

MEDIATING ROLE OF NETWORK CAPABILITY ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND SMES COMPETITIVE ADVANTAGE IN NIGERIA

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Abstract

Small and medium enterprises in Nigeria are increasingly facing stiff competition especially with the flow of foreign made goods into the country. In Nigeria's manufacturing sector, most of which find it challenging to manage and survive the onslaught competition coupled with the challenges of maintaining business growth and local competition among industry players. The purpose of this study is to review extant literature and establish the relationship between entrepreneurial orientation, network capability and SMEs competitive advantage as possible mechanisms that can help enhance SMEs performance. Drawing from (RBV) the study established that network capability can mediate the relationship between entrepreneurial orientation and competitive advantage. The originality of this study lies in complementing the resource base view which asserted the achievement of performance and competitive advantages through the development of resources which are diversely distributed. i.e., entrepreneurial orientation and how it encompasses the expected outcomes of the firm's competitive advantage.

Introduction

Performance beyond the competitive environment is an essential business strategy to be maintained among small and medium scale enterprises, depending on the nature of the business, different competitive strategy are mostly adopted to attain business growth and performance. The everchanging business environment and competition have stimulate most small and medium scale enterprises to adopt a steady fast competitive strategy and innovation of which they made it paramount as an important tool to achieve a sustainable business growth and performance. Business owners ensures that the need to continuously create value to customers, shareholders and other stakeholders is highly desirable and hence this can be achieved through the ability to

outperform in the competitive environment in terms of profitability and market share.

In today's business era, it is important for SMEs to survive the onslaught of competition and globalization, even though the main challenges of business are to maintain growth but business performance beyond the competitive environment is an essential indicator of enterprise growth and also gives the business the strength to outperform among its competitors (Maftuchach, Rohman & Darda 2020). Business can gain competitive advantage through product differentiation, cost leadership or by meeting the expectation of customers at a lower cost, by so doing however, they are expected to identify opportunities to develop capabilities and competencies which allow them to be innovative, proactive and willing to take risks to

improve performance and gain, or maintain a competitive advantage (Chinwe 2021).

Furthermore, the competitiveness aspect of a business is essential in building entrepreneurship and also to survive in the competitive environment (Mulyadi, Utama & Sulastri 2020). Hence, SMEs provide entrepreneurial creativity in an attempt to achieve business excellent, in doing so they pursue some behavioral attributes which helps to cultivate some entrepreneurial mentality. Entrepreneurial orientation is a psychological pathway and marketing strategy used by business owners to improve sustainable growth and development for business performance (Kahan 2012). According to Inegbedion & Asikhia (2022), entrepreneurial behavior is a subgroup of human/individual, groups and also organizational behavioral science, behavior in business describes employees and business owners their relationship with people in a work place or in their daily lives, according to Brinckmann & Kim (2015), the term is used to describes the initiatives exhibited by employees and business owners of entrepreneurial firms on new business venturing and strategic innovation.

However, Establishing and building a collaborative relationship is essential in forming the phenomenon of network competitive advantage (Tallam, Maru, & Loice 2015), it is essential to note that building and developing relationship both internal and external side of the business environment requires the ability to handle individual relationship, hence then comes the need for the capabilities to interact with competitors, customers, coworkers, government agencies etc. A networking capability refers to the capability strategies that support the company to access strategic network resources and obtain their expertise and esoteric knowledge for collective advantages However in a competitive environment business, are confronted with a similar situation, the intense pressure is much and severe particularly with SMEs, of which their limited resources cannot afford all they need to withstand the rival pressure (Benigei & Le Roux, 2014). However, literature identify networking capability as an appropriate strategy for resource constrained

firms to compliment the limited resources needed and share risk implied in business (Dickson & Weaver, 2011). Kurniawan et al., (2020) also believes that network capability is needed to improve growth orientation because networking capability has a significant and positive effect on business strategy.

More so, SMEs performance and growth in Nigeria is an issue of concern, even though the sector contributes to the structural transformation of economies and drive inclusive, sustained, and equitable economic growth and jobs as well as critical components of the overall economy, the sector account for about 48 per cent to GDP and 84 per cent to employment in the country (SMEDAN 2023). However, SMEs in Nigeria suffered a stiff competition from foreign made goods as there is no negation that Nigeria is an import dependent nation and hence this possess a threat to most of the locally made goods from SMEs in the country. The alarming rate for preference for foreign made goods is another major issue of concern for SMEs in Nigeria compared to the locally made goods as this will deprive the growth of the infant industry. More so, the director general of the manufacturers association of Nigeria in his comment to the punch (2023) posited that SMEs in Nigeria are operating in a very tough economic environment, the sector output experience a growth of 5.89 per cent in Q1 2022, but fell to three per cent in Q2 and further to -1.91 per cent in Q3 before rising to 2.83 per cent in Q4 of the year. The negative growth patterns is an indication that the operating environment is difficult and this challenges still interplay in the operating environment and are not abating and however require an urgent attention.

