

INNOVATIVENESS AND FIRMS DYNAMIC CAPABILITIES OF SME'S IN
YENAGOA, BAYELSA STATE

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Abstract

The study examined the connection between innovativeness and firm dynamic capability. To measure the relationship between the variables, the correlation survey design was used. All registered small and medium-sized businesses in Yenagoa, Bayelsa State, formed the study population. In the study, 149 small and medium-sized businesses were used as the population of the study. A sample size of 109 members was chosen from the SMEs. The questionnaire instrument was utilized to obtain information. The Spearman Rank Correlation Coefficient was embraced to test the speculations with the guide of SPSS adaptation. The results demonstrated a correlation between innovativeness and firm dynamic capability. The researcher concluded that there is a significant relationship between innovativeness and firm dynamic capability. However, it was recommended that the management of small and medium scale firms should formulate and implement innovative policies to boost responsive capabilities to cover the overall agility of the firm during turbulent period.

Keywords: Firm's dynamic capability, innovativeness, timeliness, small and medium enterprises

Introduction

Prioritizing ineffective outcomes and underwhelming business performance is detrimental to the long-term health of a firm (Singh and Pavlovich, 2011). In addition, a shaky management structure might dampen an entrepreneurial spirit, making them less eager to try out new ideas, launch new projects, or take calculated risks in pursuit of business expansion. In order to make the most of their resources, businesses require employees with specific skills. Businesses in the area can increase their proficiency in establishing system stability and sustainability (Magis,2010). Successful business owners always establish company goals with the end goal of strengthening the firm's competitiveness both internally and externally, and the organisation may also educate employees and empower them to serve as agents for promoting sustainable growth (Potts, 2010).

The incentive for businesses to engage in risky activities is the promise of profit; nevertheless, the risk of loss from random conflicts serves as a litmus test. Business owners want resilience, but it's hard to achieve it due to how challenging it is to meet optimal criteria. The business world has made it harder for SMEs to survive. The requirement for enterprises to implement measures that will protect or reinforce them against any hazards brought about by exogenous shocks (Korber & McNaughton, 2018), including those linked with the COVID-19 pandemic (Ratten, 2020; Seetharaman, 2020). The

failure of a venture can be so upsetting that it drives business owners to engage in risky and illegal commercial practices. There are growing worries about the decline of Nigerian business vitality, and statistics on the prevalence of business failures show that the process isn't easy (Bamidele, & Ayodele, 2018). The purpose of the study is to determine whether there is a link between innovation and timeliness of SME's in Yenagoa, Bayelsa State. In order to achieve this objective, the study seeks to know the relationship between innovativeness and Timeliness.

Literature Review

Innovativeness

All modern businesses that hope to thrive in today's environment of intense rivalry, rapid technical advancement, and constant crises must innovate or perish. In business, innovation is defined as "the introduction of novel technical or managerial processes designed to bring about the desired improvement in performance" (Tornatzky et al., 1990). New goods or processes that meet consumer demands more cheaply and profitably than those that already exist are what small and medium-sized enterprises (SMEs) often mean when they talk about innovation (O'Regan & Ghobadian, 2006). In this research, we define "innovative practices" as the systematic adoption of novel approaches to resolving problems traditionally encountered by SME's (OECD/Eurostat, 2005). Such novel approaches may involve new product, service, or process ideas; novel marketing mechanisms; or novel administrative practices for work amelioration and improved performance.

The desire to recoup costs through increased productivity is the primary impetus for businesses to adopt innovative practices. Therefore, according to the definition provided by Curristine (2006), innovation is the introduction of new methods into an organisation with the goal of enhancing its performance. Numerous studies have found a correlation between new ideas and the success of SMEs (Yldz et al., 2014). O'Cass& Sok, 2014; Oura et al., 2016; Zhang et al., 2018) are just a few of the studies that show how important innovation capabilities are to the long-term health of SMEs. The efforts made to create new technologies, as pointed out by Zulu-Chisanga et al. (2016), are the key reason for the rise in SME's financial indicators. Zhang et al. (2018) found that a company's ability to innovate was positively correlated with its likelihood of survival. Freeman (2004) expanded on this idea, arguing that successful innovation implementation contributes to the longevity of unique SME's. On the other hand, Lin and Chen (2007) stated that managers' innovative practices had a greater influence on SME's revenue than technology innovation.

