

Exploring Innovative Business Strategies Utilized by Strategic Leaders in Managing Start-Ups within a VUCA Environment

A Study based on Best Performing Startups in Sri Lanka

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Abstract

This research examines how strategic leaders in Sri Lankan startups navigate the challenges of a Volatility, Uncertainty, Complexity, Ambiguity (VUCA) environment through innovative strategies. The study utilized an interpretivist philosophy and adopted a qualitative case study approach, concentrating on best performing Sri Lankan startups based on startup ranking website. Data was gathered using semi-structured interviews and secondary sources. Data analysis was undertaken using the thematic analysis method. Thematic analysis was applied to systematically code the data and reveal recurring themes related to strategic leadership in startups, offering a comprehensive understanding of the phenomenon. Accordingly, the study found valuable insights into how strategic agility, technology integration and ecosystem collaboration serve as crucial factors for startups to achieve sustainable competitive advantage in a VUCA environment. Moreover, strategic leadership in these situations requires fostering a culture of ongoing learning, teamwork and data-driven decision-making, in addition to proactive integration of technology such as AI and machine learning. Startup leaders utilize strong entrepreneurial ecosystems that include incubators and public-private partnerships to enhance local economies and promote resilience. The research enhances current literature by illustrating how startups in Sri Lanka focus on innovative strategies, such as sustainability initiatives by utilizing dynamic capability theory. Thus, recommendations focus on incorporating post-crisis evaluations into strategic planning, improving leadership training for adaptable decision-making and promoting a culture of continuous learning and accountability to navigate VUCA environments successfully.

Keywords: *Innovative strategies, Strategic leadership, Startups, Thematic analysis, VUCA environment*

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I. Introduction

The world is undergoing a tremendous transformation and this transformation is reverberating on every industry, market and each business (Mathende & Yousefi, 2021). There is a need to adopt new strategies and make plans for the future in order to avoid the dangers to survival that are present everywhere and more importantly, to seize the numerous new opportunities that change presents. On the other hand, a variety of crises can affect business organizations. Hence, there is no "one way" to handle a crisis and each one presents a unique challenge, it is helpful to know what sets a crisis apart from an unpleasant business challenge. Leadership continues to be one of an organization's most crucial factors. Most businesses believe that leadership plays a unique, important and constructive role in fostering organizational success. Leadership studies has historically been a leader-centered study that has focused on the traits of the particular leader. Effective leadership and the degree of impact leaders have on followers are explained by a variety of modern leadership models, including transformational leadership, servant leadership, authentic leadership (Nordin et al., 2021). The research by CAI et al., (2024) shows start-ups, particularly small and medium-sized businesses (SMEs), are particularly vulnerable in these kinds of settings because of their limited financial resources, limited managerial ability and strong reliance on external market conditions. As a result, the survival and expansion of a start-up are significantly influenced by the quality of its leadership.

Scholars have made a rigorous effort to advise managers on the strategic leadership needs of the dynamic environments of today. Hence, competition in the 21st century's global economy will be complicated,

demanding and full of competitive opportunities and threats (Crossan et al., 2008). In order to help businesses, improve performance while competing in VUCA conditions, researchers emphasized the necessity of strong strategic leadership approaches (Tortolini, 2024). Volatility refers to rapid changes, uncertainty reflects a lack of clarity about future events, complexity involves difficulties in identifying cause and effects and ambiguity explains circumstances where the meaning is unclear. The study observed by Salicru (2020) found lack of understanding of current technology advancements and how they affect leadership styles is a major source of leadership issues. Technology has a significant impact on organizational operations and leadership styles. Therefore, it is imperative to investigate new frameworks and strategies that assist startup organizations in efficiently handling risk and uncertainty while encouraging continuous innovation and adaptability.

An organization's top leaders' experiences, values, personalities and cognitive frameworks all have a significant impact on the strategic choices they make, which in turn affect the overall direction and results of the organization. These leaders' responses to opportunities and challenges are influenced by their personal interpretations of complex strategic situations. Entrepreneurs as leaders help start-up organizations develop creativity, agility and growth while ensuring the business survives uncertainty and changes strategically by combining leadership traits with entrepreneurial actions (Zaech & Baldegger, 2017). Therefore, this viewpoint highlights entrepreneur's leadership as crucial for the successful development of ventures by combining traditional leadership theories with the particular requirements of entrepreneurship.