Similarly, there are a number of studies that investigated the relationship between entrepreneurial orientation and competitive advantage (Zahra et al 2014, Gonzalez 2015, Mulyadi 2020, Atsu 2021) which reveals a positive relationship between entrepreneurial orientation and competitive advantage more so, several studies have also been conducted between network capability and competitive advantage (Uzzi et al 2005, Perry-Smith 2006, Granovetter et al 2011, Staekey et al

2011, Distanont & Khongmalai (2018), the result from these studies shows a consistent positive relationship between network capability and competitive advantage. However, most of these studies were based on self-reported measures of network capability and competitive advantage which could be subject to bias and hence these findings cannot be generalized to other contexts such as industries or countries, therefore it is against this background that this study will empirically investigate the mediation effects of network capability on the relationship between entrepreneurial behavior and SMEs performance among small and medium scale enterprises in Kano.

Literature Review

The Concept of Competitive Advantage

Competitive advantage is the extent to which an organization, as a social system, could consider both its means and ends to achieve advantage over and above its competitors (Robins 1987). Cherrington (1989) views competitive advantage as a concept of success or effectiveness of an organization, and as an indication of the organizational manner that it is performing effectively to achieve its goals successfully beyond competitors. Competitive advantage particularly for SMEs is measured using the different criteria; the key criteria include among others profitability, management performance, and liquidity, leverage, market performance, innovation, and productivity, quality of goods and services, human resources management (Robinson & Dess, 1984).

Concept Entrepreneurial Orientation

Entrepreneurial orientation refers to “process, practice, and decision making activities” that lead to new entry (Lumkin et al 1996). According to Al-Aulaqi et al (2021), entrepreneurial orientation is a concept which describes the firm's or business owner's strategic orientation in strategic making process; it is a decision making style, process and method (Abdelkareem & Al-awlaqi, 2022). Earlier on, Entrepreneurial orientation has been conceptualized to be measured by three dimensions: pro-activeness, risk taking, innovativeness (Zulkifili & Rosli 2013). Lumkin and Dess (1996) introduce two

more dimensions: competitive aggressiveness and autonomy.

Entrepreneurial orientation has been conceptualized as a process adopted by entrepreneurs which leads to business activities, also provides basis for action and decision making for business (Hartelina, 2016). Thus, entrepreneurial orientation is considered as a concept for successful business firms. Therefore, managers formed the features of proactiveness, risk taking and the ability to innovate and initiate new ideas for the benefit of the business; these will however reflect the firm's ability to seek and exploit new opportunities and gain new markets with the methods, practice, and decision making style for improving business performance (Maftuchach et al., 2022).

Several studies were conducted on the relationship between entrepreneurial orientation and competitive advantage; studies such as (Kor 2000, Mcdougla 2005, Almor et al 2013, Kolmann et al 2014, Matanda 2014, Zahra et al 2014, Gonzalez 2015, Mulyadi 2020, Atsu 2021), most of these studies found that entrepreneurial orientation has a positive relationship with competitive advantage, however, fewer studies also have found that the relationship is mediated by factors such as innovativeness or human capital; similarly, there is evidence that the relationship between entrepreneurial orientation and competitive advantage is stronger in certain types of companies such as internalizing SMEs or high tech startups. Similarly, a number of studies have investigated the relation between entrepreneurial orientation and network capability; studies such as (Shaver 2001, Zahra et al 2002, Macevil 2003, Covin et al 2009, Johanson 2009, Warnerfelt 2009, Koh 2010, Etemad et al 2017, Berthon 2008, De Clercq et al 2010) were found to be positive on the relationship between entrepreneurial orientation and network capability; in other words, firms that are more entrepreneurial have stronger networks in return.

