


Chapter 6

Firm Innovativeness Mediation Among Dynamic Capabilities and Firm Performance in Ethiopia

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ABSTRACT

This chapter aims to investigate the associations among Capabilities to be dynamic, creativeness of firm, as well as performance of a firm, manifesting the barrier of how corporates can influence adapt as well as thrive in ever changing shifting creative mechanical innovation market place. Utilizing a quantitative attitude, the investigation evaluates survey data from various firms to assess the influence of capabilities to be dynamic on creative as well as performance. The major outcomes depict a healthy optimistic association among capabilities to be dynamic as well as creativeness of firm, which in turn meaningfully enhances performance of a firm. These outcomes underscore the importance of developing capabilities to be dynamic as a strategic

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priority for corporates seeking strategic capable. The consequences manifest that nurturing a philosophy of creative as well as suitability can augment to competitive firm outcomes. Upcoming investigation directions assimilate explicating contextual proxies prompting these associations in enhancing capabilities to be dynamic.

INTRODUCTION

In today's ever-changing progressive egalitarian digital market landscape (Yirga & Beshir, 2025), the paradigm of dynamic capabilities has emerged as a critical framework for demonstrating how corporations may achieve sustainable strategic capability (Shiferaw & Amentie Kero, 2024). Dynamic capabilities relate to a company's capacity to integrate, create, and reconfigure internal and external skills to reflect the ever-changing creative mechanical technological market place (Yusuf et al., 2024). This approach is inclusively important because it emphasizes the necessity of adaptation and creativity in preserving a firm's success in the face of technological upheavals, market volatility, and changing customer preferences (Bekata & Kero, 2024). The capabilities to be dynamic model can be traced back to David Teece and his colleagues' creative thinking in the early 1990s, when they posited that the ability to sense and seize new opportunities, as well as reconfigure resources, is critical for firms to thrive in dynamic markets (Melesse, 2024). This theoretical underpinning has now been tested empirically, demonstrating how dynamic capabilities lead to improved performance across a variety of businesses and geographical locations (Adula et al., 2025). Studies have demonstrated that corporations with strong dynamic skills have a greater capacity to innovate and adjust to environmental changes, resulting in higher competitive performance results (Tesfa et al., 2025). Despite the expanding amount of scholarship, various real-world constraints impede the application of dynamic capabilities, especially in underdeveloped countries such as Ethiopia (Alemu et al., 2024).

These constraints include restricted access to resources, poor infrastructure, and a shortage of competent workers, all of which may inhibit creativity and impede organizations' capacity to adapt. Furthermore, the relationship between dynamic capacities and business creativity is still being studied, especially in the Ethiopian setting, where local factors and market dynamics have a significant impact on firm behavior (Melesse & Knatko, 2024). There are research gaps in demonstrating how dynamic capacities particularly influence the relationship between a firm's creativity and performance in Ethiopia. While several studies have shown the relevance of creativity in performance when driving, fewer have investigated the processes by which dynamic capacities support this process within Ethiopia's specific socio-economic circumstances (Kant et al., 2025). This chapter seeks to address these gaps by

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