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DYNAMIC CAPABILITIES AND ORGANISATIONAL SUCCESS OF SMALL SCALE BUSINESSES IN NIGERIA

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ABSTRACT

This study examined the relationship between dynamic capabilities sensing, seizing, and resource reconfiguration and the profitability of small-scale businesses in Nigeria. A quantitative approach was adopted, utilising a sample of 189 businesses. The results revealed significant positive correlations between all three dynamic capabilities and profitability, underscoring their importance in achieving organisational success. Sensing capability was shown to enhance market responsiveness and innovation, while seizing capability enabled businesses to effectively mobilise resources to capitalise on opportunities. Resource reconfiguration emerged as a critical factor, with the strongest correlation to profitability, highlighting its role in enabling adaptability and sustained competitive advantage. The findings suggest that small-scale businesses with strong dynamic capabilities are better positioned to thrive in Nigeria's dynamic and competitive environment. Recommendations include investing in market research, streamlining decision-making processes, and fostering a culture of innovation and flexibility.

Keywords: Dynamic capabilities, Sensing capability, Seizing capability, Resource Reconfiguration, Profitability, Organizational success

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Introduction

Small-scale businesses (SSBs) are the backbone of Nigeria's economy, contributing significantly to job creation, poverty alleviation, and economic diversification (Aremu & Adeyemi, 2011). Their success is crucial for fostering economic stability, reducing unemployment, and promoting innovation and local production (Osalor, 2019). However, achieving organisational success remains a challenge due to numerous constraints such as limited access to finance, inadequate infrastructure, and regulatory bottlenecks (Ariyo, 2008). Despite their critical role, SSBs often struggle to scale and sustain operations due to a lack of strategic focus and dynamic capabilities (Teece, 2007). Several factors influence the success of small-scale businesses in Nigeria, including access to funding, managerial expertise, technological adoption, market conditions, and regulatory environments (Onugu, 2005). Dynamic capabilities—an organisation's ability to adapt, innovate, and respond to changing environments—are crucial for long-term success but have been overlooked (Teece et al., 1997). Cultural norms, short-term planning focus, and limited awareness among business owners have contributed to this neglect (Eneh, 2010). Dynamic capabilities enable businesses to identify opportunities, mitigate risks, and sustain competitive advantages in a volatile environment like Nigeria's, characterised by economic instability and policy uncertainties (Adebisi & Gbegi, 2013).

The lack of attention to dynamic capabilities stems from a focus on immediate challenges like financial constraints and operational inefficiencies, overshadowing the strategic benefits of adaptability and innovation (Teece, 2018). Moreover, limited access to education and training in business strategy among SSB owners hinders their ability to prioritise dynamic capabilities (Egbuji, 2020). Addressing this gap requires targeted interventions, including policy support, capacity-building initiatives, and fostering an entrepreneurial culture that values strategic adaptability (Ogundele, 2007). Dynamic capabilities refer to an organisation's ability to adapt, integrate, and reconfigure internal and external resources to address rapidly changing environments (Teece et al., 1997). In the context of small-scale businesses in Nigeria, these capabilities are critical for navigating the unique challenges of limited resources, fluctuating economic conditions, and intense competition. Nigerian small businesses, which form a significant part of the country's economy, require a strategic focus on innovation, resource optimisation, and market adaptability to ensure sustainability and growth (Olughor, 2015). Developing dynamic capabilities enables these businesses to seize opportunities, respond to threats, and maintain a competitive edge in a complex, often volatile business environment (Ambrosini & Bowman, 2009).

Statement of the Problem

Small-scale businesses in Nigeria face significant challenges that threaten their survival and growth, including poor infrastructure, limited access to capital, and an unstable economic environment (Aremu & Adeyemi, 2011). Despite their crucial role in job creation and economic development, many of these businesses struggle with inefficiencies, low innovation rates, and an inability to adapt to market dynamics. This situation raises concerns about their capacity to remain competitive and sustainable in the face of rapid technological advancements and global market pressures (Eneh, 2010). The underlying issue is the lack of robust dynamic capabilities—such as the ability to sense opportunities, seize them, and reconfigure resources effectively (Teece, 2007). Addressing this problem is vital, as the development of these capabilities can significantly enhance long-term success portability of small-scale businesses in Nigeria.

