From Competency to Performance: The Role of Islamic Entrepreneurial Orientation and Dynamic Capabilities in Halal Community Enterprises in Southern Thailand

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***Abstract* – This study analyzes the relationship between entrepreneurial competency (EC) and Islamic entrepreneurial orientation (IEO) and their impact on halal enterprise performance (HEP), with dynamic capabilities (DC) acting as a mediating construct. Grounded in Dynamic Capabilities Theory and the concept of IEO, the research reflects the religious and cultural context of halal community-based enterprises. A quantitative approach was employed using data from 280 halal entrepreneurs in Pattani, Yala, and Narathiwat, Thailand. Structural Equation Modelling (SEM) via LISREL was used for analysis. Results show that both EC and IEO significantly impact DC and HEP, with DC mediating the relationships. The model demonstrated a good level of fit with the empirical data. These results highlight the importance of integrating entrepreneurial competencies with Islamic values to enhance sustainable enterprise performance. The study contributes to the literature by linking strategic management perspectives with Islamic entrepreneurship and provides practical implications for policymakers aiming to support value-driven capacity development in culturally sensitive contexts.**

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1. Introduction

Halal community-based enterprises in the southern border provinces of Thailand-Pattani, Yala, and Narathiwat, have become important drivers of grassroots economic growth that reflects Islamic ethical values. These businesses are strongly interwoven with the region's socio-cultural landscape and reflect core values such as ta'awun (mutual cooperation) and integrity in commerce. However, their sustainability is increasingly threatened by market volatility, environmental uncertainty, and limited innovation infrastructure [1]. Enhancing entrepreneurial competencies is therefore important for improving enterprise performance and strengthening business survival [2].

Among these capabilities, dynamic capabilities are considered essential for maintaining organizational resilience and competitive advantage over time. They refer to a firm's capacity to adjust to changing environments through the integration, renewal, and reconfiguration of internal and external resources [3], [4]. In halal businesses, this includes adjusting halal supply chains, innovating within religious boundaries, and responding to evolving consumer expectations [5]. Despite its importance, the application of dynamic capabilities in community-based halal enterprises remains underexplored, particularly in emerging Muslim markets.

Simultaneously, growing attention has been given to entrepreneurial orientations grounded in Islamic values. Islamic Entrepreneurial Orientation (IEO) extends conventional entrepreneurial orientation by integrating entrepreneurial behaviors with Islamic ethical principles, including amanah (trustworthiness), 'adl (justice), and Shariah-consistent conduct [6].

Despite growing interest in this field, empirical investigations addressing the relationship between entrepreneurial competencies, IEO, and enterprise performance remain scarce, especially in Muslim communities experiencing political and economic instability. Despite growing interest in Islamic entrepreneurship, empirical research examining how Islamic value-based entrepreneurial orientations interact with strategic capabilities to shape enterprise performance remains limited [7]. Although halal entrepreneurship has attracted increasing scholarly attention, evidence remains fragmented regarding how strategic capabilities and Islamic entrepreneurial values jointly shape enterprise performance. Studies of halal SMEs show that innovation, network, and technology orientations can strengthen competitive advantage and economic sustainability [8], while separate evidence indicates that business and spiritual dimensions of Islamic entrepreneurship positively influence SME performance [9]. Taken together, these findings leave an important question unresolved: how religiously grounded entrepreneurial values are translated into organizational adaptability and performance through dynamic capabilities, particularly among grassroots enterprises operating in politically and economically uncertain Muslim communities.

To respond to these research gaps, this study seeks to: (1) Determine how entrepreneurial competencies and Islamic entrepreneurial orientation shape the dynamic capabilities of halal community-based enterprises; (2) Evaluate their direct as well as indirect effects on enterprise performance; and (3) Examine whether dynamic capabilities function as a mediating mechanism linking entrepreneurial characteristics to organizational outcomes.

2. Literature Review

This section reviews the key theoretical concepts and prior empirical studies relevant to the main constructs of this research. It focuses on entrepreneurial competency (EC), Islamic entrepreneurial orientation (IEO), dynamic capabilities (DC), and halal enterprise performance (HEP). The discussion highlights the relationships among these variables and establishes the theoretical foundation for the proposed research model. By synthesizing existing literature, this section aims to support the development of hypotheses and the conceptual framework of the study.

2.1. Entrepreneurial Competency (EC)

Entrepreneurial competency refers to the integrated set of knowledge, abilities, and behavioral traits that enable individuals to effectively launch, manage, and expand their businesses [10].

Within the context of community-based enterprises, often constrained by limited resources, such competencies as identifying opportunities, fostering innovation, managing risks, and building strategic networks are vital for long-term viability and success [11]. These abilities are positively linked to organizational adaptability and competitiveness, especially in small businesses within peripheral or border regions [12].

In halal-oriented enterprises, this competency also involves aligning business and marketing practices with Islamic standards while responding to the evolving needs and behavioral expectations of Muslim consumers [13].

