

## Role of entrepreneurial capabilities in small and medium enterprises' competitiveness in Lagos State

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### Abstract

Small and medium-sized businesses (SMEs) are the foundation of any economic activity. As issues arise in the environment, there is a need to incorporate or optimize several other new capabilities to explain small and medium enterprises' competitiveness. The study aims to investigate entrepreneurial capabilities and SMEs' competitiveness in Lagos state. It employs a survey research design. Cross-sectional data from the primary source were collected through the means of a validated and reliable questionnaire. A sample of 400 respondents was purposefully drawn from the population. The data were analyzed using ordinary least square statistics. The results show that entrepreneurial networking is the most significant driver of SMEs' competitiveness, followed by entrepreneurial networking and then by proactiveness. The study concludes that entrepreneurial capabilities are critical to SMEs' competitive advantage. It recommends that entrepreneurs should develop their capabilities to be able to achieve competitiveness.

Keywords: Entrepreneurial Capabilities; Proactiveness; Marketing Orientation; Networking, SMEs.

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## 1. Introduction

Large-firm competitiveness studies typically highlight the significance of a strategic alignment between strategy, environment, and organization variables. According to Khan, Atlas, Xuehe, Khan, and Khan (2019), the connection among strategies, capabilities, and the environment is required for coherence and strategic performance management consistency. Competing elements that distinguish a firm's competitive advantage are its capabilities and effectiveness (Li & Liu, 2014). According to Yang, Zheng, and Zhao (2014), adopting a strategic entrepreneurship framework, the interaction of entrepreneurial activities, and strategy formulation that includes both opportunity-seeking and advantage-seeking action can enhance the innovation mindset.

Emerging markets, which are defined as transitions from centrally planned economies to market economies/trajectories that experience economic reforms, in reality, are visible in the competitive twenty-first century (Lau, Man & Chow, 2004). New and existing firms in emerging markets such as Nigeria have little capabilities, market dominance, and other critical property. Firms must evaluate their strategies, actively seek innovative tools, create their intellectual capital to act responsive, and increase their competitive advantage to compete effectively (Kamilah, 2014; Amir, Auzair, Amiruddin, 2014). In contemporary, highly unpredictable business relationships, where product, entrepreneurialism, and market orientation life cycles are limited, such attributes are linked to firm performance (Chenhall, 2005). As a result, businesses must identify opportunities to improve continuously (Wale, Parida & Patel, 2013; Sulistyo, 2016).

Small and medium-sized businesses (SMEs) are the foundation of any economic activity. In recent decades, there has been a resurgence of interest in their ability to contribute to creativity, economic growth, and job creation. SMEs currently substantially contribute 55 percent to gross domestic products (GDP) and 65 percent of the workforce in the developed countries, and more than 90 percent of employment and 70 percent of GDP in emerging economies (Poufinas, Galanos & Papadimitriou, 2018). Globally, SMEs experience higher market challenges, which are exacerbated by inequality in access to cutting-edge innovations resources. In reality, only a small portion of the global SMEs universe is ready to exploit the opportunities brought about by globalization. This reinforces the notion that there is a connection between the SMEs and the need to be competitiveness

As issues arise in the environment, there is a need to incorporate or optimize several other new capabilities to explain small and medium enterprises' competitiveness (Miller & Kim, 2016). To this end, scholars describe that entrepreneurial capability positively impacts firm performance (Utami & Lantu, 2014; Ahmedova, 2015). Thus, it enhances the framework for analyzing efficiency and the applicability, cost-effectiveness, and speed of the firm's response to market dynamism (Sener, Savrul & Aydin, 2014; Sag, Sezen, Guzel, 2016). Entrepreneurial capabilities interact with top management's ability to excite entrepreneurial capabilities and to achieve evolutionary fit in performance and growth (Soltes & Gavurova, 2016). It also provides a more straightforward understanding of different management choices made. According to Lisowska, and Stanislawski, (2016), the manner top executive interacts with a rising plethora of different actions in a firm, triggered by mergers or radical shifts in the firm's target markets, is reliant on the specific behavior of the top executives. To comprehend the intricate relationship among the environment, capabilities, and competitiveness, there is a need to investigate the interaction between entrepreneurial capabilities and SMEs' competitiveness in a dynamic environment such as Nigeria.

