



Dynamic Capability and Entrepreneurial Growth in Small and Medium Scale Enterprises in Port Harcourt

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Abstract: *This research inspected the relationship between dynamic capability and entrepreneurial growth in small and medium scale enterprises in Port Harcourt. The study adopted a cross-sectional survey research design as it is a quasi-experimental research. Convenient sampling technique was utilized which is a non-probability sampling technique in determining the accessible population of 350 respondents from chosen eight (8) small and medium scale enterprises in Port Harcourt. A sample size of 187 was determined using Taro Yamane's sampling technique. One hundred and eighty seven (187) duplicates of questionnaire were dispersed to the small and medium scale enterprises and 152 copies of the questionnaire were found useful in data analysis. The data were investigated utilizing Spearman's Rank Order Correlation Coefficient statistic which was through statistical package for social sciences version 21.0 The findings shows a positive and significant relationship between dynamic capability and entrepreneurial growth in small and medium scale enterprises in Port Harcourt. Based on the findings, the investigation infers that dynamic capability affects entrepreneurial growth and recommended that Entrepreneurs should cultivate dynamic capacities to distinguish developing chances or dangers and viably profit by circumstances by propelling new products and services, entering new market sections, or framing key coalitions to increase sales volume. Entrepreneurs should embrace resource acquisition as an effective medium for increasing sales volume. Finally, Entrepreneurs should acquire resources efficiently and evaluate which resource combination from the possible alternatives best suits the firm's purposes to attain profit maximization which will increase entrepreneurial growth.*

Key words: *Dynamic Capability, Entrepreneurial Growth, Opportunity Search, Profit Maximization, Resource acquisition, Resource reconfiguration, Sales Volume*

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Introduction

Dynamic capability is very important for small firms to successfully operate business activities to attain growth. Dynamic capability is the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano, & Shuen, 1997). It is the firm's processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match or even create market change. Due to constraints in resources, SMEs have to reconfigure, reallocate, and recombine their resources to achieve desired goals. The firm's ability to do this is referred to as dynamic capability (Eisenhardt & Martin, 2000; Teece, Pisano & Shuen, 1997), and this will enable small and medium scale businesses to attain growth and survival.

On the other hand, over the years, operators of small and medium scale businesses have developed concern for entrepreneurial growth. Growth is one of the most common objectives for business entrepreneurs of established firms as well as entrepreneurs of new ventures. The benefit of entrepreneurial growth for business owners includes increase sales volume and profit maximization. Entrepreneurial growth is important and it constitutes a major topic of high interest amongst business practitioners, policy makers and scholars within the research fields of entrepreneurship.

However, there are many factors that try to influence entrepreneurial growth and scholars have put in efforts to examine these factors over the years (see; Amini, 2004; Dobbs & Hamilton, 2007; Gibb, 2000; Hill, Nancarrow, & Len Tiu, 2002). One of those factors is dynamic capability (see; Teece, Pisano, & Shuen; 1997; Sapienza & Davidsson, 2006). Despite the strong interest in the topic, which has spurred a growing number of studies, many questions remains unanswered on the phenomenon of firm growth (Delmar, Davidsson, & Gartner, 2003).

Li and Liu (2014), examined dynamic capability, environmental dynamism and competitive advantage in 217 enterprises in China. Using survey research design, they assessed the role of dynamic capability on gaining competitive advantage. They found that dynamic capabilities have a significant positive impact on competitive advantage, and that environmental dynamism is an antecedent of dynamic capabilities and facilitates their development.

Wu (2010) appraised the role of environment dynamics, the applicability of the resource based and dynamic capabilities views in volatile markets. The study examined 253 Taiwanese firms. The main hypothesis in the study stated that firms' dynamic capabilities relate positively to firm competitive advantages and that volatile markets do not weaken the positive relationship between them. The findings indicated that dynamic capabilities in highly volatile markets effectively enhance the firm's competitive advantage. The study by Lin and Wu (2014) demonstrates that dynamic capabilities when looking at it from resource based view improved performance. It required accumulating resources and developing dynamic capability so that firms can improve their performance. Other scholars (see; Wilden, Gudergan, Nielsen & Lings, 2013) examined the role of the external environment on the effect of dynamic capabilities and found that dynamic capabilities have a positive effect on sales growth and financial solvency when firms are faced with increasing levels of competitive intensity.

