



## Dynamic Capabilities and Performance of Small and Medium Scale Enterprises (SMEs): A Systematic Literature Review (SLR) through PRISMA Protocol Statement

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**Abstract.** This paper provided insights on different empirical findings and extant literature on the theory of dynamic capabilities and SMEs performance using systematic literature review through PRISMA Protocol (Preferred Reporting Items for Systematic Reviews and Meta-Analyses). Furthermore, the study also provided conceptual review on the theory of dynamic capabilities and its dimensions for measuring small and medium enterprise (SMEs) performance. The methodology for this study was based on use of systematic literature review through PRISMA Protocol statement to justify the review of related contemporary literature and data collected on the journals reviewed. Based on this methodology, the study indicated that the authors agreed that there is significant and positive relationship between dynamic capabilities and SMEs business performance. Also, the study indicated that Augier and Teece (2007); Teece, & Linden (2017) and Teece, Pisano & Shuen (1997) were the prominent and well referenced work on the theory of dynamic capabilities which has contributed significantly to extant literature. The study recommended that there is need for further studies on the extent of relationship between dynamic capabilities and SMEs performance by considering other dimensions other than those provided in this study and determine if the inconsistencies that exist among authors on this investigation can be model appropriately.

**Keywords:** Dynamic Capabilities, Environment, SMEs, Performance, Edo State

### 1. Introduction

In this global economic era, the overall functioning and market power plays an important role but most times its does not impact positively on the performance of Small and Medium Enterprises and their ability to survive in a competitive environment (Garbellano & Da Veiga, 2019). The contribution of SMEs to the growth of any nation has led scholars, practitioners and researchers to show greater attention on how to measure their performance can be measured (Shu, Zhou, Xiao & Gao, 2016). In furtherance of this, Augier and Teece, (2007) posited that the prevailing environmental conditions within the different economies exposed most SMEs to different challenges which contributed to their inability to achieve their intended goals in the market. To this end, the field of strategic management has provided appropriate frameworks on how SMEs performance and their competitiveness in the market can be measured (Teece & Linden, 2017).

Dynamic capabilities have been considered as an important concept within the strategic management field that can provides sufficient propositions on how firm performance can be explained (Park & Kim, 2013). The theory of dynamic capabilities (DC) has continued to contribute to how firm mediate their activities with the prevailing conditions in the environment over the past ten decades (Palmie, Lingens & Gassmann 2016). Furthermore, discussions on dynamic capabilities prior to 1980 are few and limited within the field of strategic management. As at this time, Shi, Yuan, & Lee (2022) argued porter

five based model and resource-based view theory are the major subject of discussion within the field of strategic management not dynamic capabilities theory.

However, dynamic capabilities (DC) theory emerged as both an extension to and a reaction against the inability of the resource-based view (RBV) to interpret the development and redevelopment of resources and capabilities to address rapidly changing environments (Ettlie & Pavlou, 2006). But there was pragmatic change for last two decades where several available research were explored on how business firm can benefit from the concept of dynamic capabilities with specific focus on its peculiarities, diverse approaches and dimensions in relation to their performance within the business environment (Singh & Rao, 2017). Within this period, the discussion on dynamic capability has significantly increased with more publications each year (Khan, Bellini, Daddi & Iraldo, 2022). In response to this, dynamic capability has been considered as alternative approach to develop appropriate structure that can proffer practical solutions to the weaknesses of resource-based view theory (Atiku & Abatan (2021). More importantly, dynamic capabilities represent path-dependent processes that allow firms to adapt changing environment by building, integrating and reconfiguring their resource and capabilities portfolio (Bala & Ferreira, 2019).

In essence, dynamic capabilities provide adequate information for the firm to develop ability to continuously achieve innovative ideas to create pathway towards developing their competitive advantage (Otache & Usang, 2022). In the work of Teece et al., (1997), business firm within the environment must find ways to have adequate understanding of their capabilities in terms of organizational structure and managerial processes. In support of this, Eisenhardt and Martin (2000) posited that dynamic capabilities of a firm involve different managerial processes that effectively utilized the available organizational resources to match and even create market change. Substantial evidence exist on lack of SME-specific studies as most of the studies such as Wilden, Gudergan, Nielsen and Lings (2013); Fainshmidt, Pezeshkan, Lance Frazier, Nair and Markowski (2016) focused on large organisations with limited attention to SMEs (Eisenhardt & Martin,

2000). Most studies have focused on large firms, neglecting the unique challenges and opportunities faced by SMEs. This question remains unanswered as there is need for SME-specific studies that can investigate specific and peculiar dimensions of dynamic capabilities and how this can be developed and leveraged in resource-constrained environments.