Hence, this study investigates the interaction between entrepreneurial capabilities and SMEs' competitiveness in Nigeria with specific reference to Lagos State. Lagos State's choice was influenced by the fact that Lagos State is the 7<sup>th</sup> largest economy in Sub-Sahara Africa (Egbejule, 2020) and has the highest number of small and medium enterprises in Nigeria.

## **1.1.Literature Review**

### **1.1.1. Entrepreneurial Capabilities and Measurements**

Entrepreneurial capabilities indicate an enterprises' effectiveness, particularly a new venture in the emerging economy (Sipa, Gorzen-Mitka & Skibinski, 2015). It is an enterprise's intrinsic valuable resource that is difficult for competitors to imitate and transmit (Lau et al., 2004), exploits opportunities, and/or mitigates vulnerabilities in the firm's environment (Barbero, Casillas & Feldman, 2011). In emerging markets, it is clear that intangible resources are referred to as master resources for achieving long-run achievement by capitalizing on momentary possibilities and reacting to risks (Amir et al., 2016).

Kiyabo and Insaga (2019) defined two basic entrepreneurial capabilities ideologies: commonly performed and knowledge filter, which can also be academically referred to as proactiveness as one of the critical measures of entrepreneurial capabilities. Proactiveness is the first stream of entrepreneurial capabilities. Studies that attained significant publicity in the last few years need to deal with the quality of managerial capabilities and their paradigms (Fatoki, 2012). It pertains to the person's inner behavior and attitude to regain responsibility and create chances rather than adapting himself or herself according to market conditions (Okangi & Lethmathe, 2015; Vasconcelos, Silveira, & Bizarrias, 2016). The foundations of entrepreneurial capabilities and managerial capabilities are inextricably linked. Managerial capabilities comprise a broader set of mental models, and managerial' mental processes play a significant role in shaping managers' values and practices about a specific enterprise and its environment.

Market orientation is seen as a firm's inclination toward identifying and encouraging operations such as market intelligence collection, propagation, and sensitivity to satisfy the needs of both current and new customers. This increased focus on team members will lead to the firm accomplishing superior efficiency (Al Mamun, Kumar, Ibrahim & Yusoff, 2017). To sustain the same ideologies, Okangi and Lethmathe (2015) argue that market orientation is a corporate structure capable of generating the much-needed actions of providing innovative value for customers while also giving rise to the organization to achieve sustained competitive advantage. It also illustrates adaptive learning, in which firms recognize changes in the environment and react appropriately to them using prior judgments about customers and competitors (Hakala, 2013). Prior related literature further established that market orientation is a dynamic capacity by which enterprises interact or adapt to changing market constraints (Utami & Lantu, 2014; Ahmedova, 2015; Miller & Kim, 2016).

In the current context, sales orientation pertains to entrepreneurial activities' major emphasis on closing sales (Wijetunge, 2016; Yeni, 2015). The selling-oriented framework to revenues focuses on delivering as much as possible while maintaining the consumers' expectations in mind along the direction (Zehir, Can & Karaboga, 2015; Zainudin, 2015). On the other hand, an unsympathetic workplace environment may be associated with a manipulative integration of sales in which workers generate greater sales to improve the effectiveness and thus reduce adverse managerial restrictions (Boles et al., 2001). Recognizing the centrality of service quality in today's competitive marketplace and customers' increased demands, entrepreneurs must establish relationships, introduce their services/products, and close the sale in a single meeting (Vasconcelos, et al, 2016; Yeni, 2015; Wijetunge, 2015). Selling orientation has also been linked primarily to centralized decision-making. This indicates a lack of responsibility to approve independent choices predicated on concerns and expectations of consumers. This means that the market impacts the selling-oriented strategy in sales efforts, and this element of entrepreneurial capability can be measured using an increase in sales activities over time (Al Mamun et al., 2017).