II. Problem Statement

Small and medium-sized businesses and startups around the world have been badly affected by the COVID-19 epidemic, which has caused major disruptions in a number of economic sectors (Aldianto et al., 2021). Young businesses with few resources, as startup organizations, have been particularly vulnerable to the pandemic's economic shocks. Significant drops in sales and customers, supply chain interruptions, shortened business hours, terminations of employees and issues in sustaining financial stability are among the challenges encountered. For many startup organizations to thrive, they had to adapt their business models or look into new markets opportunities. A number of subjects have been studied in previous studies on leadership and start-up performance, including transformational leadership, innovation capability and strategic agility (Ratnayake & Eranda, 2025). Research of the Hao & Yazdanifard, (2015) indicated that executives who foster creativity, adaptability and risk-taking are better equipped to lead companies through unpredictable times. Although, the majority of the current literature either looks at large, organizations or treats leadership traits separately, which restricts the findings' relevance to start-ups working in volatile, uncertain and complex environments. Furthermore, there are currently few empirical studies examining how leaders strategically address VUCA challenges in start-up contexts, despite the fact that VUCA has gained popularity. In the view point of Ishaq & Elgeddawy (2025) strategic leadership is the capacity to anticipate, envision, adaptable and enable others to implement strategic change that ensures the success of the organization.

Although Teece, (2018) dynamic capabilities theory provides a strong foundation for understanding how businesses adapt and reshape their resources, yet there are significant issues. Dynamic capability theory fills the gap by explaining resource reconfiguration in established businesses, but it falls short in explaining how strategic leaders in Sri Lankan start-ups with limited resources develop and maintain capabilities in a VUCA environment. Moreover, this theory has underexplored the importance of strategic leader whose choices have a direct impact on startup business's ability to growth and survival. Additionally, there is an assumption that businesses already have established resource bases, yet start-ups have to develop capabilities from the scratch in their early stages of existence. All of these gaps emphasize the necessity of expanding dynamic capacity theory to take into consideration, leadership driven strategies that help start-ups succeed in VUCA situations. Accordingly, the purpose of this study is to explore how Strategic leadership in startup business use innovative strategies to navigate a VUCA environment.

III. Literature Review

As per the idea of Bennett & Lemoine (2014) effective leadership is essential for companies to succeed, particularly in a VUCA environment. In turn beyond achieving objectives, leadership should entails understanding changes in the external environment, managing a variety of stakeholders, forming organizational culture according to ethics and developing fundamental competencies that maintain competitive advantage. Bass (2007) defined strategic leadership as the ability to steer an organization toward its long-term objectives by planning ahead, critical decision-making and effective communication.

In today's fast-paced market environment marked by VUCA, it is essential to provide effective leadership while developing organizational leadership capabilities (Millar et al., 2018). According to recent research studies, developing organizational leadership skills is important for effective leadership in VUCA contexts rather than relying only on personal traits. The study by Salicru, (2020) shown the ten essential leadership skills that foster a culture of trust, integrity, accountability, teamwork, innovation, high performance

and success. Those are namely strategic intelligence, adaptability, sensemaking, storytelling, social intelligence, authenticity, psychological capital, creative thinking, cultural intelligence and collective leadership capability. Organizations that experience turbulence find it challenging to forecast and plan for the future due to the swift and unpredictable changes that take place in the business environment. Organizational turbulence is defined by Syed Mohamad & Hauer, (2017) using three main dimensions as presented below.

- i. Dynamism: This refers to how quickly and to what extent important aspects of the environment surrounding the organization are changing. It reflects the speed and frequency of change.
- ii. Complexity: In its operations, the organization must manage and respond to a wide range of environmental influences, including their diversity.
- iii. Munificence: This dimension characterizes how resource-rich for the organization's continued success and growth. Greater munificence translates into greater resources and growth prospects.

Startups

A startup is a young business founded with the intention of growing quickly and scaling up in order to address a need or solve an issue in an innovative way (Kulupparachchi et al., 2016). Startups often operate with fewer resources, changing organizational structures and a great deal of uncertainty, in contrast to legacy businesses. The complexity theory suggests that startups function as "dissipative structures" or complex adaptive systems that self-organize and renew through interactions with their environment (Tsai & Lan, 2005). In order to effectively embrace this complexity, entrepreneurs should accept the underlying chaos, put an emphasis on adaptability, seize opportunities as they arise, be willing to make mistakes and encourage information exchange. In software product firms in particular, the startup phase is the time frame between the ideation of a product and the first sale. Generally, it starts with a founder who has a vision and recognizes a market niche that technology can fill (Crowne, 2003). Key executives and technical specialists are part of the team, which is usually small and concentrates on creating the first product. Entrepreneurial orientation is a behavioral concept that analyzes the procedures to decision-making that an organization uses to carry out entrepreneurial endeavors. In the discussion of Sriyani *et al.*, (2020) proactiveness, competitive aggressiveness, risk-taking, innovativeness and autonomy are all aspects of EO that reflect a firm's tendency to support and manifest entrepreneurial behaviors on a regular basis.

