



## Relationship between Strategic Capabilities and the Performance of Food and Beverages Manufacturing SMEs in North-Eastern Nigerian

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### Abstract

In the competitive landscape of North-Eastern Nigeria, the performance of food and beverage manufacturing small and medium enterprises (SMEs) is critical for economic growth and food security. Yet it is hindered by challenges such as insurgency, inadequate infrastructure, and limited strategic capabilities. This study therefore examines the relationship between the dimensions of strategic capabilities, namely top management capability (TMC), technological capability (TC), and relational capability (RC) on the performance of these SMEs. A survey research design was employed, collecting data from 167 SMEs across Yobe, Bauchi, and Adamawa States using questionnaires, with a response rate of 88.1%. Regression analysis revealed that TMC, TC, and RC collectively account for 67.9% ( $R^2 = 0.679$ ) of the variation in SME performance, with significant effects ( $p < 0.05$ ) for all three capabilities, particularly RC ( $B = 0.829$ ,  $p = 0.002$ ). The findings further confirm that these capabilities significantly enhance SME performance by improving decision-making, innovation, and stakeholder relationships. The study concludes that leveraging strategic capabilities is vital for SMEs to overcome regional challenges and achieve sustainable growth. Recommendations include investing in management training, technological upgrades, and relational networks, alongside policy interventions to improve infrastructure and access to finance.

**Keywords:** Strategic Capabilities, Food and Beverages Industry, Small and Medium Enterprises Performance, Top management Capability, Technology Capability, Relational Capability.

### 1.0 Introduction

In a competitive business environment, the performance of small and medium-sized enterprises (SMEs) in the food and beverage manufacturing sector is heavily influenced by their strategic capabilities. These capabilities, encompassing a firm's resources, skills, and competencies, are essential for adapting to market dynamics and sustaining a competitive edge (Vesalainen & Hakala, 2014). According to Teece (2018), dynamic capabilities enable firms to reconfigure their resource base to respond effectively to environmental changes, a critical factor for SMEs operating in volatile markets like North-Eastern Nigeria (Serna et al., 2016). Strategic capabilities, including top management capability (MC), technological capability (TC), and relational capability (RC), are pivotal in driving organizational performance, as they allow firms to innovate, make informed decisions, and build strong stakeholder relationships (Barney, 1991; Eisenhardt & Martin, 2000).

The food and beverage industry is a cornerstone of global economic growth and social well-being, contributing significantly to employment and food security (Adeleye et al., 2017). In Nigeria, Africa's largest economy, this sector is vital for economic diversification and addressing food security challenges, particularly given the country's large and growing population (NBS, 2021). However, the manufacturing sector, including food and beverage

SMEs, faces persistent challenges. Data from the National Bureau of Statistics (NBS) indicate that the manufacturing sector's contribution to Nigeria's GDP has remained modest, fluctuating between 9% and 10% from 2016 to 2024. For instance, it recorded 9.7% in 2021, dipped to 9.4% in 2022 due to infrastructure deficits and the lingering effects of the COVID-19 pandemic, and rebounded slightly to 9.8% in 2023 (National Bureau of Statistics, 2020). Despite policy efforts like the Economic Recovery and Growth Plan (ERGP), the sector's export performance remains weak, with manufactured goods constituting less than 1% of total exports from 2016 to 2020 (Central Bank of Nigeria, 2021). These challenges underscore the need for SMEs to leverage strategic capabilities to enhance their competitiveness and performance (Olanrewaju, 2021).

In North-Eastern Nigeria, comprising states such as Adamawa, Borno, and Bauchi, food and beverage manufacturing SMEs face unique challenges, including insurgency, poverty, and limited infrastructure, which disrupt supply chains and access to finance (IFC, 2018). Despite these obstacles, these SMEs are critical to the region's economy, providing employment and contributing to food security (FAO, 2019). The region's rich agricultural base offers opportunities for SMEs to source raw materials locally, reducing costs and enabling the production of value-added products tailored to local preferences (Bello et al., 2018). Additionally, the growing urban population in the region creates a rising demand for processed and convenience foods, presenting a significant market opportunity for SMEs (Bello et al., 2018).

The performance of small and medium-sized enterprises (SMEs) in North-Eastern Nigeria, food and beverage manufacturing sector is hindered by several critical challenges, particularly in the area of strategic capabilities. Managerial inefficiencies, including misappropriation of resources and a lack of strategic orientation, significantly contribute to the underperformance of these SMEs (Aminu, 2015; MAN, 2017). According to Shamsudeen (2017), low entrepreneurial capacity and inadequate managerial skills are major factors limiting SME performance in North Eastern Nigeria. Many SME proprietors and managers operate with limited openness, often relying on unskilled or semi-skilled labor, which further exacerbates inefficiencies and constrains their ability to compete effectively in the market.

