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EMPIRICAL ANALYSIS OF ENTREPRENEURIAL CAPACITY STRATEGIES AND SALES VOLUME OF SMALL AND MEDIUM SCALE ENTERPRISES IN SOUTH EAST, NIGERIA

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ABSTRACT

The study examined entrepreneurial capacity strategies and sales volume of small and medium scale enterprises in South East, Nigeria. Specifically, the study ascertained the level of innovativeness and risk taking among SMEs in South East, Nigeria; examined the effect of innovativeness on sales volume of SMEs in South East, Nigeria; determined the influence of risk taking on sales volume of SMEs in the South East, Nigeria.The unit of analysis for this study was operators of SMEs in South-East, Nigeria.The researcher adopted descriptive survey research design. The population of study were 7,789(small scale businesses registered with CAC) and 203 (medium scale businesses registered with CAC) in the South East, Nigeria. With a known population,Yamane (1967) formula was adopted to select 516 sample size. However, from the 516 copies of the questionnaire administered, 494 copies were completed and returned. Proportionate and purposive sampling technique were adopted for the selection of respondents. Questionnaire was the instrument for data collection. The data were analyzed with descriptive statistics such as mean, frequency and percentage distribution.The method of data
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analysis was multiple linear regression analysis model (test of hypothesis). The empirical result revealed that innovativeness and risk taking significantly affect sales volume of the selected small and medium scale enterprises in the South East, Nigeria. The researcher therefore, concluded that SMEs in South East, Nigeria integrate most of the entrepreneurial capacity dimensions into daily operation and that entrepreneurial capacity has significant positive effect on sales volume of SMEs in South East, Nigeria. The researcher recommended among others that managers of SMEs should improve their sales volume by maximizing opportunities existing in their business environment amongst others. This will help to boost sales volume as well as growth and survival in a long-run of operation.

Keywords: entrepreneurial capacity strategies, innovativeness, risk taking,sales volume, small and medium scale enterprise.

1. INTRODUCTION

In the present global and competitive business environment, small firms are trying to satisfy their customers' needs in innovative ways. As such, entrepreneurial capacity strategies such as innovation, risk taking have become increasingly important for small firms to grow and survive (Pratono & Mahmood, 2014). It is a known fact that small firms are very important to any country's economy. They play fundamental role in the economic advancement of developed and developing countries. Globally, SMEs constitute about 90% of business numbers and their contribution to Gross Domestic Product (GDP) is about 40% - 50% (Price Waterhouse Cooper's (PWC) MSME survey 2020). In Nigeria for instance, SMEs contribute meaningfully to the economy. According to Price Waterhouse Cooper's (PWC) MSME survey 2020, SMEs represent 96% of the total businesses in Nigeria. Their input to the nations' GDP and employment is rated at about 49% and 84% respectively (Chang & Lin, 2019). More so, the performance of SMEs in South Eastern part of Nigeria has been highly remarkable, although there has been no formally document record specifying the percentage of performance and contributions of SMEs to South East economy, but the rate at which SMEs operation become a survival strategy has been highly noted. Hence, their impact on economic development, poverty alleviation, income generation and employment is widely acknowledged. SMEs take full advantage of resource allotment and distribution by managing and controlling human and material resources (Cunningham & Rowley, 2007). SMEs also act as dealers of goods and services to large organizations (Amodu & Aka, 2017).

SMEs are considered very important in the achievement of a balanced economic growth and reasonable distribution of wealth. Hence Nigerian government has engaged several measures to encourage SMEs in the nation. For instance, government has established Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) to promote and strengthen SMEs in Nigeria. The economic basis for supporting SMEs is that they often use resources more efficiently than larger enterprises, given the flexible and adaptive nature of their management style (Deakins & Freel, 2009). Hence, Pratono and Mahmood, (2014) explain that entrepreneurial activity and SMEs are crucial to economic progress, and therefore recommend the study of small and medium scale firms as it relates to entrepreneurial skills in order to improve their performance and ensure their survival in the turbulent economic and political environment.

A firm is considered to be entrepreneurial if it is able and willing to innovate (develop new products, provide distinct product alternatives and adjust production level needed), take risks, and a propensity to be aggressive toward competitors, and proactive with respect to marketplace opportunities and threats (Chang & Lin, 2019). Entrepreneurial capacity consists of five dimensions as stated by Lumpkin and Dess (2001). They are: autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness. Autonomy could be defined as an unconstrained action by an employee or a team of employees designed to generate a business idea or a vision, and carrying it through to