There is lack of uniformity, conceptualization and uniqueness in the measurement of dimension of dynamic capabilities as different scholars have identified numerous variables such as Organizational resilience (Akpan, Johnny, & Sylva, 2022); Organizational ambidexterity (Shaibu, Ogbo, Agbaeze & Ukpere, 2019); competitive advantage (Ebegbetale & Okon, 2022); innovation (Enimola, Nafiu & Peter, 2020); Organizational agility (Gyemang, & Emeagwali, 2020) and knowledge management (Tsetim, Adegbe, & Agema, 2020). This study aims to fill this gap by adapting the seminal work of Teece, *et al.*, (1997) that identify dynamic capabilities component as sensing, seizing, reconfiguration and learning against performance of SME by taking into consideration the peculiarities, current situations and challenges of SMEs in Edo State. It is against this background that this study intends to examine the relationship between the dimensions of dynamic capabilities (sensing, seizing, reconfiguration and learning) and performance of SMEs through systematic literature review with the use of PRISMA Protocol (Preferred Reporting Items for Systematic Reviews and Meta-Analyses). The broad research objective is to examine the dimension of dynamic capabilities on the performance of SMEs in Edo State. The research questions examine whether there is relationship between dimensions of dynamic capabilities on the performance of SMEs.

## 2. Theory and Hypothesis

This study is basically based on three major theories which are

### 2.1 Dynamic Capabilities Theory

The dynamic capabilities theory assumes that organizations may create and exploit their distinctive skills to adapt to changing surroundings, shape their competitive advantage, and achieve better

performance (Kapoor & Aggarwal, 2020). According to this theory, firms must constantly detect and capitalise on opportunities and reconfigure and refresh their resources and competencies in response to dynamic and uncertain market conditions (Mele, Capaldo, Secundo & Corvello (2024). The theory also assumes that strategic decision-making and organisational learning processes are required for the creation and deployment of dynamic capabilities (Pitelis, & Wang, 2019). To improve their adaptability and responsiveness, businesses must make strategic decisions regarding resource allocation, investment in new skills, and organisational structure (Garbellano, & Da Veiga, 2019). Organisational learning is critical for obtaining and integrating new information, refining current competencies, and boosting the firm's capacity to detect and capitalise on opportunities (Blome, Schoenherr & Rexhausen, 2013). The theoretical implication is that resources and capabilities are not static but can be creatively reorganized and upgraded through dynamic processes in management and organisational routines (Girod, & Whittington, 2017). Though the dynamic capacities theory has significantly impacted strategic management, it is not without criticism.

## 2.2 Resource Based View Theory

Resource-based view theory was developed in the work of Penrose in 1959 which was formed out of the imaginative idea that a firm cites unused managerial resources as the primary driver of growth and that internal managerial resources are both drivers and limits to the expansion of any one firm can undertake (Ruivo, Oliveira & Neto, 2015). The resource-based view of the firm has become dominant within the field of strategic management, yet it has had surprisingly little influence on organisation theory (Davis & DeWitt, 2021). In support of the above, Utami and Alananos (2023) opine that firms with different qualities and quantities of resources are likely to perform differently, with the potential for one firm to outperform others in the same market by acquiring and exploiting distinctive resources. The theory assumes that a firm's resources capabilities determine the level of competitiveness, performance, and sustainability of the firm with a focus on how best they can combine their resources to achieve their market position (Estensoro, Larrea, Muller & Sisti, 2022). Researchers

such as Utami & Alananos (2023) argue that a firm's performance is fundamentally determined by the resources it possesses. Noteworthy resources that can enhance a firm's competitive advantage include tacit knowledge, strategic capital, and the employment of skilled personnel (Kiyabo & Isaga, 2019). The justification for using RBV theory in this study is based on the assumption that the theory places greater emphasis on understanding how a company can adapt, maintain, and enhance its competitive advantage.

## 2.3 Ambidexterity theory

The theory of ambidexterity is rooted in organisational studies which provide some level of the basic assumption that represents a paradigm that underscores the importance of balancing exploration and exploitation within an organisation (Popadiuk, Luz, & Kretschmer, 2018). This concept is deeply entrenched in the seminal works of scholars who have grappled with the challenges of managing both innovation and efficiency (O'Reilly Iii, & Tushman, 2008). The theoretical foundations of ambidexterity can be traced back to the seminal works of March (1991) who introduced the concept as a means to reconcile the inherent tension between exploration and exploitation within organisations. The assumption of ambidexterity theory lies in how the firm strives to achieve a delicate balance between exploration (searching for new knowledge, technologies, and markets) and exploitation (exploitation involves refining and optimizing existing processes and capabilities (Van Lieshout, *et al.*, 2021). The challenge is to avoid the pitfalls of overemphasis on either exploration (resulting in a lack of focus and inefficiency) or exploitation (leading to stagnation and vulnerability to environmental changes (Sijabat, *et al.*, 2021). The justification for using this theory is that it assumes and provide theoretical basis for understanding why ambidexterity is important for organisations operating in dynamic environments and why managing the tension between exploration and exploitation is crucial for long-term success.