Aim and Objectives of the study

The aim of the study was to examine the relationship between dynamic capabilities and organisational success of small-scale businesses in Nigeria. The objectives of the study were to:

1. Investigate the relationship between sensing capability and profitability of organisational success of small-scale businesses in Nigeria.

2. Examine the relationship between seizing capability and profitability of organisational success of small-scale businesses in Nigeria.

3. Determine the relationship between reconfiguration capability and profitability of organisational success of small-scale businesses in Nigeria.

Research Questions

1. What is the relationship between sensing capability and profitability of organisational success of small-scale businesses in Nigeria?

2. How does seizing capability relate to the profitability of the organisational success of small-scale businesses in Nigeria?

3. What is the relationship between reconfiguration capability and profitability of organisational success of small-scale businesses in Nigeria?

Hypotheses

Ho_1: There is no significant relationship between sensing capability and profitability of organisational success of small-scale businesses in Nigeria.

Ho_2: There is no significant relationship between seizing capability and profitability of organisational success of small-scale businesses in Nigeria.

Ho_3: There is no significant relationship between reconfiguration capability and profitability of organisational success of small-scale businesses in Nigeria.

Significance of the Study

The significance of studying dynamic capabilities and organisational success in small-scale businesses in Nigeria is multifaceted, benefiting small businesses, the Nigerian economy, and academia. For small-scale businesses, understanding dynamic capabilities can be a game-changer, enabling them to adapt more effectively to the challenges they face, such as limited resources, market competition, and economic instability (Olughor, 2015). By leveraging dynamic capabilities, these businesses can improve their strategic decision-making, innovate more efficiently, and align their operations with market demands, thus increasing their chances of long-term sustainability and success.

For Nigeria as a whole, small-scale businesses play a pivotal role in economic development, contributing to job creation, poverty alleviation, and the diversification of the economy.

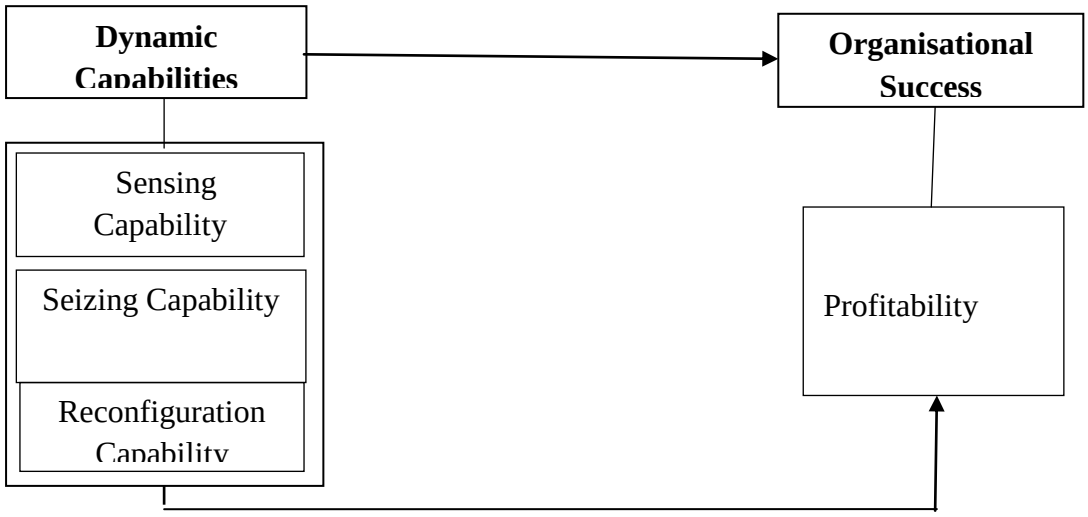
Enhancing the performance of these businesses through dynamic capabilities could lead to greater economic stability and growth, particularly in an environment marked by volatility and uncertainty. The successful scaling of small businesses can also reduce the nation's reliance on larger corporations, fostering more inclusive economic development.