VUCA Environment

The turbulence caused by the VUCA environment affects both operational and strategic management. In the view point of Nowacka & Rzemieniak (2022) leaders frequently rely on established procedures and patterns, which can reduce alertness and intuition and result in more mistakes and misjudgments. This is due to the fact that VUCA environments necessitate quick adaptation, innovative thinking and resilience qualities that are often absent from conventional leadership training.

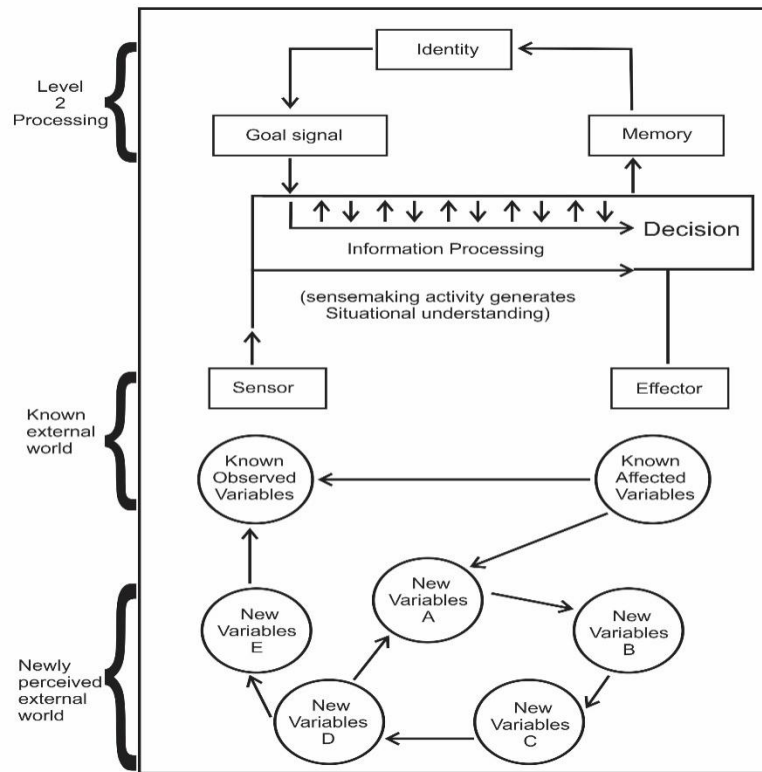
Table 1 – Discovered new information and VUCA environment

Component	Description
Volatility	Leaders must design adaptable systems that can swiftly explore, adjust and recalibrate since the world is changing constantly and new factors are always appearing.
Uncertainty	Leaders need to invest in building cultures and systems that can digest new information and update mental models. The assertion is not all factors and their connections are understood.
Complexity	The causation and interdependencies are still unknown, even with known factors. In order to handle intricate feedback loops and dynamics, leaders must develop their analytical skills and promote systems thinking.
Ambiguity	The function of identity, goals and memory is crucial as these components served as decision making pillars and offer coherence in the face of ambiguity. Accordingly, leaders work with imperfect and occasionally contradicting evidence.

(Source: Compiled by researchers)

The above table 1 shows in a VUCA environment, how leaders need to be adaptable, agile and resilient to manage continuous changes and uncertainties.

Figure 1- System analyzes variables for understanding



(Source: Bartscht, 2015)

The above figure 1 describes an understanding of the causal dynamics of the recently identified variable is necessary for situational understanding. In order to do this the organization system must first identify each of the many variables and then attempt to determine the causal relationships between them. As demonstrated in figure 1 strategic leaders in start-ups operate inside a VUCA environment by participating in constant sensemaking and adaptive decision-making. It indicates that leaders need to continually observe the external environment using “sensors” to identify new factors and changes, analyze this information to develop situational awareness and make choices informed by organizational values, objectives and previous experiences. These decisions are implemented via “effectors,” resulting in outcomes that create new variables and feedback, which are once more observed and reanalyzed in a continuous loop. This process illustrates how start-up leaders manage uncertainty by swiftly acquiring knowledge, adapting and aligning their actions with their mission allowing them to effectively react to changing market conditions and sustain strategic agility in a VUCA landscape.

