



DYNAMIC MARKETING CAPABILITIES AND COMPETITIVENESS OF LEATHER-BASED SMEs IN ABA, ABIA STATE, NIGERIA: THE MEDIATING EFFECT OF PRODUCT INNOVATION

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Abstract

This study investigates the effect of dynamic marketing capabilities and SMEs' competitiveness, through the mediating role of product innovation. Drawing from the Resource Based View (RBV), this study hypothesizes that SMEs' capacity to sense, seize and reconfigure enhances their ability to compete by increasing the rate and quality of their new product development. The study used empirical data from 3650 leather-based SMEs in Aba, Abia State of Nigeria and a sample size of 321 obtained through the Taro Yamane sample size determination formula. The Statistical Package for the Social Sciences (SPSS) and Microsoft Excel were used in the study, while Structural Equation Modeling (SEM) was used for data analysis. The study found that market sensing capability positively and significantly (1%) affects product innovation. Market seizing capability was found to positively and significantly (1%) affect product innovation. Market reconfiguration capability positively and significantly (1%) affects product innovation. Product innovation was found to be positively and significantly (1%) related to SMEs' competitiveness. We conclude by recommending that practitioners and managers of SMEs, like those of the studied leather-based SMEs, should shift their focus from optimizing current operations to investing in the dynamic capability routines themselves. The managers must systematically dedicate resources to proactive market intelligence, customer feedback mechanisms, and technological forecasting. SMEs should also view product innovation not as a spontaneous outcome, but as the strategic output directly generated by its dynamic capabilities.

Keywords: Dynamic Marketing Capability, Market Sensing, Opportunity Seizing, Reconfiguration, Product Innovation, Competitiveness.

Introduction

Small and medium-sized businesses (SMEs) have been pressured to create a

paradigm to comprehend how to maintain their competitiveness and attain better organizational performance due to the intense global rivalry

and the knowledge economy's explosive growth in a highly variable environment. SMEs can gain a sustainable competitive advantage in rapidly changing markets through capabilities that allow them to monitor market changes and create, define, discover, and exploit new opportunities that match the requirements of the environment (Jantunen et al., 2005; Zahra et al., 2006). Dynamic capabilities have been put forth as a method to build, integrate, and reconfigure resources in a rapidly changing environment (Teece et al., 1997), and innovation is a critical organizational capability in the creation of new products (Salavou, 2005). Thus, SMEs may gain a competitive edge by combining innovative behaviours with dynamic capabilities, particularly in highly variable contexts (Yarahmadi et al., 2015).

According to Ernest (2023), the states of Abia, Anambra, Kano, and Lagos are Nigeria's largest leather marketplaces. One of the top producers and exporters of Nigerian leather is Aba, located in Abia State. It is also among Nigeria's biggest commercial centers for the leather sector. Due to the people's inventiveness and spirit of entrepreneurship, many workshops were established to create the well-known "Aba-made" goods. These goods which are well-liked in West African nations are long-lasting, and reasonably priced (Dike et al., 2024). The majority of leather product companies in Aba, Abia State, are small-to-medium-sized businesses (Manala, 2022). Like those in other nations, SMEs like those in Aba, Abia State, play a significant role in the development of the country, creation of job opportunities, capacity for innovation (Catanzaro & Teyssier, 2021), and in value-addition (Wai et al., 2022). However, the main worries of most SMEs in terms of their survival are their weak competitive (Markus & Rideg, 2020), and

their poor financial performance (Belas et al., 2020), which raise their financial risk (Agyabeng-Mensah & Tang, 2021). In this sense, they may be able to solve their competitive issues thanks to their dynamic marketing capabilities (Civelek et al., 2022).

