PROACTIVENESS, INNOVATIVENESS AND FIRM PERFORMANCE: THE MEDIATING ROLE OF ORGANIZATIONAL CAPABILITY

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ABSTRACT

This study aims to assess the mediating role of organizational capability in the relationship among proactiveness, innovativeness and SME performance. Cluster sampling technique was adopted in this study. Based on a self-administered survey questionnaire, data were collected from 305 manufacturing small and medium enterprises in north-central geo-political zone in Nigeria. Consequently, the study adopts partial least square-structural equation modelling version 3.2.7 to test the relationships. The findings demonstrate that organizational capability is a crucial mechanism through which proactiveness and innovativeness indirectly influence SME performance. The study demonstrates the relevance for SME owners/managers, policy makers, and SME supporting bodies to lay much emphasis on development of organizational capability as it may easily allow firms to swiftly respond to rapid changes in market needs and enhance their performance in dynamic and competitive business settings.

Keywords: Proactiveness, Innovativeness, Organizational Capability, SME Performance.

INTRODUCTION

Proactiveness and innovativeness are often associated with Small and Medium Enterprises (SMEs) than large enterprises (Zacca & Dayan, 2018). This is usually demonstrated in their quest to scout for market opportunities and utilize local raw materials to produce unique goods and services that meet broad market needs or demands. However, SMEs are often confronted with challenges of rapid change in market needs due to advancement in technology (Uchegbulam et al., 2015). This has attracted numerous scholarly interests and volumes of studies have been conducted. Proactiveness refers to the actions of any business enterprises that are market opportunity-seeking and forward-looking market demands/needs with the aim of designing befitting products or services mix to serve the market better, influence or shape the business environment ahead of competitors (Lumpkin & Dess, 1996). Given the definition of proactiveness, it seems to be the basics upon which innovative attitude lean on (Tang et al., 2014). On the part of innovativeness, Covin & Miller (2014) describe it as the preparedness of business organizations to come up with new ideas in terms of processes/procedures or products in the marketplace. In other words, Lomberg et al. (2017) refer to innovativeness as the propensity of business enterprises to inculcate the spirit of generating creative ideas or processes to introduce new products or services through experiment or feasibility study.

Proactiveness and innovativeness are critical strategic postures for firms to thrive in fast changing and competitive market environments (Covin & Miller, 2014; Covin & Wales, 2012). No wonder these strategic postures have attracted some scholarly interests and often recognized amongst the good predictors of high levels of firm performance. For instance, (Adams et al., 2017; Ambad & Wahab, 2013; Amin, 2015; Lomberg et al., 2017; Tang et al., 2014; Uddin et al., 2014) studied the relationship between proactiveness and firm performance. Whereas, the impact of innovativeness on firm performance has been examined in many studies (e.g., Acar & Özşahin, 2018; Handrich et al., 2015; Kam-Sing, 2014; Mamun et al., 2017). Extant literature reveals that majority of prior studies have established existence of positive and significant relationship between proactiveness and firm performance, as well as between innovativeness and firm performance. However, any attempt to explain how and why these relationships exist, is yet to be expatiated in the literature. Thus, the thrust of the present study is to add to the stock of existing knowledge by providing possible answer to the questions of how and why proactiveness and innovativeness significantly impacted firm performance.

Wiklund & Shepherd (2005) argue that an in-depth understanding of the tie between any strategic postures and firm performance may be explained by factors that are internal to the organization. In the same vein, Blesa & Ripollés (2003) and Uchegbulam et al. (2015) posit that relationships between strategic orientations and performance largely depend on the firm's capability to quickly respond to dynamics of market needs. Hence, this suggests that for better explanation of how and why proactiveness and innovativeness impacted firm performance, organizational capability may play significant role. Therefore, to fill this research gap, the present study undertakes to evaluate the mediating role of organizational capability in the relationship among proactiveness, innovativeness and SME performance in the manufacturing sector in north-central Nigeria.

