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INTERNAL CAPABILITIES AND SUSTAINABILITY OF SMEs IN AWKA, ANAMBRA STATE

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Abstract
The short-life span of SMEs is alarming as businesses do not operate beyond 2years of existence and this has been traced to poor capability of SMEs. In view of this, the study determined the extent of relationship that exists between internal capabilities and sustainability of SMEs Awka, Anambra State. However, the specific objectives focused on the degree of relationship between job-skill mismatch and Business competitiveness of SMEs, also, between technology capabilities and product quality; and lastly, between innovative capabilities and adaptive performance of SMEs Awka, Anambra State. The study was anchored on Resource-based theory by Barney, 1991. Descriptive survey research design was adopted by the study, the sample size of 217 was determined using complete enumeration method from a total population of 217. Data were collected with the aid of structured questionnaire while hypotheses were tested using Pearson product Moment Correlation Coefficient with the aid of SPSS version 27. Findings revealed that there is significant relationship between internal capabilities and sustainability of SMEs by indicating negative relationship between business competitiveness and job skill mismatch; secondly, positive relationship between technological capabilities and product quality; and positive relationship between relationship between innovative capabilities and adaptive performance. The study concluded that internal capabilities components such as innovative capabilities, technology capacity and job-skill match positively. It was recommended that SMEs owners and management need to conduct capacity needs assessment test so as to review the capacity gap of the organization.

Key Words: *Business Competitiveness, Internal Capabilities, Job-skill Mismatch, Sustainability, SMEs.*

Introduction
Internal capabilities refer to unique resources, knowledge and skills/competencies that a company possesses and can leverage to achieve its strategic objectives and competitive advantage. These capabilities are important to an organization and can be measured by determining the innovative capacity, intellectual capital, technological capacity and relationship capacity (Gupta, 2021). Business organizations act fast in order to secure their financial situations and their market positions. Firms are continuously striving for ways to attain a sustainable competitive advantage as these businesses depends on their internal distinguished strengths to provide more added customer value, strong differentiation and extendibility. Business strategy has gone beyond competing for

product or service patronage but building internal capabilities which is an indicator of strength (Hamel & Prahalad, 2022). The internal capability of a firm is considered a primary factor for building a competitive strategy for a business. Businesses are likely to be different in terms of their abilities to select, build, deploy, and protect their brands as the differences are likely to support corporate performance (Petts, 2023). The idea of internal capabilities has been developed to support more efficient identification and utilization of an organization's strength. The assumption is that core competencies change more slowly over time than products and services (Gupta, 2021). Srivastava (2019) noted that internal capabilities have implications at the strategic level, firms should systematically work on identifying their core competencies and developing them for sustainable competitive advantage.

Small and Medium Scale Enterprises (SMEs) are generally regarded as the engine of economic growth and equitable development in developing economies. They are labour intensive, capital saving and capable of helping create most of the one billion new jobs the world will need by the end of the century (Agwu & Emeti, 2021). SMEs business constitute of the world's oldest and most dominant form of business organization (Abouzaid, 2018). This account for about 70-95% of all business entities in most countries around the world and also create between 50 and 80% employment (Ogbechie & Anetor, 2021). Globally SMEs account for 99% business numbers and 40% to 50% of GDP (Brown & Harris, 2023). Studies indicated that in both advanced economies and developing countries, SMEs contribute on average 60% of total employment (Ayyagari, Beck & Demirguc, 2017). They are also perceived as the key to Nigeria's economic growth, poverty alleviation and employment generation as they contribute 46.54% to Nigeria's GDP (Small Medium Enterprise Developmental Agency of Nigeria, SMEDAN, 2022).