The leather-based SMEs in Aba, Abia State, Nigeria, must develop dynamic marketing capabilities (DCs) that support business strategies to gain a competitive edge in rapidly evolving business environments in order to maintain their competitiveness. These SMEs require more than just standard capabilities in the constantly changing business environment (Lindblom et al., 2018). Achieving a durable competitive advantage requires SMEs to be agile and capable of strategic reconfiguration (Ahmadi & Osman, 2020). Furthermore, competitiveness and corporate performance are significantly influenced by product innovation (Jordao & Novas, 2017). SMEs have a competitive edge and resistance due to their capacity for product innovation (El-Chaarani et al., 2022). SMEs' product innovation skills allow them to turn their new concepts into novel tests, processes, and procedures that result in new products and services. Additionally, SMEs' inventiveness makes it simpler for them to obtain financial credits (Lumpkin & Dess, 1996), which lessens their financing issues.

The main question in the debate and discussion among academics regarding dynamic marketing capabilities is whether or not they result in competitive advantage, which is a scenario in which an organization deals with the dynamism of the business environment by providing products or services that better meet the needs of its customers than its rivals in the sector (Kaur & Mehta, 2016; Li & Liu, 2014). According to some academics, dynamic marketing capabilities by themselves cannot provide a company a competitive edge or enhance its performance (Eisenhardt & Martin,

2016). However, other scholars disagree (Teece, 2018; Zollo & Winter, 2012), claiming that there must be the presence of some factors that mediate the relationship between dynamic capabilities and competitiveness. Empirical research on dynamic marketing capacities has been hindered by this disagreement (Easterby-Smith et al., 2019). Even if a dynamic marketing capabilities perspective is becoming more popular, its research is still conceptual and theoretical (Ambrosini & Bowman, 2016).

Empirical investigations of dynamic marketing capacities are uncommon (Ambrosini & Bowman, 2016), and research on the topic has been piecemeal (Wang & Ahmed, 2017). Adaptive, innovative, and absorptive capacities are regarded by researchers as the most significant industry-level dynamic capabilities, despite the fact that dynamic capabilities have several aspects (Kaur & Mehta, 2017; Wang & Ahmed, 2007). When handling opportunities and challenges in the external environment, various studies have examined sensing, seizing, integrating, and reconfiguring as crucial aspects of dynamic capacities at the macro level (Lin et al., 2015). In this study, we evaluated the effect of market sensing, opportunity seizing, and reconfiguring on the competitiveness of leather-based SMEs in Aba, Abia State, Nigeria, with product innovation mediating the relationship between the variables.

Resource-Based View

According to the Resource-Based View (RBV) by Barney (1991), a firm's competitive advantage stems primarily from its capabilities and resources. The Resource-Based View (RBV) theory states that a company's distinctive, valuable, and hard-to-

copy resources and capabilities are what give it a competitive edge and superior performance over its rivals. Thus, a firm can use internal resources and competencies to produce new products, enter new markets, or add value for customers (Madhani, 2010).

The RBV enhances dynamic capabilities by demonstrating how resources can serve as the cornerstone of business success when properly rearranged and modified. RBV emphasizes that resources by themselves are insufficient for long-term success; businesses also need to be able to adjust and reorganize their resources in response to shifting market conditions. The ability to flexibly realign resources in response to changing market needs is just as important to SMEs' success as having valuable resources. Therefore, as part of dynamic capacities, the RBV offers a fundamental knowledge of how resource deployment and reconfiguration are essential for SMEs' competitiveness (Barney, 1991).

Importance of the Resource-Based View (RBV) Theory to SMEs

SMEs use the Resource-Based View (RBV) Theory to generate and maintain competitive advantages by utilizing their internal resources. According to the RBV, resources that are valuable, rare, unique, and non-substitutable are essential for long-term success (Barney, 1991). To stand out in the market, SMEs concentrate on locating and maximizing exclusive information, cutting-edge technology, brand recognition, and specialized skills. An SME that has exclusive access to state-of-the-art technology or a highly qualified workforce, for example, might create a competitive advantage that is difficult for rivals to match.

