domains, thereby clarifying why firms with similar resources may display different adaptive trajectories. Third, it contributes to resilience research by conceptualizing resilience as an emergent human-centered capacity rather than solely a structural property. The remainder of the paper reviews the theoretical foundations, develops the ability-based framework and propositions, and discusses implications and future research.

2. Theoretical foundations

This section positions the proposed framework at the intersection of micro-foundations, dynamic capabilities, behavioral strategy, and organizational learning. The central premise is that firm-level adaptive capacity is an emergent property of human agency; therefore, explaining resilience requires specifying the human capacities that enable interpretation, execution, and learning.

Micro-foundations research argues that firm-level constructs such as routines and capabilities must be grounded in individual-level mechanisms (Felin & Foss, 2005; Foss & Pedersen, 2019). Importantly, the micro-foundations perspective is not a reductionist claim that organizational phenomena are “nothing but” individual traits. Rather, it emphasizes mechanism-based explanations: how individual cognition and behavior, together with interaction structures, generate collective patterns that we label capabilities (Barney & Felin, 2013; Felin *et al.*, 2012). This focus on mechanisms matters because the same formal routines can yield different outcomes depending on the abilities of those who enact them.

Dynamic capabilities theory conceptualizes adaptation through three core processes. Sensing involves scanning, interpreting, and shaping opportunities and threats; seizing involves mobilizing resources, committing to strategic action, and coordinating execution; transforming involves reconfiguring assets and routines and sustaining renewal over time (Teece, 2007). Yet these processes inherently require human actors. Organizations “sense” through managerial attention and interpretation, “seize” through coordinated action, and “transform” through learning and reconfiguration, which depend on human judgement and reflexive monitoring of outcomes (Gavetti, G., & Levinthal, D. A., 2000; Gavetti, 2005; Helfat & Peteraf, 2015).

Behavioral strategy adds that strategic decision-making is shaped by bounded rationality and systematic cognitive and motivational tendencies. This stream argues for integrating psychological realism into strategy, emphasizing how attention, heuristics, and social dynamics affect sensing and seizing under uncertainty (Powell *et al.*, 2011; Hodgkinson & Healey, 2011). Complementary practitioner-oriented insights emphasize that organizations frequently fail not because they lack information but because decision-makers misinterpret signals or delay commitment, especially under ambiguity (Lovallo & Sibony, 2010).

Finally, organizational learning research clarifies why adaptation is path-dependent and why organizations may become trapped in suboptimal routines. Learning involves processes of variation, selection, and retention, as well as balancing exploration and exploitation over time (March, 1991; Levitt & March, 1988). In capability terms, adaptation requires both the capacity to learn and the capacity to unlearn—questioning prior assumptions and adjusting behavioral patterns based on feedback (Argyris & Schön, 1978; Fiol & Lyles, 1985). More integrative models conceptualize learning as a multi-level process moving from intuition and interpretation to integration and institutionalization (Crossan, Lane, & White, 1999). Deliberate learning mechanisms further highlight experience accumulation and knowledge codification as key drivers of capability evolution (Zollo & Winter, 2002).

Taken together, these literatures converge on a shared implication: organizational resilience depends on human capacities for sense-making, coordinated action, and reflective learning. However, existing research rarely offers an integrated, parsimonious articulation of these capacities as a coherent set of human abilities. The next section develops such a framework.

3. Human abilities as micro-foundations

We conceptualize three fundamental ability domains—cognitive, behavioral, and reflective—as micro-foundations of organizational resilience and long-term value creation. The framework is intentionally parsimonious: it identifies a minimal set of capacities sufficient to explain how individuals collectively generate sensing, seizing, and transforming processes. These ability domains are distinct but mutually enabling. Cognitive abilities provide interpretation; behavioral abilities provide enactment; reflective abilities provide adaptive adjustment.

We develop five propositions linking abilities to dynamic capability processes, organizational resilience, and long-term value creation.

3.1 Cognitive abilities and organizational sensing

Cognitive abilities refer to the capacity to perceive, interpret, and mentally represent complex environmental conditions. They enable individuals to construct meaning from ambiguous information and to identify which signals are strategically relevant.

Sense-making research emphasizes that environments are enacted through interpretation: actors select cues, impose frames, and build plausible accounts that guide action (Weick, 1995; Daft & Weick, 1984). This implies that organizational sensing is not simply an information-processing task; it is an interpretive process grounded in human cognition.