Despite the successful contributions of SMEs to both economic progress and employment generation, there is trending challenges of short-span business operations of SMEs. Some SMEs lack the know-how on methodology, strategy and business innovations, this seems to have contributed to the declining performance and survival problems for SMEs. Some SMEs lacks the capacity to strive through challenging times. Example is the case of Covid 19 Pandemic as some SMEs could not survive the pandemic, in the South East alone, the activities of Independent People of Biafra (IPOB) has crippled some SMEs due to Monday sit-at-home order. The rising cost of operations and technological demands is challenging and resulting to closure for some SMEs. While some SMEs advance to online platform to reach out to the markets in the face of these challenges, some others lack the capacity to advance to changing demands of environmental factors. It is against this background that the study of the relationship that exists between internal capabilities and sustainability of SMEs Awka, Anambra State was undertaken.

Statement of the Problem

SMEs in Awka Anambra State seems to be experiencing unstable business operations due to the increasing demands of economy, market, competitors and other stakeholders. SMEs have the trend of survival problems due to high competition and incapability to

strive through business challenges. Some SMEs may lack the necessary capabilities to formulate active competitive strategy. Eisenhardt and Martin (2021) stated that internal capabilities contain specific, strategic and organization transforms like product development and strategic decision making that create value for firms within dynamic markets by manipulating resources into new value-creating strategies. A common practice by SMEs is the hiring of staff based n resume submitted without proper screening of skills match with the job. Thus, for SMEs that organized little or no training for new staff may suffer competitive setback.

It is an obvious fact that technological breakthrough is introduced in various aspect and lines of business. SMEs that adopts a rigid system of operation seem to have less quality products as compared to competitors operating with the technological trends. Technology has contributed to the method and mode of business practices such as product success and business performance (Dutta, 2022). The impact of technology on SMEs varies as it either results in setbacks for the SMEs or result in improved products quality. SMEs in Awka, Anambra State are known for their repetitive business practices as they tend to be low on innovative business practices. This has resulted in declined performance for most SMEs as they lack the capacity to adapt to new product demands. Some SMEs no longer operate due to changing demands of technology and environment while some SMEs experience declining performance due to increasing cost of operations, change in customer taste and technological effect. It is based on the above problem statement that the study of relationship that exists between internal capabilities and sustainability of SMEs Awka, Anambra State was adopted.

The broad objective of the study is to determine the extent of relationship that exists between internal capabilities and sustainability of SMEs Awka, Anambra State. However, the specific objectives of the study are;

1. to determine the degree of relationship between job-skill mismatch and Business competitiveness of SMEs Awka, Anambra State.
2. to ascertain the extent of relationship that exists between technology capabilities and product quality of SMEs Awka, Anambra State.
3. to investigate the type of relationship that exists between innovative capabilities and adaptive performance of SMEs Awka, Anambra State.

The following hypotheses guided the study:

H_{o1}: There is no significant relationship between job-skill mismatch and Business competitiveness of SMEs Awka, Anambra State.

H_{o2}: There is no significant relationship between technology capabilities and product quality of SMEs Awka, Anambra State.

H_{o3}: There is no significant relationship between innovative capabilities and adaptive performance of SMEs Awka, Anambra State.

Theoretical Framework

Resource-Based Theory

This study was anchored on Resource-based theory by Barney, 1991. Barney is of the view that organizations should formulate internal strategy to gain competitive advantage from its own internal resources. This approach suggests that a firm should invest in those activities that constitute its core competences and outsource the rest. Barney (1991) used the term core competence to describe the strategies that make up those activities that the firm executes better than its competitors. He believed that core competencies are organization-specific resources with additional characteristics and allow new markets to be exploited. Core capabilities consist of the processes that combine physical resources and the cooperation of the human resources responsible for the organization's tacit and explicit knowledge. The strategic value of these resources depends on their capability to be a source of competitive advantage by enabling the organization to set strategies that improve its effectiveness and efficiency, exploit market opportunities and neutralize potential threats (Barney, 1999). This theory considers an organization as a bundle of assets and resources that, if employed in an optimal way, can create competitive advantage.