SMEs also apply RBV principles in order to match their resource strategies with market opportunities. This requires strategic investment in creating and protecting key capabilities that increase operational efficiency and innovation

(Peteraf, 1993). For instance, SMEs make sure their companies are flexible and in a good position to react to changes in the market by fostering organizational culture and intellectual capital. SMEs are also encouraged by RBV to concentrate on resource complementarities, which occur when different resources are combined to produce higher value. SMEs can create scalable company strategies and accomplish long-term success by utilizing these insights. In conclusion, RBV assists SMEs in reorienting their attention from external difficulties to internal assets, allowing them to leverage special resources for long-term competitive advantage.

Dynamic Marketing Capabilities

Teece et al. (1990) developed the concept of dynamic capability, also known as dynamic marketing capability, and described it as an organization's capacity to develop, integrate, and reorganize its internal and external competencies in order to adapt to the quickly evolving business environment. According to the resource-based view by Barney (1991), competitive advantage can only be achieved when the resources and capabilities used are rare, valuable, non-imitable, and non-substitutable (Gutierrez-Gutierrez et al., 2018; Zaidi & Othman, 2012; Teece, 2007). Dynamic marketing capability is a subset of this view.

According to Teece (2018), the three elements of the business model's dynamic marketing capabilities are sensing, seizing, and reconfiguring. Market sensing discovers opportunities in the marketing environment by constantly monitoring the environment and searching for chances that present themselves both inside and outside the company's limits. Seizing is the process of capturing its potential and worth of an

opportunity in order to learn more about the target market or choose the best technology. In order to adapt to changes and possibilities in the business environment, a firm must reconfigure its resources after recognizing and seizing opportunities. A company with dynamic marketing capabilities can use its resources and capabilities to recognize opportunities and risks and take appropriate and proactive measures to exploit or neutralize them (Teece, 2017; Zhou et al., 2019) (Appiah-Adu et al., 2018). The dynamic capability-based theory is pertinent since it describes how businesses can use their resources and abilities to take advantage of opportunities and neutralize threats. Dynamic capabilities let a firm leverage advanced technologies, innovate new products, and improve performance while preparing it to thrive in a constantly shifting business environment (Lin & Huang, 2012).

Market Sensing Capability

In today's fast technology change and significant market velocity, it has become challenging to forecast and identify the future development trajectories. Opportunities for innovation can arise from new knowledge and information. As a result, it is critical for businesses to continuously scan, search, and investigate opportunities across markets and technology. Teece (2007) categorized those activities as market sensing capability. Firms must actively seek out opportunities and risks in order to shape and comprehend market opportunities (Danneels, 2008; Miocevic & Morgan, 2018). This is where their sensing skill rests. Essentially, product innovation is the process of introducing new products by improving and refining current ones. With a keen market understanding (sensing), firms find it more straightforward to engage on product innovation. These enhancements are distinguished by the introduction of new ideas, the provision of new benefits, the integration of

creative features, and a personalized touch to conform to consumer preferences.

Product innovation is the creation of new, suitable, and distinctive goods or services by a company. It also includes the company's willingness to change and embrace the newest technological advancements and market trends, as well as its openness to embracing new ideas, goods, and practices (Rakthin, Calantone, & Wang, 2016). Market intelligence is necessary to do this since market knowledge can enhance the product innovation process (Luca & Atuahene-Gima, 2007). It has been determined that all innovation efforts and a firm's development are impacted by information and resources that are accessible from outside sources (Yam et al., 2011). Numerous studies conducted by Alshanty et al. (2019), Alshanty & Emeagwali (2018), and Ardyan (2016) unequivocally showed that businesses with strong market sensing skills are more likely to innovate than those without. Therefore, new product innovations within the company may be as a result of a firm's enhanced market sensing capability. Based on this, we hypothesise thus;

H₁: Market sensing capability is positively related to SMEs' product innovation

Opportunity-Seizing Capability

Once market sensing capabilities have identified opportunities and risks, firms' opportunity-seizing capabilities enable them to take action by implementing new processes or products or by taking different methods (Mousavi & Bossink, 2017). To put it another way, opportunity-seizing refers to a company's capacity to inspire and motivate its units to build organizational and ecosystem readiness in order to seize chances as they arise (Feiler & Teece, 2014). It includes a set of capabilities aimed at

reducing risk and seizing opportunities. There must be a company strategy that can respond to threats and opportunities in order to have opportunity-seizing capability (Teece, 2010).