Because decision-makers operate under bounded rationality, they cannot attend to all signals or compute optimal responses (Simon, 1947). Instead, they rely on cognitive representations, analogies, and simplified mental models to make sense of complexity (Gavetti, 2005). Cognitive abilities matter because they shape how effectively individuals recognize patterns, detect weak signals, and update interpretations as new information arrives. Under uncertainty, the ability to generate plausible interpretations quickly and to revise them flexibly becomes especially valuable.

Cognitive abilities also influence strategic foresight. Foresight is not prediction; it is the capacity to reason about possible futures and to anticipate how current developments may unfold. Research on cognition and capabilities shows that managerial cognition affects which opportunities are noticed and which strategic options are considered feasible (Eggers & Kaplan, 2013; Helfat & Peteraf, 2015). In dynamic capabilities terms, cognitive abilities underpin sensing because sensing requires attention allocation, interpretation, and evaluation of opportunities and threats (Teece, 2007).

Moreover, cognitive abilities influence how organizations balance exploration and exploitation over time. Organizations risk becoming trapped in exploitation because familiar interpretations and routines become self-reinforcing (March, 1991; Levitt & March, 1988). Cognitive flexibility and perspective-taking support exploration by enabling actors to question dominant frames and to consider novel interpretations of market or technological change. Hence, cognitive abilities form the micro-foundational substrate of organizational sensing and early-stage adaptation.

Proposition 1: Cognitive abilities positively influence organizational sensing capacity.

3.2 Behavioral abilities and organizational seizing

Behavioral abilities refer to the capacity to translate intentions and interpretations into coherent action. They encompass self-regulation, persistence, coordination, and the ability to mobilize others around shared goals. In many organizations, strategic failure stems not from lack of insight but from inability to convert intentions into coordinated execution. Behavioral abilities address this “implementation gap” by enabling consistent action under uncertainty and by supporting the social coordination required for collective performance.

In dynamic capabilities terms, seizing involves committing to opportunities, designing viable business models, mobilizing resources, and orchestrating implementation (Teece, 2007). These tasks depend on the behavioral capacity of organizational members to align their actions, sustain commitment, and adjust execution while preserving coherence. Behavioral abilities therefore underpin seizing by enabling organizations to move from interpretive clarity to operational enactment.

Behavioral strategy research highlights how cognitive and motivational tendencies can undermine seizing. Overconfidence, escalation of commitment, and group dynamics may distort action choices. However, organizations with strong behavioral abilities—such as disciplined decision routines, accountability structures enacted by capable actors, and coordination competence—can counteract these tendencies and improve execution (Powell *et al.*, 2011; Hodgkinson & Healey, 2011). Practitioner-oriented work similarly suggests that organizations often fail at decision execution due to insufficient behavioral alignment and delayed commitment (Lovallo & Sibony, 2010).

Behavioral abilities are also relational: seizing frequently requires cross-functional integration and interdependent action. Thus, behavioral abilities include the capacity to coordinate and to maintain reliable performance under pressure. When individuals can translate intentions into action and sustain coordination, organizations can seize opportunities more effectively and respond coherently to shocks.

Proposition 2: Behavioral abilities positively influence organizational seizing capacity.

3.3 Reflective abilities and organizational transforming

Reflective abilities refer to the capacity to learn from experience, evaluate outcomes, question assumptions, and adapt behavior over time. They encompass both individual reflection and collective reflective practices that enable learning and unlearning. Organizational learning theory suggests that adaptation requires more than experience accumulation; it requires interpreting feedback, revising mental models, and institutionalizing improved routines (Argyris & Schön, 1978; Fiol & Lyles, 1985).

Reflective abilities connect closely to transforming in dynamic capabilities theory. Transforming involves reconfiguring assets and routines, realigning structures, and sustaining renewal (Teece, 2007). These changes require actors who can diagnose misfits, recognize when routines have become maladaptive, and implement modifications. Integrative learning models highlight how learning moves from individual intuition to shared interpretation and integration, and ultimately to institutionalization in structures and routines (Crossan *et al.*, 1999). Without reflective abilities, organizations risk rigidities that prevent transformation.