completion. Innovativeness is the predisposition of a business organization to encourage the conception of new ideas, experiment with new ways of doing business, renew technological methods, and improve existing products or services (Amodu & Aka, 2017). Innovation also refers to the eagerness to undertake creativity and experimentation. Risk-taking refers to the capability of a firm to engage in brave rather than precautious actions such as venturing into unknown new markets (Edwards, Try, Ketchen & Short, 2014). Proactiveness is the ability of a firm to identify prospects and dangers existing in the market ahead of its competitors. It is opportunity-seeking and forward-looking perspective. The fifth dimension, competitive aggressiveness, suggests the amount of firms' efforts to outshine or do better than the competitors' (Lumpkin & Dess, 2001). SMEs are noted for limited resources and most of the SMEs operators find it difficult to inculcate innovative ideas and adopt modern technical knowhow in day-to-day operation. More so, taking risk in terms of integrating current technological ideas, investing in other business sectors and venturing into new line of business has been a very challenge. Therefore they require entrepreneurial capacity in the deployment of the limited resources so as to sustain their existence and as well achieve improved performance amidst dynamic business environment. Hence, the study adapted innovativeness and risk taking to form the objectives of the study based on the aforementioned challenges. Venkatraman and Ramanujam (1986) defined business performance as a pointer of a firm's ability to achieve its goals. According to Rashid *et al.,* (2018), business performance could be categorized into two; financial and non-financial measures. Financial performance measures are a set of variables, which are usually evaluated in financial terms (return on assets, return on equity, return on investment, profit, market share and others) while non-financial indicators are a set of variables that are not measured in financial terms. Indicators of non-financial performance variables includes corporate image, customer loyalty, customer base, sales volume, customer retention, customer satisfaction and others. However, sales volume is used for this study since it is quantifiable.

However, Nigerian scholars such as Arisi-Nwugballa, Elom, Duru, Ehidiamhen, and Chijioke (2018); Bolarinwa and Okolocha (2016); Ibidunni, Ogunnaike and Abiodun, (2017); Otache and Mahmood (2016); have associated the poor performance of SMEs to the problem of innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy. Other challenges identified are inadequate knowledge of fundamental business principles, skillfulness and attitude; high operating costs, marketing, and unfavourable government policies (Anderson & Eshima, 2013). Small and Medium Scale Enterprises (SMEs) are very essential part of the Nigerian economy given their immense contribution to Nigerian GDP and employment, yet they are faced with low performance resulting in poor sales growth, low market share and profitability as noted by Olubiyi, Egwakhe, Amos, and Ajayi (2019). The aforementioned problems have resulted into an upsurge in low sales volume and excessive rate of business failure among the SMEs in Nigeria.

The broad objective of this study was to empirically analyze entrepreneurial capacity strategies andsales volume of small and medium scale enterprises in SouthEast, Nigeria. The specific objectives of the study were to:

1. Examine the effect of innovativeness on sales volume of selected small and medium scale enterprises in South East, Nigeria.
2. Determine the influence of risk taking on sales volume of selected small and medium scale enterprises in South East, Nigeria.

1.1 Significance of the study

The main thrust of this study was to analyze level of entrepreneurial capacity strategies and sales volume of selected small and medium scale enterprises in Nigeria. The findings of this study are significant theoretically as they provide theoretical insight in the existing knowledge relating to entrepreneurial capacity and sales volume of small and medium scale enterprises in Nigeria. The

findings and recommendations of this study are of immense benefit to the following groups: managers and owners of SMEs, entrepreneurs, policy makers, and researchers.To managers and owners of SMEs, the study gives an insight on how to adopt entrepreneurial capacity in order to enhance sales volume of business. To all entrepreneurs, this study reveals the most beneficial entrepreneurial capacity dimension for achieving increased sales volume. The study in addition exposes SMEs (that are not adopting entrepreneurial capacity) to the benefits of applying entrepreneurial capacityin their business operations.

To Policy makers, the findings and recommendations of the study if adopted can be a basis for formulation of policies that would enhance the sales volume of small and medium scale firms. Hence, the study serves as a source of knowledge to the marketing world. This study is also useful as a conceptual guide and reference material to researchers and students who may be interested in a similar field of study in future.

2.0 LITERATURE REVIEW

The concept of entrepreneurial capacity

According to Etim, Adabu and Ogar, (2017), the concept of entrepreneurial capacity(EC) also known as entrepreneurial orientation (EO) has emerged as an important concept in the survival of SMEs over the past two decades. Entrepreneurial capacity has been conceptualized as the process and decision making activities used by entrepreneurs that lead to entry and support of business activities. It is strategy-making processes that provide organizations with a basis for entrepreneurial decisions and actions (Mwangi &Ngugi, 2014). As defined by Etim, Adabu, and Ogar (2017), "entrepreneurial capacity is the decision-making styles, processes, practices, rules, and norms with which a firm makes decisions to enhance its innovativeness, pro-activeness and risk taking propensity". It has also been argued that entrepreneurial capacity is the willingness of SMEs to innovate, take risks, assume self-directed actions, and be more proactive and aggressive than competitors towards new market place opportunities. Brettel, Chomik and Flatten (2015) asserted that EC entails the discovery, evaluation, and exploitation of opportunities to introduce new products or services to the market while Asad, Sharif and Hafeez (2016) defined EC as the rules and norms used for decision making.