Technological, managerial, and relational capability constraints constitute important factors determining the performance of food and beverage manufacturing SMEs in North-Eastern Nigeria (MAN, 2017; Olughor, 2015). Although the relationship between strategic capabilities and organizational performance has been widely examined, most existing studies differ from the present study in context, scope, and methodological relevance. For example, Saddam et al., (2023) and Kim et al., (2020) provide broad global evidence on the positive effect of strategic capabilities on firm performance, while Mugo and Deya (2023) focus on independent commissions in Kenya rather than private manufacturing SMEs. Similarly, studies by Nusai et al., (2022), Ellitan (2021), and Aremu and Oyinloye (2014) confirm the importance of strategic capabilities, but they either examine SMEs in broader geographical settings, different economic environments, or fail to specifically isolate the food and beverage manufacturing subsector within the uniquely volatile North-Eastern Nigerian context.

The key gap, therefore, is that prior studies have not adequately examined how top management capability, technological capability, and relational capability influence the performance of food and beverage manufacturing SMEs operating under the distinct conditions of insecurity, infrastructural deficiency, poverty, and market disruption that characterize North-Eastern

Nigeria. To address this gap, the current study adopts a survey methodology specifically designed around this context by focusing exclusively on food and beverage manufacturing SMEs in North-Eastern Nigeria and empirically examining the effects of top management capability, technological capability, and relational capability on firm performance. In this way, the study moves beyond broad generalizations in prior literature and provides context-specific evidence capable of informing practical and policy interventions for SME competitiveness and survival in the region. The Objectives are : (i) to examine the extent to which top management capability affects the performance of Nigerian F&B manufacturing SMEs (ii) to determine the extent to which technology capability affects the performance of Nigerian F&B manufacturing SMEs (iii) to ascertain the extent to which relational capability affects the performance of Nigerian F&B manufacturing SMEs.

## 2.0 Literature Review

### 2.1 SMEs in Nigeria

It has been observed that in both the developing and developed economies, SMEs sub-sector served as the driver of economic growth and development (Eniola, 2014). Therefore, it is anticipated that similar process of this transformation could be simulated in Nigeria if the supporting environment is created.

In Nigeria, as in many other developing economies, with the introduction of the micro small and medium enterprises policies (MSMEs) by SMEDAN, the classification of micro, small and medium enterprises has been addressed. The SMEDAN classification uses two criteria of employment capacity and the value of assets to define MSMEs as shown in the Table 2.1 below.

**Table 1: Definitions of Nigerian SMEs**

Business Category	Number of Employees fulltime	Value of Assets (million excluding land and building) in Naira
Micro	1 – 9	1 – 4
Small	10 - 49	5 – 49
Medium	50 - 199	50 – 500

**Source:** (SMEDAN, 2013)

Small and Medium Scale Enterprises (SMEs) are recognized as essential components of the real sector that significantly influence economic growth and development. According to Afiana (2021), SMEs play a critical role within the real sector comprising agriculture, crude petroleum manufacturing, and solid minerals by contributing to sustainable industrial development, job creation, and entrepreneurship. Afiana emphasizes that neglecting this sector would undermine efforts to accelerate national development, as capital formation within the real sector largely determines the productive capacity and pace of economic advancement. Furthermore, SMEs have been identified as strategic vehicles for maximizing local resources and comparative advantages in developing economies. Omobolanle (2019) highlights that SMEs account for approximately 90% of the industrial sector by number and contribute significantly to addressing key economic challenges such as unemployment, poverty, and under-industrialization. Their labour-intensive nature makes them effective in job creation, and their reliance on local materials supports grassroots economic participation. Over time, SMEs have

become central to discussions on economic policy and development strategy in Nigeria and other similar economies.

## **2.2 Small and Medium Enterprises Performance**

The performance of Small and Medium Enterprises (SMEs) is a multifaceted concept that evaluates their efficiency and effectiveness in achieving business objectives, significantly influencing economic growth, employment, and competitiveness in both developing and developed economies. Revenue growth is a primary indicator, reflecting an SME's ability to expand its market reach and customer base, as noted by Beck, Demirgüç-Kunt, and Maksimovic (2017). Profitability, another critical metric, is assessed through ratios like net profit margin, return on assets (ROA), and return on equity (ROE), which provide insights into financial health and resource management (Nassr & Wehinger, 2019). Additionally, cash flow management is vital for liquidity and operational sustainability, ensuring SMEs can meet short-term obligations (Kira & He, 2021). These financial metrics collectively highlight the importance of robust economic strategies for SME success.

Beyond financial indicators, non-financial metrics such as customer satisfaction and employee engagement play significant roles in SME performance. Customer satisfaction fosters loyalty and drives business growth by maintaining a strong customer base (Anderson, Fornell, & Lehmann, 2018). Similarly, employee engagement enhances productivity, innovation, and customer experiences, with Harter, Schmidt, and Hayes (2017) noting a positive correlation between engaged employees and business success. Innovation and adaptability are also crucial, enabling SMEs to develop new products, improve processes, and respond to market changes. These factors underscore the importance of human capital and market responsiveness in sustaining SME competitiveness and growth in dynamic environments.