Based on the research gap to be addressed in the current study, it offers a suitable process for integrating organization's strategies, resources, and capabilities that may warrant firms to further improve their ability to respond quickly to changes in market needs or create new market by being first to introduce products. In doing so, it might subsequently lead to superior levels of performance in the marketplace. This presumption is in consonance with the tenets of dynamic capability theory of the firm in dynamic and competitive business environment (Teece, 2007: 1997). DCV theory postulates that in dynamic and competitive business settings, superior firm performance is a consequence of the firm's ability to build, integrate, and reconfigure strategies, resources, and existing capabilities to create new and dynamic capabilities to address market problems. It is pertinent to observe that majority of studies that used the theory of dynamic capability have been conducted within the context of American, European or Asian countries (Li & Liu, 2014). Therefore, adopting this theory in Nigeria, a developing economy in Africa might provide wider insights about the effectiveness of integrating or reconfiguring variables such as proactiveness, innovativeness, and organizational capability for higher levels of firm performance in a single research model.

The remaining part of the study is designed as follows: First, it looks at theoretical background in terms of extant literature on proactiveness, innovativeness, organizational capability and firm performance, underpinning theory, as well as develops hypotheses. The next section dwells on the research methods employed for this empirical work, Thereafter, the paper reports, discusses the findings and highlights implications of the study. Last but not the least, the paper draws conclusion, identifies limitations, and offers suggestions for further research.

THEORETICAL BACKGROUND AND HYPOTHESES

Firm Performance

Firm performance is viewed as the total wellbeing of business entity in terms of results measurable against resources committed to achieve predetermined goals or objectives (Agwu, 2018). One of the major issues that preoccupy the minds of most business owners and/or managers is their firm performance in the marketplace (Tseng et al., 2013). Thus, firm performance has been regarded as a primary dependent variable in the field of strategic management (Gupta & Wales, 2017). This is so because, the core aim of strategic management revolves around the provision of answers to the ultimate question of why some business firms outperform others despite they all operate in and face the same business environmental challenges. Generally, the concept of firm performance is multifaceted in nature and has attracted attention of researchers with multifarious views as to the most appropriate approach to measuring firm performance (Gupta & Wales, 2017).

However, it is imperative to state that firm performance is the outcome of befitting integration, reconfiguration and building strategies, resources, and capabilities to respond as fast as possible and promptly to changes in or even influence the business environment by being first to introduce new value to the marketplace (Eisenhardt & Martin, 2000; Teece et al., 1997). Therefore, building on the dynamic capability perspective, business enterprises must seek to integrate, reconfigure, and build a perfect match of strategies, resources, and capabilities to achieve excellent performance in competitive business environment. Hence, evaluating the integrated effects of proactiveness, innovativeness, and organizational capability on SME performance would provide much clearer empirical evidence in support of dynamic capability theory and may serve as a source of competitive advantage to SMEs in the manufacturing industry in developing economies like Nigeria.

Proactiveness and Organizational Capability

According to Lumpkin & Dess (1996), proactive entrepreneurial activity refers to the firms' timely response to market needs or demands, as well as generating market opportunities. A formidable proactive strategic posture provides enterprises with capability to anticipate changes that may occur in the business environment or even exert influence on the business environment to their advantage (Lumpkin & Dess, 2001). Similarly, Blesa & Ripollés (2003) opined that strong proactive thinking is most likely to provide business enterprises with diverse capabilities to predict the needs of customers as well as reactions of competitors in the marketplace. On the other hand, organizational capability entails the capacity of business establishments to scout, combine, and execute different set of resources with the main aim of delivering sound performance to the marketplace (Ho et al., 2016). Also, Uddin et al. (2014) revealed that outstanding business performance in the marketplace to a large extent is dependent on the firms' capabilities to address the issues of uncertainties linked with fluctuations in customers' taste. Thus, this signifies that capabilities are a major source of distinction among firms in terms of high or low performance, superior or inferior performance, excellent or poor performance.