Risk-taking according to Lumpkin and Dess, (1996) represents the willingness to commit resources to undergo activities and projects which results in uncertainty of the outcomes. Risk-taking is defined as "the extent to which a firm is willing to make large and risky commitments".

As stated by Lumpkin and Dess, (1996), autonomy refers to an independent action of individual or teams in ensuring ideas and concepts are being carried out till completion. Autonomy gives the staff the opportunity to perform efficiently by being independent, self-directed, and innovative. Generally, entrepreneurial capacity (EC) is a basic concept when executives are building strategies with the hope of doing or introducing something new and exploiting opportunities that their rival organizations cannot exploit.

Dimensions of entrepreneurial capacity

Most studies in entrepreneurial capacity (EC) sometimes called entrepreneurial orientation have identified and used three dimensions of entrepreneurial capacity (EC) which are; innovativeness, proactiveness, and risk-taking. However, two additional variables were suggested by several researchers: competitive aggressiveness and autonomy (e.g. Lumpkin & Dess, 1996; Dess & Lumpkin, 2005; Wales *et al.*, 2013).

i. Innovativeness

Organizations strive to be more innovative than ever because of the competitive advantage within the business environment. This is achieved by inventing and introducing new products and services to the markets in order to create high sales revenue, high financial performance and high market shares (Wiklund, 1999). In addition, Short *et al.* (2018) highlighted that innovation is often described as the cornerstone of entrepreneurship. Also, Lumpkin and Dess (1996) affirmed that innovation is a constant process and plays an important role in entrepreneurship. However, it often doesn't mean the creation of new products or services but application of new improved thoughts and ideas to pre-existing ones to provide the best. Hence, in the era of competition, innovation has become a significant dimension of entrepreneurial orientation.

Innovativeness is the propensity to pursue sported opportunities associated with creativity and testing. More so, Nick and Skillicorn (2014) defined innovation as "turning an idea into a solution that adds value from a customer's perspective". Similarly, David (2014) defined innovation as the "application of ideas that are novel and useful". David (2014) further explained that creativity is the ability to produce new and useful ideas as it is the basis of innovation but unless it is applied and scaled it is still just an idea.

In its real sense, innovativeness can be defined as "the degree to which an individual or other entity is relatively earlier in adopting new ideas than the other members of a system". Likewise, it is the propensity to support novel ideas, experimentation and inventive processes (Lumpkin & Dess, 1996). Oscar and Ul-Hassan (2013) also relate innovation directly with creativity. However, they propose that it must be related to entrepreneurship if the innovation is to become a commercial opportunity to be exploited. Milling and Stumpfe (2000) grouped innovations into three categories: product, process and technological.

ii. **Risk-taking**

For long, the concept of risk-taking has been associated with entrepreneurship and earlier definition of entrepreneurship was centered on the willingness of entrepreneurs to engage in calculated business risks. According to Lumpkin and Dess (1996) venturing into the unknown is a generally accepted definition for risk taking, although it may be difficult to quantify. According to Lumpkin and Dess (1996), in addition to monetary risk, it typically entails psychological and social risks (Lumpkin & Dess, 1996). Current studies have established that entrepreneurs engage in higher risk-taking than non-entrepreneurs. Entrepreneurs usually undertake more risks than non–entrepreneurs because they face a less structured and a more uncertain set of possibilities.

According to Aigboje (2018), "risk-taking involves the readiness to go after opportunities that have a considerable probability of creating losses or significant performance." Stiff orrigid competition in the business(market) indicates that every firm is expected to engage in risk-taking to maximize available opportunities in the business environment. According to Lumpkin and Dess (2014), "the degree to which each individual differs in their willingness to take risk constitutes the entrepreneurial capacity element of risk taking". This is coupled with the risk of revenue or risk of other financial involvement of the company (Nsubili, 2017) reiterated that the idea is a connotation of everything that incorporate enormous act on ability to take financial risk. For instance borrowing money that might face future uncertainty. However, Cohen (2013) stressed that risk taking refers to "the propensity to carry out brave business activities rather than carefully planned actions".

Firms that adopt EC are often associated with high risk taking behavior such as taking huge loan or investing large amount of resource to projects with a view of making huge profits based on existing opportunities. In taking advantage of opportunities in the market, risk-taking includes the ability of a firm to take brave decisions such as venturing into unknown markets, putting a substantial amount of resources to opportunities with uncertain outcomes, as well as the tendency to borrow heavily, hoping

to reap high returns (Etebang, 2010). Lumpkin and Dess (1996) further stated that managers and firms are faced with three types of risk: business risk-taking (that is, venturing into the unknown without knowing the probability of success), financial risk-taking (borrowing heavily or committing a large portion of firm's resources in order to achieve growth) and personal risk taking (an executive taking risk by supporting a strategic course of action). Organizations may engage in risk-taking by making decisions and taking action in the situation of uncertainty as well as making substantial resource commitments without knowing what the effect of their decisions and actions will be. Generally, risk-taking is viewed as one of the three key elements of EC, and one that enhances company profitability (Miller, 1983; Miller & Le Bruton-Miller, 2011).

