

Externally Scaffolded Dynamic Capabilities: Entrepreneurial Venture Internationalisation Under Asymmetric Network Governance

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Abstract

Purpose

This study examines how low-technology entrepreneurial ventures internationalise within buyer-driven global value chains characterised by governance asymmetry. It develops a governance-conditioned explanation of how dynamic capabilities are enacted in resource-constrained contexts.

Design/methodology/approach

The study adopts a qualitative multiple-case design based on twelve exporting entrepreneurial ventures (SMEs) located in India's Moradabad handicraft cluster. Data were collected through semi-structured interviews, site observations, and documentary analysis, and analysed using an abductive, process-oriented approach.

Findings

The findings show that sensing, seizing, and transforming are enacted through externally structured scaffolding rather than purely internal orchestration. Lead buyers, buying agencies, trade fairs, and compliance regimes filter market signals, codify standards, and condition adaptive routines. Externally scaffolded capability enactment produces divergent trajectories: under diversified governance configurations, it enhances adaptive capacity and export continuity; under concentrated buyer power and exclusivity, it reinforces relational dependence and capability lock-in. Importantly, capability development may occur without a corresponding increase in strategic autonomy, revealing a governance-conditioned form of adaptation in which learning and dependence co-exist.

Originality/value

The study introduces the concept of externally scaffolded dynamic capabilities and integrates dynamic capabilities theory with global value chain governance. It advances a governance-conditioned account of entrepreneurial venture internationalisation in low-technology, buyer-driven contexts and challenges firm-centric interpretations of capability development.

Keywords: Dynamic Capabilities; International Entrepreneurship; Emerging Markets; Entrepreneurial Ventures

1. Introduction

Entrepreneurial ventures from emerging economies are increasingly integrated into global markets through participation in global value chains (GVCs). Yet their internationalisation pathways often diverge from the autonomy-driven and

opportunity-centred narratives that dominate international entrepreneurship literature. Foundational studies emphasised entrepreneurial orientation, rapid foreign expansion and internally driven strategic intent as key determinants of international success (Knight and Cavusgil, 2004; Zahra *et al.*, 2000). While these perspectives remain influential, they offer limited explanatory power for low-technology entrepreneurial ventures operating under resource constraints, institutional voids and asymmetric dependence on powerful international buyers.

Research on global value chains demonstrates that governance configurations shape how learning opportunities, upgrading trajectories and value capture are distributed among firms (Humphrey and Schmitz, 2002; Gereffi *et al.*, 2005). In buyer-driven chains, lead firms coordinate production networks, define standards, and impose compliance regimes. For smaller entrepreneurial suppliers, integration into global production systems can provide market access, technical guidance, and reputational credibility (Ghouse *et al.*, 2023). At the same time, concentrated buyer power may restrict bargaining leverage, compress margins, and narrow strategic discretion (Mudambi, 2008; Ponte and Sturgeon, 2014). Internationalisation in such contexts unfolds within governance architectures that simultaneously enable and constrain adaptation.

This tension is particularly pronounced in low-technology export clusters in emerging economies, where many entrepreneurial ventures take the organisational

form of small and medium-sized enterprises (SMEs). These sectors are typically characterised by family-owned firms with limited technological sophistication and financial slack (Ghouse *et al.*, 2023). Export participation often depends on a small number of overseas buyers or intermediaries controlling order flows and enforcing compliance audits. Under these conditions, capability development is rarely self-directed. Instead, upgrading frequently occurs in response to externally imposed standards, reporting requirements, and performance expectations. Understanding how entrepreneurial ventures build adaptive capacity within such asymmetrical settings is central to debates on enterprise development and international entrepreneurship.

The dynamic capabilities perspective offers a powerful lens for analysing adaptation. Defined as the ability to sense opportunities, seize them, and reconfigure resources in response to environmental change, dynamic capabilities have been widely applied to explain international expansion and performance (Teece, 2007; Teece, 2014). Recent scholarship has extended this perspective to entrepreneurial ventures and smaller firms, demonstrating how adaptive routines and managerial judgement influence export growth (Fredrich *et al.*, 2022; Dabić *et al.*, 2025). Scholars increasingly recognise the context-dependence of dynamic capabilities, particularly in entrepreneurial firms embedded in constrained institutional environments (Hagen *et al.*, 2024; Veiga *et al.*, 2024).

However, a key issue remains underdeveloped. Much of the dynamic capabilities literature assumes that adaptation is internally orchestrated, driven by managerial cognition and organisational learning (Teece, 2007; Fredrich *et al.*, 2022). External actors are typically conceptualised as environmental influences rather than structural shapers of capability formation. This framing becomes analytically limiting in buyer-dominated value chains, where powerful partners define specifications, compliance systems, and market access conditions. In such settings, firms do not simply respond to markets; they adapt within governance architectures structuring what can be learned and under what terms participation is permitted.

The central question, therefore, is not merely whether entrepreneurial ventures develop dynamic capabilities, but how those capabilities are enacted when strategic discretion is partially conditioned by dominant external actors.

This study specifically explains how capability development can occur without a corresponding increase in strategic autonomy, a phenomenon that remains under-explained in existing internationalisation, global value chain, and learning-based perspectives.

The paper addresses that question by introducing *externally scaffolded dynamic capabilities*. Drawing on qualitative evidence from exporters in India's Moradabad metalware cluster, we examine how interactions with lead buyers and intermediaries shape firms' sensing, seizing, and transforming activities. Moradabad provides a

theoretically revealing context. The cluster comprises predominantly entrepreneurial manufacturing ventures, many of which are SMEs, supplying international retailers under strict compliance and quality regimes, with limited control over branding or downstream distribution. Governance asymmetry is visible and consequential.

We define externally scaffolded dynamic capabilities as firm-level adaptive routines whose development and enactment are structured, guided, or catalysed by powerful external actors within governance relationships. The notion of scaffolding highlights that adaptation may be supported through externally imposed standards and feedback mechanisms, while bounded by relational power structures. This conceptualisation does not deny entrepreneurial agency. Rather, it situates agency within asymmetric exchange relationships, where firms internalise and stabilise externally initiated routines under constrained discretion.

The study makes three contributions to small business and enterprise development scholarship. First, it extends research on dynamic capabilities by demonstrating that capability formation in emerging-market entrepreneurial ventures is often governance-conditioned rather than internally orchestrated. Second, it refines the dynamic capabilities framework by identifying asymmetric buyer power as a structuring mechanism shaping the micro-processes of sensing, seizing, and transforming. Third, it contributes to scholarship on upgrading in global value chains

by unpacking how externally imposed requirements are translated into internal routines, producing divergent trajectories of enablement and dependence.

By foregrounding the relational architecture of capability development, this study advances a governance-conditioned understanding of entrepreneurial venture internationalisation in low-technology sectors, recognising adaptation as both enabled and bounded by the power structures within which smaller firms operate.

2. Literature Review

The internationalisation of small and medium-sized enterprises (SMEs) has generated an extensive body of scholarship. Foundational perspectives such as the Uppsala model (Johanson and Vahlne, 2009; Vahlne and Johanson, 2017) conceptualise international expansion as an incremental learning process in which firms accumulate experiential knowledge, deepen foreign commitments, and adjust resources through learning-by-doing. Although developed in relatively stable institutional environments, these models have been widely applied to SMEs.

Subsequent refinements acknowledge nonlinear pathways and adaptive “muddling through” processes (Schweizer, 2012), yet internationalisation remains largely framed as firm-directed learning. Managers interpret foreign signals and reconfigure resources over time. Even when relational embeddedness is incorporated, adaptation is typically portrayed as internally orchestrated responses to external stimuli.

This framing is less persuasive when examining low-technology SMEs in emerging markets. Such firms often internationalise in response to resource scarcity, institutional voids, and asymmetric power relations within global value chains. Market access may depend on intermediaries; compliance standards may be externally imposed, and production routines may be aligned with buyer-defined specifications rather than internally generated innovation agendas. Internationalisation is therefore not merely incremental learning but learning structured within governance architectures that shape information flows and discretion.

To analyse adaptive capacity under these conditions, three strands of scholarship are particularly relevant: SME internationalisation research, network perspectives, and dynamic capabilities theory. Each illuminates dimensions of cross-border expansion, yet tends to emphasise experiential accumulation, relational access, or managerial orchestration independently. Less attention has been paid to how governance structures condition the micro-processes through which SMEs sense, seize, and transform. Rather than combining these streams within a standard integrative framework, this study synthesises them to address a specific theoretical gap. In buyer-dominated contexts, adaptation may be scaffolded or bounded by powerful external actors. The central issue is therefore not merely whether SMEs develop adaptive capabilities, but how those capabilities are enacted within asymmetrical governance architectures.