Even though there is dearth of empirical evidence on the relationship between proactiveness and organizational capability, Rua et al. (2018) posit that firms with high responsive ability consider proactiveness to be a core input. Such firms remain committed to take

first mover advantage by engaging in forward-looking as well as opportunity-seeking activities (Anderson et al., 2015; Tang et al., 2014). Thus, they are likely to generate robust knowledge about market trends and predict market preferences (Hao & Song, 2016). By so doing, it improves firms' capabilities to align or integrate the right kind of resources to deliver value that best suit such market preferences. Proactive firms also focus on developing capabilities that influence policy makers and shape the market to their own advantage in terms of market share or market position (Tang et al., 2014). Further, proactive activities enable firms to keep abreast with changes in technology and regularly strive to create and integrate resources to match technology advancement (Hao & song, 2016). This further confirms the views of Lumpkin & Dess (1996) that if an enterprise maintains high proactive thoughts, such enterprise can predict the desires of emerging markets and pull resources together to satisfy the markets better than its competitors.

From the foregoing, it can be argued that proactiveness plays a pivot role in capability building as it involves the display of opportunities seeking behaviour not only to satisfy immediate market wants but also the inculcation of forward-looking thoughts which can forecast future market needs accurately. For instance, in typical settings like Nigeria, the demand for cool drinks is mostly high between the months of February and June (i.e., hot season/weather). Given the trend of previous demand as well as the prevailing market situation as the season approaches, a proactive manufacturing SME may be able to predict with some level of accuracy, the demand for drinks, and then make efforts to integrate and reconfigure resources to flood the market not just with drinks but chilled drinks better than its competitors. In doing so, this may be aligned to the guiding principles of dynamic capability theory of the firm which postulates that firm's superior performance in dynamic business environment is the outcome of integrating, reconfiguring, and building of resources, strategies, and capabilities (Teece 2007; Teece et al., 1997). In the light of the preceding discussion, the following hypothesis serves as a guide to the study:

H_1: There is positive and significant relationship between proactiveness and organizational capability.

Innovativeness and Organizational Capability

As described earlier, innovativeness entails the propensity of business enterprises to inculcate the spirit of generating creative ideas or processes to introduce new products or services through experiment or feasibility study (Lomberg et al., 2017). In the literature, there is dearth of empirical evidence on the relationships between innovativeness and organizational capability. However, the relevance of innovativeness in building organizational capabilities has been stressed. For instance, Miller & Friesen (1982), and Tsao & Chen (2012) assert that if business enterprises imbibe the culture of innovativeness, such enterprises are probably going to possess diverse capabilities to cope with rapid changes in market needs and compete favourably in the marketplace. In a related development, Acar & Özşahin (2018) opine that the capability of business organizations to withstand the pressure of external environmental complexities stem from innovative strategic posture. This implies that innovativeness could demonstrate significant statistical evidence in boosting organizational capability.

Furthermore, Choi & Williams (2016) suggest that innovative mindsets in business establishments promote the development of skills and technical know-how to effectively handle unpredictable market situations. Also, drawing from the perspective of dynamic capability theory which posits that high levels of firm performance in dynamic business environment depend on the ability to build, integrate, and reconfigure resources, strategies, and capabilities (Teece, 2007;

Teece et al., 1997), innovativeness may empirically impact on organizational capability of manufacturing SMEs in north-central Nigeria. In the light of the preceding discussion, the following hypothesis is formulated:

H_2: There is positive and significant relationship between innovativeness and organizational capability.

Organizational Capability and Firm Performance

Organizational capability is often regarded as the outcome of thoughtful processes that business establishments create to thrive for competitive edge over rivals in the marketplace (Gupta et al., 2014; Teece et al., 1997; Vogel & Guttel, 2013). High organizational capability has been widely considered as major source of sustainable superior firm performance (Blesa & Ripollés, 2003; Wilden & Gudergan, 2015). Thus, studies such as (Hassan et al., 2017; Monteiro et al., 2017; Rehman & Saeed, 2015; Tzokas et al., 2015; Zacca & Dayan, 2018) revealed that organizational capability is critical for brilliant firm performance. For instance, Monteiro et al. (2017) report that firms' dynamic capabilities significantly influence firm performance in the international scene. Similarly, Tzokas et al. (2015) empirically confirmed the role of organizational capability in terms of knowledge acquisition, assimilation, dissemination, and utilization in achieving outstanding business performance.