SMEs have the ability to either find possibilities that result from inefficiencies in the market or generate opportunities by combining resources in novel ways. According to O'Reilly and Tushman (2013), a company's ability to seize opportunities is developed through its efforts to integrate and allocate both new and current resources, as well as to structure itself for innovation. Therefore, the ability to seize opportunities allows businesses to enhance their knowledge, products, and traditional markets. This can be seen in internal process changes that lead to economies of scale and effective resource coordination, as well as proficiency in gathering, disseminating, and applying marketing intelligence (Ateke & Nwulu, 2021). Thus, via innovation and the development of new products, the ability to seize opportunities could restore competitive advantage (Teece, 2012) (Susanto, 2019). In line with the above, we hypothesize thus;

H₂: Opportunity-seizing capability is positively related to SMEs' product innovation

Resource Reconfiguration Capability

When markets and technologies shift, it is critical for businesses to reconfigure their organizational structures and recombine assets in order to maintain profitable growth. Over time, resources and knowledge may deteriorate, which could result in the loss of cumulative advantages from past experiences (Sampson, 2005). In addition to helping businesses preserve evolutionary fitness, reconfiguration capacity gives them the ability to break free from unfavourable path dependencies when needed (Teece, 2007).

Businesses use reconfiguration capacity when they add, re-deploy, re-combine, or sell off

resources or business units (Karim & Capron, 2016). Marketing reconfiguration capability can help businesses access new resources and reap the rewards of innovation in addition to facilitating ongoing change. By redeploying human resources and restructuring business units, it is possible to promote intra-organizational knowledge exchange and externalize and disseminate the company's existing tacit knowledge in relation to product innovation (Nonaka, 1994). Knowledge tacitness and context specificity have significant effects on the chances of product innovation, as shown by Galunic and Rodan (1998). Researches by Passemard and Calantone (2017) and Wogwu and Hamilton (2018) have shown that reconfiguration capabilities and innovation are positively correlated. Businesses that can see possibilities, take advantage of them, and adjust their resources appropriately build a dynamic system that not only adapts to change but also actively promotes innovation and expansion (Teece, 2007). Reconfiguration efforts may thereby enhance product innovation. Thus, we hypothesize that;

H₃: Resource reconfiguration capability is positively related to SMEs' product innovation

Product Innovation

According to Njeri (2017), product innovation is the capacity of a business to create a whole new product that satisfies consumer needs and adds value. Product innovation also entails improving product designs and specifications to satisfy consumer demand and boost the company's marketing and financial value (Mabenge et al., 2020). Innovation is becoming a crucial component of successful organizations (Urban & Verachia, 2019). Businesses that have an edge over their competitors in terms of their product in the areas of innovation, product quality, new

product packaging, and new product design, have shown to perform better (Kaleka & Morgan, 2019). Therefore, businesses in a dynamic business environment typically work continuously to develop a new product concept that can meet the needs of their target market in order to achieve their objectives and stay in business over time.

Numerous studies have demonstrated that product innovation has a substantial impact on competitiveness, a key factor in determining business performance. Innovation benefits businesses financially, gives them a competitive edge, and can improve company performance (Fallah & Lechler, 2008; Talke et al., 2011). In a study on how different aspects of innovation affect business performance, Makanyeza and Dzvukeye (2015) discovered that product innovation significantly and favourably affects organizational performance. In a similar vein, Hassan et al. (2013) discovered that product innovation is crucial to business success. Furthermore, a study by Karabulut (2012) showed how product innovation improved business performance. Therefore, it is important to assess how product innovation affects SMEs' competitiveness because it is clear that it has a variety of effects on firm performance.