Makkonen et al. (2014) investigates the relationship between dynamic capabilities with internal processes and found a positive effect on organizational change, which in turn

positively affects product innovativeness. Gathungu & Mwangi (2012) examined the relationship between dynamic capabilities, talent development and firm performance and found that the dynamic capabilities influence firm performance positively towards ensuring their survival in the dynamic market place.

Despite these growing interests and researches on how dynamic capability and other factors affects firm's growth, it seems that knowledge of this relationship and the extent to which small and medium scale enterprise within Port Harcourt metropolis understand and valued dynamic capability differs, and becomes irrelevant in terms of achieving entrepreneurial growth. Secondly, most of the past research studies examined were carried out in foreign environment of which its findings may differ from the domestic environment. Therefore, this study examined the relationship between dynamic capability and entrepreneurial growth in order to bridge this gap in literature.

Statement of the Problem

Entrepreneurial growth without adequate development of dynamic capabilities led to the erosion of operational capabilities, which in turn dilute overall firm growth rates or even drive the growing organization into severe crisis of financial performance decline leading to growth setbacks (Garnsey, Stam & Heffernan, 2006). Consequently, and medium scale industry is faced with the challenges of providing quality goods and services to customers who are sophisticated and will not accept less than above average service. Hence, it is certain that the perceived lack of knowledge in dynamic capability to ensure entrepreneurial growth in small and medium scale enterprises is the major issues faced by small and medium scale enterprises in Port Harcourt (see, Osisioma, *Nzewi* & Mgbemena, 2014).

Failure to engage in opportunity search resulted in poor sales volume and low profit maximization in small and medium scale enterprises in Port Harcourt. Inability of small and medium scale enterprises Port Harcourt to acquire resources and reconfigure resources effectively to attain entrepreneurial growth has been the result of low profitability and low sales volume which drastically affects entrepreneurial growth.

The manifestations of these problems have been evidenced in inability of small and medium scale enterprises in Port Harcourt to expand their scope of operations, inability to provide equate rewards for its workers indicates in serve complaint of workers. These problems are severe and drawn the attention of the researcher to investigates the relationship between dynamic capability and entrepreneurial growth in small and medium scale enterprises in Port Harcourt. Specifically, it examined the relationship between opportunity search and sales volume and profit maximization: the relationship between resource acquisition and sales volume and profit maximization: it also investigates how resource reconfiguration affects sales volume and profitability in small and medium scale enterprises in Port Harcourt to provide solution to these problems.

Aim and Objectives of the Study

The purpose of this study is to identify the relationship between dynamic capability and entrepreneurial growth in small and medium scale enterprises in Port Harcourt. The specific objectives of the study include the followings:

1. To identify the relationship between opportunity search and sales volume in small and medium scale enterprises in Port Harcourt

2. To identify the relationship between opportunity search and profit maximization in small and medium scale enterprises in Port Harcourt.
3. To identify the relationship between resource acquisition and sales volume in small and medium scale enterprises in Port Harcourt.
4. To identify the relationship between resource acquisition and profit maximization in small and medium scale enterprises in Port Harcourt.
5. To identify the relationship between resource reconfiguration and sales volume in small and medium scale enterprises in Port Harcourt.
6. To identify the relationship between resource reconfiguration and profit maximization in small and medium scale enterprises in Port Harcourt.

Research Hypotheses

The following null hypotheses were formulated for this study:

HO₁: There is no significant relationship between opportunity search and sales volume in small and medium scale enterprises in Port Harcourt.

HO₂: There is no significant relationship between opportunity search and profit maximization in small and medium scale enterprises in Port Harcourt.

HO₃: There is no significant relationship between resource acquisition and sales volume in small and medium scale enterprises in Port Harcourt

HO₄: There is no significant relationship between resource acquisition and profit maximization in small and medium scale enterprises in Port Harcourt.