Network Capability

The firm's ability to design, build, handle and exploit a relationship. (Maru et al., 2015) view network capability as the ability to create mutual trust and commitment between partners, as well

as sharing expertise and more tangible assets. Inter-organization ties play an important role today's global business environment and hence making businesses interdependence, as firms interact with each other, they learn about their partners resources and capabilities and develop mutual corporation in their relationship (Maru et al., 2015). According to Kartka et al (2020) network capability help in developing companies' credibility, targeting new markets, consumers, and suppliers which encourages innovation and build strategic cooperative partnerships, hence forming a good relationship with various business partners influences the success of business performance for most SMEs, therefore firms depends on the capability and ability to match the external with its requirement to achieve business success. However a number of studies have investigated the relation between. Similarlay there a several studies that investigated the relationship between network capability and competitive advantage (Burt 2000, Gullati et al 2000, Zuckerman 2001, Kokka et al 2002, Uzzi et al 2005, Perry-Smith 2006, Granovetter et al 2011, Staekey et al 2011, Distanont & Khongmalai (2018) Wang & Zhang, 2021) found that network capability is positive related to competitive advantage and however is an important factor in determining competitive

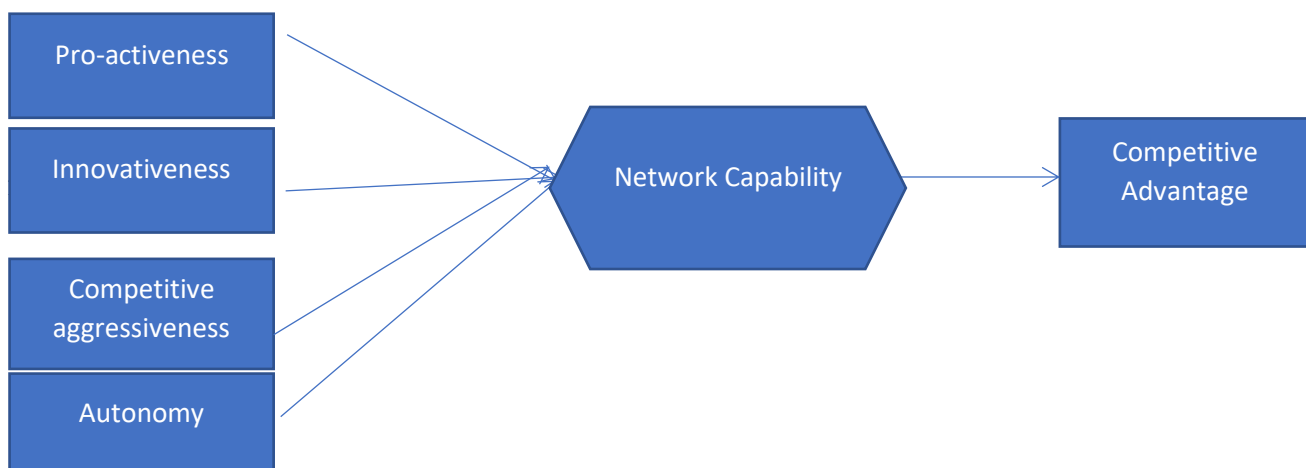
advantage, however, most of this studies were based on self-reported measures of network capability and competitive advantage which could be subject to bias and hence these findings cannot be generalize to other context such as industries or countries.

Underpinning Theory

The Resource Base View

The underpinning theory for this study is the resource base view, the resource base view provides a framework to highlight and predict the fundamentals of organization performance and competitive advantage (Utami 2023). The resource base view also asserted the achievement of performance and competitive advantages through the development of resources which are diversely distributed. According to Helfat & Peteraf (2003) there are two underlying assumption related to the explanation of how firm base resources generate sustained competitive advantage and why some companies outperform others in gaining higher competitive edge. The first is the resources that is own by the firm that are different from each other, secondly, is the complexity of trading resources across firms within the business environment.

The Conceptual Model



RBV is adopted in this study to be the underpinning theory, which explain the relationship between firms strategic resources and competitive advantage (chigara 2021),

following the work of some researchers the core idea of RBV is that instead of looking at the competitive business environment to get a niche in the market or an edge over competition and

threats, the organization should instead look within at the resources and potential it already has available.

Conclusion

The role of SMEs and their performance especially in a developing economy like Nigeria cannot be underestimated, because most economy around the globe depends on SMEs to achieve their national economic objectives and also maintain consistent economic development. However, many firms in Nigeria suffers stiff competition from imported goods produced from the developed countries around the globe hence the need to investigate the mechanism that can help improve their performance and navigate through the competitive environment. Therefore this study reviewed extent literature and develop a conceptual model aimed at improving the SMEs performance in Nigeria, entrepreneurial orientation network capability and competitive advantage were identified as the variables to possibly lead to improve SMEs performance.

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