H₄: Product innovation is positively related to SMEs' competitiveness

Competitiveness

Competitiveness is the ability of an organization to forge a solid and defensible position against its rivals (Lo & Tian, 2020). According to Farhikhteh, Kazemi, Shahin, and Shafiee (2020), competitiveness is the capacity of a business to generate and maintain greater added value over time in comparison to its rivals. It stands for the special qualities and advantages that help a business outwit competitors in the market, achieving better results and sustained success.

Numerous academics have examined the factors that influence SMEs' competitiveness, emphasizing the special traits and difficulties that small businesses face. The resource-based view

(RBV) provides evidence about the origins of SMEs' competitiveness. According to the RBV, SMEs can use their special resources and skills to obtain a competitive advantage (Barney, 1991). These resources might be both intangible (knowledge, reputation, and client relationships) and tangible (technology, equipment, or location). SMEs may set themselves apart and add value for customers by utilizing and deploying these resources efficiently.

Dynamic Capabilities, Product Innovation and SMEs' Competitiveness

Dynamic marketing capabilities is necessary if firms must maintain competitive edge over their rivals (Teece, 2007). Only by developing a super-capability for change itself - the ability to see, seize, and shape new market opportunities - could businesses prosper in today's technology dynamism and market instability that characterize global competition. Dynamic marketing capabilities and competitiveness have been linked in some studies (Teece et al. 1997; Eisenhardt & Martin, 2000; Makadok, 2001; Najib et al., 2017). A company must be particularly adaptable in terms of when to enter a market and when to make decisions in response to the current environment because it is hard to predict the nature of future competition and market conditions (Sher & Lee, 2004).

Dynamic marketing capabilities and competitiveness have been the subject of

previous studies (Mikalef et al., 2020; Karia & Kays, 2020; Khourouh et al., 2020; Teece et al., 2016; Shahtahmasbi, 2021; Teece, 2018; Linde et al., 2021; Hassani & Mosconi, 2022; Elf et al., 2022; Felsberger et al., 2022). Consequently, it is thought that maintaining a firm's competitiveness requires dynamic marketing capabilities (Teece, 2007). The impact of innovation on SME performance in both developed and developing economies has been the subject of a great deal of recent scholarly research (Kitole, Msoma, & Sesabo, 2024; Expósito & Sanchis-Llopis, 2019; Jeje, 2022). According to research, product innovations boost financial growth, change current markets, and play a significant role in businesses' efforts to gain a sustainable competitive edge (Nguyen et al., 2016). According to a study, company performance and product innovation are positively correlated (Deshpande et al., 1993). Additionally, it has been demonstrated by Craig and Dibrell (1994) that product innovation is an essential prerequisite for both competitiveness and firm performance. In a similar vein, Baldwin and Johnson (1996) discovered that innovation significantly affects a number of company performance metrics. Additionally, Salavou (2002) demonstrated that a key factor influencing company performance is product innovation. Product innovation benefits businesses financially, gives them a competitive edge, and can improve company performance (Fallah & Lechler, 2008; Talke et al., 2011).