HO₅: There is no significant relationship between resource reconfiguration and sales volume in small and medium scale enterprises in Port Harcourt

HO₆: There is no significant relationship between resource reconfiguration and profit maximization in small and medium scale enterprises in Port Harcourt

2.0 Literature Review

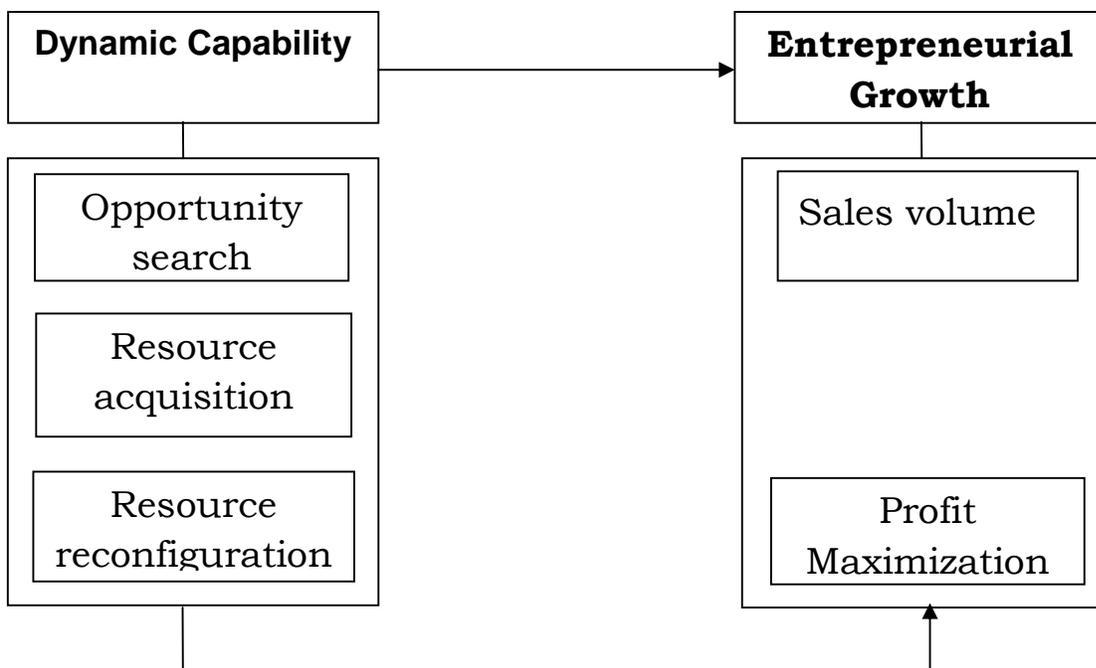


Figure 2.1: Conceptual Framework

Source: Dimensions of dynamic capability (Teece et al. 1997; Pierce et al. 2002; Alsos et al. 2007; Teece 2007; Augier & Teece 2009; Alsos et al. 2007; Ghanam & Cox 2007; Sirmon et al. 2007). Measures of entrepreneurial growth (Welpel, Wollersheim & Lamers, 2013).

The baseline theories for this study include “Teece’s dynamic capability theory originated from Schumpeter’s (1934) theory of entrepreneurship (Teece, Pisano & Shuen, 1997) and ‘Resource-based view theory’, that originated from Penrose, firm’s growth theory (1995). Teece’s dynamic capability theory explains how firms adapt to environmental dynamism by modifying their underlying resources and capabilities. It is considered to have originated from Schumpeter’s (1934) ‘Innovation-based Competition’ where competitive advantage is based on the creative destruction of existing resources and novel recombination into new operational capabilities (Gathungu & Mwangi, 2012).

The aim of the theory is to understand how firms use dynamic capabilities to achieve and sustain firm’s growth despite an ever changing environment by appropriately adapting, integrating, and reconfiguring organizational skills and operational capabilities towards a changing environment (Gathungu & Mwangi, 2012, Helfat & Peteraf, 2003, Porter, 1991). It explains the sources of enterprise-level competitive advantage over time and provide guidance for managers when renewing a firm’s competences to match the requirements of a changing environment.

The study adopts the resource-based view theory. The resource-based view is deeply connected with the topics of firm growth and firm performance (Davidsson et al., 2009). The link of the resource-based view of the firm and growth originates from Penrose’s seminal work “The Theory of the Growth of the Firm” (Penrose, 1995). So far, the dynamic resource-based view of the firm is primarily used in strategy and management theory for explaining performance development of established firms over time based on firm’s development paths of resources and capabilities (Gary et al., 2008). But the integration of the interlinked concepts of resources and capabilities is also an emerging approach in the literature on small and new firm growth (Wiklund, Patzelt, & Shepherd, 2009).