Deliberate learning mechanisms further specify how capabilities evolve through experience accumulation, knowledge articulation, and knowledge codification (Zollo & Winter, 2002). Each mechanism relies on reflective capacities: actors must interpret experience, articulate lessons, and codify improvements. Reflection also supports double-loop learning—questioning governing assumptions and redesigning action strategies rather than merely correcting errors within existing frames (Argyris & Schön, 1978). Reflective abilities thus constitute the micro-foundational basis of transforming. They enable organizations to update routines, realign strategies, and sustain adaptive renewal. In resilience terms, reflection supports not only recovery after disruption but also proactive strengthening of the organization’s capacity to cope with future shocks.

Proposition 3: Reflective abilities positively influence organizational transforming capacity.

3.4 Interaction of abilities and emergence of resilience

The adaptive value of the framework lies not in isolated abilities but in their dynamic interaction. Cognitive abilities support interpretation and opportunity recognition; behavioral abilities enable coherent enactment; reflective abilities enable learning and adjustment. These abilities form a reinforcing cycle: interpretation shapes action; action generates outcomes and feedback; reflection converts feedback into learning; learning updates future interpretation and action.

Organizational resilience emerges from this cycle as an emergent, human-centered capacity. Resilience involves anticipating disruption, coping during disruption, and adapting after disruption (Lengnick-Hall *et al.*, 2011; Ducheck, 2020). Anticipation is supported by cognitive abilities; coping is supported by behavioral abilities; adaptation is supported by reflective abilities. When these abilities interact effectively across organizational members, the organization develops a sustained capacity to remain coherent while changing.

Proposition 4: The interaction of cognitive, behavioral, and reflective abilities positively influences organizational resilience.

Resilience, in turn, supports long-term value creation by enabling organizations to sustain strategic coherence and reliable performance while adapting to change. In turbulent environments, long-term value creation depends on the organization's capacity to maintain functional continuity, renew competencies, and avoid maladaptive lock-in.

Proposition 5: Organizational resilience positively influences long-term value creation (Figure 1).

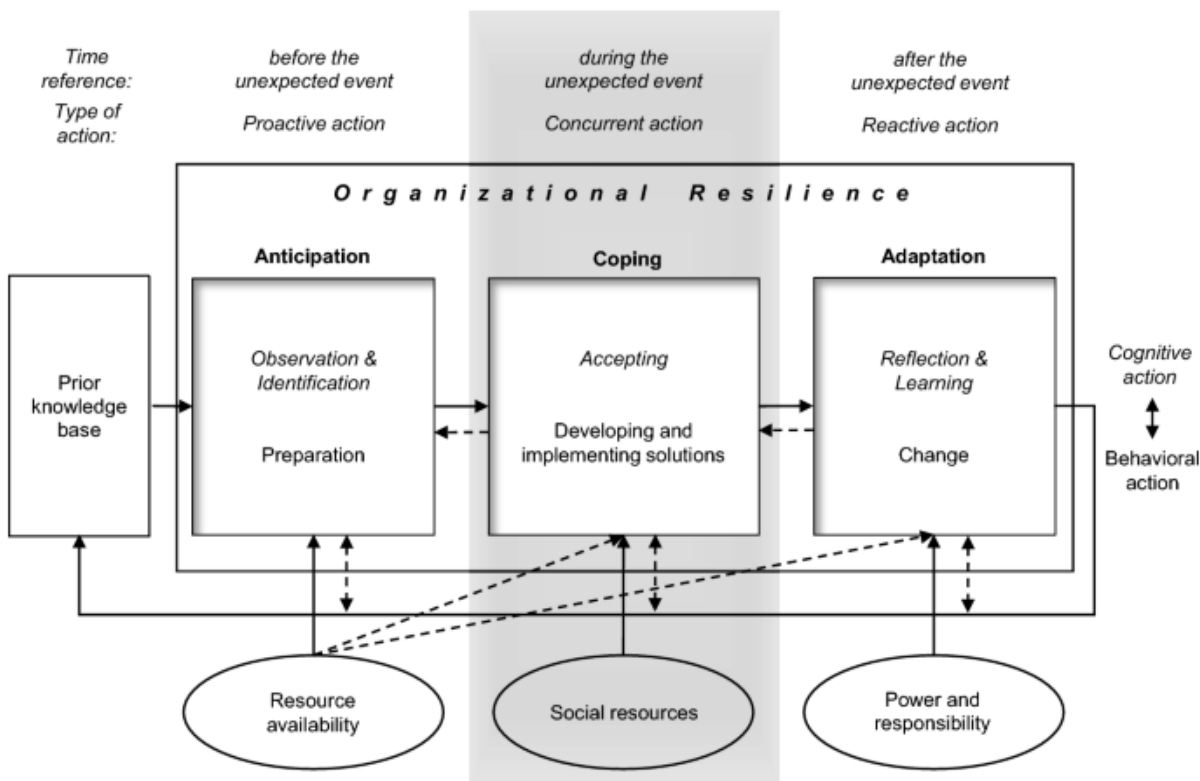


Figure 1. Ability-based micro-foundations of organizational resilience and long-term value creation (conceptual model) (Ducheck, 2020).