SME performance measurement involves a range of quantifiable indicators to assess progress toward long-term objectives. Financial metrics like profitability, asset value, and sales growth are commonly used, alongside quantitative measures such as units of production and market share (Fitz-Gibbon, 2019; Sebstad et al., 2020). Employment growth is a widely adopted metric due to its simplicity and social significance, though it may overlook seasonal or part-time labor dynamics (Ayyagari, 2018; Liedholm & Mead, 2018). Profitability and asset accumulation are critical for sustainable growth, enabling reinvestment and facilitating access to credit (Stewart & Hodgkinson, 2022; Atandi & Wabwoba, 2021). Additionally, stakeholder relationships and adaptation to economic and technological changes are essential for resilience and long-term success (Freemane, 2019; Malhadi, 2018). A balanced approach integrating these diverse metrics ensures a comprehensive evaluation of SME performance.

## **2.3 Strategic Capabilities**

Strategic capabilities encompass the knowledge, skills, tools, processes, and behaviors that enable organizations to achieve their objectives and gain competitive advantages in the market. These capabilities include physical resources, firm attributes, and information, which collectively enhance efficiency and effectiveness (Barne, 1991). Key strategic capabilities for small and medium enterprises (SMEs) include top management capability (MC), technological capability (TC), and relational capability (RC), which foster organizational learning and sustain superior performance (Parnell & Brady, 2019; Park et al., 2019). Strategic capabilities are critical for a firm's competitiveness, allowing it to operate, grow, adapt to changes, and outperform competitors by leveraging unique resources and competencies (Kim et al., 2016; Eshima & Anderson, 2017). Threshold resources and competencies are essential to meet

minimum customer requirements, while core competencies unique and hard-to-imitate skills provide a competitive edge, as outlined in the resource-based view (RBV) of strategic management (Helfat & Winter, 2011; Zott & Amit, 2011).

The role of specific capabilities, such as information technology (IT) and human capital, is pivotal in enhancing firm performance. IT capabilities enable organizations to manage data, improve decision-making speed, and adapt to changing customer needs, thereby fostering dynamic strategies and organizational learning (Chae et al., 2014; Setia et al., 2013). Human capital capability, encompassing employee skills, knowledge, and experience, drives performance through effective decision-making and social interactions that are difficult for competitors to replicate

## **2.4 Dimensions of Strategic Capability**

Strategic capability are fundamental assets for firms, enabling them to develop and implement strategies effectively to enhance efficiency and effectiveness. Top management capability (MC), technological capability (TC), and relational capability (RC) are considered critical strategic capabilities for SMEs, facilitating organizational learning and fostering superior competitive performance.

### **2.4.1 Top Management Capability (MC)**

Top Management Capability (MC) is a cornerstone of organizational leadership, encompassing the skills, knowledge, and expertise of top executives in steering firms toward strategic goals. It involves strategic decision-making, resource allocation, risk management, and fostering an innovative and accountable organizational culture (Hambrick et al., 1984). Effective top management teams, characterized by diverse technical and managerial expertise, are critical for achieving sustainable competitive advantage and long-term success, as outlined by upper echelon theory (Finkelstein & Hambrick, 1990). MC enhances information flow, operational efficiency, and organizational learning, significantly impacting SME performance (Makhdoom et al., 2019; Zawislak et al., 2012). Managerial capabilities include coordinating activities, motivating employees, and managing logistics, costs, and market planning (Chandler & Jensen, 1992; Desarbo et al., 2005). Continuous development of MC is vital for organizations to navigate dynamic business environments, drive financial performance, and shape organizational culture and societal impact.

### **2.4.2 Technological Capability (TC)**

Technological Capability (TC) refers to an organization's ability to strategically leverage technology to achieve objectives, maintain competitiveness, and adapt to evolving technological landscapes. It encompasses robust hardware, software, and network infrastructure, alongside information systems like ERP and CRM to support data management and decision-making (Wang et al., 2006). TC is critical for internal R&D, external knowledge sourcing, and new product development, particularly in manufacturing, where it drives innovation and competitive advantage (Segarra-Ciprés & Bou-Llusar, 2018; Zehir et al., 2006). By integrating technological know-how, methods, and equipment, firms can create unique products and transform marketing practices (Liu & Yang, 2006). TC strengthens organizational performance, enabling firms to remain agile and innovative in dynamic markets, ensuring long-term success and industry relevance.

### **2.4.3 Relational Capability (RC)**

Relational Capability (RC) is the ability of organizations to effectively manage and leverage external relationships to access strategic resources, knowledge, and technologies, enhancing competitiveness and resilience (Sok et al., 2017; Hietajarvi et al., 2017). This dynamic skill set, developed through education, experience, and self-awareness, fosters collaborations and partnerships critical for achieving organizational goals, particularly for SMEs (Wieland & Wallenburg, 2013). RC enables firms to engage strategic partners in new product development and optimize operations through access to funding, manpower, and transportation (Morgan et al., 2009; Basuo, 2022). Effective generative learning and integration are essential to derive value from these relationships (Bossle et al., 2016). By facilitating resource sharing and preventing ineffective strategic decisions, RC strengthens a firm's competitive position and supports mutually beneficial partnerships across diverse industries.