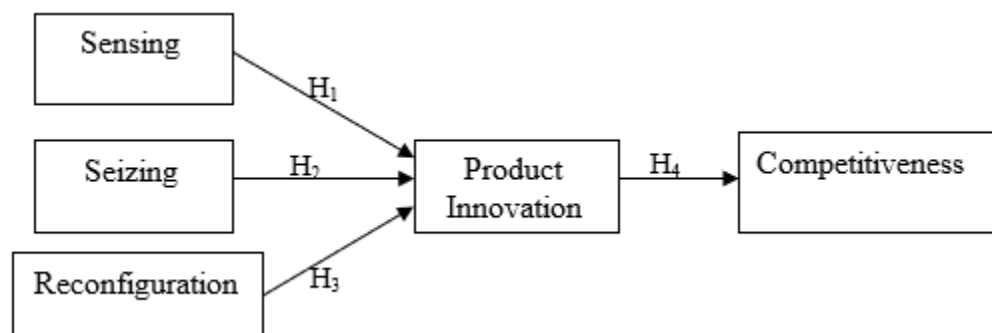


Fig 1. Conceptual model of the study

Methodology

This study adopted a descriptive survey research design. Leather-based SMEs in Aba, Abia State of Nigeria formed the population of the study. Aba in Abia State is a home to 3650 leather-based SMEs (Dike et al., 2024). From these SMEs, a sample size of 321 was obtained for the study through the use of Taro Yamane sample size determination formula. Questionnaire was the main instrument used for data collection in the study. The questionnaire contained 5-point likert scale ratings. The questionnaire items were adapted from empirical works of previous authors on the same or similar subject. Care was taken in designing the questionnaire and the researchers ensured that the questionnaire captured all the aspects of the study variables. Convenience sampling was used in this study as the online questionnaire was only sent to student groups that were accessible during the period of data collection. Such sampling procedure is in line with what has been

done by previous researchers (Coomber, 1997; Berson et al., 2002). Data collection period was two (2) months from February to March, 2025.

Measurement Model Analysis

The Statistical Package for the Social Sciences (SPSS) and Microsoft Excel were used in this study. According to Hulland (1999), three dimensions can be used as measurement model. They are individual item reliability, convergent validity, and discriminant validity. Individual item reliability is used to measure the factor loadings of measurable variables on latent variables. Since a low factor loading suggests a limited explanatory ability of the model, Hulland (1999) suggested that factor loadings of measured variables should be more than 0.7. Table 1 indicates that the factors evaluated in the study were generally reliable. All of the factor loadings in the latent variables were higher than 0.7.

Table 1: Factor analysis for Cronbach Alpha (CA), Average Variance Extracted (AVE) and Construct Reliability (CR)

Constructs	Items	Factor Loading	CA	AVE	CR
Sensing	SEN1	0.912	0.932	0.803	0.942
	SEN2	0.884			
	SEN3	0.905			
	SEN4	0.882			
Seizing	SEZ1	0.911	0.921	0.741	0.919
	SEZ2	0.786			
	SEZ3	0.921			
	SEZ4	0.817			
Reconfiguration	REC1	0.781	0.925	0.821	0.948
	REC2	0.990			
	REC3	0.947			
	REC4	0.892			
Product Innovation	PIN1	0.866	0.905	0.785	0.935
	PIN2	0.793			
	PIN3	0.964			
	PIN4	0.911			
Competitiveness	COM1	0.788	0.918	0.755	0.924
	COM2	0.719			
	COM3	0.952			
	COM4	0.987			

Average Variance Extracted (AVE), Cronbach Alpha, and Composite Reliability (CR) were the reliability indices employed in the study (Chin, 1998; Fornell & Larcker, 1981; Hair et al., 2014). As a latent variable's composite reliability rises, so does its internal consistency. Fornell and Larcker (1981) state that composite reliability should be more than 0.7. There is a high degree of internal consistency in Table 1 because all of the latent variables in the study were greater than 0.9. Table 1 also displays the Average Variance Extracted (AVE) of the latent variables used in the study. The convergent validity increases with Average Variance Extracted (AVE). Fornell and Larcker (1981) state that the average extracted variance ought to be more than 0.5. From the Table 1, the average variance extracted (AVE) for each latent variable in the study was above 0.7. Similarly, Cronbach Alpha Score should be

above 0.7 according to Nunnally (1978), and all the Cronbach Alpha Scores in Table 1 were above 0.9.

The analysis's findings demonstrate that the study's latent variables have strong convergent validity. According to Fornell and Larcker (1981), the correlation coefficient between latent variables and the square root of the average variance extracted (AVE) of each latent variable can be used to determine discriminant validity. When the AVE square root value is "greater than the correlation of the variables", discriminant validity is present (Fornell & Larcker, 1981). There was discriminant validity among the study's latent variables, as demonstrated by Table 2, where the square roots of the average variance extracted (AVE) were higher than the correlation coefficients between the latent variable and the other latent variables.