## 2.4 SMEs Performance

Past studies such as Halabi and Lussier (2014) have reviewed that the performance of SMEs is of great important to society and the overall economic

activities of any nation since the activities of SMEs serves as drivers for improving the growth and development of any nation (Amankwah-Amoah, 2016). However, SMEs performance is not a new discussion within the field of management and strategic management. In the work of Gupta and Wales (2017) opined that defined the different actions and procedures develop by firm towards achieving their intended goals and objectives. Furthermore, SME s performance depends on a lot of factors which determined the extent to which the firms are able to meet up their intended objectives (Agwu, 2018). Augustine, Bhasi and Madhu (2012) argued that the SME performance can be measured either quantitatively or qualitatively or in form of financial and non-financial data. Firm performance can be seen as the ability of a firm to be able to meet up with the goals and expectations within their business environment (Richter, *et al.* 2017). However, it is imperative to state that firm performance is the outcome of befitting integration, reconfiguration, building strategies, resources and capabilities to respond as fast as possible and promptly to changes in within the business environment (Arifin, 2015; Khan, Zubair, Rathore, Ijaz, Khalil, & Khalil, 2021).

Firm performance on the other hand involves measuring market-related aspects like market share, performance, diversification, and product development (Coleman, & Wu, 2021). Firm performance measures also include excellence in internal business processes and the effective collection of timely and accurate data, a quality workforce, and a quality work environment (Ogunsanwo, 2019). Firm business systems serve as the basis for developing strategic plans and evaluating an organisation's attainment of objectives and goals (Ganiyu, Adelopo, Rodionova & Samuel, 2019). Firm performance can be described as an organisation's ability to efficiently acquire and utilize its limited resources and assets in pursuit of its operational objectives (Khan, *et al.* 2021). This supported the idea that firm performance is the ultimate result of activities carried out within a business, and it primarily concerns overall efficiency and productivity (Monday, Akinola, Ologbenla & Aladeraji, 2015). More importantly, in order for SMEs to develop dynamic capabilities, there is need for them to integrate and reconfigure their competencies to match their resources and business

model to achieve outstanding business performance within their dynamic business environment (Tseng, Warner, & Wager, 2019).

## 2.5 Dynamic Capabilities

The concept of dynamic capabilities is a framework that promote better understanding on how business organization develop their capabilities in terms restructuring available resources in respond to changes within the environment (Di Stefano, Peteraf & Verona, 2014 & Li and Liu, 2014). Scholars argued that the dynamic capabilities are gradually converging towards common definition and conceptualization (Giudici & Reinmoller, 2012). However, different definitions and assumptions about dynamic capabilities exist in empirical findings and extant literature. This implies that in order to consider the effectiveness of dynamic capabilities, there is need to see it as part of the firm capabilities and competencies that give the business opportunity to create products and processes that can enhance their capacity to respond to changes in the environment (Swoboda, & Olejnik, 2016). More importantly, the theory of dynamic capabilities improves the quality of information available to the firm in responding to changes within the environment by integrating and building capacity around their resources and competencies to achieve competitiveness within the market (Akenroye, Owens, Elbaz, & Durowoju, 2020).

Notably, argument exist among scholars that dynamic capabilities give rise to its own history for the firm since every business have some level of uniqueness that distinguish them from their competitors (Kurtmollaiev, 2017). In the opinion of Marco-Lajara, Sarmiento-Chugcho, Ramon-Ramon and Martinez-Falco (2023), dynamic capabilities is the way the firm adapt to it resources, processes such as knowledge to react to the changes within their business environment. This implied that all activities the firm develops in relation to how they reconfigure and integrate their competencies to respond to changes within the environment are dynamic capabilities (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter, 2007). Jiao, Alon, Koo and Cui (2013) argued dynamic capabilities are the development of management capabilities difficult to imitate the combination of organizational functional,

technological and technological skills to change existing operational mechanisms in order to meet new customer needs and finally to improve performance.

Singh, Oberoi and Ahuja (2013) have criticized the underlying assumptions of dynamic capabilities and some of these criticisms include total absence of specific measurement of the level of firm capabilities, poor clarity, difficulties in providing detailed explanation on the approaches and nature of dynamic capabilities, level of repetitiveness is high, does not consider behavioral pattern of the individual element and does not have appropriate structure and guide regarding dynamic capabilities and how all these issues affect the firm performance, competitiveness and value creation (Ganesh, & Marathe (2019).

### **2.6 Sensing Capability**

This is one of the key dimensions of dynamic capabilities which involve the identification of opportunities and threats that exist in the environment in order to develop appropriate structure that help the firm to respond changes (Weaven, Quach, Thaichon, Frazer, Billot & Grace, 2021). In the work of Miocevic and Morgan (2018) and Radulovich, Javalgi and Scherer (2018) opined that sensing is more significant to SMEs operational activities since the amount of changes in the marketplace is high and thus, making it more difficult to measure. More importantly, sensing capabilities help SMEs to improve their firm level and develop ways for them to control the amount of organizational information they have to monitor the changing environment. In the work of Teece and Linden (2017), sensing capabilities are used to scan the operating environment of the business to serve as a guide to prevent any form of disruption within the firm. In addition, sensing capabilities involves learning and interpretation of information obtained from the environment to provide insights for the firm to make informed decisions. Thus, sensing capabilities is highly recommended for SMEs as it helps identify any changing opportunities within their operating environment that improve their performance (Wilden, Gudergan, Nielsen, & Lings, 2013).