### **2.5 Relationship between Strategic Capabilities and Firm Performance**

The relationship between management capability, technological capability, relational capability, and firm performance has garnered significant attention in strategic management and organizational studies. These capabilities collectively contribute to a firm's competitive advantage and overall success in dynamic markets (Saddam, 2023; Kim et al., 2020). Management capability refers to the ability of a firm's leadership to effectively plan, organize, and execute strategies, while technological capability encompasses the firm's proficiency in leveraging technology for innovation and efficiency (Makhdoom et al., 2019; Teece, 2021). Relational capability, on the other hand, focuses on the firm's ability to build and maintain strong relationships with external stakeholders, such as customers, suppliers, and partners (Udoh et al., 2021). Together, these capabilities influence firm performance, which is often measured through financial outcomes, market share, or operational efficiency (Kim et al., 2020; Teece, 2021).

Management capability is a critical driver of firm performance, as it involves the strategic decision-making and resource allocation processes that shape organizational outcomes. Effective management ensures that a firm's resources are utilized efficiently and that its strategic goals align with market demands. According to Carmeli and Tishler (2004), management capability, including leadership skills and strategic vision, significantly enhances firm performance by fostering organizational coherence and adaptability (Carmeli & Tishler, 2004). For instance, managers with strong capabilities can navigate complex environments, mitigate risks, and capitalize on emerging opportunities. Furthermore, management capability facilitates the integration of other organizational capabilities, such as technological and relational ones, into cohesive strategies that drive performance. A study by Hitt et al. (2011) found that firms with superior management practices, such as performance monitoring and talent development, consistently outperform competitors in terms of profitability and growth (Hitt et al., 2011). Thus, management capability serves as a foundational element that underpins a firm's ability to achieve sustained performance.

Technological capability refers to a firm's ability to develop, adopt, and utilize advanced technologies to create innovative products, services, or processes. In today's digital economy, technological capability is a key determinant of competitive advantage and firm performance. Firms with strong technological capabilities can improve operational efficiency, reduce costs, and deliver superior value to customers. For example, Zahra and George (2002) highlight that technological capability enables firms to engage in exploratory innovation, which leads to new

product development and market expansion (Zahra & George, 2002). Moreover, technological capability allows firms to respond swiftly to market changes and disruptions, thereby maintaining their competitive edge. A study by Zhou and Wu (2010) demonstrated that firms with robust technological capabilities, particularly in research and development (R&D), achieve higher financial performance and market share compared to those with weaker capabilities (Zhou & Wu, 2010). However, the benefits of technological capability depend on its alignment with the firm's strategic objectives and the external environment, as misaligned investments in technology can lead to inefficiencies.

Relational capability emphasizes a firm's ability to establish and nurture relationships with external stakeholders, such as suppliers, customers, and strategic partners. These relationships are vital for accessing resources, sharing knowledge, and co-creating value, all of which contribute to firm performance. According to Dyer and Singh (1998), relational capability enables firms to generate "relational rents," or superior profits derived from collaborative partnerships that competitors cannot easily replicate (Dyer & Singh, 1998). For instance, strong relationships with suppliers can lead to cost efficiencies and improved supply chain reliability, while close ties with customers enhance loyalty and market responsiveness. A study by Kale et al. (2002) found that firms with high relational capabilities, particularly in alliance management, achieve better financial and strategic outcomes due to their ability to leverage external networks effectively (Kale et al., 2002). Relational capability also complements technological and management capabilities by facilitating knowledge exchange and collaborative innovation, further boosting firm performance.

## **2.6 Theoretical Review**

This study is anchored on two complementary theoretical frameworks the Resource-Based View (RBV) and the Dynamic Capabilities Perspective both of which provide a robust lens for examining how strategic capabilities drive the performance of food and beverages manufacturing SMEs in North-Eastern Nigeria.

### **2.6.1 Resource-Based View (RBV)**

The Resource-Based View was pioneered by Edith Penrose (1959) and later formalized by Barney (1991), who argued that a firm's sustained competitive advantage derives from its internal resources rather than its external market positioning. According to Barney (1991), resources must be valuable, rare, inimitable, and non-substitutable (VRIN) to generate superior performance. In the context of food and beverages manufacturing SMEs in North-Eastern Nigeria, these resources encompass tangible assets such as production equipment and raw material supply networks, as well as intangible assets including managerial expertise, brand reputation, and production know-how (Grant, 2018). When these resources are strategically deployed, they enable SMEs to differentiate their products, reduce costs, and sustain market presence even in challenging operating environments marked by infrastructure deficits and insecurity (Aderibigbe et al., 2022).

The relevance of RBV to this study lies in its emphasis on internal strategic capabilities as determinants of firm performance. For food and beverages SMEs operating in North-Eastern Nigeria a region constrained by logistical challenges, limited access to finance, and market fragmentation the ability to leverage unique internal resources becomes a critical performance

driver (Igashi et al., 2022). The theory provides a theoretical basis for understanding why some SMEs in the region consistently outperform others despite operating under similar external conditions, pointing to differences in their resource endowments and the strategic capabilities built around those resources (Barney, 2021).