Entrepreneurial competency also acts as a key enabler of dynamic capabilities, fostering continuous learning, adaptive behavior, and proactive resource configuration [14]. Previous studies emphasize the foundational role of entrepreneurial competency in innovation and the strategic transformation of traditional businesses [15]. Furthermore, learning-oriented entrepreneurs are better positioned to manage internal knowledge and drive innovation.

In Thailand's southernmost provinces, entrepreneurial competency involves not only business expertise but also a strong sensitivity to religious and cultural norms. This contextual understanding empowers entrepreneurs to design strategies that align with the values and preferences of niche halal markets [7]. Despite its importance, research on the distinct dimensions of EC within grassroots halal enterprises remains scarce, especially in culturally delicate regions. To respond to this research gap, the present study explores entrepreneurial competency (EC) among halal enterprises situated in southern Thailand.

2.2. Islamic Entrepreneurial Orientation (IEO)

Islamic Entrepreneurial Orientation (IEO) can be conceptualized as an entrepreneurial orientation grounded in Islamic ethical and religio-spiritual principles. It combines entrepreneurial action with Shariah-consistent conduct and emphasizes values such as trustworthiness (amanah), justice (adl), integrity, and social responsibility alongside the pursuit of economic value [16].

In halal enterprises, IEO may also be reflected in Shariah-compliant practices that prioritize maslahah (societal well-being), social responsibility, and support for disadvantaged groups, including through Islamic philanthropic mechanisms such as zakat and waqf. Such practices can strengthen ethical legitimacy and stakeholder trust [17]. Empirical studies in countries like Malaysia, Indonesia, and the Middle East show that IEO positively impacts competitiveness, sustainability, and halal business performance, especially where moral and religious values influence consumer choices [7].

In Thailand's southern border provinces, Islamic entrepreneurial practices are closely embedded in the religious and cultural context of Muslim communities. Evidence from Pattani indicates that Muslim-owned businesses incorporate Islamic ethical principles, including honesty and trustworthiness (amanah), into their daily operations, influencing customer relationships, business practices, and community perceptions [18]. More broadly, religious values can shape how Muslim entrepreneurs interpret and conduct their everyday entrepreneurial activities.

Despite growing international interest in Islamic entrepreneurial orientation (IEO), empirical studies focusing on its role in community-based halal enterprises in Thailand are still limited. Accordingly, this study examines how IEO contributes to the formation of dynamic capabilities and strengthens enterprise performance within a culturally specific environment.

2.3. Dynamic Capabilities (DC)

Dynamic capabilities provide an important theoretical perspective for explaining how organizations develop the capacity to learn, adapt, and reconfigure resources in response to rapidly evolving environments. According to [19], dynamic capabilities can be described as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments." Originally developed for large firms, the framework has since been applied to small businesses and community-based enterprises, particularly under crisis or uncertainty [3], [20].

These capabilities consist of three dimensions: sensing (opportunity recognition), seizing (resource mobilization), and transforming or reconfiguring (strategic adaptation). Organizations with strong dynamic capabilities can swiftly adjust their strategies in response to environmental shifts [4]. In halal-oriented community enterprises, this capability involves aligning business practices with Islamic principles, responding to evolving halal-market requirements, and combining internal knowledge with insights from external partner [5].

Dynamic capabilities can also act as a linking mechanism through which entrepreneurial orientation and network-based resources are translated into improved firm performance, enabling SMEs to adapt and reconfigure their resources in response to changing environments [22]. For small-scale halal enterprises, these capabilities facilitate product development, cross-sector collaboration, and the creation of ethically grounded value. Yet, empirical studies remain scarce, particularly within Thailand's culturally and religiously distinct southern border provinces. This study addresses that gap by applying the dynamic capabilities framework to halal enterprises in this unique regional context.

2.4. Halal Enterprise Performance (HPC)

Halal enterprise performance describes a firm's capacity to accomplish economic, ethical, and social goals while operating in accordance with Islamic principles. Beyond financial success, halal businesses must ensure shariah compliance, generate social benefit (maslahah), and promote long-term sustainability [9].

Recent frameworks extend the evaluation of halal enterprise performance beyond conventional economic indicators by incorporating Islamic, social, and environmental dimensions of entrepreneurial success [23].

In Thailand's southern border provinces, enterprise performance should be understood within the distinctive context of halal community enterprises, where managerial and marketing competencies contribute to business outcomes [24], while halal-oriented economic activities are also embedded in the region's Muslim identity and community development [25].

However, assessing HEP remains challenging for small enterprises with limited monitoring systems. Scholars have therefore suggested a holistic approach that incorporates economic, environmental, and religious dimensions [26]. Accordingly, this study conceptualizes HEP as a composite construct comprising business performance, values-based sustainability, and community acceptance of Islamic business conduct.