The available research on the construct of entrepreneurial networking has been discovered to be expanding in both context and inventiveness (Mata & Aliyu, 2014). The phrase network can refer to a connection between the economic and social aspects of human cognition, distinct categories of skill and technique, or even the scholarly community and the world of practice. The entrepreneurial network serves as a framework for different mechanisms to organize resources that are allocated following opportunities (Rashidirad, Mona & Salimian, Hamid (2020). According to Al Mamun et al. (2017), entrepreneurial relational ties are the main components of networks created based on necessary interaction conditions, such as personal and organizational credibility and previous interactions. Entrepreneurs need to influence policy and react appropriately to change in a sense where entrepreneurial activity reflects modification. Thus, entrepreneurship exists as a technique for dealing with entrepreneurial activities' environment and conditions and having to cope with such reform (Vasconcelos et al., 2016; Yeni, 2015; Wijetunge, 2015). It also influences the network and the nature of business intelligence contacts toward start-ups, economic expansion, and an enterprise's developmental processes.

### *1.1.2. SMEs Competitiveness*

The available studies on SME competitiveness emphasized understanding the factors that influence SME competitiveness and the indicators of its prosperity. It stresses the importance of innovation as a key component of competitiveness, focusing on the national level. Ong, Ismail, and Goh (2010) investigated the use of a clustering methodology among SMEs as a guide for achieving their key challenges to international economic integration, and As time passes, they review the relevant existing literature. They discover evidence suggesting that a cluster policy adds to the current strategic plan in advanced economies. Still, such influences have not been thoroughly investigated in developing (emerging) economies, specifically in SMEs' context, which are the main contributors in the cluster development process, in terms of whether their efficiency is enhanced.

Ma'toufi and Tajeddini (2015) identify the most significant strategic management areas by SMEs for increasing SMEs' competitiveness in a globalized market. They evaluate scientific articles, primarily from referred journal publications, to identify key research areas. Gaps are identified, and a critical discussion is suggested based on their evaluation. They discover that SMEs have not paid enough attention to developing strategies in the past, that their operations are localized, and face many limitations on the output front leading to a shortage of resources and poor innovative capabilities.

To sustain their competitive position, SMEs must benchmark their resources, mechanisms, and efficiency against the market leaders and establish a model for evaluating competitiveness using a comprehensive approach. Gelard and Ghazi (2014) seek to comprehend the differences and similarities in the internationalization of SMEs and MNEs and the specific factors influencing them. They examine the available studies, focusing on the main assumptions of internationalization. They present each philosophical model's benefits and drawbacks to internationalization to lay the groundwork for a new economic entrepreneurial activity system. Hence, in the measure of SMEs competitiveness adopted in this study are the capacity of SMEs to change, connect and compete. The ability to compete, connect, and change are the three pillars of competitiveness. These measures reflect traditional dynamic and static ideals of competitiveness and highlight the importance of integration in modern economies (Rashidirad, et al., 2020; Radulovich, Javalgi & Scherer, 2018).

## **1.2. Related research**

### *1.2.1. Empirical Evidence and Hypotheses Development*

Kiyabo and Isaga (2020) evaluated entrepreneurial orientation, competitive advantage, and SMEs' performance: application of firm growth and personal wealth measures using different metrics to

assess SMEs' performance. The study, supported by the resource-based perspective, sought to ascertain the impact of entrepreneurial orientation on SMEs' performance through the mediation of competitive advantage via firm growth and personal wealth measures. Entrepreneurship was deployed as an intangible resource in the context of structures. A cross-sectional survey approach was used to gather data from 300 owners-managers of soldering industry SMEs in Tanzania's urban centers of Dar es Salaam, Mbeya, and Morogoro. The study has added to the existing research by identifying proof of personal fortune to measure SMEs' performance. The findings of this study indicate that the resource-based perspective is appropriate for describing material resources and intellectual assets such as entrepreneurial orientation. Future research may look into the impact of additional constructs, such as organizational learning, on SMEs' performance through value creation mediation, using the same entrepreneurial activity and personal fortune performance metrics. These studies will determine whether the findings of this study are unique to the entrepreneurial intention framework or relevant to other concepts.