Academically, this study contributes to the broader body of knowledge on dynamic capabilities by providing insights into their application within the context of emerging economies like Nigeria. It expands existing theories on dynamic capabilities by considering the unique challenges faced by small businesses in developing countries, thus offering valuable lessons for researchers, policymakers, and practitioners interested in improving the operational effectiveness and success rates of small-scale enterprises in similar contexts globally (Teece, Pisano & Shuen, 1997). The findings can also inform future research on the intersection of organisational theory, entrepreneurship, and development economics.

LITERATURE REVIEW

The conceptual framework of this study focused on a conceptual review: sensing capability, seizing capability, resource configuration, entrepreneurial success, and profitability.

Conceptual framework



Source: Adapted from Teece et al. (1997), and Kump et al. (2019).

Concept of Dynamic Capabilities

The concept of dynamic capabilities, first introduced by Teece et al. (1997), refers to the ability of companies to integrate, build, and reconfigure internal and external resources to respond to rapidly changing environments (Wilden et al., 2016; Schilke et al., 2018). These capabilities are critical in transforming a company's resource base in alignment with strategic objectives, leading to the creation of new organisational configurations (Ambrosini & Bowman, 2009; Helfat et al., 2007; Zahra e al., 2006). Teece (2014) contrasts dynamic capabilities with ordinary capabilities, where the former enable innovation and adaptation in response to environmental changes, while the latter focus on value creation through standard operations, such as supply chain management in the auto industry or delivering high-quality management education (Winter, 2003; Zahra et al., 2006).

DCs provide a useful foundation for comprehending how businesses may create and maintain profitability in the face of rapid changes in the competitive business environment, which is marked by shifting client wants, technology breakthroughs, and rival activities (Teece, 2007). The DCs approach provides insights into attaining long-term success in dynamic and complex environments by emphasising strategies that integrate suitable business models and technologies to efficiently combine and orchestrate unique, difficult-to-replicate assets (Teece et al., 1997; Teece, 2007). According to Teece et al. (1997), dynamic capabilities provide a framework for comprehending how businesses attain and maintain profitability in quickly changing contexts. This conceptual analysis investigates how resource configuration, sensing capability, and seizing capacity interact to support the organisational performance and profitability of small enterprises in Nigeria.

Sensing Capability

Sensing capability refers to an organisation's ability to identify opportunities and threats in its external environment, which involves gathering market intelligence, monitoring technological advances, and understanding customer needs (Teece, 2007). Entrepreneurs with strong sensing capabilities can anticipate market changes and uncover unmet demands, providing a strategic advantage and contributing to the success and profitability of small-scale businesses in Nigeria (Eisenhardt & Martin, 2000). Opportunity discovery in entrepreneurship involves both individual creativity and structured organisational processes like research and development (Nonaka & Toyama, 2007). The ability to recognise opportunities depends on access to information, existing knowledge, and creative thinking. Effective opportunity recognition requires interpreting various information sources and synthesising insights into actionable hypotheses. Analytical frameworks, such as Porter’s (1980) Five Forces, can enhance sensing capability by helping firms identify critical factors influencing opportunities and threats, although these frameworks may have limitations in dynamic, rapidly changing markets.

Seizing Capability

Seizing capability refers to an organisation's ability to mobilise resources and implement strategies to capture identified opportunities, including decision-making, investment in innovations, and strategic planning (Teece, 2007). Once an opportunity is recognised, firms must invest in development and commercialisation, often facing competing investment paths, as seen in the early automobile industry with technologies like steam, electric, and gasoline engines (Abernathy & Utterback, 1978; Teece, 1986, 2007). Over time, as dominant designs emerge, strategic choices narrow. Entrepreneurs with strong seizing capabilities prioritise agility and efficiency in implementing strategies, which enhances organisational success and competitive positioning, especially for small-scale businesses in Nigeria (Augier & Teece, 2009). Effective seizing involves embedding learning, interpretation, and creative activity within organisational processes, not just relying on individual creativity (Casson, 1997). Enterprises should establish systems for gathering technical information, monitoring customer and competitor activity, and continuously adapting to market and technological developments, with leadership guiding hypothesis development and analysis (Teece et al., 1997). Decentralised organisations are particularly well-positioned to respond quickly to emerging trends.