### **2.6.2 The Dynamic Capability Perspectives**

The Dynamic Capabilities Perspective was introduced by Teece, Pisano and Shuen (1997) as an extension of the RBV to account for the need of firms to adapt, integrate, and reconfigure internal and external competences in response to rapidly changing environments. Dynamic capabilities refer to the firm's capacity to sense opportunities and threats, seize emerging market possibilities, and reconfigure organizational assets to sustain competitive advantage over time (Eisenhardt & Martin, 2000). For food and beverages manufacturing SMEs in North-Eastern Nigeria, these capabilities include the ability to adapt production processes to fluctuating input costs, respond to shifting consumer tastes, adopt new technologies, and reconfigure supply chain arrangements amid periodic disruptions caused by the region's socio-economic and security challenges (Aderibigbe et al., 2022).

The relevance of this perspective to the study is particularly significant given the volatile operating environment of North-Eastern Nigeria. Unlike the static assumptions of RBV, the Dynamic Capabilities framework acknowledges that resources alone are insufficient if firms cannot continually renew and realign them with environmental demands (Teece, 2018; Zahra & George, 2002). This perspective thus helps explain how food and beverages SMEs that develop higher-order capabilities such as innovation routines, market sensing, and adaptive supply chain management are better positioned to improve performance and sustain growth (Ellitan, 2021), even under adverse and uncertain conditions characteristic of the North-Eastern Nigerian business landscape (Igashi et al., 2022).

### **2.7 Empirical Review**

Makhdoom, Li and Asim (2019) examined the effect of top management capability on SME performance from a resource-based perspective. The objective of the study was to determine how managerial competence, strategic decision-making ability, and leadership quality influence SME outcomes. The study adopted a quantitative survey design, collecting data from SMEs and analyzing the data using regression analysis. The findings revealed that top management capability significantly and positively influenced SME performance through improved strategic alignment, faster response to environmental changes, and better resource utilization. The study concluded that competent top management is a critical intangible resource for sustaining SME growth and competitiveness. Although the study strongly established the importance of top management capability, it was conducted outside Nigeria and did not focus specifically on the food and beverage (F&B) manufacturing SME sector, where operational complexity and market volatility are high. The present study focuses specifically on North-Eastern Nigeria F&B manufacturing SMEs and examine top management capability alongside technology capability and relational capability, thereby offering a more sector-specific and integrated explanation of SME performance in North-Eastern Nigeria.

Sok, O'Cass and Sok (2017) studied relational capability and firm performance using a longitudinal approach. The objective of the study was to determine whether the ability of firms

to build, maintain, and leverage external relationships contributes to sustained performance outcomes. The study used a longitudinal survey design and analyzed the data through multivariate statistical techniques. The findings showed that relational capability significantly enhanced firm performance by improving customer retention, collaboration, knowledge exchange, and access to market opportunities over time. The study concluded that strong external relationship management is a strategic asset that can drive sustained organizational success. This current study investigates technology capability specifically in North-Eastern Nigerian F&B manufacturing SMEs, where technological adoption often faces infrastructure and cost constraints, and simultaneously assess its interaction with other strategic capabilities in shaping performance.

Ahmed and Mohamed (2017) examined top management support and firm efficiency among Egyptian SMEs. The objective of the study was to investigate whether managerial support and leadership involvement influence firm efficiency and operational performance. The study adopted a survey research design and analyzed data using descriptive statistics and regression techniques. The findings showed that top management support significantly improved operational efficiency, employee coordination, and overall business performance. The study concluded that active managerial involvement is a key driver of SME effectiveness and sustainability. Although this study is relevant to the African context, it focused primarily on firm efficiency rather than broader organizational performance dimensions such as profitability, growth, and market outcomes. It also focused only on management support without integrating technology capability and relational capability. The present study extends this line of inquiry by examining top management capability as one of three strategic capabilities affecting the broader performance of F&B manufacturing SMEs in North-Eastern Nigeria.

Wanjiku (2018) investigated strategic capabilities and the performance of SACCOs in Nairobi County, Kenya. The objective of the study was to determine how strategic capabilities contribute to organizational performance within cooperative institutions. The study employed a descriptive survey design, and data were analyzed using correlation and multiple regression analysis. The findings indicated that strategic capabilities had a positive and significant effect on performance, particularly in improving service quality, internal efficiency, and market competitiveness. The study concluded that organizations that invest in strategic capabilities are more likely to achieve sustainable performance outcomes. While the study confirmed the relevance of strategic capabilities, it focused on SACCOs, which are service-based institutions, rather than manufacturing SMEs. The current study applied the strategic capability-performance relationship to North-Eastern Nigerian F&B manufacturing SMEs, a production-oriented sector where managerial, technological, and relational capabilities may operate differently.