2.5. Relationships Among Variables

The literature review highlights significant relationships among entrepreneurial competency, IEO, dynamic capabilities, and halal enterprise performance. Entrepreneurial competency - including innovation, opportunity recognition, and risk management - supports organizational learning and adaptability, which are central to dynamic capabilities [12], [15]. Concurrently, IEO, rooted in values such as morality, justice, and social responsibility, encourages transparent and ethical practices that foster trust and improve enterprise performance [6], [9].

Dynamic capabilities function as a mediating mechanism, transforming entrepreneurial knowledge and religious values into strategic advantage [4], [5]. Prior research confirms that dynamic capabilities significantly enhance sustainability performance and responsiveness in SMEs [21].

Despite theoretical advances, few empirical studies have examined these causal relationships within halal community-based enterprises, particularly in Thailand's southern border provinces.

This study seeks to fill this research gap by developing and empirically testing a structural equation model (SEM) that examines the relationships between EC and IEO and their influence on HEP through the mediating role of DC.

The results aim to offer strategic insights for improving competitiveness and sustainability in culturally sensitive regions, as illustrated in Table 1.

Table 1. Summary of variables, dimensions, and structural linkages in the proposed SEM model

Construct	Sub-Dimensions (Observed Variables)	Role in SEM Model	Theoretical Rationale/ Source
Entrepreneurial Competency (EC)	1. Opportunity recognition 2. Innovation capability 3. Risk management 4. Networking ability	**Independent Variable** Directly influences DC and HEP	[10], [11], [12], [13],
Islamic Entrepreneurial Orientation (IEO)	1. Shariah compliance 2. Ethical decision-making 3. Social responsibility 4. Religious motivation	**Independent Variable** Directly influences DC and HEP	[6], [17], [9], [18],
Dynamic Capability (DC)	1. Learning agility 2. Resource reconfiguration 3. Innovation response 4. Strategic flexibility	**Mediating Variable** Mediates the relationship between EC and IEO → HEP	[19], [20], [4], [5],
Halal Enterprise Performance (HEP)	1. Financial outcomes 2.Social impact 3. Religious value compliance 4.Business sustainability	**Dependent Variable**	[23], [26], [9], [24],

2.6. Conceptual Framework

This study is grounded in Dynamic Capabilities Theory, which suggests that firms maintain competitiveness by identifying opportunities, capturing value from them, and reconfiguring internal resources in response to environmental change [19]. Such capabilities are especially vital in volatile or resource-limited settings. Complementing this is Islamic Entrepreneurial Orientation (IEO), which emphasizes ethical business conduct rooted in Islamic principles - namely transparency, justice, and social responsibility [9], [17]. Together, these frameworks offer an integrated lens to examine how entrepreneurial competencies and religious values influence performance in halal community-based enterprises.

Based on this theoretical foundation and prior literature, a structural conceptual model is proposed. It consists of four main constructs. The independent variables are Entrepreneurial Competency (EC) - reflecting strategic and operational skills and Islamic Entrepreneurial Orientation (IEO) - representing values-based decision-making rooted in Islamic teachings. Dynamic Capabilities (DC) function as the mediating variable, highlighting the firm's ability to adapt and evolve strategically. The dependent variable is Halal Enterprise Performance (HEP), encompassing economic success, social contribution, and shariah compliance.

The model posits that EC and IEO influence HEP both directly and indirectly through DC, illustrating how strategic competencies and Islamic values are transformed into performance outcomes.

2.7. Research Hypotheses

Drawing on the proposed conceptual model, the following hypotheses are developed to examine relationships among the key variables:

H1: Entrepreneurial competency has a positive influence on dynamic capabilities.

H2: Islamic entrepreneurial orientation has a positive influence on dynamic capabilities.

H3: Dynamic capabilities have a positive influence on the performance of halal enterprises.

H4: Entrepreneurial competency has a direct positive influence on the performance of halal enterprises.

H5: Islamic entrepreneurial orientation has a direct positive influence on the performance of halal enterprises.

H6: Dynamic capabilities mediate the relationship between entrepreneurial competency and halal enterprise performance.

H7: Dynamic capabilities mediate the relationship between Islamic entrepreneurial orientation and halal enterprise performance.

3. Research Methodology

This section outlines the research design, data collection procedures, measurement instruments, and analytical techniques employed in this study. It describes the methodological approach used to examine the relationships among entrepreneurial competency (EC), Islamic entrepreneurial orientation (IEO), dynamic capabilities (DC), and halal enterprise performance (HEP).

In addition, the section explains the sampling process, data collection methods, and statistical analysis used to test the proposed hypotheses and research model.

3.1. Research Design

This research employs a quantitative approach to investigate the hypothesized relationships among the main constructs. A structured questionnaire was employed as the main data collection tool, facilitating the systematic assessment of research variables and maintaining uniformity in responses. Information for the study was gathered from halal community-based entrepreneurs operating in Thailand's southern border provinces, namely Pattani, Yala, and Narathiwat. The selection of this context reflects the socio-cultural and religious significance of the region, which is predominantly inhabited by Muslim communities actively engaged in halal business practices.