Al Mamun et al. (2019) suggest that SMEs are the cornerstone of most economies, particularly European countries. They account for 99 percent of all companies in the European Union. They were regarded as one of the largest employers in total, accounting for two-thirds of total employment growth in emerging economies. They argue that building capacity and fundamentals can help SMEs maintain their competitiveness and value chains during periods when markets are not performing well. There is a need to develop capabilities that will enhance organizational performance, efficiency, and viability.

Barbero, Casillas, and Feldman (2011) using a resource-based view perspective investigates the elements of effective capabilities and their connection with the type of expansion selected by high-growth businesses. The results reveal that not all management capabilities are crucial when assessing the quality of strategies for achieving strong growth. SME enterprises must have strong capabilities in specific functional areas if they are to continue growing strongly. The financial and marketing capabilities of enterprises are significantly correlated with higher growth and innovation and thus are two ingredients for achieving high growth.

Khan et al. (2019) looked into the mediating role of dynamic managerial capabilities: The interplay between dominant logic and small- and medium-sized enterprises performance in China and suggest that dominant logic and operational capabilities are critical assets that can influence the performance of SMEs in light of the resource-based view. They theorized that dynamic managerial capabilities, as measured by intellectual resources, cultural connections, and cognitive management function, would mediate the relationship between DL (proactiveness and routine) and corporate performance. The study data were gathered through a survey of 204 Chinese SMEs and assessed using structural equation modeling to generate findings. They discovered that SMEs could deliver excellent strategic competitiveness by effectively leveraging valuable assets defined as firm innovation capability. Their findings validate the proposed assertions, demonstrating the relevance and value of dominant logic and dynamic managerial capabilities in achieving higher performance levels. The idea of dominant logic and its influence on SMEs' organizational performance has received less attention in general, particularly in China. There is little research on intangible resources and their impact on SME performance in China.

Lau, Man, and Chow (2004) assessed the relationship between SMEs' managerial capabilities and firm performance in Hong Kong's evolving and stable environments. Organizational capabilities are measured in terms of their ability to innovate, improve quality, reduce costs, and be organic. It is theorized that organizational capabilities positively correlated with firm performance and are influenced by environmental uncertainty. A sample of 71 SMEs from the chemical and computer industries was drawn, representing stable and dynamic industrial environments, respectively.

According to the research results, organizational capabilities can significantly explain the standard of SME performance.

While these studies looked at the interaction between entrepreneurial capabilities and SMEs' performance, there is a dearth of literature to the best of the researchers' knowledge on how entrepreneurial capabilities could bring about SMEs' competitiveness. According to Kathimerini (2015), competitiveness should be the focus of any firm irrespective of its size. Hence this study seeks to establish the effect of entrepreneurial capabilities on SMEs' competitiveness. In achieving the objective of the study, the following research hypotheses were formulated;

H<sub>01</sub>: Proactiveness does not significantly influence SMEs' competitiveness

H<sub>02</sub>: Market-orientation does not significantly affect SMEs' competitiveness

H<sub>03</sub>: Entrepreneurial networking does not significantly influence SMEs' competitiveness

### **1.3. Theoretical Framework**

This study is premised on the dynamic capabilities theory. In the current era of hyper-competition, industrialization has rapidly altered market conditions. To meet customers' ever-changing needs and compete effectively, every company needs strategic culture and long-term core competencies, which should be established on executive/top-level organizational capabilities (Li & Liu, 2014). The dynamic capabilities theory enables businesses to create, distribute, and protect intangible assets to sustain long-term operational efficiency (Helfat & Peteraf, 2009). The resource-based theory inherently attempted to clarify long-term business effectiveness references (Barney, 1991; Peteraf, 2005). According to the resource-based theory, enterprises are fundamentally different in terms of capabilities, competencies, and resources. According to the resource-based theory, long-term financial performance is measured by how they use their dynamic business environment capabilities most smoothly and economically (Peteraf, 2005). These resources/capabilities can be intrinsic or extrinsic (Barney, 1991), and they can come from various channels (Lau et al., 2004).