In a related development, Rehman & Saeed (2015) report that impressive performance lean on the dynamic ability of the firm to sense market opportunities, learn, coordinate, and to competitively react to actions of rivals in the marketplace. Moreover, organizational capability with respect to managerial competence wields a great deal of influence on the performance of small enterprises (Zacca & Dayan, 2018). Therefore, a critical examination of the afore-mentioned empirical evidence, offers impression of uniformity with the perception of Teece et al. (1997); Eisenhardt & Martin (2000) on dynamic capability theory of the firm. The theory states that excellent and sustainable firm performance in a dynamic environment is resultant effect of effective and efficient combination of strategies, resources and renewed capabilities. Considering the preceding discussion, the present study tests the following hypothesis:

H_3: There is positive and significant relationship between organizational capability and SME performance.

Organizational Capability as a Mediator in the Relationship among Proactiveness, Innovativeness and SME Performance

O'Regan & Ghobadian (2004) argued firms that adopt credible strategies and diligently match such strategies with appropriate resources and capabilities (as in the case of the present study) may record remarkable performance in the marketplace. The role of proactiveness and innovativeness as veritable strategic postures and resources in developing organizational capability, as well as the significance of organizational capability in achieving remarkable business performance is evidenced in the literature. Also, organizational capability permits business entities to create, build, coordinate, and integrate varied resources to achieve somewhat long-term superb performance (Eisenhardt & Martin, 2000; Teece et al., 1997). Implicitly, this suggests that organizational capability with respect to innovative capability may explain the relationships among proactiveness, innovativeness and firm performance. In other words, the effects of proactiveness and innovativeness on firm performance may be better understood via their role in developing organizational capability. Besides, Hao & Song (2016) empirically attest

the significance of firms' capabilities in integrating, reconfiguring, and converting technology-driven strategy into profitable firm performance in technology-based manufacturing firms (electronics) in the U.S. Thus, in the context of SMEs in a developing country like Nigeria, we draw the following hypotheses:

H_4: Organizational capability mediates the relationship between proactiveness and SME performance.

H_5: Organizational capability mediates the relationship between innovativeness and SME performance.

METHODOLOGY

Sample and Data Collection

A cross-sectional research design approach was adopted in the present study to test this research model. A survey through structured questionnaire comprising statements relating to the firm's proactiveness, innovativeness, organizational capability, firm performance was designed. The survey was conducted among manufacturing SME owners/managers in north-central region of Nigeria between July and November 2017. Based on statistics from Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Agency for Food and Drug Administration Control (NAFDAC), a total of 3,438 manufacturing SMEs were identified in accordance with the Nigeria's definition (e.g. employee-base ranging from 10 to 199 employees). Based on the guiding procedures as suggested by Gay & Diehl (1992), cluster sampling technique was adopted to obtain the required sample size for the study. North-central region of Nigeria comprises seven states. Hence, the population of the study was categorized into seven clusters and a cluster (i.e., Nassarawa State) was selected through lucky draw. The questionnaire was distributed via self-administered approach with the help of research assistants. A total of 519 questionnaires were distributed but after concerted efforts, 329 copies were retrieved. However, 305 representing a response rate of 58.8 percent of the total distributed questionnaires were deemed usable. This response rate is termed adequate for data analysis because it is greater than the threshold of 30 percent as suggested by Hair et al. (2010). SPSS statistical software version 23 was used for initial data screening while SmartPLS-SEM version 3.2.7 was utilized for the main data analyses. PLS-SEM can handle research models with complex model simultaneously (Lowry & Gaskin, 2014).

Measures

The instruments for proactiveness and innovativeness were adapted from Zhang et al. (2014). With respect to organizational capability, the measurement scale comprises six items and was adapted from Akman & Yilmaz (2008) to assess the firm's ability to thrive in rapidly changing business settings. The commonly adopted approach to measure firm performance in terms of small and medium enterprises is the perception of owners/managers because in most cases data required for objective performance measurement is not accessible (Gupta & Batra, 2016; Wales et al., 2013). Therefore, in the present study, a performance measurement scale with eight items was adapted from Spillan & Parnell (2006). The participants were required based on their perceptions to rate their firm's performance over the past five years.