The RBV theory regards a company as a set of these resources and capabilities that are treated as the strengths that must be supported and that should guide the company's outsourcing strategy in order to achieve competitive advantage. In order to understand the sources of sustainable competitive advantage, Barney (1991) establishes the hypothesis that a firm's resources can be heterogeneous and immobile. Competitive advantages result from owning valuable resources that allow firms to perform activities better or more cheaply than their competitors. According to Barney (1991), a resource must meet the following four conditions in order to have that potential: it must be valuable, rare, imperfectly imitable and non-substitutable. Based on the conditions listed, if the resources are rare, it is an edge for the firm against its competitors as it will be able to provide value that its competitors cannot provide. But it can as well affect the firm if there is no effort to duplicate resources within the organization because in the absence of the rare resource no value will be produce. Also, it can also affect a firm if they duplicate a resource and such resources slips into the hands of competitors.

Relevance of RBV Theory to the Study

The RBV theory bears credence in this study as it regard a firm's human resources the most vital resources that deserves internal capabilities. The theory credit facts pointed out in this study as it advice that there should be investment in the organizational resources so as to sustain the business. A strategy of investing in the organizational resources is to point areas that is weak in the organization such as management capacity towards ensuring increment in the workforce capacity; also the theory stated that organization is a bundle of resources and these resources can form the competitive edge of the organization over competitors. This is in line with adaptive capacity of the firm that will compel innovation of staff. The RBV theory regards a company as a set of these resources and capabilities that are treated as the strengths that must be supported and that should guide the company's outsourcing strategy in order to achieve competitive

advantage. This is likely to relate to the innovative capacity of the firm that will incorporate innovative attitude in the behavior of employee.

Empirical Review

Lee-Choonwoo (2020), examined the influence of internal capabilities and external networks on firm performance by using data from 137 Korean technological start-up companies. Internal capabilities were operationalized by entrepreneurial orientation, technological capabilities, and financial resources invested during the development period. External networks were captured by partnership- and sponsorship-based linkages. Partnership-based linkages were measured by strategic alliances with other enterprises and venture capitalists, collaboration with universities or research institutes, and participation in venture associations. Sponsorship-based linkages consisted of financial and nonfinancial support from commercial banks and the Korean government. Sales growth indicated the start-up's performance. Regression results showed that the three indicators of internal capabilities are important predictors of a start-up's performance. Among external networks, only the linkages to venture capital companies predicted the start-up's performance. Several interaction terms between internal capabilities and partnership-based linkages have a statistically significant influence on performance. Sponsorship-based linkages do not have individual effects on performance but linkage with financial institutions has a multiplicative effect with technological capabilities and financial resources invested on a start-up's performance. Implications and directions for future research were discussed

Albert-Naiem-Naguib (2021), examines the relationship between internal capabilities (experience, routine, skills, firm characteristics, knowledge and technology) and competitive advantage sustainability in the Egyptian pharmaceutical sector. The data was collected using primary and secondary data sources. Primary data was collected from questionnaires distributed to 160 top managers in 20 pharmaceutical firms. The secondary data about pharmaceutical firms like rankings, revenues and market share was collected from external sources such as Intercontinental Marketing Service (IMS). The questionnaires examine six independent variables based on a five-scale Likert scale. The methodology used in the study is non-probability sampling (judgmental sampling), Cronbach's alpha reliability coefficient and Chi-square tests. The results support the notion that there is a significant relationship between four of the six internal capabilities (experience, skills, firm characteristics and knowledge) and the competitive advantage sustainability for pharmaceutical firms in Egypt. Designing the questionnaire and formulating the questions to target the required field was challenging, given that the topic is dynamic and the business scene in Egypt has witnessed drastic political changes since January 2011. The study should assist pharmaceutical companies in Egypt in directing their investments properly and in determining the weaknesses in their dynamic capabilities that need to be addressed.

Alanizan (2023) examined the effectiveness of internal capabilities on employee performance. The study employed an interview to respond to inquiries from various employees in Eastern Province, Saudi Arabia, to see what they thought about on-the-job training at their companies. Interviews were conducted with 39 employees, and the

response rate was 100%. Structural equation modeling was used to process the data and obtain the results. The results of this study indicate that employees are capable of embracing internal capabilities and this impacts their quality of life. Essentially, the study concluded that technological capabilities and internal capabilities before a pandemic improved employee knowledge, skill, and quality goods toward job performance. The study recommended that enterprises should invest sufficient funds to promote technological and internal capabilities, which influenced how well those organisations performed during the COVID-19 epidemic.