To examine the relationships among Entrepreneurial Competency (EC), Islamic Entrepreneurial Orientation (IEO), Dynamic Capabilities (DC), and Halal Enterprise Performance (HEP), this study applied Structural Equation Modeling (SEM) using LISREL software. SEM was selected because it enables simultaneous examination of multiple relationships and provides an assessment of the overall model fit. This methodological approach aligns with prior research that investigates complex inter-variable relationships in entrepreneurship and organizational studies.

3.2. Population and Sample

This study focused on halal community-based entrepreneurs registered with provincial agricultural offices in Pattani, Yala, and Narathiwat. The total population comprised 24,427 entrepreneurs, distributed across the provinces as follows: 9,341 in Pattani, 6,774 in Yala, and 8,312 in Narathiwat. Participants were selected through purposive sampling based on two eligibility conditions: first, respondents had to be the owner or manager of a halal enterprise operating for a minimum of two years; second, the business had to operate in accordance with halal principles.

To satisfy the recommended requirement for SEM analysis - typically at least ten times the number of observed variables - a minimum of 280 respondents was deemed necessary, as the questionnaire contained approximately 28 observed indicators. This sample size was considered adequate to support reliable and stable SEM estimation using LISREL.

3.3. Research Instrument

A structured questionnaire was utilized as the main data collection instrument and distributed to halal community-based entrepreneurs in the southern border provinces of Pattani, Yala, and Narathiwat. The total population comprised 24,427 entrepreneurs in these areas. Participants were selected through purposive sampling, targeting entrepreneurs whose businesses had operated for at least two years and complied with halal principles. Based on SEM recommendations, a minimum sample size of 280 respondents was considered appropriate for the analysis.

A five-point Likert scale was used in the questionnaire, which was divided into five main sections: (1) Respondents' demographic information, (2) Entrepreneurial competency (EC), (3) Islamic entrepreneurial orientation (IEO), (4) Dynamic capabilities (DC), and (5) Halal enterprise performance (HEP).

Content validity of the questionnaire was examined by three academic specialists. In addition, a pilot test was carried out with a preliminary group of respondents to evaluate internal consistency using Cronbach's alpha. The resulting reliability coefficients are presented in Table 2.

Table 2. Cronbach's alpha coefficients

Construct	Cronbach's alpha
Entrepreneurial Competency (EC)	0.82
Islamic Entrepreneurial Orientation (IEO)	0.85
Dynamic Capabilities (DC)	0.87
Halal Enterprise Performance (HEP)	0.88
Overall Average	0.855

According to [27] Cronbach's alpha values above 0.80 indicate a high level of reliability. Data collection was conducted using both online and offline methods with support from relevant local agencies and took approximately two months to complete [27]. Data analysis was performed using LISREL, and involved three main procedures:

(1) Descriptive statistics,
(2) Confirmatory factor analysis (CFA), and
(3) Structural equation modeling (SEM) to evaluate model fit indices and test the hypothesized relationships among the variables.

3.4. Data Collection and Analysis

Data were collected through both offline (on-site distribution of questionnaires) and online (via community enterprise networks) methods over a period of approximately two months. The data collection process received strong support from local agencies such as the Provincial Agricultural Offices, Provincial Islamic Committees, and Halal Business Promotion Centers operating in Thailand's southern border provinces.

The collected data were analyzed in three key stages:

1. Descriptive Statistics – Used to describe the general characteristics of the sample, including variables such as gender, age, duration of business operation, and other demographic factors.
2. Confirmatory Factor Analysis (CFA) – Conducted to assess the quality of latent constructs and examine the construct validity of the measurement model. This analysis verified whether the observed variables adequately represented their respective theoretical constructs.
3. Structural Equation Modeling (SEM) – The LISREL software was used to evaluate the structural relationships among the variables. Model fit was assessed using several key indices, including Chi-square/df, RMSEA, GFI, AGFI, CFI, and NFI. In addition, all hypotheses (H1–H7) were tested to evaluate the direct and indirect effects among entrepreneurial competency, Islamic entrepreneurial orientation, dynamic capabilities, and halal enterprise performance.

4. Research Results

This section presents the empirical findings of the study based on the collected data. It begins with the demographic profile of respondents, followed by the evaluation of the measurement model, including reliability and validity assessments. Subsequently, the structural model is analyzed to examine the hypothesized relationships among entrepreneurial competency (EC), Islamic entrepreneurial orientation (IEO), dynamic capabilities (DC), and halal enterprise performance (HEP). The results provide evidence for the proposed research model and hypotheses.