Resource Configuration

Resource configuration refers to the alignment, integration, and reallocation of resources to support innovation and adaptability, ensuring firms can restructure their tangible and intangible assets to meet changing market demands (Helfat et al., 2007). It helps businesses remain flexible, minimising waste and maximising value creation (Barney, 1991). For entrepreneurial ventures, the ability to efficiently reconfigure resources is essential for scalability and operational effectiveness, which are key to sustained success and profitability (Eisenhardt & Martin, 2000). While success requires routines for operational efficiency, these can become limiting when the environment shifts, making incremental or radical innovation necessary (Teece, 2000). Radical innovation, in particular, often demands complete organisational restructuring, including new processes and frameworks. Firms may face challenges such as the "anti-cannibalisation" bias, where existing structures discourage radical change, and cognitive biases that limit recognition of new opportunities (Teece, 2000). In industries like IT and cloud computing, dynamic resource configuration ensures optimal system performance, cost efficiency, and scalability by adjusting resources to meet demands (Amazon Web Services, 2024; Zhao et al., 2023). Effective resource configuration is crucial for reducing waste, enhancing scalability, and improving system performance (Muthusamy & Sivaraman, 2022).

Organisational Success

Organisational success in small-scale businesses in Nigeria often results from the effective interplay of sensing, seizing, and resource configuration capabilities (Teece, 2018). Entrepreneurs who excel in identifying opportunities, responding decisively, and strategically managing resources can achieve profitability, customer loyalty, and market growth. These capabilities not only lead to immediate business success but also foster resilience in the face of market uncertainties (Helfat et al., 2007). Organisational success is commonly defined through both individual and organisational critical success factors. Individual factors include work-life balance, financial performance, visionary leadership, and personal satisfaction, while organisational factors involve resource management, financial management, and stakeholder management. Organisational success in small-scale businesses in Nigeria has been defined in various ways, with tangible indicators such as revenue, firm growth, profitability, sustainability, and turnover commonly used to measure it (Amit et al., 2000; Barkham et al., 1996; Bruderl&Preisendorfer, 1998; Forsaith& Hall, 2000; Grey, 1998; Ibrahim & Goodwin, 1986; Kalleberg & Leicht, 1991; Kelmar, 1991; Perren, 1999).

Profitability

Profitability is a key indicator of an organisation's financial health and success, reflecting its ability to generate income relative to its expenses over a given period. It is essential for the sustainability and growth of businesses, particularly small-scale enterprises, as it enables reinvestment, expansion, and the creation of value for stakeholders (Eisenhardt & Martin, 2000). Profitability can be measured through various financial metrics such as net profit margin, return on assets, and return on equity, which help assess how effectively a business is utilising its resources to generate earnings (Amit et al., 2000). For small-scale businesses, achieving profitability often requires a combination of efficient resource management, market positioning, and the ability to innovate in response to changing market demands (Teece, 2007). Moreover, profitability is closely linked to the ability to maintain cost control, optimise operations, and leverage competitive advantages in dynamic environments (Barney,

1991). As such, profitability serves not only as a measure of immediate success but also as a foundation for long-term organisational resilience and competitiveness (Helfat et al., 2007).

Sensing Capability and Profitability

Sensing capability refers to an organisation's ability to identify and interpret opportunities and threats in the external environment. It involves gathering market intelligence, monitoring technological changes, and understanding customer needs, which enables firms to anticipate shifts and adapt their strategies accordingly (Teece, 2007). Empirical studies highlight the positive relationship between sensing capability and profitability. For example, research by Zahra et al. (2006) found that firms with strong sensing capabilities tend to outperform their competitors in terms of profitability by identifying emerging opportunities before others. Furthermore, Eisenhardt and Martin (2000) argue that firms with robust sensing abilities are better positioned to capitalise on market trends, thereby gaining a first-mover advantage. This proactive approach to opportunity recognition allows businesses to create new products, enter new markets, and enhance customer satisfaction, all of which contribute to higher profitability.

Seizing Capability and Profitability

Seizing capability refers to an organisation’s ability to mobilise resources effectively and implement strategies to capture identified opportunities. It involves decision-making, investment in innovation, and strategic planning to turn opportunities into tangible outcomes (Teece, 2007). Empirical studies also support the link between seizing capability and profitability. For instance, Augier and Teece (2009) highlight that firms that can act quickly and efficiently to exploit new opportunities are more likely to sustain profitability. A study by Helfat et al. (2007) found that firms with high seizing capability are more successful in adapting to technological disruptions and market changes, leading to greater financial returns. Effective resource allocation and strategic investment enable firms to leverage their market insights, optimise operations, and create competitive advantages, which ultimately drive profitability.

