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The Effect of Dynamic Capabilities and Organizational Management Aptitude on SMEs' Business Performance

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Abstract: *The leather manufacturing industry is one of the most flourishing industries in contemporary Abia State, South Nigeria, as versatile demands from men and women have catered to this uplifting growth. Inability to adapt new technologies coupled with lack of dynamic capabilities and slow responds to the rapid changes conveyed a challenge for competitive SMEs to sustain its business performance over the long-run. This research aims to investigate whether organizational management aptitude mediates the relationship between dynamic capabilities and business performance of manufacturing industries SMEs in Abia State, South Nigeria. The quantitative cross-sectional study with deductive approach using survey questionnaire method was performed on 181 SMEs in the manufacturing industries. The data were analysed in two phases involving the use of IBM SPSS Statistics version 24 and Partial Least Square Structural Equation Modelling (PLS-SEM). It can be summarised that dynamic capabilities elements such as organizational agility and ICT usage as well as management aptitude directly influence business performance of SMEs. Besides, all elements of dynamic capabilities have a direct impact on management aptitude. In addition, analysis of the data indicates that management aptitude mediates the relationship between ICT usage and activeness and efficiency towards business performance of the SMEs. Contrary, this study reveals that management aptitude failed to mediate the relationship between organizational agility and business performance. These findings are in parallel with the Resource-Based View Theory developed by Wernerfelt (1984) that emphasises on the role of the firms' internal and external resources which include information, knowledge, assets, capabilities, organisational processes, and firm attributes for business performance (Eisenhardt & Martin, 2000). To specifically identify which dynamic capabilities elements may help achieve superior business performance and enable SMEs entrepreneurs to transform the enterprise's capabilities. Hence, managers need to exploit these capabilities through their strengths in order to achieve sustainable competitive advantage and business performance.*

Keywords: Dynamic Capabilities; Organizational Agility; ICT Usage; Activeness and Efficiency; Management Aptitude; Business Performance.