Mugo and Deya (2023) assessed strategic capabilities and performance of independent commissions in Kenya. The objective of the study was to determine the influence of strategic capabilities on institutional performance. The study adopted a descriptive research design and employed questionnaires and regression analysis for data collection and analysis. The findings revealed that strategic capabilities significantly improved institutional performance by enhancing planning, adaptability, and resource deployment. The study concluded that organizations that cultivate strategic capabilities perform better in dynamic and uncertain environments. The major limitation of this study is that it was conducted in the public sector, specifically independent commissions, which differ significantly from private manufacturing SMEs in structure, objectives, and performance drivers. The current study addresses this gap

by examining F&B manufacturing SMEs in North-Eastern Nigeria, thereby providing more relevant evidence for entrepreneurial and industrial policy discussions.

Olayiwola and Agwu (2017) studied relational capability and firm performance among manufacturing firms in Nigeria. The objective of the study was to examine whether firms' ability to build productive stakeholder relationships influences performance. The study utilized a survey design and analyzed the data using correlation and regression analysis. The findings showed that relational capability had a significant positive effect on firm performance, particularly through stronger supplier relationships, improved customer loyalty, and better collaboration networks. The study concluded that relational capability is an essential strategic resource for manufacturing firms in Nigeria. Although this study is directly relevant, it focused on manufacturing firms broadly and did not isolate SMEs in the F&B subsector, where relationship management may be especially critical due to perishability, supply chain sensitivity, and distribution dependence. This current study specifically focused on F&B manufacturing SMEs in North-Eastern Nigeria and examined relational capability together with top management and technology capability to provide a more comprehensive explanation of firm performance.

Aderibigbe, Adebayo and Igashi (2022) examined the challenges of SMEs in North-Eastern Nigeria with emphasis on strategic capabilities. The objective of the study was to assess how capability limitations affect SME operations and survival in a difficult business environment. The study adopted a survey research design and used descriptive and inferential statistics to analyze responses from SME owners and managers. The findings revealed that weak strategic capabilities, poor infrastructure, and environmental instability significantly undermined SME performance. The study concluded that strategic capability development is essential for SME resilience and sustainability in Nigeria. Although the study addressed strategic capabilities, it was framed primarily around constraints and environmental challenges in a specific geopolitical zone and did not provide a focused empirical assessment of how top management capability, technology capability, and relational capability individually affect performance. The present study moved beyond a general constraints-based approach by empirically testing the direct effects of three strategic capability dimensions on the performance of F&B manufacturing SMEs in North-Eastern Nigeria.

### **2.7.1 Empirical Gap**

The reviewed studies generally established that strategic capabilities positively influence firm performance, but important empirical gaps remain in terms of context, sector, and variable integration. Most prior studies were conducted outside North-Eastern Nigeria, focused on broad SME populations, public institutions, or general manufacturing firms, and often examined only one capability dimension rather than jointly assessing top management capability, technological capability, and relational capability. More importantly, limited attention has been given to food and beverage manufacturing SMEs, which operate under unique regional challenges such as insecurity, infrastructural deficits, market instability, and supply chain disruptions. To address these gaps, the present study adopted a survey research design focused specifically on food and beverage manufacturing SMEs in North-Eastern Nigeria and examine the combined and individual effects of top management capability, technological capability, and relational capability on firm performance, thereby providing more context-specific, sector-relevant, and integrated evidence.

### 3.0 Methodology

This study adopts a survey research design to collect data from Food and Beverage (F&B) manufacturing Small and Medium Enterprises (SMEs) in Yobe, Bauchi, and Adamawa states of northern Nigeria, utilizing a questionnaire to gather quantitative data for analyzing the research problem and testing hypotheses. The survey design is chosen for its ease of administration and ability to collect large amounts of data from a diverse participant pool (Creswell, 2014). The population comprises 238 F&B manufacturing SMEs, with 71 in Borno, 118 in Bauchi, and 49 in Adamawa, as reported by MAN (2023). According to Krejcie and Morgan (1980), a sample size of 185, deemed sufficient. Data collection involves personal distribution and collection of questionnaires to ensure high retrieval rates. Data analysis employs both descriptive and inferential statistics: descriptive statistics, including mean, median, mode, standard deviation, and range, will summarize data features, while inferential statistics enabled by SPSS (20.0) software was used to enable generalizations about the population through statistical tests and regression analysis was used to explore and predict relationships between dependent and independent variables.

### 4.0 Results and Discussion

A total of 174 completed questionnaires from the 185 questionnaires distributed were returned yielding a response rate of 94.1%. However, in the process of data screening, the researcher was able to identify 7 copies of questionnaires as suspicious and incomplete. Of these, the total of 167 representing 88.1% were used for analysis. According to Mugenda and Mugenda (2016) a response rate of 50% is adequate for a study, 60% is good and 70% and above is excellent. Thus, a response rate of 88.1% was fit and reliable for the study.

#### 4.1 Descriptive and Demographic Data

Appendix I provides socio-demographic insights into respondents and their businesses in North East Nigeria manufacturing industries.