2.1 Dynamic Capabilities and SME Internationalisation

Dynamic capabilities theory explains how firms adapt to changing environments by sensing opportunities, seizing them through strategic commitments, and transforming organisational resources accordingly (Teece, Pisano and Shuen, 1997; Teece, 2007).

While originally developed in the context of large corporations, the framework has increasingly been applied to SME internationalisation research (Helfat *et al.*, 2007; Schilke *et al.*, 2018).

In entrepreneurial firms, dynamic capabilities are often embedded in managerial judgement, experiential learning, and flexible resource recombination rather than formal organisational structures (Lumpkin and Dess, 1996; Oviatt and McDougall, 2005). Studies of born globals and rapidly internationalising firms show how sensing and seizing capabilities support early foreign market entry (Weerawardena *et al.*, 2007). Recent research also emphasises improvisation, opportunity novelty, and network adaptation in SME international expansion (Hilmersson *et al.*, 2021; Veiga *et al.*, 2024). At the same time, scholars caution that the dynamic capabilities construct risks conceptual inflation unless its micro-foundations and contextual contingencies are clearly specified (Schilke *et al.*, 2018). In emerging markets, SMEs frequently operate under institutional voids, resource constraints, and governance asymmetries that influence how adaptation unfolds (Autio *et al.*, 2014). However, much of the literature retains a firm-centric orientation, treating managers as the primary orchestrators of capability development (Teece, 2007).

Recent scholarship has begun to revisit this assumption by emphasising the dynamic capabilities–environment nexus, highlighting how capabilities evolve through interaction with governance structures and institutional conditions (Cristofaro, Helfat and Teece, 2025). From an evolutionary perspective, adaptive capabilities emerge through the interplay between managerial judgement and environmental influence (Cristofaro and Lovallo, 2022). At the same time, reviews of the field point to persistent ambiguity in the boundaries and operationalisation of dynamic capabilities constructs (Bruyaka *et al.*, 2024), reinforcing the need for clearer contextual specification.

This firm-centric framing becomes analytically incomplete in buyer-driven global value chains.

2.2 Governance Structures and SME Upgrading in Global Value Chains

Global value chain (GVC) scholarship demonstrates that governance configurations determine how knowledge, standards, and upgrading opportunities are distributed across firms (Humphrey and Schmitz, 2002; Gereffi *et al.*, 2005). In buyer-driven chains, lead firms coordinate dispersed suppliers through specification control, compliance monitoring, and performance auditing. Governance structures, therefore, influence not only transactional exchange but also learning trajectories and strategic latitude (Mudambi, 2008; Ponte and Sturgeon, 2014).

For SMEs in emerging markets, integration into such chains provides access to international markets, reputational credibility, and exposure to global standards

(Ciravegna *et al.*, 2014; Harris and Wheeler, 2005). However, concentrated buyer power can compress margins, restrict functional upgrading, and reinforce dependency (Roy *et al.*, 2016; Schweizer, 2012). Barriers to internationalisation in low-technology sectors often extend beyond resource scarcity to include procedural, regulatory, and relational constraints embedded in governance relationships (Faroque *et al.*, 2017; Ghouse, 2020; Ghouse *et al.*, 2023).

Although GVC research offers a structural account of power asymmetry, it rarely engages with the internal processes through which SMEs translate externally imposed standards into adaptive routines. Conversely, dynamic capabilities research explains internal adaptation but often abstracts from governance architecture. Bridging these streams requires examining how external governance structures condition the micro-processes of sensing, seizing, and transforming.

2.3 Networks, Relational Embeddedness, and Learning Under Asymmetry

International entrepreneurship research has long emphasised the enabling role of networks in SME internationalisation (Coviello and Munro, 1995; Johanson and Vahlne, 2009). Networks provide access to information, legitimacy, and complementary resources that mitigate liabilities of foreignness and outsidership (Vahlne and Johanson, 2017). Formal ties such as trade fairs, export intermediaries, and buying agencies coexist with informal relational networks, each influencing opportunity recognition and market entry (Hughes *et al.*, 2019; Jafari-Sadeghi *et al.*, 2020).

Relational embeddedness facilitates learning and knowledge recombination, strengthening adaptive capacity (Hilmersson and Jansson, 2012; De Noni and Apa, 2015). Social networks may enhance performance by improving information flow and trust (Cuypers *et al.*, 2020; Patel and Conklin, 2009). Yet networks are not neutral conduits. They are structured by power differentials that influence whose knowledge travels, how it travels, and under what conditions (Harris and Wheeler, 2005). In buyer-dominated contexts, external actors frequently filter market signals, codify technical specifications, and structure compliance routines. Knowledge transmission may therefore be hierarchical rather than reciprocal. Firms may adapt within predefined contractual and procedural frameworks rather than through independent exploration. Although studies recognise relational asymmetry, they rarely theorise how governance conditioning affects the enactment of dynamic capabilities at the micro level.

2.4 Toward a Governance-Conditioned Capability Perspective

Recent scholarship increasingly emphasises the need for more context-sensitive interpretations of dynamic capabilities, particularly in international settings where firms operate under varying institutional and relational constraints (Schilke *et al.*, 2018; Brock and Hitt, 2024). While dynamic capabilities research explains how firms sense opportunities, seize them, and transform organisational resources (Teece, 2007), most empirical applications implicitly assume that these processes are internally orchestrated

through managerial judgement and organisational learning. This assumption becomes analytically incomplete when examining entrepreneurial ventures embedded in buyer-driven global value chains.

In low-technology export sectors, entrepreneurial ventures frequently operate under asymmetric governance structures in which overseas buyers define product specifications, enforce compliance regimes, and control access to international markets (Ghouse, 2020). Under such conditions, opportunity recognition, resource mobilisation, and organisational adjustment may be shaped by externally structured information flows and procedural standards rather than by autonomous strategic exploration. Adaptation, therefore, unfolds within governance architectures that both enable learning and constrain strategic discretion.

Existing perspectives provide partial insight into these dynamics but rarely explain how governance structures influence capability formation itself. Learning-by-exporting research highlights capability accumulation through exposure to international markets (Humphrey and Schmitz, 2002). Network perspectives emphasise relational embeddedness and knowledge exchange among firms (Johanson and Vahlne, 2009). Global value chain scholarship demonstrates how governance configurations influence upgrading opportunities and value distribution across production networks (Gereffi *et al.*, 2005). However, these approaches largely focus on learning outcomes,

relational access, or upgrading trajectories rather than the micro-processes through which adaptive capabilities are enacted.

To address this limitation, we introduce the concept of *externally scaffolded dynamic capabilities (ESDC)*. The notion of scaffolding captures how dominant external actors structure the conditions under which sensing, seizing, and transforming occur. Rather than viewing dynamic capabilities as purely internal organisational processes, ESDC highlights how governance mechanisms, such as market-signal transmission, procedural specification, design codification, and legitimacy provision, shape how entrepreneurial ventures interpret opportunities and mobilise resources.

This perspective reframes capability development as relationally conditioned. Governance arrangements may facilitate learning by transmitting market intelligence and codifying operational standards, yet they may also constrain experimentation by narrowing the strategic options available to firms. Dynamic capabilities, therefore, emerge through the interaction between entrepreneurial agency and governance-conditioned opportunity structures.

By situating capability enactment within asymmetric governance architectures, the ESDC perspective extends both dynamic capabilities theory and global value chain research. Whereas global value chain studies primarily explain upgrading outcomes within international production networks, ESDC explains how governance asymmetry structures the micro-processes through which sensing, seizing, and transforming are

enacted prior to observable upgrading outcomes. Table 1 summarises the distinctions between externally scaffolded dynamic capabilities and related theoretical perspectives.