The term "business survival" was adopted for this investigation to describe the span of time between a company's formation and its eventual demise, as defined by Bercovitz and Mitchell (2007). In addition to the business's leaders, many members of the neighbourhood stand to gain from the company's continued existence. Workers, clients, and vendors are all part of this group (Bercovitz & Mitchell, 2007). According to studies (Danes et al., 2008; Kalleberg & Leicht, 1986), a company's success may be measured in part by how long it has been in operation. If a company is flexible enough, it can thrive in any setting (Pfeffer & Salancik, 1978). For all their potential for growth and financial success, SME's are more susceptible to the effects of their surrounding environment than their larger counterparts (Carroll & Huo, 1986). Survival rates are used by some as a quantitative indicator of company health (Miner, 1997). SME's often fail during economic downturns (O'Reilly III & Tushman, 2011). Small and medium-sized enterprises (SME's) have their growth stymied and their efforts jeopardized by crises since they impact the whole external business environment (Dhochak &

Sharma, 2015). Financing options for small and medium-sized enterprises (SME's) are constrained during times of economic crisis due to factors such as poor capital market performance, an absence of necessary data, and flaws in the economy's various components (Mason & Harrison, 2015).

Firm's Dynamic Capabilities

The first distinction to be made is between a company's operational capabilities and its dynamic capabilities; the latter refers to the transformation and reconfiguration of the former, while the former provides the basis for the company's capacity to carry out increasingly sophisticated functional tasks (Teece, Pisano, & Shuen 1997).

Following this line of thought, this article defines dynamic capabilities as an organization's ability to proactively and methodically develop new skills or improve existing ones (drawing on the work of Eisenhardt and Martin (2000) and Helfat et al. (2007)). According to this notion, a company's operational skills are where dynamic capabilities have their greatest impact. Dynamic skills, in this sense, have nothing to do with how well a company does but rather with how well it can change its operations to get better results. Therefore, according to this concept, dynamic capabilities might have an indirect effect on firm performance (via altered operational capabilities) and so produce value. That is, they are useful if and only if the associated operational skills provide the business an edge over the competition.

We define dynamic capabilities as a company's behaviour orientation towards continuously integrating, reconfiguring, renewing, and recreating its resources and capabilities and, most importantly, upgrading and reconstructing its core capabilities to attain and sustain competitive advantage in a rapidly evolving market. It is our contention that dynamic capacities are not processes in and of themselves, but are instead intrinsic to other processes. Processes are typically more easily transferred inside a business or between enterprises since their underlying organisation and arrangement of resources is either explicit or adjustable.

A company's capabilities encompass not just the explicit procedures but also the tacit aspects (such know-how and leadership) that are ingrained in those processes, allowing the company to deploy resources in novel and effective ways. Because of this, capabilities tend to be unique to each company and evolve gradually via intricate interactions across all of the organization's resources (Amit and Schoemaker, 1993). Total quality management (TQM), on the other hand, is more than simply a procedure; it also necessitates the capacity of the firm to create a company-wide vision, give workers significant autonomy, and establish a customer-centric culture. The goal of total quality management is to harness the intangible "energy" of an organisation, rather than just installing a quality management method (Dean, & Bowen 1994). Based on the aforementioned conceptual separation, we will now explore the 'hierarchical' ordering of a company's resources and skills with respect to its competitive advantage. An organisation can't function without its resources, which are the basis for its capabilities. As a result, resources are considered to be at the very bottom of the organisational chart. Those that have the resources to do so can get an edge over rivals by demonstrating VRIN traits. However, under ever-changing market conditions, VRIN's temporary nature means it cannot ensure sustained success. The ability to efficiently allocate resources toward a goal is a "first-order" competency indicative of a company's potential for improved performance. The 'second order' core competencies of a company are the resources and skillsets that are crucial to maintaining its competitive edge in the market. Add citation

Therefore, the "integration" of a company's resources and talents in light of its strategic goals is highly valued by the concept of core competences. However, if the environment changes, core skills may become "core rigidities" (Leonard-Barton, 1992).