Reconfiguration Capability and Profitability

Reconfiguration capability refers to a firm’s ability to realign, reallocate, and integrate its resources in response to changing market conditions, ensuring the organisation remains adaptable and efficient. This capability is critical for firms aiming to sustain profitability over time, especially in dynamic environments where flexibility and innovation are key. Empirical studies have demonstrated the positive impact of reconfiguration capability on profitability. For example, a study by Helfat et al. (2007) shows that firms with strong reconfiguration abilities are better able to adapt to technological advancements and evolving market demands, which allows them to maintain or increase profitability. Additionally, Teece (2007) emphasises that firms that continuously reconfigure their resources in line with market trends can avoid stagnation, reduce operational inefficiencies, and capitalise on new opportunities, all of which contribute to sustained profitability. In the context of small-scale businesses, reconfiguration capability allows them to scale effectively, minimise waste, and optimise value creation, leading to enhanced financial performance.

Dynamic Capabilities and Organisational Success

Dynamic capabilities are essential for the organisational success of small-scale businesses in Nigeria, where the business environment is characterised by rapid changes in technology, market demands, and economic conditions. Empirical research highlights the role of dynamic capabilities, including sensing, seizing, and reconfiguring resources, in driving organisational success in these businesses. A study by Ogechukwu and Odukoya (2019) found that small-scale businesses in Nigeria that effectively sense opportunities, seize them with appropriate strategies, and reconfigure their resources are more likely to achieve growth and profitability. Additionally, Zahra et al. (2006) suggest that dynamic capabilities enable small businesses to adapt to market changes, fostering resilience and long-term success. These capabilities allow entrepreneurs to innovate, respond to customer needs, and overcome environmental challenges, which are crucial factors for the success of small businesses in Nigeria, where competition and resource scarcity can impede growth. Hence, dynamic capabilities are key drivers of profitability and overall organisational success in the context of Nigerian small-scale enterprises.

Theoretical Review

Institutional Theory by Meyer and Rowan (1977)

Institutional theory was primarily developed by John W. Meyer and Brian Rowan (1977) and later expanded by Paul DiMaggio and Walter Powell (1983). Meyer and Rowan's work introduced the idea of institutional isomorphism, explaining how organisations conform to external pressures in their environments to gain legitimacy. DiMaggio and Powell further elaborated the concept with the three types of isomorphism: coercive, normative, and mimetic, which describe the different ways organisations adapt to institutional pressures, such as regulations, social norms, and imitating successful practices from peers.

Institutional theory highlights the significant role of external pressures, such as government regulations, cultural norms, and economic policies, in shaping the dynamic capabilities of small-scale businesses in Nigeria (DiMaggio & Powell, 1983). These pressures drive businesses to develop and deploy dynamic capabilities—sensing, seizing, and reconfiguring—to adapt to changing environments. Coercive isomorphism compels businesses to comply with regulations, while normative and mimetic isomorphism encourage them to adopt industry best practices and imitate successful peers (Scott, 2001). Institutional legitimacy is critical for gaining trust and resources, and small businesses that align with institutional norms enhance their success and profitability (Tolbert & Zucker, 1996). Moreover, navigating the institutional complexity of formal and informal institutions enables small businesses to effectively respond to external changes, supporting their long-term success (Kostova & Roth, 2002). Thus, institutional theory provides a framework for understanding how external institutional forces shape dynamic capabilities, ensuring the organisational success of small businesses in Nigeria.

Empirical Review

Kump et al. (2019) examined a dynamic capabilities scale: Measuring organisational sensing, seizing, and transforming capacities. To date, no standardised scale exists for measuring dynamic capabilities, which limits the comparability of empirical findings and hinders data-driven theory development. This article introduces a 14-item scale based on Teece's (2007)

established dynamic capability framework, designed to assess organisational sensing, seizing, and transforming capacities. The study outlines a rigorous empirical scale development process, including item generation, scale purification with a sample size of 269, and confirmation with a larger sample of 307. The resulting scale demonstrates high reliability and validity, establishing itself as a strong predictor of business innovation performance.