Empirical Review of Dynamic Capability

A number of studies have been carried out by various researchers on Dynamic Capabilities and the Performance of Organizations. Li & Liu (2014), examined dynamic capability, environmental dynamism and competitive advantage in 217 enterprises in China. Using survey research design, they assessed the role of dynamic capability on gaining competitive advantage. They found that dynamic capabilities have a significant positive impact on competitive advantage, and that environmental dynamism is an antecedent of dynamic capabilities and facilitates their development.

Wu (2010) appraised the role of environment dynamics, the applicability of the resource based and dynamic capabilities views in volatile markets. The study examined 253 Taiwanese firms. The main hypothesis in the study stated that a firms’ dynamic capabilities relate positively to firm competitive advantages and that volatile markets do not weaken the positive relationship between them. The findings indicated that dynamic capabilities in highly volatile markets effectively enhance the firm’s competitive advantage.

Lin & Wu (2014) applied the resource based view to study the mediating effect of dynamic capabilities on improved performance and found a positive correlation. They argue that valuable, rare, imperfectly imitable and non-substitutable resources positively affect the development of dynamic capabilities. The result of this study emphasizes that by accumulating resources and developing dynamic capability, firms can improve their competitive advantage and their performance.

Wilden, Gudergan, Nielsen, and Lings (2013) examined the role of the external environment on the effect of dynamic capabilities. It was found that dynamic capabilities have a positive effect on sales growth and financial solvency when firms are faced with increasing levels of competitive intensity. Makkonen et al. (2014) assessed the relationship of dynamic capabilities with internal processes. Survey research design was applied. They found that dynamic capabilities have a positive effect on organizational change, which in turn positively affects product innovativeness. Findings from the study showed that dynamic capabilities give firms competitive advantage and increase their evolutionary fitness. Gathungu and Mwangi (2012) carried out a study on Dynamic Capabilities, Talent Development and Firm Performance in which they investigated the nature of sensing, seizing and transforming managerial dynamic capabilities and their interconnection influence firm performance. The study indicates that the dynamic capabilities influence firm performance positively towards ensuring their survival in the dynamic market place.

Aimilia, Yannis and Spyros (2011), explored “Dynamic Capabilities and their Direct Impact on Firm Performance”. The study measured dynamic capabilities as a multi-dimensional construct with three underlying factors: Coordination, Learning and Strategic competitive Response. They employed structural equation modelling to explore the relationships among dynamic capabilities, functional competences and firm’s performance. They found that dynamic capabilities have a positive impact on firm performance in both high and low levels of environmental change.

Concept of Change Management

It has been argued that dynamic capability is crucial for small firms to successfully exploit and create new opportunities (Zahra, Sapienza & Davidsson, 2006). Teece, et al. (1997) defined dynamic capability as ‘the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments’ (Teece, et al., 1997). This implies that it is the firm’s processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match or even create market change. Due to constraints in resources, SMEs have to reconfigure, reallocate, and recombine their resources to achieve desired goals. The firm’s ability to do this is referred to as dynamic capability (Eisenhardt & Martin, 2000; Teece, et al., 1997).

Teece (2007) argues that matching or creating market change happens through three sub-processes of dynamic capabilities: ‘the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets (Teece, 2007). The capability for a firm to sense, seize and reconfigure can reside in many different types of functions and thus exist in different areas of the firm.

Opportunity Search

Opportunity search is very important to entrepreneurs. It has been stated that the essence of entrepreneurship is the identification and creation of new opportunities, whereas the essence of strategic management is in how these opportunities can be transformed into (sustainable) competitive advantage (Venkataraman & Sarasvathy 2001; Zahra & Dess 2001; Kuratko et al. 2005). However, it has also been suggested that entrepreneurial opportunity seeking is also strategic behaviour with the aim of value creation (Ireland et al. 2003; Ramachandran et al. 2006). In this study, both sides of the opportunity concept are noted. In addition, ideas about the concept of opportunity are closely related because, according to Shane and Venkataraman (2000), an idea is something which can lead to an opportunity which can then be evaluated and finally utilized. Briefly, presenting opportunities as either concrete realities or as an enactment of an entrepreneur's unique vision have shaped the two dominant views of the opportunity construct (Alvarez & Barney 2007). The first view positions opportunities as discovered. In other words, opportunities are viewed as a function of tangible reality and they exist "out there" waiting to be found.