Dynamic Capability Theory

During the 1980s and 1990s, businesses competed mostly on aspects of operational excellence, such as speed, quality, efficiency and customer response. However Lawson & Samson, (2001) identified these elements were no longer sufficient for a long-term competitive advantage; instead, those became the minimum threshold to compete successfully. Dynamic capability theory offers a framework for comprehending how business organizations are prosper in complex and quickly evolving environments by creating unique strategy procedures and practices to consistently innovate, adapt and reconfigure resources more successfully than competitors (Tece, 1997). Successful innovation is a critical challenge for businesses today. In this environment, developing innovation skill as part of a company's dynamic capacities is essential because it allows businesses to see opportunities, take advantage of them through innovation and continuously change their operations for long-term success. Hence, the development of dynamic capabilities to take advantage of new opportunities and transform organizational procedures and resources accordingly is facilitated by effective strategic leadership. In order to meet the challenges of the new millennium, leaders must foster adaptability and a culture that values change, continuous learning and innovation. For Sri Lankan startup businesses, dynamic capabilities are

particularly crucial because the ecosystem is marked by rapid change, limited resources and the need to compete on a local and international level(Sudhara Thrikawala, 2011). In order to remain competitive, startups need to acquire the capabilities necessary to recognize market opportunities, seize advantage of them with novel goods or services and transform their business structures and procedures.

Blue Ocean Strategy and Red Ocean Strategy

The Blue Ocean strategy provides a powerful and complementary way for handling VUCA environments by pushing startups to go beyond current market limitations (Nicolas, 2011). Thus, the organizations rather than competing in Red Oceans, leaders seek to establish blue oceans through the development of innovative products, services or value propositions that redefine customer needs and demand.

As identified by Seo *et al.*, (2021) in dynamic marketplaces, entrepreneurs must not only possess significant resources but also develop the competence to reconfigure and transform the resources continuously to adapt to quick environmental changes. This ability to gradually reorganize resource bundles turns into a critical source of competitive advantage for organizations. Resource Based View also facilitates strategic decision-making by empowering companies to deploy and manage resources effectively, which promotes innovation and adaptability. Therefore, in order to manage scarce resources in an VUCA environment, strategic leaders in startups must strike a balance between exploration and exploitation. Despite the vast body of research on dynamic capabilities, VUCA environment and strategic leadership, there is still limited empirical research on how strategic leadership contributes to the development of dynamic capabilities in startup environments.

IV. Methodology

This study was conducted using the interpretivism as research philosophy in exploring the innovative business strategies adopted by strategic leaders in navigating a VUCA environment. Interpretivism places more emphasis on comprehending people's subjective meanings, experiences, and interpretations than it does on pursuing objective (Jackson, 2020). According to Oshagbemi, (2017) an interpretivist ontological viewpoint, reality is subjective, multifaceted and socially constructed. This study views strategic leadership as a phenomenon influenced by the unique experiences, values of strategic leaders in startup firms rather than as a single objective fact. The way that a leader interprets and reacts to VUCA can differ depending on their own leadership philosophy industry dynamics and organizational culture. Numerous realities are present and the best way to understand the leader is to engage closely with the individuals. This study applies an interpretivist epistemological position, which holds that participants and the researcher co-create knowledge through social interaction. In order to learn about participants' viewpoints and lived experiences, the researcher actively interacts with leaders rather than maintaining a distance (Ahmed *et al.*, 2014). In line with the use of qualitative techniques including interviews, knowledge in this study is consequently interpretive, subjective and context-dependent. The interpretivist epistemology enables the researcher to record rich, comprehensive insights about how strategic leaders interpret and manage a VUCA environment. This method recognizes that knowledge is created in part by the researcher's interpretations and that understanding develops by discussion. The case study strategy was selected by the researcher from among various other strategies including experimental, action, survey and ethnography. Yin, (2014) proves case study method may be appropriate for different epistemological orientations and as a qualitative option it is an opportunity to learn and understand the phenomenon.