Sales volume

Sales volume is the unit of a product sold within a reporting period. This figure is monitored by investors to see if a business is expanding or contracting. Within a business, sales volume may be monitored at the level of the product, product line, customer, subsidiary, or sales region. This information may be used to alter the investment targeted at any of these areas(Bergin-Seers & Jago, 2007). A business may also monitor its break even sales volume, which is the number of units it must sell in order to earn a profit of zero. The concept is useful when sales are contracting, so that management can determine when it should implement cost reductions. This can be a difficult concept to employ when there are many different products, and especially when each product has a different contribution margin. The sales volume concept can also be applied to services(Bergin-Seers & Jago, 2007). For example, the sales volume of a consulting firm may be considered the total number of hours billed in a month.

Unlike total sales, the sales volume metric focuses on the number of products sold rather than monetary profit. Sales volume is an essential indicator of business health. It allows business firms to track the performance of marketing campaigns, evaluate the efforts of sales force or representatives, and choose the best places for physical stores. Evaluating total sales, marketers endeavor to increase revenue while monitoring sales volume to look for strategies to sell more products. If a company have several offline stores in one city and the volume of items sold differs a lot, thus business firms should pay special attention on where to site new store since shopping opportunities underlie this factor. Besides, company can track sales volume from each of the sales reps individually. This will help the firm find out the most effective member of sales staff. The success and sustenance of banking industry dependents mostly on sales made by the enterprises. This is true because sales remain the most important factor that keeps firms running profitably. Increased sales enhance the firm's in-flow of cash in terms of revenue, profit level, capital base, and the resources (human and material) required to operate the business effectively and efficiently (Alzuod, 2014). According to Edwards*et al*., (2014) sales volume is defined as the quantity or number of goods sold in the normal operations of a firm. It is defined by how much sales a firm record in its normal business operations (Edwards*et al*., (2014). Consistently improving sales volume is a top priority among business firms that is why they have long devised strategic and tactical ways to enhance their sales volumes (Alzuod, 2014), mainly through the formulation and execution of marketing strategies.

Performance variables

Innovation and sales volume

The dynamic nature of business environment leads to enterprise's innovative activities, and innovation contributes to the enhancement of enterprise performance. However, some studies have shown that relationship between innovation and business performance is not so direct, as it is subject to competitive environment. According to Huang and Rice (2009), internal capital stock, external market and environmental factors affect the relationship between innovation input and firm's performance (Huang & Rice, 2009). Hence, in an unchanging environment, producers, customers and suppliers do not easily accept change. In this case innovative behavior of a firm does not affect its performance positively. Innovation may not be beneficial if the market is unwilling to change the prevailing state. Firms with customers who desire to stay current on existing standards or norms are compelled to be innovative so as to maintain their competitive positions. Rigidity of the management style or structure of an organization may also stifle innovative activities which could affect the whole industry. In a stable competitive environment, the leaders of the industry rarely innovate to destroy the existing environment, but to cultivate the market and pave way for new products to be introduced gradually. However, in a dynamic environment, innovation plays a positive role in enterprise performance because change is normal in such environment. It is therefore expedient that enterprise innovate to keep pace with change. In a dynamic business environment, non-innovators stand a chance of being eliminated, while innovators can maintain a favorable competitive position. Innovative enterprises constantly perform better than non-innovative enterprises in a dynamic environment (Garg, Walters & Priem, 2003). Dynamic environment permits new entrants to be more innovative and entrepreneurial, thus achieving growth and profits.

Risk taking and sales volume

The Measurement of the extent to which individuals differ in their willingness to take risk is controversial. Entrepreneurship and risk are two concepts that are seen as inseparable in entrepreneurship literature. Hence, entrepreneurship is often associated with risk bearing or risk exposure which differentiates entrepreneurs from employees and managers (Begley & Boyd, 1987). The implication of this is that the level of risk taken by firms determines to an extent the performance of such firms. Theoretical economic literatures suggest that risk-taking behaviour of firms has a positive effect on their business performance (Amodu & Aka, 2017).

Three types of risks were identified by Amodu and Aka (2017) namely; social or market risk (the risk which occurs when a market crashes or declines which crushes the performance of investment even when the quality of the investment remains the same). Monetary risk is usually the resultant effect of inflation as a phenomenon: Inflation reduces the value of money (the purchasing power of money), which results into firms expending more money in production and distribution of their products or services. This consequently impacts negatively on profits. Psychological risk on the other hand is a risk associated with debtors' inability to fulfill or honor their payment obligations, which impairs the liquidity position of a firm and consequently its performance. Risk-taking also implies a tendency to take bold steps such as venturing into unknown and new market as stated by Lumpkin and Dess, (2001) and Wiklund and Shepherd, (2003). It can also be associated with eagerness to commit substantial amount of resources to a project which the probable cost and likelihood of failure is high.