Table 1. Distinguishing externally scaffolded dynamic capabilities from related constructs

Construct	Core theoretical focus	Mechanism of learning / adaptation	Locus of agency	Role of governance structures	Key limitation addressed by ESDC
Learning-by-exporting (Humphrey & Schmitz, 2002)	Firms improve capabilities through participation in export markets	Experiential learning through export exposure	Primarily firm-level	Governance treated as a context for learning	Does not explain how governance structures shape capability formation processes
Network capability (Johanson & Vahlne, 2009)	Firms develop the ability to manage and leverage network relationships	Relationship management and knowledge exchange	Firm-level relational management	Networks viewed as enabling resources	Underplays asymmetric power and hierarchical governance within networks
Relational embeddedness (Harris & Wheeler, 2005)	Trust and social ties facilitate knowledge sharing and collaboration	Social proximity and trust-based interaction	Network relational dynamics	Governance structures rarely theorised explicitly	Focuses on mutual embeddedness rather than hierarchical coordination
GVC upgrading (Gereffi <i>et al.</i> , 2005)	Firms move into higher value-added activities within global value chains	Learning through supplier-buyer interactions	Firm upgrading within value chains	Governance shapes upgrading opportunities	Focuses on performance outcomes rather than capability formation mechanisms
Externally Scaffolded Dynamic Capabilities (ESDC)	Governance-conditioned formation and enactment of dynamic capabilities	Structured guidance through market-signal filtering, procedural codification, design templates and legitimacy transfer	Relationally conditioned firm agency	Governance asymmetry actively structures sensing, seizing and transforming processes	Explains how hierarchical governance shapes capability development before observable upgrading outcomes occur

Source: Developed by the Authors

2.5 Conceptual Framework: Externally Scaffolded Dynamic Capabilities

This study proposes a conceptual framework of externally scaffolded dynamic capabilities, illustrated in Figure 1, which reconceptualises dynamic capabilities within asymmetric international networks. Rather than treating networks as neutral resource conduits or entrepreneurial orientation as the principal driver of adaptation, the framework positions governance asymmetry as the structural condition shaping capability formation.

The model comprises three interrelated layers. First, governance asymmetry. In buyer-driven export sectors, entrepreneurial ventures often operate within network structures characterised by unequal power distribution. Lead buyers and dominant intermediaries influence market access, information flows, product specifications, and compliance standards. Governance asymmetry, therefore, shapes the conditions under which firms interpret opportunities and allocate resources, making strategic discretion relationally conditioned.

Second, external scaffolding. Governance asymmetry generates structured guidance from dominant network actors. This scaffolding includes codified product standards, design templates, compliance procedures, and filtered market intelligence. Rather than simply transferring knowledge, scaffolding structures exposure to opportunities and delimits the range of strategic responses available to firms.

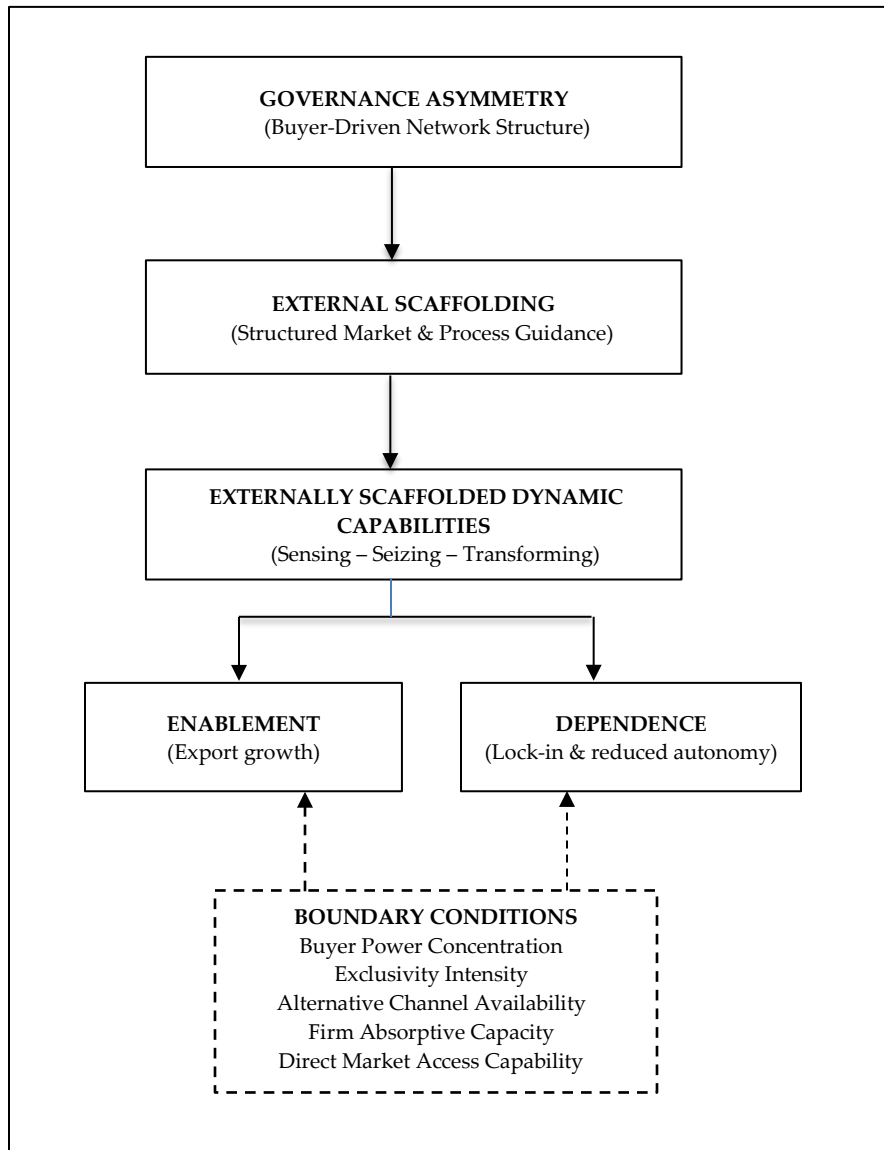
Third, externally scaffolded dynamic capabilities. External scaffolding conditions the enactment of sensing, seizing, and transforming. Sensing involves interpreting signals filtered through governance relationships. Seizing requires mobilising resources within buyer-defined formats and timelines. Transforming entails aligning production routines, quality systems, and organisational practices with externally codified standards. Dynamic capabilities, therefore, emerge as relationally conditioned enactments rather than purely endogenous processes.

The framework incorporates a dual outcome trajectory. Externally scaffolded dynamic capabilities may generate enablement, reflected in export growth, competence development, and sustained participation in international markets. However, where buyer power is concentrated and alternative channels are limited, the same processes may produce dependence, manifested as lock-in, restricted experimentation, and reduced strategic flexibility.

These outcomes are shaped by boundary conditions, including order concentration, exclusivity arrangements, access to alternative markets, and firm-level absorptive capacity. These factors influence whether scaffolding broadens adaptive scope or reinforces relational dependence.

By situating capability enactment within asymmetric governance architectures, the framework advances a governance-conditioned extension of dynamic capabilities

theory and shifts attention from capability possession to capability conditioning in entrepreneurial venture internationalisation.



Source: Created by the authors

Figure 1. Externally Scaffolded Dynamic Capabilities framework

3. Methodology

3.1 Study Context

This study examines the internationalisation of low-technology entrepreneurial ventures located in Moradabad, a major handicraft cluster in northern India and a long-standing hub for brass and metalware exports. Often referred to as the “Brass City,” Moradabad supplies handcrafted metal products to markets across North America, Europe, and the Middle East. Production is predominantly labour-intensive, technologically modest, and organised through dense subcontracting networks. Firm structures remain small-scale and fragmented, making the cluster analytically suitable for examining capability development under resource constraints.

Moradabad is theoretically instructive because its exporters operate within predominantly buyer-driven global value chains. International lead buyers and buying agencies influence product specifications, quality standards, pricing structures, and compliance procedures. Local ventures rarely control branding or downstream distribution and depend heavily on external actors for design codification, certification guidance, and order continuity. Governance asymmetry is therefore both visible and consequential, shaping the conditions under which firms access and sustain export relationships.

The cluster also reflects broader institutional characteristics of emerging markets, including regulatory complexity, infrastructural constraints, and fluctuating demand conditions (Welch *et al.*, 2011). Intensifying compliance requirements relating to sustainability, traceability, and product safety have increased reliance on buyer

guidance and intermediary mediation. Although cluster-based development initiatives exist, firms continue to depend on network relationships for market access and information.

Moradabad thus provides a setting in which governance asymmetry and constrained strategic autonomy coexist, enabling close examination of how sensing, seizing, and transforming are enacted when adaptive processes are conditioned by dominant network actors.