The study by Miettinen (2013), uses a variety of qualitative metrics including innovation, customer satisfaction, market presence in addition to financial metrics to define success in micro startup organizations. The findings further suggested that for a business to remain competitive and grow, innovation and capacity to adjust to changing market conditions are essential. In the current study the scholar approached the National enterprise development authority, Ministry of Industries and Department of census and statistics to obtain a proper ranking startup in Sri Lanka, although there is no existing mechanism for ranking. They only maintain a list of the startups in Sri Lanka based on the industry type. Purposive sampling was used to select the cases since the study needed cases with a lot of information about strategic leadership in a VUCA environment. Accordingly, this study's target population is the top ten startup companies in Sri Lanka in accordance to startup ranking website (<https://www.startupranking.com/top/sri-lanka>). It reflects the significance of a startup on the web and its social influence. The study was able to obtain a wide-ranging view on strategic leadership practices in the Sri Lankan startup ecosystem due to the diversity of these businesses' sizes, industries and markets. Thus, a multiple case study approach strengthens the findings' robustness through cross-case comparisons and the identification of common patterns and variances across various organizational contexts. Semi-structured interviews used to gather data in accordance with the interpretivist research philosophy. The ability to thoroughly examine participants' experiences and strategic decision-making processes was made possible using semi-structured interviews.

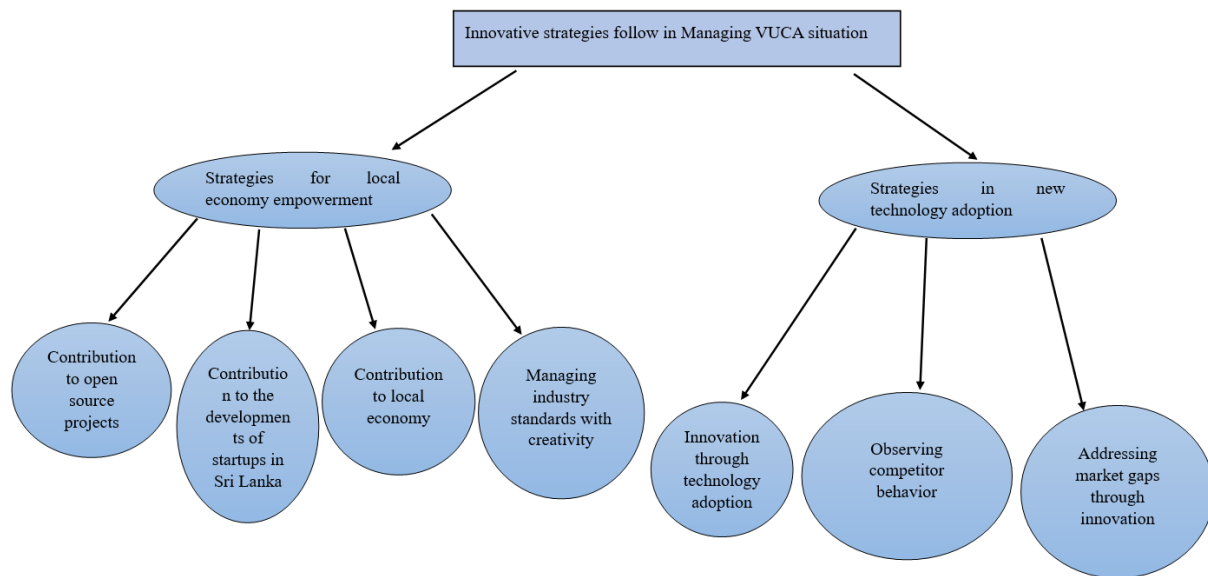
Braun & Clarke (2019) thematic analysis framework was used to analyze the data for this qualitative study. This method was selected due to its adaptability and capacity to offer a rich and in-depth explanation of

the data. Additionally, this flexible, non-theoretical method enables researchers to find and analyze themes. This approach involves the systematic coding of data to uncover recurring themes, concepts and patterns, providing a structured and rigorous means of interpreting qualitative information. Thematic analysis facilitates a nuanced understanding of participants' perspectives, allowing for the identification of key factors, relationships and insights relevant to the study's focus on Strategic leadership within top performing startup businesses in Sri Lanka. The utilization of thematic analysis ensures a robust and systematic examination of the qualitative data, contributing to the depth and richness of the research findings.

V. Findings

The themes are presented by participant quotes that provide empirical support and then the results are interpreted analytically to relate them to previous research and theoretical frameworks. Also the generation of these themes is illustrated using the figure 2 thematic map provided below.

Figure 2: Thematic map- Compiled by researchers



Theme 1: Strategies for local economic empowerment

Local economic empowerment refers to the strategies and initiatives that promote economic growth, job creation and community wellbeing within particular geographic areas particularly enhancing the opportunities and capabilities of local businesses and individuals. In order to ensure long term benefits for the local economy, leaders in the VUCA environment are designing strategies which are both future proof and responsive to current issues. In terms of fostering entrepreneurial eco system, required resources, networks, funding to entrepreneurs are there. The argument here is one of the main forces behind local economic growth is entrepreneurship. As such startup businesses are agile, capable of innovate and can assist create jobs, build community resilience in the face of rapid change and uncertainty. New business opportunities and diversification are made possible by a vibrant entrepreneurial eco system. Through public or private partnerships allow resources, expertise and risks to be pooled in a VUCA world, which is particularly helpful for complicated local challenges. These collaborative partnerships are often better able to adjust shifting conditions and stimulate significant local economic growth ensuring that public initiatives gain from the innovation and efficiency of the private sector.