Temitayo, Giselle and Russell (2021) investigated how internal capabilities translates to performance gain by adopting a systems perspective to drive smartness. This study uses qualitative research to collect data on the lived experiences of internal capabilities practitioners for theory development. The population was made up 134 respondents. It uses semi-structured interviews with industry experts and applies the Gioia methodology for analysis. The findings shows that enterprise smartness is an organizational capability developed by internal capabilities, it is a function of integration and the enabler of organizational performance gains in the Industry context. Findings also indicate that performance gains are experienced in productivity, sustainability, safety and customer experience, which represents performance metrics for Industry. This study contributes a model that inserts smartness in the linkage between internal capabilities and organizational outcomes to the internal capabilities and production management literature. The study concludes that internal capabilities programs should focus on developing smartness rather than technology implementations, which must be considered an enabling activity. The study recommended advances theory development by contributing an Industry value model that establishes a link between technologies capabilities, smartness and organizational performance.

Chen, Jaw and Wu (2020) conducted a research on the effect of internal capabilities on organizational performance of SMEs in Taiwan. Data were collected using field interviews and survey from senior executives of small- and medium-sized enterprises (SMEs) in the Taiwanese textile industry. Qualitative and quantitative approaches are used to explore the research hypotheses. Results indicate that the service-oriented portal function dimension, consisting of portal maintenance service, B2B function, and cloud computing, significantly influences organizational performance. Unexpected findings, such as the negative impact of greater industry benchmark information on perceived SME performance, deserve further investigation. The study conclude that internal capabilities has a significant effect on organizational performance. The study recommended the necessity of continuous improvement of networks, computers, and software to improve working conditions.

Studies have been conducted by scholars in various aspect of internal capabilities such as job-skill mismatch, technology capabilities and innovative capabilities. Some of the studies were merged with managerial capabilities, competitive capabilities and operational capabilities. Some of the studies were conducted in telecommunication firms, other were conducted in banks and hospitals. But this study focused on the extent of relationship that exists between internal capabilities and sustainability of SMEs Awka,

Anambra State through the following identified gaps; Studies failed to determine the degree of relationship between job-skill mismatch and Business competitiveness of SMEs Awka, Anambra State. None of the studies sought to ascertain the extent of relationship that exists between technology capabilities and product quality of SMEs Awka, Anambra State. Studies failed to investigate the type of relationship that exists between innovative capabilities and adaptive performance of SMEs Awka, Anambra State. These are the exact gaps that the study intends to fill.

Materials and Methods

The study adopted Descriptive Survey Research Design because it intended to describe the view of respondents in relation to the subject of the study. The study intended to collect data directly from respondents in relation to the objective of the study. The study intended to the elicit data from selected SMEs and as well describe the respondent's view on succession plan to the survival of SMEs in Awka, Anambra State. With the above in mind, Descriptive Survey Research Design was considered suitable for the study. The area of study is Awka South Local Government Area, Anambra State. The population of this study comprised paid and owners management of registered SMEs in Awka South, Anambra State. The population of the study was gotten from directory of Micro, Small and Medium Scale Enterprises Domicile in the Ministry of Commerce and Industry, Anambra State. However, the data were complimented by the ones derived from a pilot survey commissioned by the researcher. There are 519 registered SMEs in Awka, Anambra State to make this study purposive, the study adopted Purposive Sampling Technique to select 10 SMEs from Ifite Region and 20 SMEs from Temp. Site Region. The population size based on the 30 selected SMEs is 217. The SMEs were selected based on the following criteria;

i. Accessibility by the researcher to the location of the SMEs. Accessibility factor was considered so as to save time and cost.
ii. The SMEs were selected based on Proximity to the researcher.

The selected registered SMEs and its respective staff strength are presented in Table 3.2.2 under Appendix iii of this study. The study adopted primary source of data which is the use of a well-structured questionnaire of Likert Scale of Strongly Agree, Agree, Disagree, Strongly Disagree and undecided.