3.2 Research Design, Case Selection, and Analytical Approach

This study employs a qualitative multiple-case design to explain how low-technology entrepreneurial firms enact dynamic capabilities within asymmetric international networks. The research examines how governance asymmetry generates external scaffolding, how scaffolding shapes sensing, seizing, and transforming, and under what conditions these processes lead to export enablement versus relational dependence. A case-based strategy is appropriate for capturing processual, context-embedded phenomena and addressing “how” and “under what conditions” questions (Yin, 2014).

Multiple cases were selected using a theoretical replication logic rather than statistical generalisation (Eisenhardt and Graebner, 2007). Cases were purposively chosen to ensure meaningful variation on dimensions central to the conceptual framework, including buyer concentration, intensity of exclusivity arrangements, access to alternative export channels, and relative absorptive capacity. This design enabled

structured comparison between firms exhibiting stronger enablement trajectories and those displaying heightened dependence, supporting identification of boundary conditions shaping divergence in outcomes.

The study followed an abductive analytical logic. Early field engagement revealed recurring patterns of buyer influence, codified guidance, and constrained discretion that were not fully explained by firm-centric accounts of dynamic capabilities. Iterative movement between emerging empirical insights and extant theory informed progressive refinement of the externally scaffolded dynamic capabilities lens. To capture temporal dynamics, process tracing reconstructed sequences of international market entry, buyer interaction, compliance adaptation, and organisational reconfiguration within each case. Cross-case comparison was then used to assess whether variations in governance intensity and channel alternatives moderated the observed pathways.

3.3 Rigour, Reflexivity, and Trustworthiness

Rigour was strengthened through complementary procedures. First, methodological triangulation combined semi-structured interviews with site observations and documentary evidence to corroborate key events, governance mechanisms, and adaptation episodes. Second, cross-case analysis followed replication logic, using contrastive cases to assess whether emerging explanations held under different configurations of buyer power and alternative channel access. Third, systematic coding

generated an explicit audit trail linking first-order empirical indicators to second-order themes and aggregate dimensions, enabling readers to trace how theoretical claims were derived from the data.

Reflexivity was maintained throughout the research process. A reflective log documented evolving interpretations, sensitising assumptions regarding governance asymmetry, and potential positionality effects associated with the researchers' contextual familiarity. Coding and theoretical interpretation were revisited iteratively to reduce premature closure and ensure that constructs were refined in response to empirical anomalies rather than fitted retrospectively.

Finally, selective member validation was conducted to confirm the accuracy of interpretations relating to buyer relationships, compliance expectations, and export trajectories. Collectively, these procedures enhance credibility, dependability, and conceptual robustness, supporting explanatory claims about capability formation and its dual outcomes under asymmetric international governance.

3.4 Sampling and Data Collection

Purposive, theoretically informed sampling was employed to select 12 exporting entrepreneurial ventures from the Moradabad handicraft cluster. Case selection followed dimensions central to the conceptual framework rather than convenience alone. Firms were selected to capture variation in (i) buyer concentration, (ii) exclusivity arrangements, (iii) access to alternative export channels, including online platforms, and

(iv) organisational maturity and absorptive capacity. This variation enabled comparison between firms exhibiting stronger export enablement and those showing greater dependence, facilitating analytical replication across contrasting governance configurations.

All firms operated within buyer-driven international networks characterised by limited control over branding and resource constraints. However, the intensity of governance asymmetry and exposure to structured buyer guidance differed across cases, enabling examination of how similar structural conditions generated divergent adaptive trajectories.

Data collection was conducted between April and August 2024 using three complementary methods. This period coincided with peak production cycles for Western Christmas markets, allowing observation of intensified buyer coordination, specification enforcement, and compliance adjustments.

First, twelve semi-structured interviews were conducted with owner-managers or senior executives responsible for export operations. Table 2 presents the participant profiles. Interviews lasted 40–60 minutes, were audio-recorded, and transcribed verbatim. The protocol explored buyer relationships, compliance processes, adaptation episodes, and perceived autonomy in international decision-making.

Second, site visits and non-participant observations were undertaken at each production facility, providing insight into quality-control routines, workflow

adjustments and evidence of externally codified standards embedded in production practices.

Third, documentary materials were analysed, including export records, product catalogues, compliance documentation and trade fair participation records. These materials corroborated interview narratives and provided additional evidence of market engagement and buyer continuity.

Table 2. Profile of respondents (interviewees)

Firm	Interviewee	Gender	Age (Yrs.)	Education Qualification	Association Period (Yrs.)	Interview Duration (min.)
M1	A1	Male	48	Degree in Commerce	14	45
M2	A2	Male	46	Diploma in Engineering	22	40
M3	A3	Female	34	Degree in Management	8	42
M4	A4	Male	37	Degree in Management	18	40
S1	A5	Male	51	Intermediate	21	40
S2	A6	Male	43	Degree in Commerce	7	45
S3	A7	Female	29	Degree in Commerce	3	45
S4	A8	Male	43	Intermediate	14	45
D1	A9	Female	39	Degree in Marketing	12	50
D2	A10	Male	44	Degree in International Business	10	40
D3	A11	Female	41	Degree in Marketing	12	50
D4	A12	Male	52	Degree in International Business	23	40

Source: Authors' Fieldwork

Data collection and preliminary analysis proceeded iteratively. Emerging patterns relating to governance asymmetry and scaffolding mechanisms informed

probing in subsequent interviews. Theoretical sufficiency was reached when additional data no longer altered the emerging explanation of externally scaffolded dynamic capabilities or the boundary conditions shaping enablement and dependence. All ethical protocols were observed. Participation was voluntary, informed consent was obtained and confidentiality was assured.

3.5 Data Analysis

Data analysis followed an abductive, process-oriented logic aimed at explaining how adaptive routines unfolded within asymmetric international networks. Consistent with systematic combining (Dubois and Gadde, 2002), empirical insights and theoretical framing evolved iteratively, allowing refinement of dynamic capabilities constructs in response to field observations rather than deductive application. Throughout the analysis, emerging interpretations were repeatedly compared with the empirical material to ensure that theoretical categories remained grounded in informants' accounts. This iterative movement between empirical material and theoretical interpretation enabled the progressive clarification of how governance structures influenced firms' sensing, seizing, and transforming processes.

The analysis proceeded in three stages. First, open coding remained closely anchored in participants' language and focused on identifying first-order empirical concepts reflecting governance asymmetry and structured buyer influence. Data segments were coded for recurring patterns such as specification regimes, compliance

codification, design constraints, information filtering and limits on strategic discretion. These first-order concepts captured how respondents described interactions with buyers, intermediaries and compliance systems without imposing predefined theoretical categories.

Second, process-oriented coding examined how these empirical concepts were linked to sequences of sensing, seizing and transforming over time. Rather than treating capabilities as static attributes, attention focused on temporal pathways connecting buyer engagement to organisational adjustment. Process tracing reconstructed episodes of export initiation, compliance adaptation, production reconfiguration and channel negotiation. Through iterative comparison between these sequences and existing dynamic capabilities constructs, the analytical focus shifted toward identifying how external actors structured adaptive routines, leading to the emergence of the concept of externally scaffolded capability enactment.

Third, cross-case comparison enabled analytical replication (Eisenhardt and Graebner, 2007). Cases were contrasted along theoretically relevant dimensions, including buyer concentration, exclusivity intensity, alternative channel availability, and absorptive capacity. This comparison revealed divergence in outcome trajectories, distinguishing firms achieving sustained export enablement from those experiencing dependence and lock-in. Systematic comparison across cases enabled the identification

of boundary conditions that shaped whether externally scaffolded adaptation resulted in capability development or relational dependence.

Themes were progressively refined through an iterative thematic analysis process (Braun and Clarke, 2006) and subsequently organised following the Gioia methodology for inductive qualitative research (Gioia, Corley and Hamilton, 2013). First-order empirical concepts were grouped into second-order themes that represent the mechanisms by which external governance structures shape adaptive processes. These themes included *market-signal transmission, procedural specification, design codification, and legitimacy provision*, which collectively informed the aggregate construct of *externally scaffolded dynamic capabilities*.

Coding iterations were documented to create an audit trail linking empirical indicators to second-order themes and aggregate dimensions. The resulting analytical structure is presented in Table 3 as a Gioia-style data structure, linking first-order concepts, second-order themes, and the aggregate dimension of externally scaffolded dynamic capabilities.

This data structure demonstrates how recurring empirical indicators observed across the twelve cases were iteratively grouped into second-order themes, which collectively informed the theoretical construct of externally scaffolded dynamic capabilities.