When this happens, firms might get stuck in the "competency trap," where they focus too much on a small number of operations that are becoming less important even as they get more proficient at them (Tallman, 2003). As a result, the 'third-order' dynamic capabilities highlight the firm's persistent attempt to update, reorganize, and re-create its resources, capabilities, and core competences in light of external variables. The speed of change in capabilities is controlled by dynamic capabilities, as made very obvious by Collis (1994). Therefore, we contend that, contrary to what Teece et al. (1997) assert, dynamic capabilities are not a 'subset' of the skills but rather the 'ultimate' organisational qualities that are helpful to long-term success. According to Eisenhardt and Martin (2000), a competitive advantage based on dynamic capacities is unsustainable; rather, an advantage might be achieved by applying such talents "sooner, more astutely, and more fortuitously" than the competition in order to build resource configurations.

Dynamic capacities are meaningless in the long run, as argued by Eisenhardt and Martin (2000), because they are only another type of capability. Our argument is that dynamic talents are predicated on the ability to put resources to use "earlier, more astutely, and more fortuitously." If a company may be thought of as a collection of resources and talents, then its dynamic capabilities are the mechanism by which those inputs are transformed into useful outputs. These modifications are produced in a timely, accurate, and original fashion that keeps up with the industry's rate of change. As noted by Barney et al. (2001), a durable competitive advantage may be gained through the capacity to swiftly adapt to and stay on top of changes in the market.

Timeliness

Effective and efficient organizations are generally characterized by the appropriateness and constancy of its decisions or actions. The dynamic nature of the business environment requires that firms must design their activities in such a manner that can quickly meet the challenges from the market. Timeliness refers to the ability to deliver products, services, or information within an expected or required time frame, directly influencing organizational success, competitiveness, and customer loyalty (Wang, Y., Gunasekaran, Ngai, & Papadopoulos 2016)

The constancy, urgency and accuracy of information within the premise of the organization to a large extent can help the organization to take timely decision. Timeliness can also be described as the promptness in which decisions are reached to enhance operational effectiveness of the firm. Timeliness is determined by the time between when information is expected and when it is readily available for use. This is an indication that every organization must be time conscious. In a fast growing and changing business environment like ours, organizations that can enjoy sustainable competitive advantage are those that can sense and take prompt decisions. The success of business applications largely, depends on consistent and timely information. This shows that the executive intelligence and knowledge depends also on the amount of data or information available within their reach (Teece 2018). The management in successful companies has a clear deal with their staff on how to quickly meet customer needs before their competitors in the market place. The managers in this category encourage speed and flexibility as a way of being responsible to customers. An agile organization must be time-driven to meet both the internal and external demands of the organization.

Sherehiy, karwowski and Layer (2007) noted that the ability to learn, carry out tasks and make changes in a short time gives the organization sustainable competitive advantage. The speed in service delivery and meeting and exceeding the needs of the customers is also an added advantage in a highly competitive environment. Firms with these dynamic capabilities within the operational segments (internal) of the organization tend to identify the weaknesses and strengths of their activities. When two or more firms are competing, the one that may outperform revelry firm must perform exceptionally in the areas of spaced, flexibility and market with their services, workers/staff must be behaviourally and psychologically responsive to customers and necessary infrastructure must be design to facilitate the firm's operational effectiveness and efficiency (Gummerus, Liljander, Pura & Van Riel2004). The speed is also the capacity to satisfy needs of all other agile qualities in lowest feasible time (Sherehly, et al, 2007). Flexibility is the capacity to pursue diverse company activities and capability to move from one plan to another. Agile firms need to be adaptable by swiftly or immediately modifying their business methods as essential (Conboy, 2009). This form of change most times is required due to the turbulence of the business environment. Fast and quick change of business style can give an organization competitive edge over their rivalry firms. Organizations with high flexibility end to do things or take actions faster than the firms with low flexibility. Therefore, high performing organizations must promote and encourage high business flexibility. Proactiveness is the ability of an organization to envisage likely solution to their problems before the actual occurrence. Timely organizational activities, encompasses promptness, speed, flexibility and proactiveness. Corporate capability must be extended beyond the internal activities. This is because the internal activities of the organization are largely determined and controlled by the management of the organization. Most scholars have noted that the external environment needs to be more focused than the internal environment (Ferguson, 2009; Hugos, 2009 Brannen & Doz. 2012).