The study adopted Taro Yamane formula for determining sample size from the population size. Taro Yamane was adopted because it intended to control error limit. The formula thus;

The sample size was determined using Taro Yamane technique:
Where:
N = entire population of interests
n = sample size to be determined
e= linear margin $(0.05)^2$
1= constant limit
$n = 217/1+ 217 (0.05)^2$
n = 141

The study adopted Random Sampling Technique to select the members of the population to be in the sample. Random Sampling Technique was adopted because the study aimed to give equal opportunity to members of the population to be in the sample.
The study made use of Bowley's proportion allocation to determine the number of questionnaire that accrued to organization of study. The study aimed to adopt a scientific approach to the distribution copies of questionnaire rather than using a subjective approach of distributing questionnaire which would result to giving more copies to an organization than the others. Hence, the research considers Bowley Proportion Allocation approach as the best approach to determine the copies of questionnaire to distribute to the respondents.

Thus, the formula;

$$nh = \frac{n}{N} \times Nh$$

N =sample size
Nh = no of questionnaire to be administered
N = total population of study
Nh = total population in each category

The determination of copies of questionnaire is thus calculated as;

1.	RoseLife SuperStores =	4x141/214 =3
2.	Destiny Pots Bakery/ Fast Food	6 x141/214 =4
3.	Roban Stores	38 x141/214 =25
4.	De Santos Hotel	18 x141/214 =12
5.	Marble Arch Hotels	13 x141/214 =9
6.	SCOA Heritage	7 x141/214 =5
7.	Blessed Goodwill Bakery	6 x141/214 =4
8.	Evafresh Supermarket	3 x141/214 =2
9.	Honee Pharmacy and Stores	3 x141/214 =2
10.	Rima Cakes & Kraft	5 x141/214 =3
11.	Amaka Dreams	7 x141/214 =5
12.	Citibrit Cleaning Service Agency	5 x141/214 =3
13.	Chi Best Research Project Materials Center	4 x141/214 =3
14.	Sleek Beauty Shop	7 x141/214 =5
15.	Glorious Salon and Beauty Shop	5 x141/214 =3
16.	Fayrouz Restaurant and Bar	6 x141/214 =4
17.	Nourisha Bakery	5 x141/214 =3
18.	Ebony Super Stores	3 x141/214 =2
19.	Mikmel Studio	4 x141/214 =3
20.	John Bosco Barbing Salon	3 x141/214 =2
21.	Supreme Taste Fast Food	6 x141/214 =4
22.	Oby Motors	8 x141/214 =
23.	English Boutique	3 x141/214 =2
24.	Ozy Beauty World	4 x141/214 =3

25. `	De Boss Barber's Shop	5 x141/214 =3
26.	Dreams Fast Food and Restaurant	9 x141/214 =6
27.	De Perfect Event and Design	6 x141/214 =4
28.	Mabcom Printing Press	5 x141/214 =3
29.	Divine Favour Kitchen	8 x141/214 =5
30.	Origin Hotels Ltd	Total =141
		11 x141/214 =7

The instrument for data collection is a structured questionnaire designed by the researcher. The instrument was titled "effect of Micro, Small, and Medium Scale Enterprise on Unemployment Reduction" (EOMSMSEOUR). The instrument consists of two sections (A and B). Section A sought information on the personal data of respondents while section B sought information required to answer the research questions. The section B is in a cluster which sought the opinion of respondents on effect of MSMEs on unemployment reduction. The instrument has a total of 18 items based on five point Likert Scale of Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), Strongly Disagree (SD).

The study adopted the use of content validity as a copy of the formulated questionnaire was presented to my supervisor for evaluation and restructuring. The questions in the questionnaire were corrected and restructured to suit the purpose of the study. Hence, the content of the questionnaire was confirmed suitable for the study. The study adopted test-retest method. 5 copies of the questionnaire were administered to respondents of Ejima Super Stores Ltd, Awka, Macdons, Roselife Pharmacy, Choice Hotels Ltd and D& D Beauty Salon. These firms are different from the organizations of study.