According to Line and Runyan (2014), a resource must be profitable, unique, irrepressible, and hard to imitate to contribute to sustainable competitiveness. The dynamic capabilities theory, the competencies of a firm are the capabilities that enable management teams of an entrepreneurial venture to intentionally create, incorporate, and realign its production capacity, allowing the firm to achieve strength and conditioning evolutionarily as a result of the adjustment to and/or shaping of the external environment (Adner & Helfat, 2003). DMCs are the operational resources that help the firm create competitiveness by creating quality outcomes in response to market demands. The firm's DMCs are insignificant but valuable assets that illustrate the firm's ability to compete more effectively than other resources (Barbero et al, 2011; Okangi & Lethmathe, 2015; Vasconcelos, Silveira, & Bizarrias, 2016). DMCs help firms adapt to the business climate by moulding them through innovation and creativity with other enterprises, units, and institutions (Tece, 2007).

### **1.4. Purpose of study**

The study aims to investigate entrepreneurial capabilities and SMEs' competitiveness in Lagos state. In this study, the dimensions of marketing orientation, entrepreneurial networking, and proactiveness are adopted as the measures of entrepreneurial capabilities. The following research questions were raised: (i) How does proactiveness interact with SMEs' competitiveness? (ii) To what extent does market orientation influence SMEs' competitiveness? and (iii) To what degree does entrepreneurial networking affect SMEs' competitiveness?



## 2. Materials and Methods

The research design adopted for this study was a survey design. The design allowed the researcher to collect data for the study using the study population and sample. This enabled the researcher to describe the relationship between entrepreneurial capabilities and SMEs' competitiveness using the resulting data to explain and predict the given relationship between the study variables. It also helped gather data to test the formulated hypotheses for this study through population and sample.

### 2.1. Participants

The study population comprised all SMEs in Lagos State, Nigeria. Lagos State's choice was influenced by the fact that Lagos State is the 7<sup>th</sup> largest economy in Sub-Sahara Africa (Egbejule, 2020) and has the highest number of small and medium enterprises in Nigeria. According to the Nigerian Bureau of Statistics (2017), the total number of SMEs who fall into this category is about 11,6663. Hence, the study population comprises 11, 663 SMEs owners/managers. A total number of 400 respondents were purposively chosen as the sample size for the study. This study employed primary data. The primary data were obtained from the administration of a structured questionnaire on research respondents. These data were used to verify the formulated hypotheses specified for this study.

### 2.2. Data collection instrument

A self-structured questionnaire was employed as a research instrument for data collection. The researcher designed the questionnaire items. A closed-ended type of questionnaire was used for the study. The questionnaire was structured to contain three sections. Section one contained items on the demographic variables of respondents. Section two contained items on entrepreneurial capabilities and their components (Proactiveness, Market-orientation, and Networking). Section three contained items on SMEs' competitiveness. Four-point scales, which range from "strongly agree" to "strongly disagree" were employed to score respondents' responses to the questionnaire's research items. The scales used were: SA = Strongly Agree; A = Agree; D = Disagree; SD = Strongly Disagree. The codes attached to each scale are: SA = 4; A = 3; D = 2 and SD = 1.

### 2.3. Data analysis

Content validity was employed for this study. The researcher initially designed the questionnaire, but it was subjected to a critical review by the supervisor and other research experts. The process led to the elimination of some items and the restructuring of others. This was done to ensure the content validity of the instrument. The test-retest reliability method was employed for this study. This allowed the researcher to administer the instrument to the same group of audience at intervals. The researcher conducted a pilot study on 20 owners/managers in Lagos state. Cronbach Alpha was employed to measure the reliability of the responses from the pilot survey. The Cronbach factor of 0.73, 0.88, 0.79, 0.82 was achieved for proactiveness, market orientation, and entrepreneurial networking, respectively, and this implied that the instrument was reliable.