All the variables in this study were gauged on a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). This was done to create enough avenues for

participants to demonstrate the extent to which they concur or disagree with each statement pertaining to their firm's level of proactiveness, innovativeness, organizational capability, and performance in the face of rapidly changing business environment. Also, it is interesting to state that all the instruments adapted in this study have been previously validated and proven to possess good psychometric properties above the 0.70 threshold as recommended by Nunnally (1978). Further, the questionnaire was subjected to pre-test by seeking experts' comments, opinion, and/or input in terms of wording, sequence of statements, clarity of statements, and general structure of the survey instrument.

RESULTS

Non-Response Bias and Common Method Variance (Bias)

Independent-sample t-test for non-response bias was conducted to evaluate whether there exists significant difference between the group of participants that responded early and those that responded late. Based on the output of Leven's test for equality of variance, all the four variables displayed p-value greater than 0.05 ($p>0.05$). This implies that there is no significant difference between the two groups (i.e., early and late respondents). Therefore, it can be concluded that the sample for the present study is free from non-response bias. With respect to Common Method Variance (CMV), procedural and statistical approaches were observed as suggested by Podsakoff et al. (2012). To observe the procedural approach, the questionnaire items were drafted in a very simple and concise language with clear instructions on how to respond to the survey. Also, participants were given assurance of their anonymity and confidentiality. As such, personal information like name of participants or business name was not inquired. Further, Harman's single-factor test was conducted to statistically verify whether there exists threat of common method bias (Podsakoff & Organ, 1986). The results yielded five factors from unrotated factor analysis with eigenvalue more than one. The first factor accounted for 25.7 per cent of the total variance of 60.7 per cent. This indicates that CMV did not possess any major problems to the validity of the present study.

Assessment of Measurement Model

As indicated earlier, this study employed SmartPLS-SEM version 3.2.7 for the main data analysis. Thus, Table 1 presents results of the measurement model.

Table 1
MEASUREMENT MODEL

Construct	Item	Loading	AVE	Cronbach's Alpha	CR
Proactiveness	PR01	0.621	0.634	0.806	0.872
	PR02	0.818			
	PR03	0.878			
	PR04	0.843			
Innovativeness	IN01	0.749	0.593	0.771	0.853
	IN02	0.815			
	IN03	0.725			
	IN04	0.786			
Organizational Capability	OCAP01	0.709	0.512	0.807	0.862
	OCAP02	0.706			
	OCAP03	0.653			

	OCAP04	0.828			
	OCAP05	0.622			
	OCAP06	0.756			
SMEs Performance	FP01	0.716	0.513	0.761	0.840
	FP02	0.761			
	FP06	0.780			
	FP07	0.708			
	FP08	0.603			

In Table 1, although the loadings of some items fall below the 0.70 threshold, Hair et al. (2016) opine that items with loading not up to 0.70 but higher than 0.40 may not be deleted once the values of Average Variance Extracted (AVE) and composite reliability are achieved. Therefore, only the following items were deleted FP3, FP4, and FP5 to achieve AVE for firm performance. Secondly, the value of AVE for all variables was greater than the benchmark of 0.50. Thus, demonstrating enough convergent validity which implies that the items represent the actual constructs which they were intended to measure (Fornell & Larcker, 1981). Thirdly, the values of Cronbach's alpha and composite reliability were all higher than the threshold of 0.70. This signifies acceptable internal consistency and reliability of the scale (Bagozzi & Yi, 1988). Therefore, as demonstrated in Table 1, the outer model (measurement model) satisfies the requirements for reliability.

Discriminant validity based on Fornell-Larcker criterion was analysed. Discriminant validity measures the extent to which indicators distinctively show high correlation with the construct they represent than other constructs in the model (Hair et al., 2016). According to Fornell & Larcker (1981), the square root of the AVE for each construct should be greater than the construct's correlation with other constructs for discriminant validity to be achieved. Table 2 is a presentation of the outcomes of Fornell-Larcker criterion for discriminant validity.

Table 2
LATENT VARIABLE CORRELATION (FORNELL-LARCKER CRITERION)

Construct		1	2	3	4
1	Proactiveness	**0.796**			
2	Innovativeness	0.384	**0.770**		
3	Organizational capability	0.613	0.499	**0.715**	
4	SMEs Performance	0.386	0.318	0.389	**0.716**

As shown in Table 2, the values in bold ink represent the square root of the AVE for each construct which is greater than the construct's correlation with other constructs in the model. Hence, the results demonstrate acceptable discriminant validity.