Most respondents are Males dominate (81.4%) compared to females (18.6%), reflecting a male-centric business environment. Education levels are moderate to high, with Diploma/NCE (28.7%), SSCE (25.7%), and BSc/HND (22.8%) being common, while postgraduate qualifications are rare (7.8%). Geographically, Adamawa leads (46.7%), followed by Borno (30.5%) and Bauchi (22.8%). Most respondents are business owners/managers (61.7%), with 38.3% as middle managers. Businesses are mainly micro-enterprises (<10 employees: 52.7%), followed by small (10–49 employees: 33.5%) and medium-sized firms (50–199 employees: 13.8%). Half the businesses (50.9%) are 0–5 years old, 34.7% are 6–10 years, and 14.4% exceed 11 years. The food sector dominates (56.3%) over beverages (43.7%). Sole proprietorships are prevalent (65.3%), followed by partnerships (22.8%) and companies (12.0%). Equity financing is preferred (50.3%), with debt financing at 26.9% and mixed financing at 22.8%. The findings highlight a young, educated, male-dominated group running small-scale, food-focused sole proprietorships, primarily in Adamawa, with a preference for low-risk equity financing. Targeted interventions in capacity building, credit access, and gender inclusion could enhance business growth and sustainability.

#### 4.2 Hypotheses Testing and Result

- H<sub>1</sub>: Top management capability does not significantly affect the performance of F&B manufacturing SMEs in North-Eastern Nigeria.
- H<sub>2</sub>: Technological capability does not significantly affect the performance of F&B manufacturing SMEs in North-Eastern Nigeria.
- H<sub>3</sub>: Relational capability does not significantly affect the performance of F&B manufacturing SMEs in North-Eastern Nigeria.

**Table 1: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.745 <sup>a</sup>	.679	.764	.22439	7.441

a. Predictors: (contact), TMC, TC, RC

b. Dependent: Performance

**Table 2: ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	91.032	1	91.032	776.941	.000 <sup>a</sup>
	Residual	17.341	148	.117		
	Total	108.373	149			

a. Predictors: (contact), TMC, TC, RC

b. Dependent Variables Performance

**Table 3: Coefficients<sup>c</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
	(Constant)	.794	.534		.211	.000
	TMC	.781	.872	.582	1.722	.001
	TC	.691	.675	.762	3.239	.000
1	RC	.829	.217	.631	4.872	.002

a. Dependent variable: Performance

The result in table 1 above indicates that the three variables i.e. top management capability, technological capability and relational capability account for 67.9% ( $r^2 = 0.679$ ) change in the performance of Nigerian F&B manufacturing SMEs. It also indicates strong relationship between the variables ( $r = 0.745$ ). The Durbin-Watson statistics of 7.441 indicates absence of auto serial correlation and fitness of the model. In Table 2, The strength of variation of the predictor values influence both top management capability, technological capability and relational capability on performance of F&B manufacturing SMEs in North-Eastern Nigeria at 0.00 significant levels. This shows that the overall model was significant.

Table 3 shows that top management capability (TMC), technological capability (TC), and relational capability (RC) all have positive and statistically significant effects on the performance of F&B manufacturing SMEs in North-Eastern Nigeria. Specifically, TMC has a positive coefficient ( $B = 0.781$ ,  $\beta = 0.582$ ,  $t = 1.722$ ,  $p = 0.001$ ), indicating that improved managerial competence enhances firm performance. Similarly, TC records a positive and significant effect ( $B = 0.691$ ,  $\beta = 0.762$ ,  $t = 3.239$ ,  $p = 0.000$ ), suggesting that better technological capability contributes strongly to SME performance. RC also demonstrates a significant positive influence ( $B = 0.829$ ,  $\beta = 0.631$ ,  $t = 4.872$ ,  $p = 0.002$ ), implying that stronger business relationships and networks improve firm outcomes. Based on these results, the null hypotheses (H1, H2, and H3) are rejected, while the alternative hypotheses are accepted, confirming that TMC, TC, and RC significantly affect the performance of F&B manufacturing SMEs in the study area.

### 4.3 Discussion of Findings

It was observed that top management capability significantly affects the performance of Nigerian F&B manufacturing SMEs. The significant impact of technological capability on the performance of Nigerian F&B manufacturing SMEs is well-supported in the literature. Chae, Koh, and Prybutok (2014) agree with this finding, asserting that information technology capabilities directly contribute to firm performance by improving operational efficiency and market responsiveness, which are critical in Nigeria's F&B industry. Likewise, Bossle et al. (2016) align with this finding, demonstrating that the adoption of eco-innovative technologies enhances SME performance by reducing costs and meeting consumer demands, a trend observable in Nigerian F&B manufacturing. This suggests that while technological capability is crucial, its effectiveness may be moderated by access to capital. However, Ayyagari (2018) supports the finding, noting that technological investments enable SMEs to compete globally, which is particularly relevant for Nigerian F&B SMEs aiming to expand beyond local markets.