4.1. Demographic Profile of Respondents

Data were collected from a total of 280 respondents. The majority of the respondents were female (61.8%), while 38.2% were male. Most participants were between the ages of 36 and 45 years (44.6%), followed by those aged 26–35 years (29.3%) and those over 45 years (18.9%). In terms of educational background, most respondents had completed secondary school or equivalent (37.5%), followed by those with a bachelor's degree (35.4%). Regarding business experience, the majority had been operating for 3–5 years (42.5%), and 34.2% had operated for more than five years. In terms of business type, the majority were involved in halal food processing enterprises (46.1%), followed by clothing and apparel products (23.6%), and service-related businesses (19.3%).

4.2. Reliability and Validity of the Measurement Model

The measurement model was examined to ensure adequate reliability and validity using several statistical indicators, including standardized factor loadings, indicator reliability, Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE). The results reported in Table 3 reveal that all observed indicators achieved standardized factor loadings above 0.70, reflecting strong associations with their underlying constructs. Indicator reliability values exceeded the recommended level of 0.50. Moreover, Cronbach's alpha values ranged from 0.812 to 0.879, which are higher than the acceptable threshold of 0.70 [28]. Composite reliability scores for all constructs were above 0.85, and the AVE values were greater than 0.50. These findings confirm the presence of convergent validity based on the criteria proposed in earlier research [29]. Collectively, the results suggest that the measurement model possesses satisfactory reliability and construct validity across all constructs included in the analysis.

Table 3. Reliability and validity test

Latent Variables	Observable Variables	Loading	Indicator Reliability	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Entrepreneurial Competency (EC)	Opportunity recognition	0.785	0.616	0.812	0.867	0.624
	Innovation capability	0.802	0.643			
	Risk management	0.768	0.590			
	Networking ability	0.814	0.663			
Islamic Entrepreneurial Orientation (IEO)	Shariah compliance	0.829	0.687	0.845	0.889	0.667
	Ethical decision-making	0.796	0.634			
	Social responsibility	0.783	0.613			
	Religious motivation	0.805	0.648			
Dynamic Capabilities (DC)	Learning agility	0.812	0.659	0.857	0.892	0.671
	Resource reconfiguration	0.794	0.630			
	Innovation response	0.779	0.607			
	Strategic flexibility	0.832	0.692			
Halal Enterprise Performance (HEP)	Financial performance	0.826	0.682	0.879	0.910	0.692
	Community recognition	0.808	0.653			
	Religious value alignment	0.825	0.681			
	Business sustainability	0.837	0.701			

Note: All constructs meet the acceptable thresholds of reliability and validity [27], [29]

4.3. Discriminant Validity

The discriminant validity of the constructs was assessed using the Fornell–Larcker criterion. According to this method, the square root of the Average Variance Extracted (AVE) for each construct should exceed the correlations between that construct and other constructs in the model. As reported in Table 4, the diagonal entries - representing the square root of AVE - were greater than all corresponding off-diagonal correlation coefficients.

For example, the square root of AVE for Halal Enterprise Performance was 0.832, which is higher than its correlations with Entrepreneurial Competency (0.734), Islamic Entrepreneurial Orientation (0.748), and Dynamic Capabilities (0.765). This pattern was consistently observed across all constructs, suggesting that each latent variable captures a concept that is distinct from the others. Therefore, the results support the presence of satisfactory discriminant validity.

Table 4. Fornell–Larcker criterion and inter-construct correlations

Construct	Entrepreneurial Competency	Islamic EO	Dynamic Capability	Halal Performance
Entrepreneurial Competency	0.790			
Islamic EO	0.691	0.817		
Dynamic Capability	0.705	0.726	0.819	
Halal Performance	0.734	0.748	0.765	0.832

Note: Diagonal values in bold represent the square roots of the Average Variance Extracted (AVE). All diagonal values are higher than the corresponding inter-construct correlations, confirming discriminant validity based on the Fornell–Larcker criterion [29].

4.4. Common Method Bias

The presence of common method variance (CMV) was evaluated using Harman's single-factor test based on unrotated exploratory factor analysis. In this procedure, all measurement items were entered into a principal component analysis to determine whether a dominant single factor would emerge.

The findings revealed that the first extracted factor accounted for 39.718% of the total variance (Table 5). Since this value is below the 50% threshold recommended by [30], the results indicate that common method bias is unlikely to significantly affect the study.

Table 5. Harman's Single-Factor test results

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	Variance %	Cumulative %	Total	Variance %	Cumulative %
1	7.149	39.718	39.718	6.945	39.718	39.718
2	2.281	12.673	52.391			
3	1.438	7.99	60.381			
4	0.911	5.064	65.445			
5	0.753	4.181	69.626			
6	0.612	3.402	73.028			
7	0.578	3.21	76.238			
8	0.513	2.849	79.087			
9	0.482	2.678	81.765			
10	0.435	2.416	84.181			
11	0.402	2.233	86.414			
12	0.375	2.084	88.498			
13	0.319	1.772	90.27			
14	0.298	1.655	91.925			
15	0.245	1.361	93.286			
16	0.226	1.256	94.542			
17	0.218	1.212	95.754			
18	0.19	1.059	96.813			
19	0.184	1.025	97.838			
20	0.174	0.967	98.805			
21	0.165	0.917	99.722			
22	0.156	0.866	100.0			

Note: The first component accounted for 39.718% of the variance, which is below the 50% cutoff, indicating that common method variance is not a major concern in this study.