Hansen et al. (2011) and Sarasvathy et al. (2003) for example stated that the creative process view is not yet as well developed as the discovery process view. Almost a decade later, the literature review here indicates that the situation remains almost unchanged. Moreover, it should be acknowledged that scholars are far from reaching consensus on entrepreneurial opportunity and opportunity-related processes (Hansen et al. 2011). However, since this study's framework relies more on opportunity discovery approaches, it follows that systematic scanning of the environment for new business opportunities will play a major role in the study.

Resource Acquisition

According to Helfat et al. (2007) one of the most important 'how' questions related to dynamic capabilities concerns how firms can build or acquire new resources and capabilities. After a firm's managers have observed new business opportunities, they must figure out how to interpret new events and developments, which technologies to pursue and which market segments to target (Teece, 2007).

If a firm lacks relevant resources, it typically needs to search for new resources outside the firm (Helfat et al. 2007). Previous research has usually focused on direct investment as a way of acquiring resources (Wernerfelt 1984; Barney 1986; Peteraf 1993). In addition, resources can also be acquired through other processes or through activities undertaken in product markets (e.g. Andersén 2007). Dynamic capability literature has, for example, paid attention to alliances as a source of resources (Eisenhardt & Martin 2000). However, when studied from the perspective of cooperation and networking, there are significant differences between SMEs.

In other words, some firms are more efficient than others at organizing cooperation and finding good partners to operate with. Previous literature in this field has also discussed the recruitment of new managers and personnel (e.g. Rindova & Taylor 2002), and acquisitions and post-acquisition integration (e.g. Zollo & Winter 2002) which are common when observing dynamic markets. Helfat et al. (2007) explore how firms use business acquisitions to obtain new resources and refer to these processes as acquisition-based dynamic capabilities which complement a firm's alliance-forming capabilities.

Resource Reconfiguration

Surviving in changing market situations requires the firm to be able to modify its resource base. This can be done, for example, by integrating acquired resources with the resource base already possessed by the firm. This kind of integration can be illustrated by the form of new product innovations where a firm's ability to integrate and combine assets (including knowledge) often plays a major role (Grant, 1996; Teece, 2007).

From the viewpoint of a firm's growth, capabilities related to reconfiguration are essential because growth is often related to R&D, product innovation and the ability to gain competitive advantage in product markets (Romano 1990). By opening new markets to the firm, new products provide firms with momentum for market share growth and improved profitability (Iansiti, 1995;

Zahra & Nielsen, 2002) and it is, therefore, obvious that reconfiguration processes are intertwined with opportunity search as well as resource acquisition processes. However, firms must do much more than simply allocate large expenditures to R&D to sustain superior performance.

The innovation process requires active orchestration of both tangible and intangible assets by entrepreneurs and managers. This is true whether the context is SMEs or large firms, and understanding this orchestration is at the centre of the dynamic capabilities approach (Augier & Teece, 2009). In other words, opportunities build, maintain and adjust its product offerings, structures and routines (Teece, 2007). Consequently, the firm needs not only new resources but also the capabilities to change those resources into new combinations as the firm grows. If it has the capabilities to shape its existing resources into new products and routines, it appears that the firm needs fewer new resources and therefore it has the opportunity to make cost savings.

Concept of Entrepreneurial Growth

Penrose (1995) defined growth as "a process of development in which an interacting series of internal changes leads to increases in size accompanied by changes in the characteristics of the growing object). Referring to firm growth, Penrose viewed growth as a dynamic process in which members of an organization accumulate knowledge and competence. In her theory the firm is an administrative unit made up of potentially valuable resources.

The function of Entrepreneurs is to decide what resources to deploy and what activities to carry out. Within this context, Penrose identifies two types of firm-specific capabilities: entrepreneurial and managerial capabilities. Entrepreneurial capabilities are a function of imagination, and are necessary for a company to utilize its resources in new ways (McKelvie & Wiklund, 2010). According to Penrose (1995), entrepreneurial capabilities act as an engine for growth. However, in order to administrate the growing organization and keep a sustainable growth trajectory, managerial capabilities are needed. In Penrose's firm growth theory managerial capabilities refer to the firm's ability to efficiently manage the growth process and the enlarged business operation.