The findings show that local economic empowerment is not seen as a short-term CSR project but rather as a long-term strategic investment. Contributions to shared technology frameworks and open-source platforms were emphasized by leaders as a way to foster innovation dissemination and collective problem solving. In order to facilitate quicker adaptability and shared learning in VUCA situations, these firms embrace an open innovation attitude rather than seeing innovation as proprietary.

“As we innovate, we’ll continue sharing our frameworks with the larger tech community. We hope to contribute to the fusion of technologies that will mark the dawn of the Fourth Industrial Revolution. Hence, as a nation, we should play a meaningful role in shaping the world’s technologically empowered future. We have the necessary talent and knowledge so it’s a matter of using them.”
 (Chief Executive Officer -Company One)

Active involvement in creating the national startup ecosystem through partnerships with governmental institutions, incubators, accelerators and mentorship was emphasized by the participants. These programs assist in lowering barriers to entry for business owners and fostering an innovative environment.

“Our company and ICTA are collaborating via startup SL, the national online platform for product-based startups. Startup SL is on a mission to support Sri Lankan techentrepreneurs by connecting them to other startups, mentors, investors and incubators.”

(Chief Operations Officer- Company Two)

Leaders drafted strategic decisions that impacted community well-being, talent retention and job generation. Organizations strengthen local economic resilience by encouraging competent workers to stay in Sri Lanka through meaningful work, global exposure and socially significant projects.

“As a global media consultant our company works with an international clientele comprising brands and development organizations, which has given us the opportunity to work on larger, more challenging projects such as feature length documentaries and social impact campaigns. We see these initiatives as motivation for our employees, as well as those who wish to join us on this journey, to remain in Sri Lanka and contribute positively to the nation.”

(Chief Executive Officer - Company Three)

Company four spotlighted home based food organizations such as KahabathGedara, Chooty's kitchen, The happy baker, Bellissima, The chutney kade, Homie pickle, Soup Mama, biscuit pudding company and Mad curry skills by Chari during lock downs. It boosted the local economy and established the organization as more than just a lifestyle guide.

“Post-crisis, R&D focus increased with dedicated funding, collaboration with tech partners, adoption of cutting-edge technologies and fostering an innovative mindset among team members. Further we focused on the customer needs. In terms of technological advancements, we have using Artificial Intelligence and machine learning to provide personalized recommendations and improve search functionalities on their platform.”

(Chief Executive Officer-Company four)

The following excerpt highlights how crucial it is to assist small and medium entrepreneurs by creating an entrepreneurial eco system with resources such as incubators, accelerators and innovation hubs. This collaborative spirit is shown in the company five which involves a variety of private sector partners and create a thriving entrepreneurial environment with in the local economy.

“Yes we like to work with other private companies. There are many people who are working with us. Specially the consultants. They have their own organizations. But they are working with us for profit agreements. We often host industry forums and thought leadership events that bring together private-sector players to discuss emerging trends, challenges and opportunities in auditing and business development.”

(Managing Director- Company five)

“We actually did the revenue diversification. Under the exploring new revenue streams, such as exclusive collections, to diversify income sources. Always we are launching sustainability initiatives, which focuses reducing carbon footprint, recycling programs, eco-friendly packaging, to meet corporate social responsibility goals and appeal to environmentally conscious consumers. Also we have developed loyalty programs to encourage repeat purchases and build long-term customer relationships.”

(Managing Director Company Six)

Theme 2:Strategies in new technology adoption

Technology is transforming every industry and startup businesses that don't embrace new technologies run the risk of falling behind. The rate of technological progress has accelerated in recent years with innovations such as Artificial intelligence, block chain, machine learning and automation reshaping how startup businesses function, provide services and engage with the customers. Thus, startup business must carefully evaluate their technology adoption strategies in order to remain competitive and prepared for the future. Furthermore, startup businesses must integrate new tools into their operations, evaluate the potential impact of new tools and manage any risks associated as part of the multi-step process of adapting new technologies. Enhanced customer experiences, the development of new business models and increased operational efficiency can result from successful technology adoption. Although, adopting new technologies also presents challenges such as reluctant to change, the requirement for new skills and concerns about data security and privacy. Startup business need to be proactive in identifying and implementing technologies that support their long-term business goals in order to thrive in the digital era. The process of adopting new technology necessitates both strategic planning and an open mind set as startup companies need to be prepared to embrace disruption and experiment new ideas.