Firms adopting EC are often characterized by high risk taking behavior such as taking on large loans or making large resources commitment to projects with a view to making massive returns based on available opportunities. In seizing opportunities in the marketplace, risk-taking concerns firms' tendency to take bold actions such as venturing into unknown markets, committing a substantial amount of resources to ventures with uncertain outcomes, as well as the tendency to borrow heavily hoping to reap high returns (Etebang, 2010). Amodu and Aka (2017) posited that managers and organizations are confronted with three types of risk, namely: Business risk-taking (venturing into the unknown without knowing the probability of success) and financial risk-taking (borrowing heavily or committing a large portion of resources in order to achieve growth).

Small and medium scale enterprises (SMEs)

Small and Medium Scale Enterprises have long been perceived to be agent of economic growth and national development, both in industrialized and unindustrialized countries. Different literatures have proven the important role of SMEs in the development of any country. Carayannis, Popescu, Sipp, and Stewart (2006) stated that 99.8% enterprises in Europe are SMEs, contributing to about two-thirds of the work force, accounting for a great percentage of the labor force in any country and equally contributing significantly to boost the economy. This also highlights the role of SMEs in the social system (Alrousan & Jones, 2016). Furthermore, SMEs help to reduce the level of poverty as stated by Bayyoud and Sayyad (2016). Hence, SMEs assist in the generation of employment as well as contribute significantly to the development of economic and national growth. Gonzalez and Pita-Castelo, (2012) suggest that the development process of most developed economies have been aided by SMEs, being recognized as one of the most sustainable sectors with economic growth capabilities. SMEs as compared with large scale enterprises involve small capital investment to begin, thereby proffering a high labour-to-capital ratio. According to Gonzalez and Pita-Castelo, (2012) as quoted in Olatunji (2008), the exploitation of opportunities provided by SMEs and their support to economic growth of any nation depends on business strategies devised, coupled with the enabling environment created for their operation. These enabling environments include; good road networks, telecommunication or e-communication facilities, power supply, entrepreneurial orientation, favorable government policies and credit facilities. These factors support and strengthen the growth and expansion of SMEs.

There is no consensus on the definition of SMEs. The definition varies depending on countries; from the developed countries to the developing countries. Even in the same country, the definition is affected by the prevailing economic situation of a country. The number of employees, total net assets, sales and investment level are usually the general standards used to classify these enterprises (Ayyagari, Beck, & Demirguc-Kunt, 2007). Some scholars have used other criteria such as lawful condition, production mode, property and the industry to classify SMEs. According to existing literatures, the definition varies in different economies but the underlying concept is the same. Buckley (1989) stated that the "definition of small and medium scale enterprises varies according to context, author and countries". In developed countries such as USA, Britain and Canada small scale business are defined based on annual turnover and the number of paid employees. For example, small scale business is regarded as an industry with an annual income of 2 million pounds or less with less than 200 (two hundred) paid employees in Britain (Ekpeyong & Nyang, 1992).

Theoretical Background

Resource based theory (RBT) propounded by Barney (1991)

The Resource Based Theory (RBT) was propounded by Barney (1991). Resource Based View Theory stems from the principle that the source of organizational competitive advantage and thus performance depends on the unique internal resources and capabilities that a firm possesses. The theory states that organizational resources which are valuable, rare and difficult to replicate are source of competitive advantage and therefore capable of improving performance (Barney. 1991). It provides a logical explanation to the growth rate of the firm by clarifying the causal relationships among firm resources, production capability and performance. The theory is focused on efficient and innovative use of resources. It claimed that bundles of productive resources controlled by firms could vary significantly by firm, that firms in this sense are fundamentally heterogeneous even if they are in the same industry (Barney & Clark, 2007). Such resources can be tangible or intangible, and represent the inputs into a firm's production process. RBT further, argues that knowledge is the most complex of an organization's resources. According to resource-based theory, the intellectual capital is a main source to improve enterprise growth.

Hence, entrepreneurial capacityviewed from the perspective of Resource Based Theory is a valuable organizational resource which can influence business performance. The resource-based theory also suggests that organizations should focus on internal resources available with which to compete in the market and achieve competitive advantage. Competitive advantage is an advantage that a firm has over its competitors that allows it to generate sales or margins and retain more customers than the competitors. A firm's competitive advantage evolves from the resources that the organization has. In the resource-based theory model, resources are given the major role of assisting companies in achieving higher organizational performance and competitive advantage. This study is anchored on this theory because it highlights the role of entrepreneurial capacity as a firm's internal resource which has the capacity of creating and enhancing a firm's competitive advantage and performance.

Review of Empirical Studies

This section provides an extensive empirical analysis of studies on entrepreneurial capacity and sales volume of SMEs.