Ellah and Onuoha (2021) examined dynamic capability and organisational effectiveness of Food and Beverages Firms in Rivers State, Nigeria" and investigated how dynamic capability relates to the organisational effectiveness. The study employed a cross-sectional survey methodology, focusing on a population of 108 managers and supervisors from 12 manufacturing firms. The sampling method utilised was a census study. Out of the 108 questionnaires distributed, 102 were returned and analysed. The key variables measured included dynamic capability, which encompasses organisational learning capability and resource utilisation capability, along with organisational effectiveness, measured through adaptability and productivity. Pearson product-moment correlation was used for data analysis. The results showed a strong positive correlation between organisational effectiveness and dynamic capacity, indicating that enhancing an organisation's dynamic capabilities may increase its productivity and flexibility.

Wilden et al. (2013) examined dynamic capabilities and performance: strategy, structure and environment. Dynamic capabilities are widely considered to incorporate those processes that enable organisations to sustain superior performance over time. In this paper, we argue theoretically and demonstrate empirically that these effects are contingent on organisational structure and the competitive intensity in the market. Results from partial least square structural equation modelling (PLS-SEM) analyses indicate that organic organisational structures facilitate the impact of dynamic capabilities on organisational performance. Furthermore, we find that the performance effects of dynamic capabilities are contingent on the competitive intensity faced by firms. Our findings demonstrate the performance effects of internal alignment between organisational structure and dynamic capabilities, as well as the external fit of dynamic capabilities with competitive intensity. We outline the advantages of PLS-SEM for modelling latent constructs, such as dynamic capabilities, and conclude with managerial implications.

Gap in Literature Reviewed

The literature review highlights the significance of dynamic capabilities—sensing, seizing, and resource configuration—in achieving entrepreneurial success and profitability. The theoretical foundation provided by institutional theory emphasises how external pressures such as regulations and cultural norms shape the development of these capabilities. Empirical studies support the importance of dynamic capabilities. A reliable 14-item scale was developed to measure organisational sensing, seizing, and transforming capacities, demonstrating its strong predictive power for innovation performance. A positive correlation between dynamic capabilities and organisational effectiveness was established, emphasising adaptability and productivity. Additionally, the impact of dynamic capabilities on performance was found to depend on the alignment between organisational structure and competitive intensity. These findings underscore the critical role of dynamic capabilities in navigating external pressures and fostering sustainable business success in dynamic and competitive environments.

Methodology

The methodology for studying the impact of dynamic capabilities on the organisational success and profitability of small-scale businesses in Nigeria involved a quantitative research method to comprehensively explore the various facets of dynamic capabilities and their influence on business outcomes. A cross-sectional research design was adopted, allowing for quantitative data. The quantitative aspect focused on numerical data related to profitability and business success. The target population consisted of small-scale businesses in Nigeria, particularly however, 2,000 was used conveniently chosen from those in the manufacturing, retail, and services sectors in south-south. A stratified random sampling method was used to ensure diverse industry representation, with a sample size of 200 businesses selected from various regions. Data was collected through structured questionnaire with small-scale business owners, managers, and employees to understand how dynamic capabilities such as sensing, seizing, and reconfiguration were applied and contributed to organisational success using Likert scales. Descriptive and inferential statistics (such as Kendall Tau correlation analysis) were employed for the quantitative data. Ethical considerations were observed, ensuring informed consent, confidentiality, and voluntary participation. However, limitations such as self-reported data and the focus on small-scale businesses may have affected generalisability.

Data Analysis and Results

Table 1: Frequency and Percentage Table

Category	Frequency	Percentage (%)
Questionnaires Filled & Retrieved	189	94.5%
Questionnaires Not Filled	11	5.5%
Total	**200**	**100%**

Source: Desk Research (2024)

94.5% of the questionnaires distributed were filled and retrieved. This high response rate indicates strong engagement and completion, providing a reliable sample for the analysis. Only 5.5% of the distributed questionnaires were not filled. This is a relatively low non-response rate, which further supports the robustness of the data collection process.