Adopting cutting-edge technology such as automation, machine learning and artificial intelligence was stressed by leaders as a way to boost productivity, reduce expenses and improve customer satisfaction.

“When we are in the blue ocean strategy it is easy to operate since only, we are at that market. Always we are at organic. Our competition is not significant. There is a small competition for us. We concern about the competition. The cost of online payments is a major challenge experienced by all parties mainly due to the

number of intermediaries involved in processing them. For most small-scale merchants, the percentage fee involved in processing such payments is too high. We hope to reduce this cost through innovation and automation”

(Managing Director- Company Two)

In order to handle the complexity, an advanced technology center with engineers established by the Company onewhich streamline the user experience.

“As the company continues to grow and evolve, we need to take measures to ensure that our innovative spirit is maintained and also that we continue to tackle challenges as and when they arise. So, our Advance Technology Centre is a well-equipped modern IT centre that will house over 100 software engineers, data scientists and quality assurance officers.”

(Chief Executive Officer- Company One)

“Post-crisis, R&D focus increased with dedicated funding, collaboration with tech partners, adoption of cutting-edge technologies and fostering an innovative mindset among team members. Further we focused on the customer needs. In terms of technological advancements, we have using Artificial Intelligence and machine learning to provide personalized recommendations and improve search functionalities on their platform.”

(Chief Executive Officer- Company Three)

The following excerpt highlights how startup businesses can effectively execute technology adoption strategies after a crisis by emphasizing R&D, teamwork and customer centric development. This directly supports the broader framework described in the above theme regarding thriving in digital era through strategic and adaptive technology integration.

“Post-crisis, the focus on research and development involved investing in new technologies, collaborating with research institutions and adopting an iterative approach to product development. Emphasizing user feedback and market research ensured that new solutions met evolving customer needs.”

(Chief Executive Officer- Company five)

“Strategies I would say like training programmes we did so many leadership sessions, sales training programme to our employees that gave a better kind of value. Hence in terms of talent development, we invested in employee training and development programs to build a skilled workforce that can drive innovation and adapt to new technologies.”

(Senior Marketing Manager- Company six)

Startup businesses ensure they stay competitive in a rapidly changing environment by incorporating lessons learned and persistently looking for innovative solutions. This is in line with the strategic need of technology adoption and agile business planning.

“Yes, we do have a strategic plan. At the end of each year, we would typically conduct a comprehensive review of the past year’s performance. This includes analyzing key metrics, evaluating the success of projects and reflecting on achievements and challenges. Insights from this review help inform future strategies.”

(Chief Executive Officer - Company five)

Leaders recognized potential for innovation in current markets and unmet customer needs. By filling up these gaps, startup companies differentiate themselves apart and provide fresh value propositions.

“Yeah we have strategic initiatives from time to time. So, we are collecting insights from team members and customers to understand what worked well and what didn’t. With those gathered feedback we can reflect our performance and everything. So moving forward involves reviewing past performance, setting new objectives and creating strategic plans that include specific, measurable goals and actionable steps.” (Chief Executive Officer - Company seven)

VI. Discussion of the Findings

This study explored how strategic leaders at startup companies in Sri Lanka adopt innovative strategies to deal with VUCA environment. The findings show that strategic leadership is essential in forming adaptive, innovation-driven solutions through two key themes such as local economic empowerment and the adoption of new technologies. The study demonstrates that effective leadership in VUCA situations involves sensemaking, adaptation and ecosystem participation in addition to goal achievement, which is in line with Bennett & Lemoine (2014) and Millar et al., (2018). However, by showing that startup CEOs don't react to VUCA alone, the findings go beyond earlier studies. In order to spread risk and improve resilience, strategic leader instead aggressively integrate their companies into larger innovation and economic ecosystems. Local economic empowerment is in line with the research on entrepreneurial orientation Sriyani et al., (2020), which highlights cooperation, proactive and innovativeness as key components of sustainable growth. The results indicate that startup leaders in Sri Lanka should have an ecosystem-oriented leadership approach, in contrast to traditional leadership approaches that place a higher priority on firm-level competitiveness. Leaders turn uncertainty into opportunity through keeping local talent, supporting other companies, contributing to open-source initiatives and managing industry standards creatively. This supports Salicru (2020) claim that in uncertain situations, leadership skills including collective leadership, sensemaking and creative thinking are critical.