### **2.7 Seizing Capability**

This is an important element developed within the theory of dynamic capabilities for SMEs and other business enterprise to address new ideas and opportunities they notice in their environment. Matysiak, Rugman and Bausch, (2018) cited that seizing capabilities is the ability of the business firm to integrate opportunities in order to attract new individual knowledge for employee from external resources. More importantly, seizing capabilities in any stable environment can assist to integrate intangible resources of knowledge to achieve competitive advantage, performance and sustainability. Rashidirad, Soltani and Salimian (2014) opined that seizing capabilities is usually found within the business organization which involves identifying available opportunities through effective utilization of external knowledge and corporate value within the organization. Atiku and Abatan (2021) added that if the firm level of capabilities can change the prevailing environmental conditions based on their seizing, their competitors in the market cannot survive because it will too costly for them mediate in the market. In support of this argument, Teece *et al.*, (1997) argued that it is essential for firm to implement competitive strategies that maximize performance and match external environmental conditions through effective mobilization of available resources to address their value.

### **2.8 Reconfiguration Capability**

Reconfiguration capabilities refer to the creation and integration of internally or externally acquired capabilities. It is the transformation of existing capabilities, i.e. to change the form, shape, or appearance of capabilities existing within the firm (Teece, 2007) and the redeployment or recombination of existing capabilities (Leemann, & Kanbach, 2022). Reconfiguration capabilities develop a structure for the organisation in such a way that it combines their abilities and competencies that make goods and services stand out among their competitors in the market (Girod, & Whittington, 2017). In support of this, reconfiguration capabilities reflect the different unique ways that the firm develops frameworks to integrate their competencies and skills such as technology, processes, systems, and capital (Kump

Engelmann, *et al.*, 2019). Reconfiguration capability is defined by Teece *et al.*, (1997) as the rearrangement and transformation of existing resources that empower firms to adapt to changes in market conditions. However, reconfiguration capability encompasses issues that address the creating capabilities process of a firm which can be developed internally or procured from external sources (Wogwu & Hamilton, 2018). The significance of reconfiguration capabilities becomes evident in their pivotal roles in realigning existing resources with new strategies, creating new resources, and addressing gaps in a firm's resource base (Yeow, *et al.*, 2018).

## 2.9 Learning Capability

According to Wang, Senaratne, and Rafiq (2015), learning is the process of creating new information and developing fresh perspectives to improve already available resources. The capacity to acquire, absorb, modify, and utilise preexisting knowledge to produce new knowledge is known as learning (Vazquez, Barranco, Ramirez, Gruart, Delgado-Garcia, Martinez-Lara & Rueda, 2015). According to Vazquez *et al.* (2015), learning aptitude is necessary for the acquisition and assimilation of knowledge as well as for the application of sufficient knowledge to support the development and alteration of a firm's capabilities and resource base. Learning makes it possible to find new production opportunities and to do activities more effectively, faster, and better (Lin & Wu 2014). A high absorptive or learning capability results in greater company performance since learning is a strategic capability that is hard for rivals to copy (Teece *et al.*, 1997). According to Che-Mat (2017), learning capacity is a dynamic capability that affects the firm's ability to generate and use the information required to develop other organisational capabilities. The literature on organisational learning serves as the foundation for learning as a dynamic process (Shuaib & Song, 2021). The idea of learning in dynamic capabilities has also been impacted by the concept of absorptive capacity (Akpan *et al.*, 2022).

## 2.10 Hypothesis Development

In the context of SMEs, the link between dynamic capabilities and SMEs is necessary to focus the intention and the rationale for this study. Thus, there is

need to provide background on the extent of relationship that exist between dynamic capabilities and SMEs business performance within the internal and external environment with focus on empirical findings and other related extant literature. In furtherance of this, different scholars such as Dejardin, Raposo, Ferreira, Fernandes, Veiga, & Farinha, 2023; Martins, 2023 & Nedzinskas, Pundziene, Buoziute-Rafanaviciene & Pilkiene, 2013) argued that dynamic capabilities can improve level of business performance among SMEs but there are divergent opinion and argument on the extent of relationship that exist between them. Notably, Likelenboom and De Jong (2019) reaffirmed based on the position of the scholars above that the relationship between dynamic capabilities and SMEs performance is significant and positive and this happened most SMEs to continuously develop ways to achieve their business goals. Augier and Teece (2007) argued in line with hegemony of quantitative studies that there is significant relationship between the level of dynamic capabilities and SMEs performance.