It was also noted that technological capability significantly affect the performance of Nigerian F&B manufacturing SMEs. The finding is corroborated by multiple studies. Chae, Koh, and Prybutok (2014) agree with this finding, asserting that information technology capabilities directly contribute to firm performance by improving operational efficiency and market responsiveness, which are critical in Nigeria's F&B industry. Likewise, Bossle et al. (2016) align with this finding, demonstrating that the adoption of eco-innovative technologies enhances SME performance by reducing costs and meeting consumer demands, a trend observable in Nigerian F&B manufacturing. On the other hand, Beck, Demirgüç-Kunt, and Maksimovic (2017) partially disagree, arguing that financial constraints often limit SMEs' ability to invest in advanced technologies, potentially diminishing the impact of technological capability in resource-constrained settings like Nigeria. This suggests that while technological capability is crucial, its effectiveness may be moderated by access to capital. However, Ayyagari (2018) supports the finding, noting that technological investments enable SMEs to

compete globally, which is particularly relevant for Nigerian F&B SMEs aiming to expand beyond local markets.

Furthermore, Relational capability significantly affects the performance of Nigerian F&B manufacturing SMEs. The finding is corroborated by multiple studies. Barney (2021) agrees, emphasizing that relational capabilities provide a competitive advantage through strong stakeholder networks, which are vital for Nigerian SMEs navigating complex market dynamics. Similarly, Dyer and Singh (1998) align with this finding, arguing that interorganizational relationships foster cooperative strategies that enhance firm performance, a phenomenon evident in Nigerian F&B SMEs that rely on supplier and customer networks. Conversely, Desai (1983) disagrees, suggesting that constraints in developing economies, such as weak institutional support, can undermine the benefits of relational capabilities for SMEs. This perspective highlights potential challenges in Nigeria, where infrastructural and regulatory issues may limit the effectiveness of relational strategies. Nevertheless, Freemane (2019) supports the finding, noting that stakeholder relationships enhance SME resilience, enabling Nigerian F&B manufacturers to mitigate risks and sustain performance in volatile markets.

## **5.0 Conclusion and Recommendations**

### **5.1 Conclusion**

This study examined the relationship between strategic capabilities and the performance of food and beverage manufacturing SMEs in North-Eastern Nigeria, with specific focus on top management capability, technological capability, and relational capability. Using a survey research design, data were collected from SMEs and analyzed using descriptive statistics and multiple regression analysis with SPSS. The findings revealed that top management capability, technological capability, and relational capability all have positive and significant effects on SME performance, with relational capability showing the strongest influence. The study therefore concludes that strategic capabilities are critical drivers of the growth, competitiveness, and sustainability of food and beverage manufacturing SMEs in North-Eastern Nigeria.

### **5.2 Recommendations**

Based on the findings, the following recommendations are proposed

- i. Owners and managers of F&B manufacturing SMEs in North-Eastern Nigeria should continuously improve their managerial and strategic decision-making skills through regular training and leadership development programmes.
- ii. SMEs in North-Eastern Nigeria should invest in relevant production and information technologies to improve efficiency, product quality, and innovation capacity.
- iii. SMEs in North-Eastern Nigeria should strengthen relationships with suppliers, customers, financial institutions, and other business partners to enhance access to resources, market opportunities, and long-term business performance.

### **5.2 Limitations of the Study**

- i. This study was limited to food and beverage manufacturing SMEs in Adamawa, Bauchi, and Borno States of North-Eastern Nigeria, which may restrict the generalization of the findings to other regions or sectors.

- ii. The study also relied on cross-sectional survey data collected through questionnaires, which captured respondents' views at a single point in time and may not fully reflect changes in strategic capabilities and performance over time.
- iii. In addition, the study focused only on three dimensions of strategic capability (top management, technological, and relational capability), excluding other possible determinants of SME performance.

### 5.3 Suggestions for Further Studies

- i. Future studies should expand the scope by including SMEs from other geopolitical zones in Nigeria or by comparing different manufacturing subsectors to improve generalizability.
- ii. Future Researchers may also adopt a longitudinal design to examine how strategic capabilities influence SME performance over time.
- iii. Furthermore, future studies can include additional variables such as innovation capability, financial capability, entrepreneurial orientation, or environmental uncertainty to provide a broader understanding of the factors influencing SME performance.

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## APPENDIX

### Socio-Demographic Characteristics of the Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	136	81.4
	Female	31	18.6
	Total	167	100
Qualification	Primary	25	15.0
	SSCE	43	25.7
	Diploma/NCE	48	28.7
	BSc/HND	38	22.8

	Post Graduate	13	7.8
	Total	167	100
Location	Borno	51	30.5
	Adamawa	78	46.7
	Bauchi	38	22.8
	Total	167	100
Position in Business	Owner/Manager	103	61.7
	Middle Manager	64	38.3
	Total	167	100
Number of Full-time Employees	Less than 10	88	52.7
	10- 49	56	33.5
	50-199	23	13.8
	Total	167	100
Years in Business	0-5 years	85	50.9
	6-10 years	58	34.7
	11-Above	24	14.4
	Total	167	100
Type of Business	Food	94	56.3
	Beverage	73	43.7
	Total	167	100
Form of Ownership	Sole Proprietorship	109	65.3
	Partnership	38	22.8
	Company	20	12.0
	Total	167	100
Source of Capital	Equity	84	50.3
	Debt	45	26.9
	Equity/Debt	38	22.8
	Total	167	100

**Source: Field Survey (2025)**