The findings further support dynamic capability theory of Teece (2018) by showing how leaders actively recognize opportunities, take advantage of them through innovation and transform organizational resources. The adoption of agile methods, public-private partnerships and sustainable business models are demonstrating of how startup organizations constantly reshape their capacities to stay competitive in spite of scarce resources. This is pertinent where market volatility and institutional limitations emphasized adaptive leadership even more crucial, in the Sri Lankan context. The literature on technology-driven adaptation in VUCA situations is substantially supported by strategies in the adoption of new technologies (Nowacka & Rzemieniak, 2022). Technology can be a stabilizing and enabling factor rather than a disruptive factor, as demonstrated by leaders' emphasis on automation, artificial intelligence, data analytics and R&D investment. The findings are significant because they show that the adoption of technology is not only technical but also very human-centered, depending on learning cultures, training and reflective strategic planning. Further, the findings show how leaders actively seek out market gaps and prioritize innovation-driven differentiation above direct competition, demonstrating the usefulness of the Blue Ocean Strategy (Nicolas, 2011). Startups can reduce the pressure from competitors while addressing ambiguity and complexity in novel ways due to this strategic perspective. Leaders participate in continuous sensemaking by exploiting consumer data and analyzing competition behavior, which reinforces the iterative decision-making loop outlined in VUCA leadership models (Bartscht, 2015).

VII. Conclusion

This research thoroughly investigated the innovative strategies utilized by strategic leaders in Sri Lankan best performing startup organizations functioning in a VUCA environment. The results support the theoretical models of dynamic capability theory, emphasizing the importance of continuous innovation, resource reconfiguration and agility for achieving sustainable competitive advantage. The findings show that managing VUCA requires strategic leadership. Stronger local economic ecosystems and utilizing new technologies to promote innovation and adaptability are the two strategic focuses that leaders embrace. These strategies assist startup business to become resilient, maintain their competitive advantage and make significant contributions to the growth of the national economy. According to the study's findings, effective leadership in VUCA circumstances requires for more than just personal traits or technical know-how. It requires the capacity to collaborate, build dynamic capabilities, engage in ongoing sensemaking and match innovation with long-term goals. These leadership practices are specially important for Sri Lankan startup organizations due to resource limitations, rapid technological change and the challenges of global competition.

Theoretical Contribution

The study empirically demonstrates how leaders convert abstract VUCA aspects into workable methods, thereby expanding the traditional theories of leadership. Thus, leaders actively handle VUCA through ecosystem participation, innovation and adaptive decision-making as opposed to viewing them as external threats. Additionally, this study contributes to the dynamic capability theory by emphasizing how crucial strategic leadership is to the developing, activation and sustaining of dynamic capabilities in startup businesses. This study presents institutional leadership as the driving force behind identifying, capturing and changing capabilities in startup organizations with limited resources although other studies have focused on organizational routines and procedures,

VIII. Recommendations

Startup organizations must integrate structured post-crisis assessments into strategic planning frameworks to improve resilience which enabling startups to rapidly adapt and seize new opportunities during and after disruptions. In order to preserve resilience and adaptation, crisis plans should update on a quarterly basis to reflect changing platforms, threats and stakeholder expectations.

Startup leader training programs should emphasize developing skills in data-driven decision-making, adaptive thinking and promoting culture of continuous learning and teamwork to effectively manage VUCA environment. Emotional intelligence coaching, scenario-based exercises and mentoring would be help leaders become more adept at handling stress, communicating clearly and fostering trust in the face of VUCA. Thus, emphasizing collaboration highlights the need of psychological safety, ensuring that opinions are heard and that a variety of viewpoints stimulate creative problem-solving.

In order to stay flexible in the face of constantly shifting market conditions leaders should continually refine their dynamic flexibility skills. Consequently, startup organizations can manage immediate difficulties while maintaining alignment with long term strategic goals. Further, to predict future states and test strategies against uncertain conditions, leaders should implement scenario planning and crisis simulations. This entails not only reactive planning but also ongoing strategic option upgrading based on competition intelligence and real

time environmental surveillance. Accordingly, startup businesses can make swift adjustments without losing sight of their long-term goals with this flexible strategy.

Accountability should be a top priority for startup business leaders. This involves keeping commitments made to stakeholders, in order to build trust and reliability which are necessary for enduring partnerships. Hence, leaders should ensure that decisions are transparent and maintain alignment with the startup business vision among all stakeholders including investors.

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