To further verify the level of correlation among the latent variables, Heterotrrit-Monotrait ratio (HTMT) was employed (Hair et al., 2015). According to Kline (2011), discriminant validity is achieved if none of the possible correlations among constructs from HTMT ratio analysis is higher than 0.85. The output of the analysis is showcased in Table 3.

Table 3
LATENT VARIABLE CORRELATION (HETEROTRRIT-MONOTRAIT RATIO)

Variable		1	2	3	4
1	Proactiveness				
2	Innovativeness	0.507			
3	Organizational capability	**0.726**	0.627		
4	SMEs Performance	0.489	0.430	0.481	

Table 3 reveals that the highest correlation among the latent variables is 0.726 (i.e., between proactiveness and organizational capability). This shows an acceptable level of HTMT because; the value is less than cut-off value of 0.85 as suggested by Kline (2011). Having ascertained the reliability and validity of the instruments adapted for this study in all critical aspects, further analysis with respect to testing the path coefficient between the constructs (structural model) as predicted earlier can be conducted thus:

Assessment of Structural Model

The evaluation of structural model was based on the following steps namely, path coefficients, coefficient of determination (R^2), predictive relevance (Q^2), and determination of mediation effects through bootstrapping approach. First, the path coefficients were evaluated by testing the relationship between proactiveness, innovativeness and organizational capability, followed by the relationship between organizational capability and SME performance (H_1, H_2, and H_3). Table 4 indicates the summary of results of the statistical analyses of path coefficient.

Table 4
STRUCTURAL MODEL PATH COEFFICIENTS

Hypo	Path	Beta	SE	t-value	p-value	5.0%	95.0%	Decision
H_1	PR -> OCAP	0.49	0.05	10.10**	0.00	0.41	0.57	Supported
H_2	IN -> OCAP	0.31	0.06	5.55**	0.00	0.22	0.40	Supported
H_3	OCAP -> FP	0.39	0.05	7.68**	0.00	0.306	0.47	Supported

Note: significant at 0.01%; PR=proactiveness; IN=innovativeness; OCAP=organizational capability; FP=SME performance.

As shown in Table 4, the results demonstrate that proactiveness positively and significantly influence organizational capability (β=0.49, t-value=10.10, p<0.01). Also, the results indicate that the lower and upper limits of the confidence interval at 0.05 and 0.95 percent respectively are both positive. Meaning that there is no zero between the lower and upper limits of the confidence intervals. Hence, these findings validate H_1. Similarly, H_2 is equally supported because results of the path coefficient (β=0.31, t-value=5.55, p<0.01), as well as the confidence intervals proved statistically significant. Also, the results demonstrate that the relationship between organizational capability and SME performance is empirically significant (β=0.39, t-value=7.68, p<0.01). In the same vein, there is no zero between the confidence intervals. Therefore, possessing organizational capability in terms of ability to quickly respond to market needs and demands directly affect performance of SMEs.

It may be recalled that the cardinal point of this study is to determine the extent to which proactiveness and innovativeness influence organizational capability which in turn affect firm performance. Therefore, the quality of this research framework can simply be determined by the extent to which proactiveness and innovativeness predict organizational capability which in turn

affect firm performance. Thus, to determine firm performance as a dependent variable, Sarstedt et al. (2014) view coefficient of determination (R^2) as the variation in an endogenous construct that is accounted for by the exogeneous construct(s) in the model. In this study, the findings suggest that proactiveness and innovativeness explained a total variance of 0.46 in organizational capability as a criterion variable. While proactiveness, innovativeness, and organizational capability together, explained 0.15 of variance in SME performance as a dependent variable.

Similarly, considering Stone's (1974) test for predictive relevance (Q^2) of this research model, the results of the construct cross-validated redundancy test indicate Q^2 value of 0.21 and 0.09 for organizational capability and SME performance respectively. The Q^2 results for the constructs are both greater than zero (0), confirming the predictive capacity of the present model.