The external environmental forces constitute a lot of threats to the organization; hence management must be sensitive to the happenings or occurrences of the environment. The importance of knowing the happenings or been aware of the activities of the external environment is to enable management take timely decisions (Doz & Kosonen2010). A quick response to the opportunities or threats from the environment can give an organization a competitive advantage (Dyer & Shafer, 2003; Sull, 2009; Phillips & Wright 2009 Tseng & Lin, 2011; Yauch, 2011). Hugos (2009) opined that sustainable prosperity in a relentlessly competitive world can be achieved through constant time conscious strategies and tactics. Doz and Kosonen (2008) noted that fast strategy and strategic agility can help businesses to stay ahead of rivalry firms. Time is considered as a strategic resource therefore the management of all organizations are struggling to good fortunes out of it. Organizational actors in this contemporary era emphasize the use of time and how it affects the success of the organization. Thus, timeliness mostly is described as a capability of the firm (Dyer & Shafer,2003: Dove. 2005: Becker, & freeman, 2006: Storbacka, 2011 and Kanini, 2016). Timeliness is characterized with; quick responses to market, products and services delivery quickness and fast operation time (Sherehiy, et al, 2007).

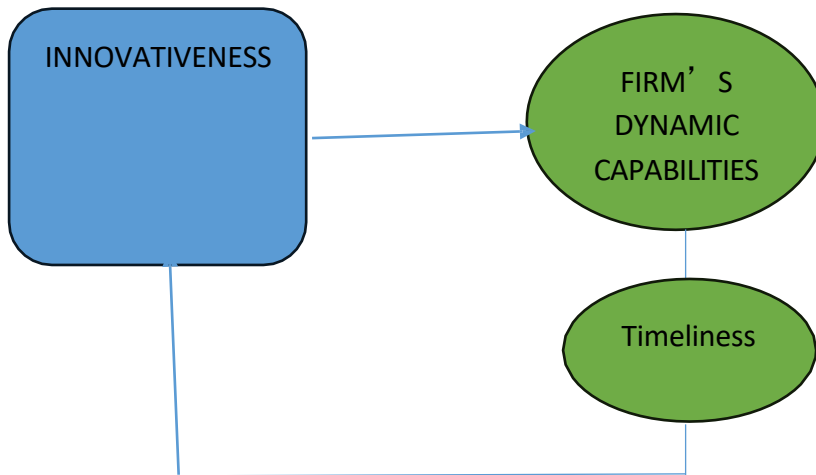


Figure 1.1: A conceptual framework showing the relationship between Innovativeness and firm dynamic capabilities.

Research Hypotheses

H01: There is no significant relationship between innovativeness and market sensitivity.

Methodology

The design of the study was a cross-sectional survey. The reviewed populace comprised of all enlisted little and medium scale undertakings in Yenagoa, Bayelsa State. In the study, 149 small and medium-sized businesses were taken into consideration. This was accumulated from the service of business, exchange and venture and properly enlisted with the corporate affairs commission (CAC). The sample size was resolved utilizing the Taro Yamane recipe (1967). As a result, the number of participants in this study's sample was 109. In addition, a questionnaire and secondary data from books, journals, and other sources were used to collect the information. The study scales embraced were dependent upon the Likert scale which ran 5 to 1, addressing from unequivocally consent to differ emphatically. The Statistical Package for the Social Sciences (SPSS) software was used to analyse the data for this study, which was collected from participants through questionnaires. Inferential statistics were used to analyse the data, which makes it easier to generalize the findings. The Spearman Rank Correlational Coefficient was used to analyse the data.

Discussion

Table 4.1: Response on Innovativeness

S/N	Question Items	SA (5)	A (4)	MA (3)	D (2)	SD (1)	AGG SCOR E	X
1	Technical innovations based on research results accepted quickly.	25 (29.7)	10 (11.9)	4 (4.7)	30 (35.7)	15 (17.8)	252	3.0
2	Importance given to Innovative ideas regarding product and services.	30 (35.7)	25 (29.7)	10 (11.9)	15 (17.8)	4 (4.7)	314	3.7
3	In our firm, innovations are accepted easily in projects.	19 (22.6)	15 (17.8)	10 (11.9)	25 (29.7)	15 (17.8)	250	2.9
4	Employee are not punished even if their new ideas do not work.	25 (29.7)	10 (11.9)	5 (5.9)	30 (35.7)	14 (16.6)	254	3.0
5	Innovations is encouraged in the firm	40 (47.6)	20 (23.8)	14 (16.6)	6 (7.1)	4 (4.7)	338	4.0

Source: Survey Data 2023.