Azlin, Amran, Afiza and Zahariah (2013) examined the impact of entrepreneurial capacity on business performance of technology-based SMEs in Malaysia Zain. The purpose of the study was to determine the relationship between entrepreneurial capacity (EC) which was represented by five dimensions (innovativeness, proactiveness, autonomy, competitive aggressiveness and risk taking) and business performance. Data were collected by the use of questionnaire. Descriptive statistical tool was used to analyze the data and specifically Pearson product moment correlation and regression analysis were adopted for hypothesis test. From the correlation analysis, the findings showed there is a medium to small correlation between the two variables. The study also revealed that only four dimensions of Lumpkin and Dess's (1996) EC has influence on business performance; innovativeness, proactiveness, risk-taking and competitive aggressiveness while no correlation was found between autonomy and business performance in the context of technology-based SMEs in Malaysia.

Rosli and Norshafizah (2013) conducted an empirical study on entrepreneurial capacity and business performance of women-owned small and medium enterprises in Malaysia with competitive advantage as a mediator.The aim of the study was to examine the mediating effect of competitive advantage on the relationship between entrepreneurial capacity and performance of women-owned SMEs in Malaysia. Data were collected by means of questionnaire through e-mail completed by women owner/managers randomly selected from a sampling frame of registered SMEs. Data were analyzed using regression analysis. Their findings revealed that significant relationships exist between entrepreneurial capacity and performance, while competitive advantage was found to partially mediate entrepreneurial capacity and performance relationships. The regression analysis result indicated that EC is positively and significantly related to performance.

Syed, Muzaffar and Minaa (2017) examined entrepreneurial capacity and business performance of manufacturing sector small and medium scale enterprises in Punjab, Pakistan. The objective was to study the effects of three ECdimensions of entrepreneurial capacity construct; innovativeness, pro-activeness, and risk taking on business performance. Questionnaire was the main instrument of data collection. Quantitative techniques were adopted. Structural equation model was used for data analysis. Their finding showed that innovativeness, pro-activeness, and risk taking have a significant impact on business performance of manufacturing sector SMEs. Their results further indicated positive correlations among innovativeness, pro-activeness and risk taking with business performance of SMEs.

Gab in Literature

From the related empirical studies reviewed, there is observable evidence that no empirical studies exists on entrepreneurial capacity strategies and sales volume of SMEs in the South East, geopolitical zone of Nigeria. Secondly no study has considered sales volumeas non-financial measures of performance (dependent variable) against entrepreneurial capacity. Hence, this study is poised to bridge these gaps in the literature.

3. Methodology

Descriptive survey research design was adopted for this study. This design helped the researcher to source primary data through the use of questionnaire, as it relates to the research topic. The research design enabled us investigate, describe and record information in their natural setting. It aided us ascertain the views, ideas and feelings of those that are directly concerned with entrepreneurial capacity and sales volume of SMEs through survey method without manipulating data. Data for the study were collected using open-ended and close-ended questions, as operators of SMEs were used as unit of analysis. The study was conducted in South East, Nigeria. South-East, Nigeria is the region mostly known as Igbo land, one of the six geopolitical zones in the country. This area was selected because of the high density of SMEs operators in Nigeria. No reasonable number on the study of entrepreneurial capacity strategies and sales volume has been limited in the area. The region consists of the following states; Abia, Anambra, Ebonyi, Enugu and Imo. The region occupies an area of 40,000 km2 (16,000 sq. m) and has a population of about 40million persons (NPC, 2015 estimate). Geographically, the region lies within latitude 7^0 30E, and 8^0 30E and Longitude $5^0$40N and 6° 40N and 6^0 45N of Greenwich meridian. The South-East, Nigeria has a tropical climate with two major seasons, the rainy season and dry season. The population of the study comprised all the small and medium scale business firms registered with Corporate Affairs Commission and whose operation base is in the South East, Nigeria. Based on data from 'National Survey of Micro, Small and Medium Scale enterprises (MSMEs), 2017', the total population of SMEs in the South East, registered with Corporate Affairs Commission is about 7,992 (Abia 1932, Ebonyi 1823, Imo 1760, Enugu 1283 and Anambra 1194). The small-scale enterprises are about 7789 (Abia 1879, Ebonyi 1794, Imo 1716, Enugu 1255 and, Anambra 1145) while the medium scale enterprises are about 203 (Abia 53, Ebonyi 29, Imo 44, Enugu 28 and Anambra 49). Since the population of the study is defined, the appropriate sample size of the study was determined using Taro Yamane (1967) formula:

For small scale enterprises
$$n = \frac{N}{1 + N(e)^2}$$
Where n = Sample size, N = Population of Interest, e = Error Estimate, which is normally 5% (0.05)
        I = Constant
Since the population of small-scale enterprises is 7,789 the sample size was;
$$n = \frac{7789}{1 + 7789\,(0.05)} \qquad n = 381$$
For medium scale enterprises,
$$n = \frac{N}{1 + N(e)^2}$$
Where n = Sample size
        N = Population of Interest, e = Error Estimate, which is normally 5% (0.05), I = Constant