Table 3: Gioia data structure for Externally Scaffolded Dynamic Capabilities

First-order concepts (informant terms / empirical indicators)	Second-order themes (researchers' interpretations)	Aggregate dimension
Buyers communicate seasonal demand and product trends	Market-signal transmission	
"Buyers tell us which products are in demand"		
Trade fairs used to observe market preferences		
Agencies filter and transmit information about buyers		
Firms interpret buyer-provided demand signals rather than independently scanning markets		
Compliance audits required by overseas buyers	Procedural specification and compliance structuring	
Documentation and certification requirements		
"Paperwork is sometimes more demanding than production"		
Production routines adapted to satisfy external audit requirements		
Firms prioritise compliance over independent experimentation		
Buyers provide detailed product drawings or templates	Design codification and standardisation	
Production follows buyer specifications		
"We implement designs given by buyers"		
Innovation occurs within externally defined parameters		
Product differentiation limited by buyer specifications		
Participation in international trade fairs builds credibility	Legitimacy provision	Externally Scaffolded Dynamic Capabilities (ESDC)
Association with reputable buyers enhances legitimacy		
Certifications improve international buyer trust		
Buyers act as reputational intermediaries in global markets		
Access to buyers signals credibility to other market actors		

Source: Developed by the authors based on Gioia's methodology for qualitative data analysis.

4. Case Study and Findings

4.1 Governance Architecture of Buyer-Driven Internationalisation

Across all twelve cases, internationalisation unfolded within buyer-driven global value chains characterised by concentrated purchasing power and asymmetric governance.

Lead buyers, buying agencies, and international retailers exercised significant influence over product specifications, compliance regimes, pricing structures, and delivery timelines. Firms rarely control branding, downstream distribution, or direct relationships with final consumers. Instead, they operated as upstream suppliers embedded within structured governance environments.

Buying agencies functioned as key intermediaries. They coordinated orders, interpreted buyer expectations, monitored compliance, and transmitted specifications.

As the export manager of D1 explained:

“Agencies coordinate production, ensure quality checks, and provide insights on buyer requirements.”

For many firms, export entry was facilitated through inherited or accumulated relational capital. Entrepreneurs who had previously worked in export houses described how prior exposure provided both access and familiarity with buyer expectations. The owner of M1 noted:

“My experience built critical networks, helped me understand buyer expectations, and gave me confidence to identify opportunities in the global market.”

However, access did not equate to autonomy. Even established exporters remained dependent on a limited number of dominant overseas buyers. Strategic discretion was bounded by externally defined standards. As the owner of S2 remarked: *“We just do as communicated to us. They give us designs and standards, and we implement them.”*

These accounts indicate that participation in international markets occurred within governance structures that shaped not only access but also the parameters of capability development.

4.2 External Scaffolding Mechanisms

Governance asymmetry translated into structured forms of external scaffolding that shaped how firms perceived, interpreted, and enacted international opportunities. Four mechanisms were consistently observed across cases.

4.2.1 Market-Signal Transmission

Rather than independently scanning global markets, firms relied heavily on externally transmitted market signals. Buyers, buying agencies, and trade fairs served as conduits for filtered information on demand trends, material preferences, and design aesthetics.

The owner of M2 explained:

“Buyers tell us which products are in demand and what will sell. This information is vital for innovation.”

Similarly, the manager of D3 emphasised the dependence on external interpretation:

“We don’t have direct access to consumer data. We understand trends only when buyers share their seasonal plans.”

Trade fairs such as Ambiente (Germany) and the Canton Fair (China) were described as strategic observation spaces where entrepreneurs interpreted trends through direct exposure to buyer feedback and competitor offerings:

“Trade fairs are our main source of international buyers and profitability. They allow us to meet buyers directly and understand what the market wants.” (M2)

Another exporter noted:

“At fairs, we see what other suppliers are showing. That tells us where the market is moving.”
(S3)

However, these signals were often mediated. Agencies filtered information, prioritised certain buyers, and shaped which opportunities were visible:

“Agencies only pass on what they think is relevant. We don’t always see the full picture.” (M1)

Sensing, therefore, occurred within externally structured informational boundaries rather than through autonomous exploration.

4.2.2 Procedural Specification and Compliance Structuring

Compliance requirements constituted a second scaffolding mechanism. Buyers imposed detailed documentation standards, inspection regimes, labour compliance audits, and

sustainability certifications. These procedural specifications structured internal routines and imposed additional costs.

Smaller firms experienced these requirements as burdensome:

“Buyers’ rigorous compliance measures make it difficult to work effectively.” (S1)

Another micro-firm owner explained:

“Sometimes the paperwork is more demanding than the production itself.” (M3)

Larger firms described procedural alignment as a prerequisite for continued orders:

“If we don’t follow their audit process exactly, the order stops.” (D2)

Procedural structuring shaped how firms mobilised resources. Seizing opportunities required alignment with predefined compliance frameworks rather than discretionary experimentation. Firms often prioritised meeting audit requirements over pursuing new product development. In effect, the ability to act on opportunities was conditioned by conformity to externally defined processes.

4.2.3 Design Codification and Standardisation

A third mechanism involved design codification. In several cases, buyers supplied detailed product templates or exclusive OEM specifications. Firms implemented externally defined design parameters instead of independently developing product lines. As S2 explained:

“They give us designs and standards, and we implement them.”

Similarly, D1 noted:

“Most of our production is based on buyer drawings. We adjust details, but the core design comes from them.”

While this reduced uncertainty and guaranteed volume stability, it constrained strategic differentiation:

“If the buyer changes the design direction, we must follow. We cannot push our own collection.”

(M4)

Some exporters recognised the trade-off:

“Having exclusive designs ensures steady orders, but it limits what we can show to others.”

(D2)

Design codification, therefore, functioned simultaneously as guidance and constraint. Innovation occurred, but largely within buyer-defined parameters.

Transforming processes were shaped by compliance with external templates rather than internally driven repositioning.

4.2.4 Legitimacy Provision

Finally, legitimacy provision operated as a structural enabler. Participation in trade fairs, association with reputable buyers, and certification processes enhanced credibility in international markets.

Micro-firms described exhibitions as mechanisms to signal craftsmanship and reliability:

“Trade fairs gave us exposure to international buyers who appreciate our unique beaded crafts.”

(M3)

Another entrepreneur observed:

“Once we started working with a known retailer, other buyers began trusting us more.” (D4)

Certification and compliance also signalled reliability:

“When buyers see our audit approval, they feel secure placing bigger orders.” (S4)

However, legitimacy remained relationally anchored. Recognition flowed through association with established buyers or structured platforms rather than through independent brand development:

“Our credibility depends on whom we work with.” (M1)

Legitimacy, therefore, reduced entry barriers and enhanced visibility, yet remained scaffolded within buyer-controlled channels.

4.3 Externally Scaffolded Dynamic Capability Enactment

The four scaffolding mechanisms identified above did not merely provide support; they structured how sensing, seizing, and transforming were enacted across firms.

Capability development was therefore relationally conditioned rather than internally orchestrated.

4.3.1 Scaffolded Sensing

Sensing was largely signal-responsive rather than exploratory. Firms interpreted market cues transmitted through buyers, agencies, and trade fairs instead of conducting independent market research or downstream engagement. As D2's manager explained:

"We want to explore Latin America, but we lack language knowledge and trustworthy partners."

Cultural distance, limited consumer visibility, and restricted access to final-market data reinforced this dependence on intermediated signals. Even when firms attended trade fairs, information was interpreted through buyer feedback rather than through autonomous strategic scanning.

Sensing, therefore, operated within externally defined informational boundaries. Opportunities were identified in which buyers directed attention, not in which firms independently constructed new market positions.

4.3.2 Scaffolded Seizing

Seizing was closely aligned with buyer-defined contracts and compliance frameworks. Resource mobilisation centred on fulfilling specified orders, meeting audit requirements, and maintaining relational stability. As D1's manager noted:

"Stronger relationships lead to mutual understanding and more tolerance for problems."

Stable buyer relationships reduced uncertainty and ensured repeat business. However, this stability also channelled investment decisions towards order fulfilment rather than strategic diversification. Access to finance, production capacity constraints,

and exclusivity arrangements further narrowed the scope for pursuing independent opportunities.

Seizing thus reflected structured execution rather than discretionary strategic initiative. Firms acted decisively, but within externally defined parameters.