Table 2: Discriminant Validity

Latent Variable	SEN	SEZ	REC	PI	COM
SEN	0.896				
SEZ	0.672	0.861			
REC	0.725	0.672	0.906		
PI	0.721	0.626	0.791	0.886	
COM	0.614	0.446	0.582	0.715	0.869

Note: Bold numbers in diagonal lines are square root of AVE of each latent variable, while the numbers in non-diagonal lines are correlation coefficient between the latent variable and the other latent variables.

The results of the analysis show that the latent variables in the study have excellent convergent validity. Fornell and Larcker (1981) state that discriminant validity can be ascertained by taking the square root of the average variance extracted (AVE) of each latent variable and the correlation coefficient between latent variables. Discriminant validity exists when the AVE square root value is "greater than the correlation of the variables" (Fornell & Larcker, 1981). The square roots of the average variance extracted (AVE) were

greater than the correlation coefficients between the latent variable and the other latent variables, indicating discriminant validity among the study's latent variables (Table 2). Based on the analyses of the indicators in the study, the latent variables in the research model possessed good reliability and validity, which was qualified to perform the hypothesis test about the correlations among the latent variables and predictability of the model's explanatory power.

Results and Discussion

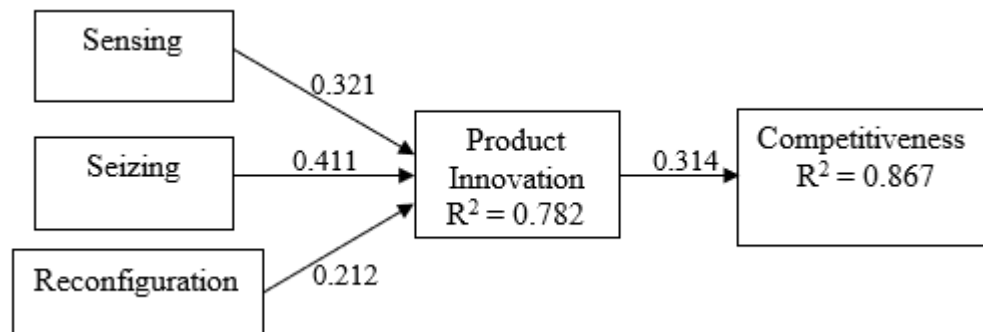


Figure 2: Model result

According to test results for Hypotheses 1 to 4 were significant. The significant results showed that market sensing capability positively and significantly (1%) affects product innovation of the studied leather-based SMEs in Aba, Abia State of Nigeria. This agrees with the findings of previous researchers (Alshanty et al., 2019; Alshanty & Emeagwali, 2018; Ardyan, 2016). The result means that any of the studied leather-based SMEs that is able to detect shifts in consumer preferences, emerging trends, and unmet needs more accurately will experience customer-driven product innovation, which will further increase the likelihood of product success. The SMEs can identify and address real. Often latent, customer needs and pain points, leading to products that offer greater customer value and resonate better in the market.

Market seizing capability was found to positively and significantly (1%) affect innovation of the studied leather-based SMEs in Aba, Abia State of Nigeria. This to a reasonable extent aligns with findings of previous studies (Tushman, 2013; Teece, 2012; Susanto, 2019). This positive effect indicates the studied leather-based SMEs are highly adept at converting identified market opportunities into concrete, commercially successful new products. By consistently translating market opportunities into

successful product innovations, the studied SMEs are continuously renewing their product portfolio and maintaining a dynamic competitive advantage that is difficult for rivals to imitate, especially in rapidly changing Nigerian marketing environment.

Market reconfiguration capability positively and significantly (1%) affects product innovation. Studies from previous researchers (Nonaka, 1994; Galunic & Rodan, 1998; Passemard & Calantone, 2017; Wogwu & Hamilton, 2018) have produced the same or similar results. This implies that the studied leather-based SMEs in Aba, Abia State of Nigeria are adept at successfully adapting and reshaping their resources, routines, and strategies to align with new or changing market dynamics, leading to the creating and reintroduction of more successful and relevant new products. This capability is crucial for maintaining a competitive advantage in today's Nigerian volatile business environment for SMEs. By configuring their resources, the SMEs can combine existing knowledge and technologies in novel ways to solve customer problems. These SMEs can also respond quickly to disruptive changes by restructuring its core competencies, allowing for the timely launch of new products.