4.5. Collinearity Test of the Outer Model

To examine the presence of collinearity among the observed indicators, Variance Inflation Factor (VIF) values were calculated.

The results reported in Table 6 show that all VIF values fall below the recommended limit of 3.3 [27] confirming that no significant multicollinearity exists among the measurement variables.

Table 6. Collinearity statistics of the outer model

Observable Variables	VIF
Opportunity recognition	1.522
Innovation capability	1.684
Risk management	1.611
Networking ability	1.479
Shariah compliance	1.832
Ethical decision-making	1.507
Social responsibility	1.664
Religious motivation	1.589
Learning agility	1.731
Resource reconfiguration	1.778
Innovation response	1.692
Strategic flexibility	1.845
Financial performance	1.622
Community recognition	1.580
Religious value alignment	1.794
Business sustainability	1.810

Note: All VIF values are below the recommended threshold of 3.3, indicating that there is no issue of multicollinearity among the reflective indicators [27].

4.6. Hypotheses Testing

Before examining the path relationships, the overall fit of the structural model was assessed using standard model fit indices. The model demonstrated an acceptable fit with the data, as evidenced by the following values: Chi-square/df = 2.11, RMSEA = 0.054, GFI = 0.92, AGFI = 0.89, CFI = 0.95, and NFI = 0.93. These indices meet the commonly recommended thresholds [27], indicating that the model provides a good representation of the observed data.

The structural model was evaluated through path analysis to test the proposed hypotheses. As shown in Table 7, all seven hypotheses were supported at the 0.01 significance level. Entrepreneurial Competency (EC) and Islamic Entrepreneurial Orientation (IEO) both had significant direct effects on Dynamic Capabilities (DC), which in turn significantly influenced Halal Enterprise Performance (HEP). Moreover, EC and IEO also had direct effects on HEP, and their indirect effects via DC were also statistically significant, confirming the mediating role of Dynamic Capabilities.

Table 7. Research hypotheses testing

Hypothesized Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t-Statistics (|O/ STDEV|)	p-Values	Results
H1: EC → DC	0.412**	0.415	0.075	5.493	0.000	Supported
H2: IEO → DC	0.368**	0.371	0.071	5.183	0.000	Supported
H3: DC → HEP	0.473**	0.470	0.090	5.256	0.000	Supported
H4: EC → HEP	0.292**	0.294	0.080	3.650	0.000	Supported
H5: IEO → HEP	0.265**	0.267	0.079	3.354	0.001	Supported
H6: EC → DC → HEP	0.195**	0.196	0.062	3.145	0.002	Supported
H7: IEO → DC → HEP	0.174**	0.176	0.059	2.949	0.003	Supported

Note: All hypotheses were supported with statistically significant results (p < 0.01). The results confirm the theoretical relationships among entrepreneurial competency (EC), Islamic entrepreneurial orientation (IEO), dynamic capabilities (DC), and halal enterprise performance (HEP).

The results reinforce the proposed theoretical framework and underscore the critical contribution of both strategic competencies and Islamic values to improving the performance of halal enterprises.

The overall structural relationships among the latent constructs are illustrated in Figure 1.