4.3.3 Scaffolded Transforming

Transforming processes were primarily adaptive responses to buyer-imposed standards. Firms upgraded quality-control routines, adjusted production systems, and refined designs to meet compliance requirements and detailed specifications. As M3's owner observed:

"Upgrading technology is costly and restricts market expansion."

Process reconfiguration improved efficiency and conformity but rarely translated into brand development, independent product portfolios, or downstream integration. Transformation was incremental and alignment-oriented rather than repositioning-driven.

In this context, dynamic capabilities manifested as adaptive adjustment within governance constraints, not as autonomous strategic reconfiguration.

4.4 Divergent Outcome Pathways

Cross-case comparison revealed systematic variation in governance configurations shaping capability enactment across firms. Table 3 summarises the cross-case pattern of externally scaffolded capability configurations, illustrating how differences in buyer

concentration, exclusivity intensity and access to alternative channels correspond to divergent trajectories of capability enablement and governance-induced dependence.

4.4.1 Export Enablement

Firms operating under moderate governance concentration and diversified relational exposure exhibited what can be described as *scaffolded enablement*. These firms combined stable buyer relationships with participation in multiple trade fairs and, in some cases, limited direct buyer engagement. Medium-sized firms such as D3 and D4 exemplified this configuration. As D4 noted:

“Our associations with major retailers ensure steady orders and essential market insights.”

Crucially, however, these firms were not exclusively tied to a single buyer or channel. Exposure to multiple fairs and diversified client portfolios allowed them to interpret signals comparatively rather than uncritically. External scaffolding provided guidance yet did not fully determine strategic direction.

In these cases, scaffolded sensing enabled informed adaptation across markets rather than dependence on a single information source. Scaffolded seizing translated into stable yet flexible order management. Scaffolded transforming remained buyer-aligned but was distributed across relationships, reducing vulnerability to unilateral specification changes.

The outcome was sustained export continuity combined with bounded strategic discretion. Scaffolding functioned as a learning accelerator rather than a constraining mechanism.

4.4.2 Dependence and Lock-In

In contrast, firms embedded within highly concentrated buyer relationships or exclusivity arrangements experienced scaffolded dependence. Micro-firms and narrowly positioned exporters demonstrated this pattern most clearly. Limited alternative channels reduced bargaining power and restricted strategic experimentation. As M3 observed:

“Our resources do not match the needs of big brands.”

Where exclusivity clauses were present, relational concentration intensified:

“We cannot share OEM designs due to exclusivity; cooperation is not beneficial.” (D2)

Under these conditions, externally scaffolded sensing narrowed to buyer-defined signals. Seizing became synonymous with order execution rather than opportunity diversification. Transforming processes increasingly aligned with single-buyer standards, reducing cross-market transferability.

Over time, capabilities became buyer-specific rather than market-adaptive. Strategic manoeuvrability declined as switching costs and compliance dependence increased.

In this trajectory, scaffolding did not merely guide adaptation; it structured capability development in ways that entrenched relational lock-in.

4.4.3 Boundary Conditions Shaping Outcome Divergence

The divergence between enablement and dependence was not random but systematically conditioned by two interrelated dimensions: governance configuration and firm-level navigation capacity.

First, governance configuration shaped the structural space within which externally scaffolded capabilities unfolded. High buyer concentration, strong exclusivity clauses, and rigid compliance regimes increased relational dependence. Where firms were tied to a narrow buyer base, externally transmitted specifications and procedural templates narrowed the scope of strategic discretion. Under concentrated governance, externally scaffolded sensing became buyer-specific, seizing centred primarily on order fulfilment and transforming aligned with singular compliance routines. Over time, this configuration stabilised operational adjustment while reinforcing relational lock-in rather than diversification.

Second, outcome divergence depended on navigation capacity, the firm's ability to interpret, recombine, and redeploy externally transmitted knowledge across multiple relationships. Firms with diversified trade fair participation, broader buyer portfolios, and prior managerial experience were better able to buffer governance constraints and interpret scaffolded signals as learning opportunities rather than fixed directives.

Exposure to multiple channels enabled comparative interpretation of market signals rather than reliance on a single buyer's direction. In these cases, external scaffolding facilitated adaptive learning while preserving bounded strategic discretion.

Digital engagement modestly extended this navigation capacity. Several younger firms reported using social media platforms to maintain direct communication with buyers and obtain informal market feedback. As one entrepreneur explained:

"I use Instagram and WhatsApp to share updates and receive feedback." (M2)

Although such tools did not fundamentally alter governance asymmetry, they expanded informational visibility and slightly reduced dependence on single buyer-mediated signals. Digital engagement, therefore, functioned as a supplementary sensing mechanism rather than a substitute for established buyer-governed channels.

Taken together, these findings demonstrate that externally scaffolded dynamic capabilities are contingent in their effects. Under conditions of concentrated governance and limited relational diversification, scaffolding channels adaptation toward dependence. By contrast, where governance exposure is moderated through diversified buyers and alternative information channels, scaffolding accelerates capability development while preserving bounded strategic flexibility.

Outcome divergence, therefore, reflects the interaction between structural governance conditions and firm-level navigation capacity rather than the mere presence of network relationships.

Table 4. Cross-case pattern: Externally Scaffolded Capability configurations

Firm	Dominant scaffold providers	Governance intensity	ESC pattern	Network diversification	Outcome configuration
M1	Buying agencies + trade fairs	Moderate	Buyer-informed sensing; compliant seizing; incremental transformation	Moderate	Enablement
M2	Trade fairs + relatives + agencies	Moderate	Diversified sensing; selective seizing; production upgrading	High	Enablement
M3	Distributors + agencies	High	Filtered sensing; dependent seizing; OEM adaptation	Low	Dependence-prone
M4	Agencies + digital tools	Moderate	Hybrid sensing; relational seizing; design adjustment	Moderate	Enablement
S1	Agencies + promotion events	High	Agency-filtered sensing; compliance-led seizing	Low	Dependence-prone
S2	Single dominant buyer	High	Buyer-dictated sensing; exclusive seizing; constrained transformation	Low	Dependence
S3	Agencies + local ties	Moderate	Relational sensing; constrained seizing; incremental transformation	Moderate	Mixed
S4	Agencies + distributors	Moderate	Fair-driven sensing; expanding seizing; scaling transformation	Moderate	Enablement
D1	Agencies + OEM buyers	High	Designer-led sensing; contract-based seizing	Low	Dependence-prone
D2	Relatives + promotion platforms	Moderate	Market-informed sensing; selective seizing	Moderate	Enablement
D3	Agencies + fairs	Moderate–High	Regulatory sensing; compliance-driven seizing	Moderate	Mixed
D4	Major retailers	High but diversified	Retail-led sensing; stable seizing; capacity scaling	High	Enablement

Source: Developed by the authors

5. Discussion

This study examined how low-technology entrepreneurial ventures internationalise within buyer-driven global value chains characterised by governance asymmetry. Rather than treating networks as neutral enablers of international expansion, the findings show that international adaptation unfolds through externally scaffolded processes that structure the enactment of dynamic capabilities.

By highlighting how governance architectures shape adaptive routines, the study offers a governance-conditioned interpretation of dynamic capabilities in resource-constrained international contexts and reframes capability development within asymmetric international networks.

Figure 1 summarises the governance-conditioned capability framework emerging from the study, illustrating how governance asymmetry generates external scaffolding mechanisms that shape the enactment of sensing, seizing, and transforming, and lead to divergent trajectories of export enablement or relational dependence.

5.1 Repositioning Dynamic Capabilities in Asymmetric Governance Contexts

Dynamic Capabilities Theory conceptualises sensing, seizing, and transforming as processes enabling strategic renewal (Teece *et al.*, 1997; Teece, 2007). Empirical applications have largely examined firms operating with substantial strategic discretion (Helfat *et al.*, 2007; Weerawardena *et al.*, 2007). The present findings challenge this assumption in low-technology exporting environments.

In the Moradabad cluster, sensing was rarely an autonomous market-scanning exercise. Seasonal design briefs, buyer forecasts, and agency-mediated intelligence shaped which opportunities became visible. As one entrepreneur noted, “*We wait for the buying agency to confirm the colour direction; otherwise, we do not change.*” Opportunity recognition was therefore anchored in externally filtered information flows.

Seizing similarly unfolded within predefined contractual and compliance frameworks. Product variation, pricing, and delivery schedules were frequently confined to buyer-specified formats, while transforming processes were often triggered by audits or revised technical standards rather than internally initiated experimentation. Adaptation, therefore, emerged as governance-conditioned rather than fully self-directed.

