The effects of organisational capabilities on firm success: evidence from Eritean wood-and-metal-manufacturing firms

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Abstract:

Purpose
The purpose of this paper is to examine the effects of organisational capabilities on the success of Eritrean wood and metal manufacturing firms. Specifically, the paper analyses the effects of owner-managers' innovativeness, personal relations and employees' technical skills on the firms' success.

Design/methodology/approach
The study entailed a survey of 287 wood- and metal-manufacturing small and medium enterprises, which were selected using stratified random sampling. Structural equation modelling was used to analyse the data and generate the findings presented in this paper.

Findings
The findings indicate that owner-managers' innovativeness and personal relations have a significant influence on the firms' success. However, although employees' technical skills relate positively to the firms' success, the relationship is statistically insignificant largely because of the limited participation of workers in designing and developing the products.

Practical implications
The paper can enlighten owner-managers about the value of innovativeness and relational capabilities for the success of their firms. It generates insights that can guide policy makers to promote innovation and relational capabilities in the wood- and metal-manufacturing sub-sector.

Originality/value
The paper contributes to the debate on firms' success by empirically testing the effect of the specific dimensions of organisational capabilities on the success of SMEs operating in a developing economy context. It widens our understanding of how organisational capabilities influence firm success.