Table 4.1 above shows the responses of respondents on the extent to which innovativeness influences Business survival among medium scale enterprises. For question item 1, the mean score is 3.0, this simply means that the respondents disagree that technical innovations based on research results are accepted quickly. The second question item with the mean score is 3.7, indicates that importance given to innovative ideas regarding products and services. The third question item, shows that in their firms, innovations are accepted easily in projects, this is shown with a mean score of 2.9 which falls on the disagree range of the scale. The fact that the average response to the fourth question was 3.0 suggests that workers are not penalised for trying out risky strategies. Finally, the fifth question item has a mean of 4.0, which indicates that respondents strongly agreed that innovativeness is encouraged in their firm.

Table 4.2 Response on Timeliness

S/N	Question Items	SA (5)	A (4)	MA (3)	D (2)	SD (1)	AGG SCORE	X
1	Our prompt reaction to opportunities increases our potentials in the market.	35 (41.6)	15 (17.8)	5 (5.9)	25 (29.7)	4 (4.7)	304	3.6
2	Our timely reactions have greatly rewarded our business.	31 (36.9)	14 (16.6)	4 (4.7)	28 (33)	7 (8)	286	3.4
3	Our swift intervention in addressing challenges have made us outstanding.	35 (18.8)	20 (4.7)	10 (15.6)	15 (46.9)	4 (0.2)	319	3.7
4	Timely customer service system has enabled us to enjoy better opportunities.	20 (23.8)	10 (11.9)	8 (9.5)	25 (29.7)	11 (13)	225	2.6
5	We react timely rather than responding slowly.	22 (26.1)	10 (11.9)	7 (8)	35 (18.8)	10 (15.6)	249	3.9

Source: Survey Data 2023.

The results of the survey are shown in Table 4.2; the first question item has a mean score of 3.6, indicating that respondents strongly agree that innovative ideas regarding products and services in the markets are given a high priority; the second question item has a mean score of 3.4, indicating that respondents strongly agree that there is a consistent proactiveness for dominance in the market. Question item 3 has a mean score of 3.7, which simple means that respondents strongly agree that there is great importance to the development of new and innovative during turbulent periods. The fourth item question shows that there is effectiveness in providing new productive policy for continuous effectiveness. This is shown with a mean score of 2.6 and falls within the range of disagree. The last question item shows a mean score of 3.9, which simple means that respondents disagree that their enterprise makes first move instead of responding to the moves of our competitors in the market.

Table 4. 3: Correlation Outcome between Innovativeness and Timeliness.

Correlation		Innovativeness	Timeliness
Spearman's Innovativeness	rho	1.000	.701**
	Coefficient	.	.000
	Sig. (2-tailed)	.84	.84
	N		
Timeliness	rho	.701**	1.000
	Coefficient		.
	Sig. (2-tailed)	.000	.
	N	84	84

** .0.01 level.

Source: SPSS, 2023

Decision

The results of the study demonstrate a highly favorable and statistically significant correlation between innovativeness and continued economic success ($r=0.701$). In addition, the correlation is statistically significant ($p<0.001$). Because of this, we may conclude that there is a substantial association between Innovativeness and firm survival and reject the null hypothesis.

Conclusion

This study examined the link between innovativeness and firm's dynamic capability of medium scale enterprises. From the empirical analysis, it was discovered that innovativeness had a positive relationship with timeliness. It was shown, however, that SME's in Yenagoa, Bayelsa State, had a positive and statistically significant association between corporate resilience and company dynamic competence.

Recommendations

The researcher therefore concluded that;

1. The management of medium scale firms should formulate and implement innovative policies to boost responsive capabilities to cover the overall agility of the firm during turbulent period.
2. That management of medium scale firms should cultivate an effective work culture of Innovative and creativity for timely system in their business.

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