Since the population of the medium scale enterprises is 203 the sample size was;

$$n = \frac{203}{1+203\,(0.05)^{\,2}} \qquad n = 135$$

Thus, the sample size for this study comprised 516 (381 + 135) respondents.In order to obtain adequate representative sample of respondents required for the study, three (3) States were selected out of the five States of South East, Nigeria. The three States were selected on the basis of high density of SMEs among the five SouthEast States. Abia, Imo and Ebonyi States were selected for small scale, while Abia, Imo and Anambra States were selected for medium scale enterprises. The choice of the States selected for the study was based on the number of SMEs as recorded by 'National Survey of Micro, Small and Medium Scale enterprises (MSMEs), 2017'. Bowley's proportionate sampling technique was used to determine the specific number of small-scale enterprises that were surveyed as well as the specific number of medium scale enterprises surveyed in each of the selected States. Purposive sampling method was adopted to select only SMEs in the metropolitan areas of the three (3) States. Copies of the questionnaire were administered to the participants at their monthly general meeting venue. Questionnaire was the major instrument for data collection. The choice of questionnaire helps the researchers to gather first-hand data about entrepreneurial capacity from the participants. The background data of the enterprises and objective questions of the study were analyzed with descriptive statistics such as simple percentage, frequency and mean. The objectives were analyzed with descriptive statistics. The hypotheses were tested with multiple regression analysis model. Statistical Package for Social Sciences (SPSS version 22) was used as the tool for analyzing the primary data obtained.

4. Results and Discussions

Respondents sector of operation
Dispersal of respondents based on sector of business operation are presented in Table 1

Table 1: Dispersal of respondents based on sector of business operation

Sector of operation	Frequency	Percentage	Rank
Manufacturing	76	15.4	2nd
Hospitality / food services	63	12.8	4th
Agriculture	50	10.1	8th
Wholesale / retail	79	16.0	1st
Transport	54	10.9	7th
Education	68	13.7	3rd
Information and communication	55	11.1	6th
Health	62	12.6	5th
Others	33	6.7	9th

Source: Field Survey, 2022   multiple responses recorded

The respondents' sector of business operation was examined in Table 1, and the result showed that, wholesaler and retailers, manufacturing and education business owners were mostly ranked as 1st, 2nd and 3rd respectively. Hospitality/food services, health care business and information and technology business were ranked 4th, 5th and 6th respectively. More so, the 7th and 8th sectors were transport and agriculture and education respectively, while others ranked 9th. Table 1 revealed that the researcher tried to sample SMEs from different areas of specialization in order to ascertain the level of entrepreneurial capacity or orientation. The high number of respondents recorded from wholesaler, retailers and manufacturing shows that, these lines of businesses dominate the South East, Nigeria.

Innovativeness of small and medium scale enterprises in the South East, Nigeria

Table 2: Innovativeness of small and medium scale enterprises in the South East, Nigeria

Statements	SA	A	D	SD	Total	$\bar{x}$
1. Firms emphasize on developing new products / services.	266 54.9%	174 35.2%	48 9.7%	6 1.2%	494 100	3.41
2. Firms always identify and adopt new technology in business operation	178 36.0%	199 40.3%	87 17.6%	30 6.1%	494 100	3.06
3. Firms always identify new market and marketing approach	201 40.7%	223 45.1%	50 10.1%	20 4.1%	494 100	3.22

Source: Field Survey, 2022 Decision rule: mean > 2.5 accepted, mean < 2.5 not accepted.

Level of innovativeness among small and medium scale enterprises in South East, Nigeria was examined in Table 2. From the result, 54.9% of the respondents strongly agreed that, their firms emphasize on developing new products / services. In the same vein, 40.7% of the respondents agreed that, their firm always identify new market and marketing approach. 40.3% of the respondents agreed that, their firm always identify and adopt new technology in their business operation. Invariably, 17.5% of the respondents disagreed that, their firms always identify and adopt new technology in business operation. The precision through the mean value decision rule that, a mean value > 2.5 was accepted while a mean < 2.5 was rejected. From the result, firms emphasizing on developing new products / services has a mean value of 3.41; adopt new technology in business operation has a mean value of 3.01; seeking new ideas in response to business environmental changes has a mean value of 3.55; and identifying new market and marketing approach has a mean value of 3.22. Since all the research statements on innovativeness of SMEs are above 2.5 decision rule, it was affirmed that, small and medium scale enterprises in South East, Nigeria are innovative in business operations.