The study further argued that despite the positive relationship, dynamic capabilities influence other factors such as competencies, resources and operational activities which in turn affect performance. Swoboda and Olejnik (2016) supported the above position that the firm dynamic capabilities affect their performance and competitiveness. This implies that these studies considered that dynamic capabilities are essential toward providing sufficient level for firm to improve their performance. Girod and Wittington (2017) & Ko and Liu (2017) both supported based on their quantitative studies that it is possible for dynamic capabilities to improve the level of firm performance. Despite the argument above, dynamic capabilities can improve how firm utilize their available resources to improve their performance with the use of the available frameworks. There are also few studies that argued against this and does not align with the significant relationship that exist between dynamic capabilities and SMEs performance.

For example, Wilden *et al.*, (2013) provided that the relationship between dynamic capabilities and SMEs performance is negative indicating that there is not significant relationship between them. In support of this, Rice *et al.*, (2015) supported that only dynamic

capabilities cannot be argued to be the only determinant of firm performance because there are other financial and non-financial variables that may be responsible. These inconsistencies on the extent of relationship stemmed from the assumption of scholars that considered dynamic capabilities a second-order construct thereby neglecting individual dimensions of dynamic capabilities and their effect on the variable of interest (Ettlie & Pavlou, 2006). In the opinion of scholars conceptualizing dynamic capabilities as higher order may render the concept less meaningful to contribute to firm performance. Arifin (2015) argued that the variation between scholars on the argument of relationship can be moderated through other inbuilt dimension such as firm, size, age, environmental dynamism and turbulence. It is against this the following research hypothesis are formulated:

H<sub>1</sub> Sensing capabilities and performance of SMEs in Edo State does not have significant relationship;

H<sub>2</sub> Seizing capabilities and performance of SMEs IN Edo State does not have significant relationship;

H<sub>3</sub> Reconfiguration capabilities and performance of SMEs in Edo State does not have significant relationship; and

H<sub>4</sub> Learning capabilities and performance of SMEs in Edo State does not have significant relationship.

### 3. Research Methodology

This paper adopted systematic literature review approach with the application of PRISMA Protocol which stands for Preferred Reporting Items for Systematic Reviews and Meta-Analyses to build database for the systematic review of studies into the concept of dynamic capabilities. In the opinion of Dewey and Drahota (2016), systematic literature review identifies and appraises research critically in order through step-by-step process of providing contemporary argument on a particular investigation. Systematic literature review is considered to be transparent, well thought and has clearly defined protocol that helps to improve search processes over multiple databases and grey literature done by scholars and authors.

PRISMA Protocol which stands for Preferred Reporting Items for Systematic Reviews and Meta-Analyses is a roadmap that has set of guidelines to help

researchers with appropriate reporting of numerous knowledge synthesis and ensure that all aspect of the work are adequately reported. It is an evidenced based method that guide the researcher on what to do, how to do it, what was found and in the event of review protocol, what are researcher planning to do. In order to carry PRISMA protocol for this study, the following steps was developed in line with PRISMA Statement:

(A) In-depth analyses and planning about database needed for the study: At the level, the researcher developed protocols in line with the PRISMA statement to search quality database for articles based on the following conditions and select them:

- The article must have good impact factor;
- The articles must be published in good academic and scientific journal outlets
- The article must be published in the last 25 years within 1997 to 2023 and must be related to dynamic capabilities and SMEs performance.
- The articles must be in English language
- The articles must not have any constraint in terms of seeking request for permission before access.

(B) Searching for databases: The researcher decided the database to search for article and how related they are to this present investigation. The justification for these databases is based on the premise that they are widely cited, high quality journals published and highly recognized. This study used the following database:

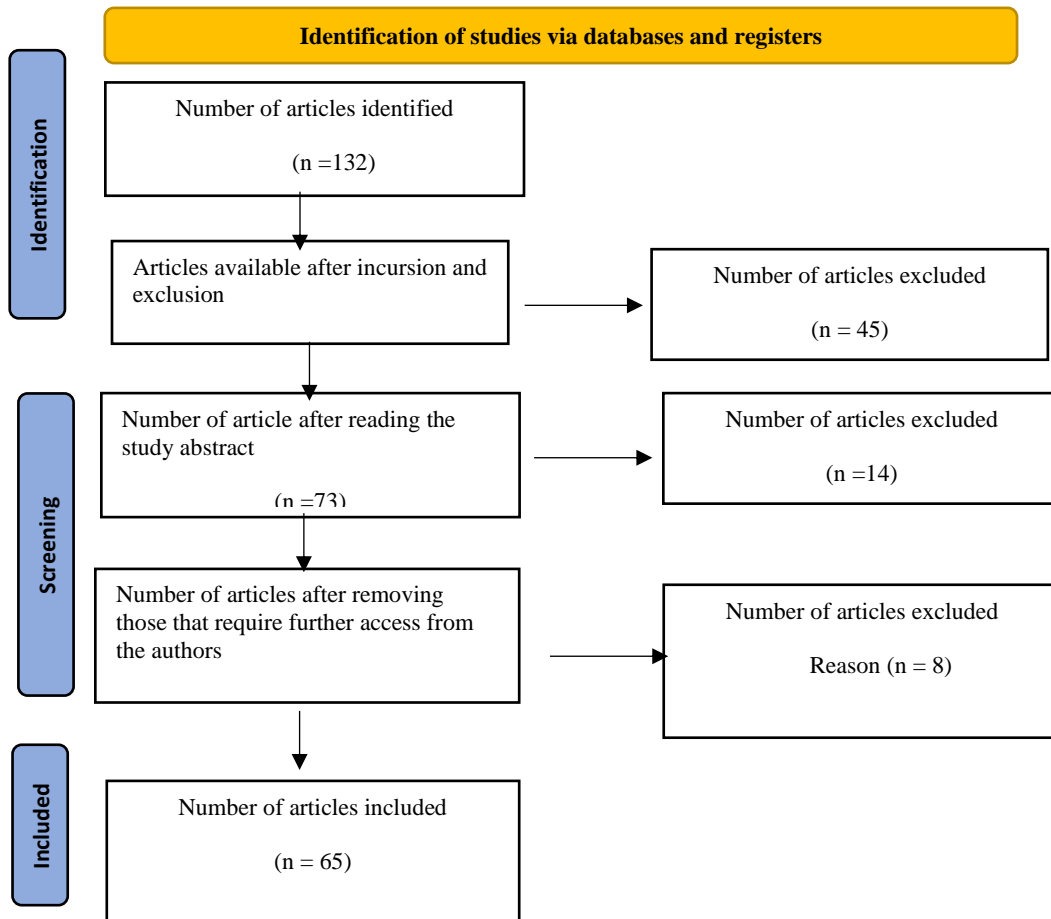
- JSTOR.
- Google Scholar.
- Elsevier
- Scopus.
- Emerald Insights
- Science Direct
- Web of Science.
- Francis and Taylor.
- Springer

(C) Searching Database with the use of Keywords: At this stage, the researcher searches each of the databases with keywords relating to the dynamic capabilities and

SMEs performance. The table indicates the keyword search procedures:

*Studies on Dynamic Capabilities, SMEs, Small and Medium Scale, Firm, Performance, 'small' & 'enterprise 'small' & 'firm\*', \*Resource based view\*, Capability, Studies on dynamic Capabilities and SMEs performance\**

(D) Adequate filtering of articles selected and determination of sample size: This stage was carried by reading the abstract of the articles selected to determine if they findings best suit the purpose of the study under investigation. Based on stage three, 132 articles were selected as the population and the sample size were determined based on inclusion and exclusion criteria alongside with those factors stated in stage one to remove any contradictory articles found in the database. Based on these filtering procedures, 65 articles were selected. These articles selected are retrieved from high-quality journals, high impact factor and address issues on theory of dynamic capabilities and SMEs performance. The flowchart below summary process the PRISMA protocol adopted for this study:



Source: Authors' Compilation based on PRISMA Statement (2025)