Demographical Data Analysis

Table 2: Educational Level and Years of Business Experience

Category	Frequency	Percentage (%)
Educational Level		
No formal education	5	2.6%
Primary education	18	9.5%
Secondary education	63	33.3%
Tertiary education	103	54.5%
Total	**189**	**100%**
Years of Business Experience		
1-5 years	52	27.5%
6-10 years	73	38.6%
11-15 years	34	18.0%
16+ years	30	15.9%
Total	**189**	**100%**

Source: Desk Research (2024)

The majority of respondents (54.5%) have completed tertiary education, indicating that a significant proportion of small-scale business owners and managers in Nigeria are highly educated. could suggest that education plays an important role in running successful small businesses. A substantial portion (33.3%) has completed secondary education, which may also contribute to the operational success of these businesses. This group represents individuals who may not have advanced beyond high school but still possess adequate skills and knowledge for managing a small-scale business. A smaller percentage of respondents have only completed primary education or have no formal education at all. suggests that, although formal education plays a critical role, there are still entrepreneurs in Nigeria who manage businesses despite lower levels of formal education.

Years of Business Experience:

The largest group of respondents (38.6%) has 6-10 years of business experience, suggesting that a considerable number of small-scale business owners in Nigeria have gained substantial experience and insights that could positively impact their profitability and organisational success. A significant proportion (27.5%) have 1-5 years of business experience, indicating that a substantial number of entrepreneurs are relatively new to the business world but may still bring fresh perspectives and innovation. These groups represent individuals who have more extensive experience in business. While they account for a smaller percentage of the total, their long-term experience may provide valuable insights into the sustained profitability and success of small-scale businesses. Overall, the data shows that small-scale businesses in Nigeria are predominantly led by well-educated entrepreneurs with varying years of business experience. This diversity in education and experience levels could impact their approaches to dynamic capabilities and business strategies.

Test of Hypotheses

Table 3: Analyses of Mean and Standard Deviation of Responses to Items

		Sensing capability	Seizing capability	Resource Reconfiguration	Profitability
Sensing capability	Pearson Correlation	1	.866**	.638**	.744**
	Sig. (2-tailed)		.000	.000	.000
	N	189	189	189	189
Seizing capability	Pearson Correlation	.866**	1	.591**	.788**
	Sig. (2-tailed)	.000		.000	.000
	N	189	189	189	189
Resource Reconfiguration	Pearson Correlation	.638**	.591**	1	.872**
	Sig. (2-tailed)	.000	.000		.000
	N	189	189	189	189
Profitability	Pearson Correlation	.744**	.788**	.872**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	189	189	189	189

Source: Desk Research (2024)

The correlation matrix presented reveals strong positive relationships between the key variables—sensing capability, seizing capability, resource reconfiguration, and profitability—among small scale businesses in Nigeria. Specifically, sensing capability is highly correlated with seizing capability ($r = 0.866$) and resource reconfiguration ($r = 0.638$), both of which are significant at the 0.01 level ($p < 0.001$). Seizing capability also shows a strong correlation

with resource reconfiguration (r = 0.591) and profitability (r = 0.788), indicating that businesses that effectively sense and seize opportunities are likely to reconfigure their resources and improve profitability.

Furthermore, resource reconfiguration has the strongest correlation with profitability (r = 0.886), highlighting the critical role of resource adaptation in driving business success. All correlations are positive and significant, suggesting that small businesses in Nigeria that develop strong dynamic capabilities in sensing, seizing, and reconfiguring resources are more likely to experience higher levels of profitability. These findings underscore the importance of dynamic capabilities in enhancing business performance and sustaining competitive advantage.

Discussion of Findings

Significant Relationship between Sensing Capability and Profitability

The relationship between sensing capability and profitability of small-scale businesses in Nigeria is significantly positive. The ability to sense opportunities and threats allows small businesses to align their strategies with emerging trends, enabling better decision-making, innovation, and market positioning. For instance, Teece (2007) highlighted that sensing capability is crucial for recognising new opportunities and threats, which is especially relevant in dynamic and competitive markets. Helfat et al. (2007) further emphasised that firms with strong sensing capabilities are able to exploit these insights to develop products and services that meet market demand, leading to improved profitability. In the context of Nigeria, Akinyele and Akinyele (2014) found that small businesses that actively sense and respond to market dynamics, including customer needs and regulatory changes, were able to gain a competitive advantage. This capability allows them to adapt quickly, avoid operational inefficiencies, and increase profitability.