4. Theoretical implications

The proposed framework advances research on micro-foundations, dynamic capabilities, and resilience in several ways. First, it provides a mechanism-based articulation of micro-foundations by specifying a parsimonious set of human abilities that generate capability enactment. Rather than treating micro-foundations as a broad umbrella, the framework clarifies how interpretation, enactment, and learning jointly underpin firm-level adaptation (Felin & Foss, 2005; Foss & Pedersen, 2019).

Second, the framework refines dynamic capabilities by clarifying the human generative mechanisms underlying sensing, seizing, and transforming. While dynamic capabilities are often described as organizational processes, they depend on individual-level cognition, behavioral coordination, and reflective learning (Teece, 2007). Mapping each dynamic capability process to a distinct ability domain helps explain heterogeneity in adaptive performance among firms facing similar environments. It also highlights why capability development requires investments in human capacity and not only in systems and structures.

Third, the framework reconceptualizes organizational resilience as an emergent human-centered capacity rather than solely a structural property. Resilience research emphasizes flexibility and learning, yet the ability-based view shows that these antecedents

are enacted through human abilities. The same structural features can yield different resilience outcomes depending on how individuals interpret disruption, coordinate responses, and learn over time (Duchek, 2020; Lengnick-Hall *et al.*, 2011). Finally, the framework opens avenues for research that treats long-term viability and sustainability-oriented effectiveness as capacity-based outcomes rooted in human agency. Rather than focusing only on external indicators, researchers can examine how ability configurations enable coherent action over time and support organizational renewal in complex environments.

5. Managerial implications

The framework suggests that building resilience and long-term value creation requires strategic investment in human capacity development. First, organizations should strengthen cognitive abilities by fostering sense-making competence, analytical reasoning, and perspective-taking. Training, cross-functional exposure, and structured environmental scanning can improve the organization's ability to detect weak signals and interpret change (Gavetti, 2005; Helfat & Peteraf, 2015). Second, organizations should strengthen behavioral abilities by designing contexts that support disciplined execution and coordination. Clear accountability, decision follow-through, and coordination routines enacted by capable actors reduce the implementation gap and improve seizing. Behavioral strategy insights imply that organizations should also design decision processes that mitigate cognitive and motivational biases and sustain commitment under uncertainty (Powell *et al.*, 2011). Third, organizations should strengthen reflective abilities through learning-oriented practices such as after-action reviews, feedback systems, and deliberate knowledge articulation and codification. These practices improve the organization's ability to transform by converting experience into improved routines (Crossan *et al.*, 1999; Zollo & Winter, 2002). Overall, managers should treat human abilities as strategic assets that shape the effectiveness of structural and technological investments. In turbulent environments, organizations that intentionally develop cognitive, behavioral, and reflective abilities are better positioned to remain coherent while adapting and to sustain long-term value creation (Grant, 1996).

6. Conclusions and future research

This paper developed an ability-based framework that explains organizational resilience and long-term value creation through human abilities. By integrating micro-foundations, dynamic capabilities, behavioral strategy, and organizational learning, the paper specifies cognitive, behavioral, and reflective abilities as the core generative mechanisms that enable sensing, seizing, and transforming.

Future research should empirically validate the proposed framework by developing measures for the three ability domains and testing their relationships with sensing, seizing, transforming, resilience, and long-term performance outcomes. Researchers should also examine boundary conditions such as organizational size, industry turbulence, governance arrangements, and leadership styles. Longitudinal designs are particularly valuable to capture how abilities develop and how reflective practices shape capability renewal over time.

Finally, future conceptual and empirical work can extend the ability-based perspective to sustainability-oriented contexts by examining how ability configurations enable organizations to sustain coherent action aligned with long-term societal and environmental constraints. Such work would deepen understanding of how human agency underpins organizational viability in increasingly complex environments.

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