Risk taking of small and medium scale enterprises in the South East, Nigeria
Table 3: Risk taking by small and medium scale enterprises

Statements	SA	A	D	SD	Total	$\bar{x}$
1. Always fund new technology in order to facilitate business operations regardless the cost	349 70.7%	125 25.3%	15 3.0%	5 1.0%	494 100	3.65
2. Take loans to fund projects	327 66.2%	104 21.1%	49 9.9%	14 2.8%	494 100	3.50
3. Inclined to risky projects	326 66.0%	160 32.4%	8 1.6%	- -	494 100	3.66

Source: Field Survey, 2022 Decision rule: mean > 2.5 accepted, mean < 2.5 not accepted

Table 3 examined the level of risk taking by small and medium scale enterprises in South East, Nigeria. The descriptive result shows that, 70.7% of the respondents strongly agreed that their company always fund new technology in order to facilitate their business operations regardless the cost. Followed by 66.2% of the respondents who strongly agreed that, their company take loans to fund projects and 66.0% who also strongly agreed that they are inclined to risky projects. From the mean value, three (3) out of the three (3) research statements about risk taking were all up to 2.5 and above, signifying that risk taking is part and parcel of business operation among SMEs operators in South East, Nigeria.

Ho: There is no significant effect of entrepreneurial capacity strategies (innovativeness, risk taking) on sales volume of the selected small and medium scale enterprises in the SouthEast, Nigeria.
Table 4: Linear regression analysis result of combined effect of entrepreneurial capacity strategies on sales volume of SMEs in South East, Nigeria

Variable	Parameters	Coefficient	Std error	Tcal – value
Constant	β_0	-69.593	242.240	-0.287
Innovativeness (X₁)	β_1	1.088	0.103	10.587[***]

URL: *http://journals.covenantuniversity.edu.ng/index.php/cjbss*

Risk taking	(X_2)	β_2	1.141	0.025	45.654***
R-Square (R^2)			0.850		
Adjusted R – Square (R^{-2})			0.849		
F – Statistics			554.345		
F – Probability			0.000		
Durbin-Watson stat			2.135		

Decision Rule: If Fcal>Ftab accept the alternate and reject Null hypothesis. Otherwise accept the null hypothesis.
 *** (1%), ** (5%), and * (10%) denotes significance of coefficient at level. T-tab value = 1.965,df = 491
Dependent Variable: sales volume of SMEs (Y). Predictors: (Constant),innovativeness, risk taking
Source: Field Survey, 2022 (SPSS Version 22)

The result revealed that the t-calculated value of innovativeness and risk taking were 10.587, and 45.654 respectively which are greater than tabulated value of 1.965. However, since the t-calculated value is greater than t-tabulated value in absolute terms, innovativeness and risk taking are significant entrepreneurial capacity variables affecting sales volume of SMEs in South East, Nigeria;

The R^2 coefficient of multiple determination value of 0.850 was observed, implying that, 85.0% variation in dependent variable can be explained by changes in the independent variables, while 15.0% was unexplained by the stochastic variable. This implies that, the independent variables (innovativeness, risk taking) explained 85.0 percent change in dependent variable (sales volume of SMEs) while 15.0 percent was explained by the stochastic variable. From the combined effect, entrepreneurial capacity strategies (innovativeness, risk taking) significantly affects 85.0% sales volume of SMEs. The R^{-2} adjusted value of 84.9% was observed, indicating a goodness of fit of the regression model adopted in this study which is statistically significant at 5% probability level. F-stat value of 554.345 with F-prob. value of 0.000 against 1.965 t-table value and 0.05 was observed from the regression result, indicating a goodness of fit of the regression model adopted in this study which is statistically significant at 1% probability level. Since the calculated value is greater than tabulated value, null hypothesis was rejected in favour of alternate hypothesis. Thus, there is significant combined effect of entrepreneurial capacity strategies (innovativeness, risk taking) on sales volume of the selected small and medium scale enterprises in the South East, Nigeria.

5. CONCLUSION

In conclusion, entrepreneurial capacity plays a fundamental role in enhancing competitive advantage and firm performance. Hence, entrepreneurial capacity represents a strategic business philosophy when combined with appropriate resources to improve customer retention, competitive advantage and sales volume of business. Proper application of entrepreneurial capacity dimensions in business operation wields an identifiable positive impact on sales volume of SMEs. Thus this study has established and reaffirmed that the application of EC facilitates the business success of SMEs. From the findings of the study, it is concluded that SMEs in South East, Nigeria are entrepreneurially inclined, as they integrate most of the entrepreneurial capacitydimensions into daily operations. Those SMEs that pursue innovative ideas and as well are risk taking tend to enjoy high level of sales volume and competitive advantage than those that do not.

6. RECOMMENDATIONS

In relation to the result /findings drawn in this research, the following recommendations were made:

1. Small and medium scale firms operating in Nigeria should adopt entrepreneurial capacity in their business operations to enhance their sales volume, given the dynamic business environment of Nigeria.
2. Managers of SMEs should emphasize continuous product and service innovation aimed at improving performance via improved sales turnover.

3. Managers of SMEs should improve their sales volume by taking bold steps (risk) in maximizing opportunities existing in their business environment.

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