H_4 and H_5 represent the indirect effects of proactiveness and innovativeness on SME performance through organizational capability. The indirect effects were tested using bootstrapping technique as suggested by Preacher & Hayes (2008). This technique is considered a more befitting and convenient approach to determining the statistical significance of mediation than the Sobel's test. For the indirect effects of proactiveness on SME performance, the following results were obtained: (β=0.19, t-value 5.89, $p<0.01$). Similarly, the indirect effects of innovativeness on SME performance indicate (β=0.12, t-value=4.36, $p<0.01$). Also, to further confirm the significance of the mediating effects of organizational capability, the confidence intervals in both instances display positive signs, indicating the absence of zero (0) between the intervals. These findings imply that organizational capability serves as a mechanism through which proactiveness and innovativeness positively and significantly impact SME performance. Thus, confirming support for H_4 and H_5.

DISCUSSION AND IMPLICATION

The primary focus of this study was to examine the mediating role of organizational capability in the relationships among proactiveness, innovativeness and firm performance among manufacturing SMEs in north-central region of Nigeria. The findings reveal that organizational capability mediates the relationship between proactiveness, innovativeness and SME performance. This implies that proactiveness and innovativeness impacted firm performance indirectly through the mechanism, organizational capability. The findings have confirmed the argument that for better and deeper insights concerning the impact of strategic postures on firm performance, assessment of their primary contribution to the firm in terms of capabilities is necessary (Blesa & Ripollés, 2003; Uchegbulam et al., 2015). Also, the findings lend support to Hao & Song (2016) who empirically attests the significance of firms' capabilities in converting technology-driven strategy into profitable firm performance among manufacturing firms in the U.S.

Theoretically, this result is consistent with the tenets of dynamic capability theory which postulates that in dynamic and competitive environment, superior business performance largely depends on the firm's ability to orchestrate strategies, resources and capabilities (Eisenhardt & Martin, 2000; Teece et al., 1997). It shows that manufacturing SMEs with proactive and innovative tendencies in Nigeria might build diverse capabilities to foresee changes in market needs; quickly respond to variations in market needs; quickly respond to competitors' action; develop creative mindsets to doing things in different ways; influence the market to their own advantage by being first to introduce new value. In doing so, customers may be pleased to

patronize the products, thereby leading to increased sales, profits, and overall performance. This shows that the most important contribution of firms' strategic postures and intangible resources is in the development of robust and diverse organizational capabilities which subsequently influence superior and sustained firm performance. Thus, this study has enhanced the understanding and applicability of dynamic capability theory to the typical setting of developing economy like Nigeria. More so that research on this theory is still at emerging stage and mostly within the western setting (Li & Liu, 2014).

LIMITATION AND FURTHER RESEARCH DIRECTION

Like every other research work, this study has some limitations which may serve as guide for further research. To start with, caution must be exercised in terms of any attempt to generalize the findings of this study because; data was obtained at once and within a short time frame. Zhou et al. (2015) argue that it takes relatively long period to develop organizational capabilities to cope with changes in business arena. Therefore, further study with longitudinal approach may be required. Another drawback of this study may be the consideration of organizational capability from the view point of innovative capability only. Focusing on organizational capability that is somewhat more encompassing to include at least marketing, technology, learning capabilities might provide better insights. Hence, future study might explore the potentials of these dimensions. On a final note, data on all the variables was obtained from single source and based on the perception of participants (i.e., SME owners/managers). This kind of approach to research is prone to common method variance (Podsakoff et al., 2012). Although concerted efforts were made to minimize the incidence of CMV through procedural measures as well as statistical measures by computing Harman's one factor test for CMV as suggested by Podsakoff et al. (2012), future studies should consider double respondents per firm to further curtail the problem of CMV.

CONCLUSION

The study indicates that between proactiveness, innovativeness and SME performance, organizational capability is a vital factor in explaining how and why there exist relationships. Specifically, proactiveness and innovativeness indirectly impacted SME performance by building organizational capability. Thus, organizational capability is seen as a veritable mechanism through which proactiveness and innovativeness indirectly influence SME performance. Consequently, this finding lends huge support to the dynamic capability theory of the firm as it explains why and how proactiveness and innovativeness as strategic postures as well as intangible resources influence firm performance. The findings of the present study offer fascinating practical implications to SME owners/managers, policy makers, and SME supporting bodies that organizational capability is fundamental for outstanding performance of SMEs in the marketplace.

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