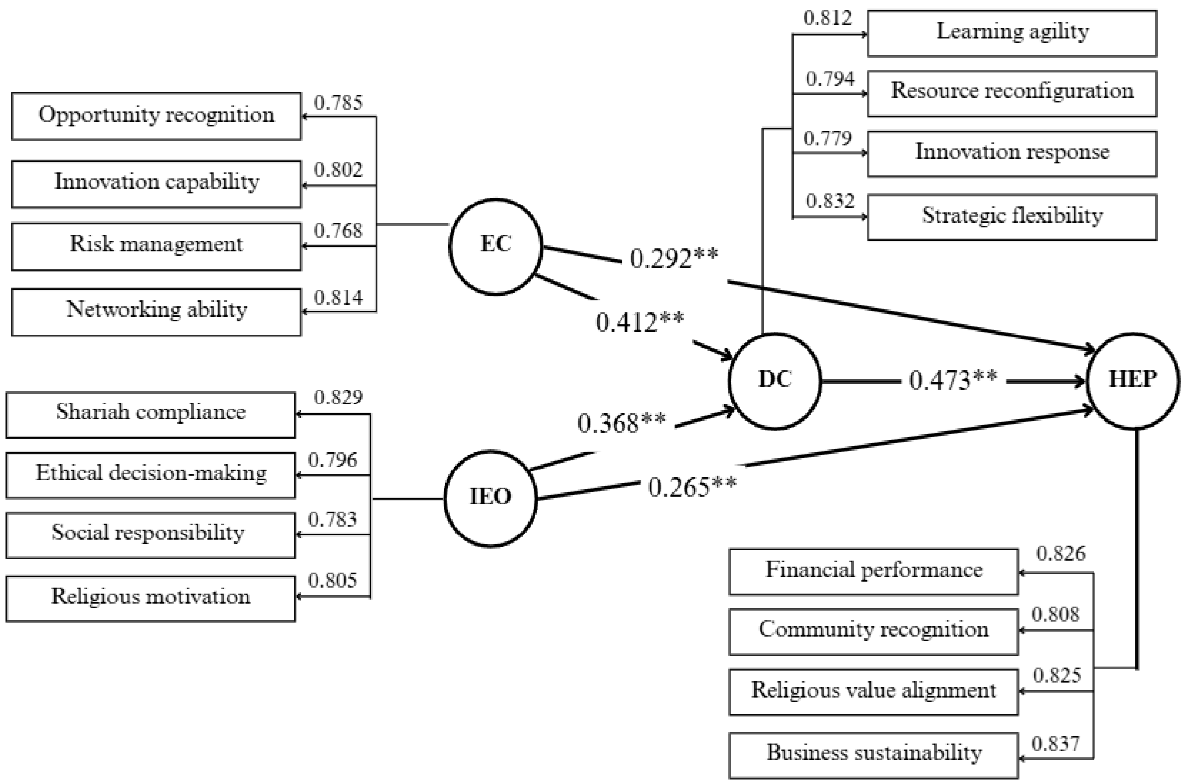

Figure 1. Structural equation model (* Statistically significant at the 0.01 level)*

The results of the structural model and hypotheses testing are summarized in Table 7. All hypothesized relationships were supported at the 0.01 significance level. Entrepreneurial Competency (EC) significantly influenced both Dynamic Capabilities (β = 0.412, $p < 0.001$) and Halal Enterprise Performance (β = 0.292, $p < 0.001$). Similarly, Islamic Entrepreneurial Orientation (IEO) showed significant effects on Dynamic Capabilities (β = 0.368, $p < 0.001$) and Halal Performance (β = 0.265, $p < 0.001$). Furthermore, Dynamic Capabilities had a strong positive effect on Halal Performance (β = 0.473, $p < 0.001$).

Indirect effects were also significant, indicating a mediating role of Dynamic Capabilities in the relationships between EC and HEP (β = 0.195, $p < 0.01$), and between IEO and HEP (β = 0.174, $p < 0.01$).

5. Discussion

The study's findings empirically validate the proposed structural model, demonstrating that both Entrepreneurial Competency (EC) and Islamic Entrepreneurial Orientation (IEO) play important roles in influencing Dynamic Capabilities (DC) and Halal Enterprise Performance (HEP).

Specifically, both EC and IEO demonstrated statistically significant direct effects on DC (H1, H2), and all three constructs had positive effects on HEP either directly (H3, H4, H5) or indirectly through DC (H6, H7). These results highlight the multifaceted mechanisms through which entrepreneurial attributes, grounded in both general and Islamic principles, enhance business adaptability and performance in the context of community-based halal enterprises.

The positive impact of EC on DC and HEP supports the principles of Dynamic Capabilities Theory [3], [19]. This perspective highlights that, entrepreneurs who are capable of recognizing opportunities, encouraging innovation, and effectively managing risks can strengthen an organization's agility and overall performance. The findings of this study suggest that EC enhances a firm's capacity to reorganize resources and respond strategically to evolving market environments. Similarly, IEO, which reflects entrepreneurial values embedded in Islamic principles, such as shariah compliance, ethical conduct, and social responsibility - was shown to be a key driver of both dynamic capabilities and business performance. This supports the view of [17] and [9], who argued that Islamic-oriented entrepreneurial behavior fosters long-term sustainability in halal enterprises.

Furthermore, the mediating role of DC (H6, H7) offers additional insight into the mechanisms that translate entrepreneurial inputs into tangible outcomes.

The presence of a significant mediation effect indicates that EC and IEO contribute to enterprise performance not only through direct action but also by cultivating organizational agility, learning, and innovation capacity. This result is in line with the findings of [4]. and [21]. who highlighted the strategic role of dynamic capabilities in strengthening the adaptability and resilience of small and medium-sized enterprises [4], [21].

In the specific context of Thailand's southern border provinces, these findings take on heightened significance. The region's unique religious and cultural landscape creates a setting where Islamic values are not peripheral but central to entrepreneurial identity and behavior. Hence, the strong influence of IEO on both DC and HEP illustrates how aligning business practices with faith-based values can serve as a strategic asset rather than a constraint. Moreover, the results underline the importance of equipping halal community-based enterprises in this region with both modern business competencies and religiously grounded orientations to thrive in competitive markets [22], [31].