### 2.4. Model Specification

The model specified for this study was in line with the models developed by Al Munmni (2017) and according to dynamic capabilities theory's assumptions. The model for this study is stated below:

SMEs Competitiveness = f (Entrepreneurial Capabilities)

Entrepreneurial Capabilities = f (PRO, MKOR, NET )

So, Competitiveness = f (PRO, MKOR, ENNET ).....equ. 1

**COMPetitiveness =  $\beta_0 + \beta_1(\text{PRO}) + \beta_2(\text{MKOR}) + \beta_3(\text{ENNET}) + \mu$**

PRO: Proactiveness

MKOR: Market Orientation

ENNET: Entrepreneurial Networking

$\mu$ = Error Term

$\beta_0$ = Intercept of the slope

$\beta_1, \beta_2, \beta_3$ , = Coefficients of entrepreneurial capabilities

### 2.5. Apriori Expectations

It is expected that all the dimensions of entrepreneurial capabilities (proactiveness, market orientation, and entrepreneurial networking) will directly affect SMEs' competitiveness.

## 3. Results

### Hypothesis Testing

Table 1. HA1: Proactiveness does not significantly affect SMEs' competitiveness

Variable	SMEs Competitiveness				
	B	SE	$\beta$	T-Value	P-Value
Proactiveness	0.632	0.013	0.664	51.077	0.000
AdjR2	0.441				
F-Stat	68.191				
	( $p^*=0.000$ )				

Table 1 shows the interaction between proactiveness and SMEs' competitiveness. The standardized Beta ( $\beta=0.664$ ) indicates a significant relationship between proactiveness and SMEs' competitiveness. That is, as proactiveness increases, SMEs' competitiveness increases. The standard error (SE= 0.013) illustrates that the model is a good fit by demonstrating how proactiveness predicts SMEs' competitiveness since the value falls between the acceptable measures. The t-stats ( $t=51.077$   $p=0.0000$ ) indicate that a significant driver of SMEs' competitiveness is proactiveness. The result also indicates that 51.8% ( $R^2=0.441$ ) is induced by proactiveness in achieving SMEs' competitiveness. The F-Stat (F Stat= 68.191,  $p=0.000$ ) reveals that proactiveness adequately interacts with SMEs' competitiveness. The results, therefore, establish that proactiveness is a significant driver of SMEs' competitiveness.

Table 2

H02: Market orientation does not significantly affect SMEs' competitiveness

Variable	Competitiveness				
	B	SE	$\beta$	T-Value	P-Value
Market-Orientation	0.712	0.021	0.733	34.905	0.000
AdjR2	0.537				
F-Stat	23.021				
	( $p^*=0.000$ )				

Table 2 shows the interaction between market orientation and SMEs' competitiveness. The standardized Beta ( $\beta=0.733$ ) indicates a significant relationship between market orientation and SMEs' competitiveness. That is, as market orientation increases, SMEs' competitiveness increases. The standard error (SE= 0.021) illustrates that the model is a good fit by demonstrating how market orientation predicts SMEs' competitiveness since the value falls between the acceptable measures. The t-stats ( $t=34.905$   $p=0.0000$ ) indicate that a significant driver of SMEs' competitiveness is market orientation. The result also indicates that 51.8% ( $R^2=0.441$ ) is induced by proactiveness in achieving SMEs' competitiveness. The F-Stat (F Stat= 68.191,  $p=0.000$ ) reveals that proactiveness adequately



interacts with SMEs' competitiveness. The results, therefore, establish that proactiveness is a significant driver of SMEs' competitiveness.