Product innovation was found to be positively and significantly (1%) related to

SMEs' competitiveness. This is in agreement with previous findings (Talke et al., 2011; Hassan et al., 2013; Makanyeza & Dzvuke, 2015). This implies that innovative products enable the studied leather-based SMEs to stand out from their competitors by offering unique features or solutions, creating a distinct market identity. It implies that the SMEs can adapt to evolving customer needs, create a unique market position, and gain an advantage over competitors, thereby enhancing their overall performance and resilience. In this sense, product innovation here acts as a catalyst for the SMEs to thrive by enabling them to meet evolving demands, capture market attention, and foster sustained growth, which are all crucial elements for maintaining a competitive edge.

The R-square value of 0.782 reveals that about 78 percent of the variance in product innovation was explained by market sensing capability, market seizing capability and market reconfiguration capability. Similarly, the R-square value of 0.867 shows that 87% of the variance in competitiveness is contributed by product innovation.

Conclusion

This study explored the effect of market sensing capability, market seizing capability and market reconfiguration capability on SMEs' competitiveness in a dynamic market environment, focusing specifically on the mediating role of product innovation. The findings of this study provide compelling empirical evidence of a significant positive effect. Specifically, our analysis demonstrates that firms that excel at developing and leveraging dynamic marketing capabilities (market sensing capability, market seizing capability and market reconfiguration capability) are more successful in generating novel and commercial viable product

innovations.

More so, SMEs that consistently engage in the development and market introduction of novel or significantly improved product as a result of their dynamic marketing capabilities, achieve higher levels of competitiveness. The ability of SMEs to be agile and responsive allows them to translate market insights into product novelties more rapidly than larger firms, directly enhancing their market positioning. Thus, the introduction of novel and superior products is a critical factor in gaining an edge over rivals. The most significant finding was the confirmation that product innovation mediates the relationship between dynamic capabilities and SMEs' competitiveness. This means that while dynamic capabilities have a direct positive effect on competitiveness, their greatest contribution is realized indirectly by fueling the firm's ability to innovate new products. We therefore conclude that an SME's ability to adapt and change does not immediately translate into high competitiveness. Rather, it primarily acts as the engine that drives the creation of new products, which in turn, is the direct source of a sustained competitive advantage.

Theoretical and Practical Implications

This study which confirms that product innovation mediates the positive effect of dynamic capabilities on SMEs' competitiveness has significant implications for both academic theory and management practice. The study substantially contributes to the Resource Based View (RBV) by clarifying the underlying mechanism through which higher-order capabilities create value. The most important theoretical contribution is establishing a precise, empirically validated causal link between dynamic capabilities and product innovation. This moves the RBV beyond asserting the dynamic capabilities are important

and specifies that their primary role is as a precursor to an SME's innovation capacity. It shows that dynamic capabilities are the necessary microfoundations for consistently developing competitive products. The findings of this study further clarifies the relationship between dynamic capabilities (higher-order capabilities for change) and innovation capabilities (operating or lower-order capabilities for specific tasks). It positions dynamic capability routines as the driver that builds, integrates, and renews a firm's innovation-related operating capabilities.

For practitioners and managers of SMEs, like those of the studied leather-based SMEs, they should shift their focus from optimizing current operations to investing in the dynamic capability routines themselves. The managers must systematically dedicate resources to proactive market intelligence, customer feedback mechanisms, and technological forecasting. SMEs should also view product innovation not as a spontaneous outcome, but as the strategic output directly generated by its dynamic capabilities. Performance metrics and incentives should reward the successful translation of market sensing into viable new product launches. Additionally, when faced with scarce resources, investment should prioritize the development of dynamic routines over merely expanding production or marketing budgets, as the former will ensure a consistent supply of competitive products, which is a more sustainable source of advantage.

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