

ABSTRACT

Small and medium sized enterprises (SMEs) play an important role in Pakistan's GDP, particularly in the textile sector, which significantly contributes to economy and employment. Despite their importance, the success of textile SMEs remains an underexplored area in empirical research. This study investigates the critical success factors influencing SME performance in Lahore's textile sector by integrating the Resource Based View (RBV) and Dynamic Capabilities View (DCV). RBV emphasizes internal firm resources such as management capacity, human resource practices, and access to finance, whereas DCV highlights strategic planning, entrepreneurship and innovation, and networking/partnerships as key drivers for adaptability and competitive advantage.

An exploratory descriptive research design was employed, collecting data from 404 textile SMEs through structured questionnaires. Statistical analyses, including SPSS27 based descriptive analysis and SmartPLS4 based structural equation modeling (SEMPLS), were conducted to examine direct, mediating, and moderating relationships. The results indicate that both RBV and DCV factors significantly influence SME success, with organizational capabilities (operational efficiency, innovation output, and knowledge sharing) playing a critical mediating role. However, market dynamics and government policy support showed statistically insignificant moderating effects, suggesting that internal capabilities have a stronger impact on SME performance than external influences.

The study focuses to the strategic management field by reinforcing the relationship between RBV, DCV, and organizational capabilities in determining SME success. Practical implications suggest that SME managers should prioritize internal strengths, foster innovation, and enhance operational competencies rather than relying heavily on external factors. Policymakers should reevaluate existing support frameworks to ensure they effectively contribute to SME growth. Future research could expand the scope by including multiple industrial sectors and adopting a longitudinal approach to better understand evolving success factors.

Keywords: SME Success, Textile Industry, ResourceBased View, Dynamic Capabilities, Organizational Capabilities, External Factors, Policy Support, Lahore Pakistan