**Table 1: Overview of Journals Selected**

N	Name of the Selected Articles	Name of the Authors	Impact	Year	Database
1	African Journal of Business Management	Adeniran, T. V., & Johnston, K. A.	1.51	2012	Google Scholar
2	Business Process Management Journal.	Akenroye, <i>et al.</i> ,	3.715	2020	Emerald
3	International Journal of Entrepreneurial Behaviour &	Adomako, <i>et al.</i> ,	5.995	2016	Emerald
4	Academy of Strategic Management Journal	Agwu, M. E.	7.815	2018	Google Scholar
5	Procedia-Social and Behavioral Sciences	Arifin, Z.	6.001	2015	Elsevier
6	IGI Global	Atiku, S. O., & Abatan, A. A.	3.474	2021	IGI-global
7	Management International Review	Augier, M., & Teece, D. J	4.492	2007	Springer
8	European Journal of Scientific Research	Augustine, <i>et al.</i> ,	4.997	2012	Google Scholar
9	Journal of Management & Organization	Bala, E. P., & Ferreira, J. J.	4.139	2019	Cambridge University Press
10	Journal of Cleaner Production, 235, 1360-1370.	Eikelenboom <i>et al.</i> ,	2.681	2019	Emerald
11	Cochrane Interactive Learning	Dewey, A., & Drahota, A		2016	
12	Academy of Management Perspectives	Di Stefano, <i>et al.</i> ,	8.069	2014	Elsevier
13	Strategic Management Journal	Eisenhardt, K. M., & Martin, J. A.	7.815	2000	Wiley Online
14	Journal of Technovation	Ellonen, <i>et al.</i> ,	11.373	2009	Elsevier
15	Journal of Decision Sciences	Ettlie, J. E., & Pavlou, P. A.	4.551	2006	Wiley Online
16	European Business Review	Ganesh, L. S., & Marathe, R. R.	1.891	2019	Emerald
17	Measuring Business Excellence, 23 (4), 472-483.	Garbellano, S., & Da Veiga, M. D.		2019	Elsevier
18	Strategic Management Journal	Girod, S. J. G., & Whittington, R.	7.815	2017	Wiley Online Library
19	Strategic Organization	Giudici, A., & Reinmoeller, P.	3.506	2012	Sage Publication
20	California Management Review	Grant, R.M.	11.678	1996	Sage Publication
21	Asia-Pacific Journal of Business Administration,	Martins, A	7.815	2023	Emerald
22	The Journal of Entrepreneurship	Gupta, V. K., & Wales, W. J.	2.61	2017	Sage Publication
23	Journal of Small Business and Enterprise Development.	Halabí, C. E., & Lussier, R. N.	0.731	2014	Emerald
24	Strategic Management Journal	Helfat, C. E., & Winter, S. G.	7.815	2011	Wiley Online
25	Wiley Online Publication Library	Helfat, <i>et al.</i> ,	6.655	(2007).	Google Scholar
26	Family Business Review,	Hernandez-Linares, R., & Lopez-	7.575	(2018).	Taylor & Francis
27	Journal of Engineering and Technology Management	Jiao, <i>et al.</i> ,	4.489	2013	Elsevier
28	Cogent Business & Management	Khan, <i>et al.</i> ,	0.409	2021	Taylor & Francis
29	Journal of Sustainable Tourism	Khan, <i>et al.</i> ,	9.470	2022	Taylor & Francis
30	Business Strategy and the Environment	Ko, W. W., & Liu, G.	10.801	2017	Wiley Online
31	Industrial and Corporate Change	Kump, <i>et al.</i> ,	2.878	2019	Google Scholar
32	Journal of Management Inquiry	Kurtmollaiev, S.	3.031	2017	Sage Publication
33	International Journal of Management Reviews	Laaksonen, O., & Peltoniemi, M.	8.958	2018	Wiley Online
34	Journal of business research,	Li, D. Y., & Liu, J.	10.969	2014	Elsevier
35	Entrepreneurship Theory and Practice	Lichtenthaler, U., & Muethel, M.	10.075	2012	Sage Publication
36	Journal of Business Research	Lin, Y., & Wu, L. Y.	10.969	2014	Elsevier
37	International Journal of Business Environment.	Marco-Lajara, <i>et al.</i> ,	1.230	2023	ScienceDirect
38	Management International Review	Matysiak, <i>et al.</i> ,	4.492	2018	Springer
39	International Marketing Review	Miocevic, D., & Morgan, R. E.	5.774	2018	Emerald
40	Tourism and Hospitality Research,	Nieves, J., <i>et al.</i> ,	0.776	2016	Sage Publication
41	Thunderbird International Business Review	Ochie, <i>et al.</i> ,	2.390	2022	Wiley Online
42	African Journal of Economic and Management	Otache, I., & Usang, O. U. E.	0.334	2022	Emerald
43	Small Business Economics,	Palmie, <i>et al.</i> ,	7.096	2016	Springer
44	Asian Journal of Technology Innovation	Park, K., & Kim, B. K.	1.769	2013	Taylor & Francis
45	Journal of Decision sciences.	Pavlou, P. A., & El Sawy, O. A.	4.551	2011	Wiley Online
46	Journal of Product Innovation Management	Piening, E.P. & Salge, T.O.	9.885	2015	Wiley Online
47	International Marketing Review, 35(1), 113-135	Radulovich, L., <i>et al.</i> ,	5.774	2018	Emerald

48	Strategic Change, 23(1-2), 81-92.	Rashidirad, <i>et al.</i> ,	1.30	2014	Google Scholar
49	International Small Business Journal	Rice, <i>et al.</i> ,	6.413	2015	Sage Publication
50	Journal of Management, 36(5), 1192–1219.	Schilke O., & Goerzen A.	9.72	2010	Sage Publication
51	Asia Pacific Business Review, 28(3), 354-379.	Shi, <i>et al.</i> ,	2.010	2022	Taylor & Francis
52	Journal of Business Ethics, 133(3), 471– 485.	Shu, <i>et al.</i> ,	6.331	2016	Springer
53	International Journal of Productivity and Performance Management, 64(7), 908-931.	Simon, <i>et al.</i> ,	0.578	2015	Emerald
54	Global Business Review, 18(4), 1–22.	Singh, B., & Rao, M. K.	0.450	2017	Sage Publication
55	Management Decision, 51(7), 1442-1461.	Singh, D., Oberoi, J. & Ahuja, I.	5.589	2013	Emerald
56	Academy of Management Proceedings (Vol. 2018, No. 1, p. 18021).	Stoyanova, V. P., & Stoyanov, S. P.	10.979	2018)	Google Scholar
57	Journal of Small Business Management, 54(1), 139-161.	Swoboda, B., & Olejnik, E	6.881	2016	Taylor & Francis
58	Strategic Management Journal, 28(13), 1319-1350.	Teece, D. J.	7.815	2007	Wiley Online
59	Long range planning, 51(1), 40-49.	Teece, D. J.	7.825	2018	Elsevier
60	Journal of organization design, 6, 1-14.	Teece, D. J., & Linden, G	3.050	2017	Springer
61	Strategic Management Journal, 18(7), 509-533.	Teece, <i>et al.</i> ,	7.815	1997	Wiley Online
62	Long range planning, 52(3), 326-349.	Tseng Warner, K. S., & Wager, M.	7.825	2019	Elsevier
63	Journal of Business Research, 128, 109-123.	Weaven, <i>et al.</i> ,	10.969	(2021)	Elsevier
64	Long range planning, 46(1-2), 72-96.	Wilden, <i>et al.</i> ,	7.825	2013	Elsevier
65	Baltic Journal of Management, 8(4), 376-396.	Nedzinskas, <i>et al.</i> ,	2.753	2013	Emerald