These findings extend emerging work emphasising the dynamic capabilities–environment nexus, which argues that adaptive capabilities evolve through interaction with environmental structures rather than purely internal orchestration (Cristofaro *et al.*, 2025). In buyer-driven global value chains, governance architectures shape the informational and procedural conditions under which sensing, seizing, and transforming occur.

5.2 External Scaffolding as a Governance-Conditioned Mechanism

The findings identify external scaffolding as the mechanism linking governance asymmetry to capability development. Network research emphasises relational

embeddedness in SME internationalisation (Coviello and Munro, 1995; Johanson and Vahlne, 2009) but typically portrays networks as resources that firms strategically leverage.

The evidence suggests a more structuring role. Buying agencies, compliance regimes, codified specifications, and exclusivity arrangements define the parameters within which adaptation unfolds. Scaffolding operates through filtered market signals, prescriptive production standards, and inspection routines that reduce uncertainty while limiting discretion. Externally scaffolded dynamic capabilities, therefore, refer to capability enactment structured by hierarchical governance arrangements rather than reciprocal network relationships.

At the micro-foundational level, scaffolding shapes managerial interpretation and organisational routines. Entrepreneurs interpret buyer signals, translate codified standards into operational practices, and selectively internalise externally imposed procedures. This reflects the interaction between managerial judgement and environmental influence highlighted in evolutionary perspectives on dynamic capabilities (Cristofaro and Lovallo, 2022).

Crucially, the analysis reveals an empirical pattern that existing frameworks do not adequately explain: capability development occurs without a corresponding increase in strategic autonomy. Across cases, firms improved production efficiency, compliance alignment, and export continuity, yet these advances did not translate into

independent market positioning or reduced reliance on dominant buyers. Instead, capability development remained closely tied to externally defined specifications, procedural requirements, and relational structures.

This decoupling of capability development from autonomy challenges core assumptions in learning-by-exporting and network-based perspectives, which typically associate capability accumulation with increasing independence. The externally scaffolded dynamic capabilities lens reveals a governance-conditioned capability regime in which learning and dependence co-exist, making visible a form of adaptive development that remains structurally bounded.

The findings also show that governance-based scaffolding produces divergent developmental trajectories. In educational psychology, scaffolding refers to temporary support structures designed to facilitate independent learning. In buyer-driven global value chains, however, scaffolding is embedded in ongoing governance relationships and may therefore persist over time. In this context, scaffolding is reconceptualised as a structurally persistent governance mechanism shaping capability enactment rather than a temporary developmental support. Rather than being withdrawn, scaffolding in this context operates as a governance-embedded mechanism that structures the conditions under which sensing, seizing, and transforming are enacted.

Under diversified governance exposure, such as access to multiple buyers or alternative channels, externally scaffolded routines may be recombined and selectively

internalised, supporting capability development and adaptive flexibility. Under concentrated buyer power or exclusivity arrangements, the same mechanisms may reinforce dependence by aligning organisational routines closely with the requirements of a dominant buyer. Governance scaffolding should therefore be interpreted not as a transitional support device but as a relational structure shaping the trajectory and boundaries of capability enactment.

Externally scaffolded dynamic capabilities, therefore, differ from established relational constructs. Unlike network capability, which emphasises relationship management, ESDC explains how governance architectures shape the micro-foundations of sensing, seizing, and transforming. Unlike embeddedness perspectives centred on trust and proximity, ESDC foregrounds asymmetry and structured constraint, showing how capability development can be simultaneously enabled and bounded by the same governance mechanisms.

5.3 Divergent Enterprise Development Pathways

A key contribution of this study lies in demonstrating that externally scaffolded capability enactment produces divergent trajectories. Entrepreneurial venture internationalisation research often assumes that network participation enhances competitiveness and upgrading (Harris and Wheeler, 2005; Ciravegna *et al.*, 2014). The findings instead reveal a contingent pattern.

Where buyer portfolios were diversified, and firms accessed multiple trade fairs or complementary digital channels, scaffolding enhanced adaptive capacity and export continuity. Structured guidance facilitated learning while preserving manoeuvrability, enabling firms to translate externally transmitted signals into incremental strategic flexibility.

Conversely, where buyer concentration and exclusivity restricted alternatives, scaffolding reinforced dependence. Compliance demands narrowed experimentation and strengthened routines aligned with fixed specifications, thereby limiting strategic discretion. Dependence, therefore, emerged not only as an economic outcome but also as a trajectory of capabilities.

These findings suggest that externally scaffolded dynamic capabilities may function as enabling or constraining mechanisms depending on governance configuration. Adaptive routines may support learning under diversified governance exposure but reinforce lock-in where buyer concentration limits strategic alternatives.

5.4 Boundary Conditions and Enterprise-Level Implications

Outcome divergence was conditioned by governance configuration and firm-level navigation capacity. However, rather than merely functioning as structural constraints, the findings suggest that these conditions shape the intensity and configuration of external scaffolding, thereby influencing how dynamic capabilities are enacted.

Buyer concentration, exclusivity arrangements, and access to alternative channels did not simply limit or enable firms; they determined the depth, rigidity, and diversity of scaffolded routines through which sensing, seizing, and transforming unfolded. High buyer concentration and strong exclusivity intensified scaffolding, resulting in deeply embedded, buyer-aligned routines that enhanced operational stability but reduced flexibility in capability recombination. Under such conditions, externally scaffolded capabilities became increasingly specific to dominant relational structures, reinforcing dependence and limiting cross-context adaptability.

In contrast, exposure to multiple buyers, trade fairs, and alternative channels reduced scaffolding rigidity by introducing plural and partially overlapping guidance structures. This enabled firms to interpret, compare, and selectively internalise externally transmitted signals rather than reproducing them uncritically. As a result, externally scaffolded capabilities in these contexts exhibited greater potential for recombination, supporting adaptive flexibility while preserving export continuity.

Firm-level navigation capacity further conditioned these dynamics. Firms with stronger absorptive capacity, prior experience, and broader relational exposure were better able to reinterpret scaffolded guidance as transferable knowledge rather than fixed procedural requirements. Navigation capacity, therefore, influenced whether external scaffolding was internalised as a constraint or leveraged as a platform for learning. Unlike absorptive capacity, which primarily refers to the assimilation and

utilisation of external knowledge, navigation capacity captures the ability to interpret, recombine, and strategically reposition externally scaffolded inputs across multiple governance relationships.

In some cases, externally scaffolded routines were internalised as transferable capabilities that could be adapted and redeployed across contexts, whereas in others they remained locked into buyer-specific requirements, limiting their applicability beyond the focal relationship. This distinction highlights how governance conditions shape not only the enactment of capabilities but also the extent to which such capabilities can be generalised or remain context-bound.

Managerial heterogeneity thus mediates externally scaffolded capability enactment not by altering governance structures, but by shaping how firms engage with and recombine scaffolded inputs. While governance architectures define the boundaries of adaptation, entrepreneurs differ in their ability to transform externally imposed routines into contextually adaptive practices.

These findings reorient how enterprise development is conceptualised within global value chains. Rather than viewing governance conditions such as buyer concentration or network embeddedness as static enablers or constraints, the externally scaffolded dynamic capabilities perspective conceptualises them as structuring mechanisms that shape the form and trajectory of capability development.

Development trajectories are therefore not only governance-contingent but scaffolding-

contingent, reflecting how external guidance is distributed, interpreted, and recombined.

External scaffolding may thus support export continuity while simultaneously constraining strategic deepening, depending on how governance conditions shape the intensity and diversity of the enactment of scaffolded capabilities.

5.5 Theoretical Advancement

First, the study reconceptualises dynamic capabilities as potentially externally scaffolded rather than purely internally orchestrated organisational processes. In buyer-governed, low-technology contexts, adaptive routines emerge through structured interactions with dominant external actors, suggesting that capability enactment may be conditioned by governance architectures rather than by managerial orchestration alone. Importantly, the findings demonstrate that such capability development may occur without a corresponding increase in strategic autonomy, revealing a governance-conditioned form of adaptation in which learning and dependence co-exist.

Second, the study bridges Dynamic Capabilities Theory with global value chain governance research by demonstrating that power asymmetries shape capability formation itself rather than merely influencing upgrading outcomes. Whereas global value chain research primarily explains upgrading trajectories within international production networks, the present study shows how governance structures condition the micro-processes through which sensing, seizing, and transforming are enacted. In doing

so, the study shifts the analytical focus from capability outcomes to capability conditioning, highlighting how externally imposed structures define the scope and direction of adaptive processes.