Significant relationship between Seizing Capability and Profitability

The study found that seizing capability, the ability to capture opportunities by mobilising resources, is also positively related to the profitability of small-scale businesses in Nigeria. Seizing involves effectively implementing strategies based on identified opportunities, whether through new product development, market expansion, or process improvements. Empirical evidence suggests that seizing capability has a direct impact on profitability. According to Teece (2012), firms with strong seizing capabilities can mobilise resources efficiently, which enhances their ability to exploit opportunities. The study by Zahra et al. (2006) further corroborates this, asserting that firms that successfully seize market opportunities outperform their competitors in terms of profitability, as they are able to realise value from innovation and expansion activities. In Nigeria, small businesses that excel in seizing capability, such as expanding their market reach or adopting technological advancements, tend to experience higher profitability. Ogunyemi et al. (2019) demonstrated that Nigerian small businesses that invested in market diversification and resource optimisation exhibited higher profitability, showing how effective seizing can lead to competitive advantages.

Significant relationship between reconfiguration capability and profitability

Findings: Reconfiguration capability, which involves realigning and reorganising resources and processes to fit changing environments, has a significant positive impact on the profitability of small-scale businesses in Nigeria. This capability ensures that businesses can adapt their operations in response to environmental shifts, such as technological changes, market disruptions, or regulatory reforms. Empirical research consistently supports the positive link between reconfiguration capabilities and organisational success. Teece (2009) discussed how businesses with strong reconfiguration capabilities can continuously adjust their resource base and business processes to align with new opportunities, thereby sustaining profitability. Additionally, Eisenhardt and Martin (2000) demonstrated that firms that reconfigure their resources effectively are more adaptable to market changes, leading to improved performance and profitability. In the Nigerian context, Akanbi and Alabi (2017) found that small businesses in Nigeria that were able to quickly reconfigure their business models to accommodate new technologies and changing market conditions were more successful and profitable. These businesses could better utilize their available resources and align them with market needs, leading to sustained profitability.

In summary, the findings suggest that all three dynamic capabilities—sensing, seizing, and reconfiguration—are crucial drivers of profitability for small-scale businesses in Nigeria. Businesses that are adept at sensing emerging opportunities, seizing them effectively, and reconfiguring their resources and processes in response to market changes are more likely to achieve higher profitability and organisational success. Empirical studies from both global and Nigerian contexts reinforce these findings, demonstrating the importance of dynamic capabilities for sustaining competitive advantage and profitability.

Conclusion

Small-scale businesses with strong sensing capabilities are better able to respond to market changes, adapt to consumer demands, and develop innovative solutions. This, in turn, leads to improved profitability as the business is more aligned with market demands. Seizing capability is the ability of a business to take timely and decisive action to capture opportunities that have been identified. For small-scale businesses in Nigeria, this means being able to act on market insights and implement strategies that enable the business to grow and compete effectively. A business with strong seizing capabilities can quickly deploy resources, scale operations, or innovate, leading to improved profitability. Small-scale businesses with high reconfiguration capability can pivot their strategies, refine their operations, and optimise resources to stay competitive. This adaptability is crucial in ensuring sustained profitability in dynamic market environments.

Recommendations

i. Small scale businesses should invest in market research and customer feedback mechanisms to improve their sensing capability and align with emerging trends.
ii. Small scale businesses should streamline decision-making processes and allocate resources quickly to take advantage of identified opportunities, ensuring competitive advantage.
iii. Small scale businesses should foster a culture of flexibility and innovation, continuously refining their operations to remain competitive and responsive to market shifts.

Area for Further Research

While the relationship between dynamic capabilities (sensing, seizing, and reconfiguring) and organisational success in small-scale businesses in Nigeria has been explored, there remain several areas that could benefit from further research to enhance understanding and practical application:

i. Further research could explore how digital tools, technologies, and platforms influence the dynamic capabilities of small-scale businesses in Nigeria.
ii. Understanding how small businesses are adopting digital transformation and its effect on sensing, seizing, and reconfiguring capabilities could reveal new insights on how digitalisation drives profitability and success.
iii. Analyzing the influence of Nigeria's socio-political and economic environments on the dynamic capabilities and success of small-scale businesses.

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