Overall, the study contributes to the literature by integrating Western strategic management concepts with Islamic entrepreneurial principles in the context of halal SMEs.

It not only affirms the theoretical model but also offers practical implications for policymakers, development agencies, and training institutions working to uplift halal community enterprises. Promoting dynamic capabilities through targeted capacity-building that respects religious values can strengthen the long-term sustainability and competitiveness of grassroots enterprises in similar cultural settings [23], [32].

6. Conclusion

This section concludes the study by summarizing the main findings and emphasizing their contributions to theory and practice. It further outlines the study's limitations and proposes directions for future research to extend the current knowledge in halal entrepreneurship.

The research explored the connections between entrepreneurial competency (EC), Islamic entrepreneurial orientation (IEO), dynamic capabilities (DC), and halal enterprise performance (HEP) among halal community-based enterprises in Thailand's southern border provinces. Grounded in Dynamic Capabilities Theory and complemented by the concepts of IEO, the study applied structural equation modeling (SEM) to examine data obtained from 280 halal entrepreneurs in Pattani, Yala, and Narathiwat.

The findings indicated that both entrepreneurial competency (EC) and Islamic entrepreneurial orientation (IEO) exerted significant direct effects on dynamic capabilities (DC) and halal enterprise performance (HEP). Moreover, DC played a critical mediating role, functioning as a strategic mechanism through which entrepreneurial attributes are transformed into organizational outcomes. The results confirm the validity of the proposed model and underscore the dynamic interplay among strategic orientation, adaptability, and Islamic values in halal entrepreneurship.

This study advances the academic discourse by bridging strategic management theory with Islamic entrepreneurship within the context of community-based enterprises. It contributes theoretical clarity and practical relevance by underscoring the necessity of integrating skill development with religious consciousness. For policymakers and institutional support bodies, the findings advocate for a dual-focus approach - simultaneously fostering competency and upholding Islamic ethical principles to enhance the long-term viability of halal enterprises.

Ultimately, this research highlights the combined influence of EC, IEO, and DC in shaping the success of halal community-based enterprises.

By framing these relationships within a culturally and religiously embedded context, the study offers timely insights for scholars and practitioners seeking to promote sustainable entrepreneurship in Muslim-majority regions. These findings not only contribute to academic understanding but also provide meaningful implications for theory and practice.

The findings contribute significantly to the advancement of both academic theory and managerial practice. Theoretically, this research enriches the understanding of entrepreneurial behavior in Islamic contexts by integrating the concept of Islamic Entrepreneurial Orientation (IEO) with the Dynamic Capabilities framework. It provides empirical validation that IEO, which embodies values such as shariah compliance, ethical integrity, and community welfare, is not only compatible with but also instrumental in enhancing dynamic capabilities and enterprise performance. This reinforces the proposition that faith-based entrepreneurial constructs can be meaningfully incorporated into strategic management models, particularly in culturally distinctive markets.

From a practical standpoint, the results provide clear directions for policymakers, community development organizations, and halal business support agencies. First, training and development programs should be designed to simultaneously enhance general entrepreneurial competencies and nurture IEO values, ensuring that entrepreneurs are equipped with both strategic and ethical foundations.

Second, interventions aimed at promoting dynamic capabilities, such as adaptive learning, strategic flexibility, and innovation systems, should be tailored to reflect the socio-religious context of Muslim-majority communities. Lastly, support mechanisms such as mentorship, certification, and financing schemes should align with the principles of halal economy and be localized to fit the unique cultural fabric of the southern border provinces of Thailand.

Although this study provides important insights, certain limitations need to be considered. One limitation relates to the reliance on self-reported data, which may lead to common method bias, despite the use of appropriate statistical controls. Another limitation concerns the research sample, which was confined to registered halal community-based enterprises in the three southernmost provinces of Thailand, potentially restricting the broader applicability of the findings. In addition, the cross-sectional design of the study limits the ability to establish causal relationships or observe longitudinal developments.

Future research could address these limitations by employing longitudinal approaches to investigate how the relationships between entrepreneurial competency (EC), Islamic entrepreneurial orientation (IEO), dynamic capabilities (DC), and halal enterprise performance (HEP) change and evolve over time.

Comparative studies between Muslim-majority and Muslim-minority regions may also offer insight into how religious and cultural contexts shape entrepreneurial behavior and performance outcomes. Moreover, future investigations could explore additional mediators or moderators - such as the adoption of digital technology, governmental policy support, or levels of community trust - that may enhance understanding of the mechanisms linking Islamic values to business success. Finally, incorporating mixed-method research designs may provide deeper and more nuanced insights into how Islamic identity and strategic management practices intersect in the context of halal community-based enterprises.

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