**Table 3**

*H03: Entrepreneurial Networking does not significantly affect SMEs' competitiveness*

Variable	Competitiveness				
	B	SE	$\beta$	T-Value	P-Value
Networking	0.586	0.009	0.593	65.889	0.000
AdjR2	0.352				
F-Stat	44.632				
	( $p^*=0.000$ )				

Table 3 shows the interaction between networking and SMEs' competitiveness. The standardized Beta ( $\beta=0.733$ ) indicates a significant relationship between networking and SMEs' competitiveness. That is, as networking increases, SMEs' competitiveness increases. The standard error (SE= 0.009) illustrates that the model is a good fit by demonstrating how networking predicts SMEs' competitiveness since the value falls between the acceptable measures. The t-stats ( $t=65.889$   $p=0.0000$ ) indicate that a significant driver of SMEs' competitiveness is networking. The result also indicates that 35.2% ( $R^2=0.352$ ) is induced by networking in achieving SMEs' competitiveness. The F-Stat (F Stat= 44.632,  $p=0.000$ ) reveals that networking adequately interacts with SMEs' competitiveness. The results, therefore, establish that networking is a significant driver of SMEs' competitiveness.

#### 4. Discussion

In explaining how entrepreneurial capabilities influence SMEs' competitiveness, the results establish that entrepreneurial capabilities significantly drive SMEs' competitiveness. An analysis of each entrepreneurial capabilities' component reveals that proactiveness affects how SMEs create and sustain competitiveness in a dynamic environment such as Nigeria. The first measure of entrepreneurial capabilities, proactiveness, relates to the individual's technique to respond to the external environment using their strategic capabilities and its overall influence on SMEs' competitiveness. Top-level managers are critical to creating and sustaining competitiveness. Changes in the external environment both create opportunities and expose the firm to threats. The first hypothesis establishes that SME managers/owners should identify, replicate, appraise, and appropriately utilize knowledge and information, which is compatible with the expertise business strategy, and respond to changing marketing dynamics before the competitors. The findings are consistent with the positions of Khan et al., (2019); Li & Liu (2014); Yang, Zheng, and Zhao (2014), who assert that entrepreneurial capabilities are critical to explaining firm performance.

In explaining the second research question, Hypothesis two shows that marketing orientation has a significant influence on SMEs' competitiveness. That is, when market-oriented behavior is intense, entrepreneurial capabilities are more likely to be a driver of SMEs' competitiveness. When market dynamism is high, this joint effect is more significant. Individually, when market dynamism is high, entrepreneurial capabilities and market-oriented behaviors are more likely to be related to change, connection and competition. The result corroborates Sag et al. (2016) and Rashidirad et al. (2020) positions, positing that the dynamic capabilities better explain strategic entrepreneurship capabilities' effect on SMEs' performance.

The analysis from hypothesis three shows that networking is critical to SMEs' competitiveness. Networks connect entrepreneurs to opportunities both internally and internationally. SMEs use networks to acquire data on a range of potential opportunities and optimize such opportunities in the face of threats and overcome challenges facing product development while sustaining

competitiveness. The result corroborates Kiyabo and Isaga's (2020) assertions, who emphasized that informal networks rely on both local and non-local information resources and do not necessitate extensive interpersonal contact among actors. Instead, the emphasis is on locating "tried-and-true" solutions that meet the needs of the business. According to the network-centric perspective, SMEs can create a competitive advantage by improving the visual interface (i.e., applying a logic of rationality) and by value co-creation of interconnected firms in the digital environment. The framework may help SMEs design and develop strategies for achieving and maintaining a competitive advantage in a digital economy.

## 5. Conclusion

The study investigated entrepreneurial capabilities and SMEs' competitiveness. Proactiveness, marketing orientation, and entrepreneurial networking constructs portrayed the entrepreneurial capabilities embedded in the dynamic capability theory. Given that entrepreneurial capabilities are made up of these constructs, it became pivotal to assert their influence on SMEs' competitiveness. The results established that proactiveness is critical to SMEs' competitive advantage. The study also establishes that marketing orientation would drive SMEs' competitiveness. This establishes that when market dynamism is high, this joint effect is more significant.

Individually, when market dynamism is high, entrepreneurial capabilities and market-oriented behaviors are more likely to make SMEs better off in the marketplace. Entrepreneurial networking was not only found significant in driving SMEs' competitiveness; the findings established that entrepreneurial networking is the most significant driver of SMEs' competitiveness. This implies that SMEs should first improve their network before exhibiting their proactive behavior. Further studies can be extended to the moderating effects of environmental variables and then focus on family businesses among others

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