*Source: Author Self-Compilation (2025)*

#### 4. Data Analysis and Results

Based on the analyzed articles considered for this study, it was reviewed that 85% of the authors agreed that there is significant and positive relationship between dynamic capabilities and SMEs business performance. This based on their when firms identify new opportunities, dynamic capability not only helps them understand which technologies to explore but also enable them to identify target market segments and make reasonable profit in the market while 10% of the articles reviewed indicate negative relationship. This is based on the assumption that dynamic capabilities is considered as a second-order construct since it neglected the analysis of the behaviour and individual influence of each of its dimension. Furthermore, the systematic reviewed indicate that just 5% argued that dynamic capabilities is not part of the factor that should be considered when evaluating SMEs performance. These studies provide justification that other factors such as technology, innovation, market position, sustainability, quality services and effective customer satisfaction.

Also, the study indicates the work of Teece on dynamic capabilities such as Teece *et al.*, (1997);

Augier and Teece (2007); Teece, & Linden (2017) and Teece, Pisano & Shuen (1997) are the prominent and well referenced work on the theory of dynamic capabilities. The work of Teece provides that dynamic capabilities are considered as an important tool that can be used to examine the impact of environmental conditions on business activities. This is based on the assumption that SMEs need to identify critical environmental conditions that may negatively influence their intended goals. However, few of the articles examined dynamic capabilities with the use of systematic literature review which are Bleadly, Ali and Ibrahim (2018) and Ferasso, Takahashi and May (2017). This implies that the use of systematic literature with respect to the theory of dynamic capabilities is limited and emerging. Also, the majority of the studies are carried out using quantitative method through the use of questionnaire than qualitative but few conceptual studies exist on it but much are domiciled in developing countries but abroad.

## 5. Conclusions and Limitations

### 5.1 Summary of Findings

There is a significant and positive relationship between dynamic capability and the performance of SMEs in Edo State. This means that, in the context of this study, sensing capability is essential for influencing the performance of SMEs in Edo State.

The nature of dynamic capabilities possessed determines the ability of the SMEs to gather sufficient information about their business environment and develop appropriate frameworks to achieve their performance and remain competitive in the market.

### 5.2 Conclusions

This study has contributed to existing empirical findings and extant literature on the theory of dynamic capabilities and how its dimension affects SMEs performance with use of systematic Review through the application of PRISMA protocol. The critical review provided within this study indicates that relationship exist between dynamic capabilities and SMEs performance but no study have reach agreement on why dynamic capabilities have not be considered as the only factors that influence SMEs performance. Furthermore, the study was able to identify some articles that provided that other than dynamic capabilities factor such as age, size and resources may affect SMEs performance. This study challenge authors and scholars in the field of strategic management to provide further studies on the relationship between dynamic capabilities and SMEs performance by considering other dimensions other than those provided in this study and determine if the inconsistencies that exist among authors on this investigation can be model appropriately by developing new theory that update assumptions on theory of dynamic capabilities.

### 5.3 Recommendations

SMEs in Edo State must continuously monitor and assess the nature of dynamic capabilities they possessed, identifying areas for improvement and investing in their development as this can improve their competitiveness, sustainability and performance.

This may include ways of having understanding of their agility, resilience and flexibility. SMEs can actively engage in networking and form strategic alliances with other businesses, research institutions, and industry associations to gain insights and access resources that can enhance adaptability, sensing and innovation. This can be achieved through effective collaboration on different ways to identify key environmental challenges facing SMEs to foster knowledge exchange and initiatives. SMEs can actively engage in networking and form strategic alliances with other businesses, research institutions, and industry associations to gain insights and access resources that can enhance adaptability, sensing and innovation. This can be achieved through effective collaboration on different ways to identify key environmental challenges facing SMEs to foster knowledge exchange and initiatives.

### 5.4 Practical implication of findings

The implication for policymakers requires stakeholders should develop policies and programs supporting SME in Edo State development of dynamic capabilities. This can be in form grants, funding, knowledge sharing and collaboration for SMEs in Edo State develop appropriate structure for their services.

### 5.5 Contributions to knowledge

The study highlights the importance of dynamic capabilities in enabling SMEs in Edo State to have an understanding of the numerous prevailing environmental conditions that may influence their market position and performance. This study contributes to a growing body of literature on strategic and organizational management by highlighting the importance of dynamic capabilities and how businesses can identify their dimensions

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