Third, the study introduces a governance-conditioned model of entrepreneurial venture internationalisation. Adaptation within asymmetric networks may generate either capability enablement or governance-induced dependence, depending on governance configuration and firms' ability to navigate externally structured routines. This model further demonstrates that externally scaffolded capabilities are not uniformly enabling; their developmental consequences vary with the intensity and diversity of governance-based scaffolding.

More broadly, the study contributes to emerging debates emphasising the relational and environmental foundations of dynamic capabilities. By demonstrating how governance architectures shape the enactment of sensing, seizing, and transforming, the study advances a structurally embedded interpretation of capability development among entrepreneurial ventures operating within asymmetric global production systems. Taken together, these insights position externally scaffolded dynamic capabilities as a distinct theoretical lens that explains how governance structures simultaneously enable and bound entrepreneurial adaptation in international contexts.

To further clarify the distinctiveness of this perspective, it is useful to position the findings in relation to adjacent theoretical explanations. Alternative perspectives, such as institutional theory and resource dependence theory, provide valuable insights into constraint and dependence within asymmetric relationships. However, these approaches primarily explain why firms conform to external pressures or remain dependent on dominant actors. They also tend to treat governance structures as external constraints or pressures, rather than as mechanisms that actively shape how capabilities are formed and enacted. They do not fully capture how such governance structures shape the micro-processes through which capabilities are enacted. The externally scaffolded dynamic capabilities perspective extends these explanations by demonstrating how governance not only constrains but actively structures the formation and enactment of sensing, seizing, and transforming.

6. Implications

6.1 Managerial Implications

The findings show that managers of low-technology entrepreneurial ventures embedded in buyer-driven value chains must recognise the structural duality of external scaffolding. Buyer guidance, compliance systems, and design specifications reduce uncertainty and facilitate export participation, yet under concentrated governance, these mechanisms may narrow strategic discretion and reinforce dependence.

First, relational diversification should be treated as a developmental strategy rather than merely a market-expansion tactic. Heavy reliance on a single dominant buyer increases vulnerability to margin compression and capability specificity. Participation in multiple trade fairs, geographically diversified buyer portfolios, and complementary digital channels can broaden exposure to opportunities and reduce relational concentration. For entrepreneurial ventures with limited bargaining power, diversification serves as a mechanism to preserve adaptive flexibility rather than merely increase sales volume.

Second, absorptive and interpretive capacity represent critical micro-foundations of entrepreneurial resilience and adaptive capability development. Divergence between enablement and lock-in was shaped less by the presence of scaffolding than by firms' ability to interpret and redeploy externally transmitted knowledge across relationships. Investment in managerial training, market intelligence routines, and design interpretation capabilities strengthens navigation within governance constraints. Entrepreneurs who reinterpret externally transmitted standards are better positioned to convert compliance routines into platforms for incremental capability upgrading.

Third, digital engagement should be understood as a governance-balancing mechanism rather than solely a marketing function. Direct communication through platforms such as Instagram and WhatsApp increased informational visibility and modestly reduced information asymmetry in several cases. While digital tools do not

eliminate dependence, they can broaden access to information and increase strategic manoeuvrability within buyer-driven systems. Entrepreneurial ventures cannot eliminate governance asymmetry, but they can strategically manage their positioning within it.

6.2 Implications for Intermediaries and Lead Firms

For buying agencies and lead firms, the findings underline the developmental consequences of governance configuration. Structured scaffolding can accelerate supplier learning when accompanied by transparency, consistent feedback, and gradual transfer of operational knowledge. By contrast, excessive exclusivity, opaque signal filtering, and rigid compliance enforcement may stabilise short-term efficiency while constraining supplier-level adaptive capacity.

Lead firms that combine specification discipline with autonomy-building practices are more likely to strengthen relational durability and supply chain resilience. Encouraging supplier experimentation, sharing market intelligence more openly, and allowing limited design variation can support supplier capability development without compromising quality control.

In labour-intensive sectors (see, e.g., Li *et al.*, 2026), sustainable competitiveness depends not only on cost control but also on the adaptive development of small supplier firms. Value chain sustainability, therefore, requires calibrated scaffolding rather than unilateral control.

6.3 Policy Implications

For policymakers in emerging markets, the study suggests that export promotion should move beyond access facilitation toward capability deepening. Expanding participation without addressing governance concentration risks stabilising dependence rather than enabling upgrading.

Cluster-level initiatives can expand alternative routes to market access through subsidised trade fair participation, collective branding, and investment in digital export infrastructure. Policies that enable firms to access multiple international buyers simultaneously can reduce structural dependence within buyer-driven production networks.

Targeted training in compliance management, contract negotiation, and market signal interpretation can strengthen firms' capacity to navigate governance systems. In addition, simplifying export documentation and reducing procedural burdens would allow small firms to allocate greater resources toward capability development rather than administrative compliance.

6.4 Broader Developmental Implications

In heritage-based and labour-intensive sectors, governance configuration shapes not only firm-level outcomes but also community-level development trajectories. Where scaffolding supports learning while preserving relational flexibility, global integration

can coexist with income stability and cultural continuity. Conversely, where dependence deepens, opportunities for upgrading narrow and autonomy diminishes.

Global value chain participation is therefore not inherently developmental. Its impact depends on how governance structures interact with firm-level navigation capacity. Understanding enterprise development in such settings requires examining how governance architectures shape the evolution of adaptive capabilities within global markets.

7. Conclusion

This study examined how low-technology entrepreneurial ventures internationalise within buyer-driven global value chains characterised by governance asymmetry. Drawing on qualitative evidence from exporting firms in a handicraft cluster, the findings show that adaptation in resource-constrained contexts occurs through externally scaffolded processes in which sensing, seizing, and transforming are structured by buyers, intermediaries, and compliance systems rather than purely internal managerial action.

The study demonstrates that dynamic capabilities in such contexts emerge as governance-conditioned enactments. Market signals are filtered through buyers, design authority is often externally defined, and compliance regimes shape organisational adjustment. By highlighting how governance architectures structure these adaptive

routines, the study extends dynamic capabilities theory and provides a governance-conditioned perspective on capability formation within global value chains.

Externally scaffolded adaptation produces divergent trajectories. Where firms access diversified buyers and alternative channels, scaffolding enhances adaptive capacity and supports capability development. Where buyer concentration and exclusivity dominate, however, scaffolding reinforces dependence and constrains strategic discretion.

Overall, the study advances a governance-conditioned account of entrepreneurial venture internationalisation, showing that participation in global value chains can simultaneously enable learning while reinforcing structural constraints. Understanding enterprise development in such contexts, therefore, requires closer attention to how governance architectures shape the conditions under which entrepreneurial capabilities emerge and evolve.

8. Limitations and Future Research Directions

This study develops a process-based explanation of externally scaffolded dynamic capabilities in low-technology entrepreneurial ventures operating within asymmetric global value chains. Several limitations suggest directions for future research.

First, the empirical focus on a single industrial cluster in one emerging economy limits contextual breadth. Although Moradabad offers a theoretically relevant setting, comparative studies across sectors and countries would help assess the broader applicability of externally scaffolded dynamic capabilities.

Second, the study draws primarily on interviews with entrepreneurial venture owner-managers and therefore captures the perspectives of firms receiving governance-based scaffolding rather than those designing it. Accordingly, the analysis reflects perceived scaffolding from the standpoint of entrepreneurial ventures, rather than capturing the intentional design of governance mechanisms by buyers or intermediaries. This distinction has implications for interpretation, as observed capability patterns reflect how scaffolding is experienced and internalised by firms rather than how it is strategically structured by dominant actors. Future research incorporating buyers, agencies, or intermediaries could provide a more comprehensive understanding of how scaffolding mechanisms are structured within global value chains.

Third, the analysis relies on retrospective qualitative accounts. Longitudinal studies could examine how capability trajectories evolve over time, including whether entrepreneurial ventures transition from scaffold dependence toward greater strategic autonomy.

Finally, while the study distinguishes between enablement and dependence trajectories, it does not directly examine their performance implications. Future research could operationalise externally scaffolded dynamic capabilities and investigate their relationships with export resilience, upgrading and survival outcomes. In addition,

digital platforms and algorithmic coordination may introduce new governance mechanisms shaping capability enactment in global value chains.

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