Data collected were analyzed and quantified using simple frequency and percentage tables. The data generated were analyzed using mean and hypotheses were tested using Pearson product moment correlation coefficient on Statistical packages for Social Science (version 23) at 5% level of significance. It was used to establish the degree of relationship between all the stated dependent and independent variables.

Accept the Alternate hypothesis (H_a) if P-value is less than 0.05 (P-value < 0.05); otherwise accept the Null hypothesis (H_o).

Results and Discussion
Presentation of Data

Table 1 Response Rate

Questionnaire	**Frequency**	**Percentage**
Returned	133	94
Number of Questionnaire not returned.	8	6
Total	141	100

Source: Field Survey, 2022.

Table 1 shows that a total of 141 copies of questionnaire were distributed, 133 (94%) were collected and 8 (6%) were not retrieved.

Test of Hypotheses

Hypothesis One

H_{o1}: There is no significant relationship between job-skill mismatch and Business competitiveness of SMEs Awka, Anambra State.

Table 2 Correlation between Job-skill mismatch and business competitiveness

Correlations

		Job_skill_mismatch	Business_competitiveness
Job_skill_mismtch	Pearson Correlation	1	-.742
	Sig. (2-tailed)		.043
	N	133	133
Business_competitiveness	Pearson Correlation	-.742	1
	Sig. (2-tailed)	.043	
	N	133	133

Table 2 shows that there is negative relationship between business competitiveness and job skill mismatch with r=0.742, n=133 and p value of 0.043 ($p<0.05$). Therefore, we accept the alternate Hypothesis and conclude that there is significant negative relationship between job-skill mismatch and business competitiveness.

Hypothesis Two

H_{o2}: There is no significant relationship between technology capabilities and product quality of SMEs Awka, Anambra State.

Table 3: Correlation between Technology capabilities and product quality

Correlations

		Technological_capabilities	Product_quality
Technological_capabilities	Pearson Correlation	1	.862
	Sig. (2-tailed)		.014
	N	133	133
Product_quality	Pearson Correlation	.862	1
	Sig. (2-tailed)	.014	
	N	133	133

Table 3 shows that there is significant relationship between technological capabilities and product quality with r=0.862, n=133 and p value of 0.014 (p<0.05). Therefore, we reject the null hypothesis and conclude that there is positive relationship between technology capabilities and product quality of SMEs Awka, Anambra State.

Hypothesis Three

H_{o3}: There is no significant relationship between innovative capabilities and adaptive performance of SMEs Awka, Anambra State.

Table 4: Correlation between innovative capabilities and adaptive performance

Correlations

		Innovative_capability	Adaptive_Performance
Innovative_capability	Pearson Correlation	1	.612**
	Sig. (2-tailed)		.022
	N	133	133
Adaptive_Performance	Pearson Correlation	.612**	1
	Sig. (2-tailed)	.022	
	N	133	133

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4 shows that there is a significant relationship between innovative capabilities and adaptive performance with r=0.612, n=133 and p value of 0.022 (p<0.05). Therefore, we accept the alternate hypothesis and conclude that there is significant positive relationship between innovative capabilities and adaptive performance.

Conclusion and Recommendations

The study concluded that internal capabilities components such as innovative capabilities, technology capacity and job-skill match positively. But the issue of gap in performance is due to gap in the technological capabilities. The study also deduced that innovative capabilities and technological capabilities contributes to competitive advantage of an SMEs. The study deduced that technology capabiltiies foster organizational adaptability to changes. Lastly, it can be deduced that job-skill mismatch is setback for organizations with previous great records.

The study recommended the following;

1. SMEs owners and management need to conduct capacity needs assessment test so as to review the capacity gap of the organization. This will help to identify the gap in the capacity of the organization.
2. Both government and non-government organizations should invest more in capacity building of SMEs so as to support their performance and products.

3. SME's owners and trainers should undertake training and development for themselves and staff so as to update their skills in line with technological changes.

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