Managerial capabilities, which the organization attains through an evolutionary process of learning and investment, can be a major limit to growth in two ways. First, a firm's rate of growth is limited by the rate at which knowledge can be accumulated. Second, a firm's size is limited by the extent of the firm's ability to sustain effective business administration of the firm's expanding borders (Penrose, 1995). The process of

acquiring and accumulating sufficient levels of managerial knowledge and expertise constraints the rate at which a firm can grow, which is known as the “Penrose Effect” (Slater, 1980) or referred to as the managerial capacity problem (Barringer & Jones, 2004).

Sales Volume

Sales volume is the amount by which the average sales volume of a company's products or services has grown, typically from year to year business (<http://www.businessdictionary.com/-definition/sales-growth.html>). Sales growth targets play a major role in the perceptions of top managers. The great majority of growth studies are solely concerned with one-dimensional growth measures, most often sales growth or growth in number of employees (Delmar, 2006).

Using surveys, Hubbard and Bromiley (1994) find sales to be the most common objective mentioned by senior managers. Eliasson (1976) reports that planning systems generally begin with sales targets. An emphasis on sales volume also provides a useful and visible benchmark to motivate managers. Kaplan and Norton (1996) argue that firms must use a wide variety of goals, including sales growth, to effectively reach their financial objectives. Brush, Bromiley, and Hendrickx (2000), shows that sales growth is influenced by factors that range from internal motivation to promotion and retention of talented employees all the way to the implied opportunities for investments in new equipment and technologies that upgrade the production process as a whole. In addition, sales volume provides opportunities for economies of scale and learning curve benefits (Brush, et al., 2000).

Profit Maximization

Profit maximization is the primary goal of all small and medium scale businesses. Without profitability, business will not survive in the challenging and competitive environment that firms are operating today. The great majority of growth studies are solely concerned with one-dimensional growth measures, most often profit performance evolution of small and/or young firms which has received relatively more empirical attention (Davidsson et al., 2009).

Different theoretical perspectives suggest different outcomes for the relationship between growth and a firm's financial performance. One perspective suggests that growth should be positively associated with profit maximization. This is brought forward in literature streams relating to economies of scale (Besanko, Dranove, Shanley, & Schaefer, 2009), experience effects (Stalk & Stern, 1998), first-mover-advantages (Lieberman & Montgomery, 1988) and network externalities (Katz & Shapiro, 1985). These theories suggest that growth drives profit maximization due to reduced costs or by establishing a better market position (Davidsson et al., 2009) and “that in the presence of such positive feedbacks, firms should pursue an aggressive strategy in which they seek to grow as rapidly as possible (Oliva, Serman, & Giese, 2003) in order to ensure high firm performance in competitive markets. Entrepreneurs delivered better than budgeted profit when sales exceeded expectations and reduced costs to minimize the loss of profits when sales fell below budget.

Methodology

Research Design

Research design serves as a plan that is used as guide in collecting and analyzing data for a study (Baridam, 2001). He stated that there are basically two types of research design; experimental and quasi-experimental research design. Under the experimental research design, all the elements (e.g. research setting, the explanatory variables, the study subjects, the method of collecting the data from the study subjects) as noted by AbdeHah and Levine (1979) in Baridam (2001) of the design were under control by the researcher, whereas, under quasi-experimental research design which is also called 'a survey' the elements were not under the control by the researcher (Baridam, 2001).

Hence, this study adopts the cross sectional research design as a subset of quasi-experimental research since it was a survey research study. Furthermore, the reason for the choice of this method is that, the study investigated into events in which the interactions between the dependent and independent variables has occurred and were not manipulated.

Population of the Study

Sekaran (2003) defined population as the entire group of people, events or things of interest that the researcher wishes to investigate. The population of the study consists of entrepreneurs in small and medium scale enterprises in Port Harcourt. Since it was not possible for the researcher to cover the whole population due to their geographical locations, the study focused on small and medium scale businesses in GRA, Rumuola, down to Choba to Rumuokoro axis in Port Harcourt Accessible population of the study was derived from the 120 registered SMEs in Port Harcourt (2009 - 2015 *businesslist.com.ng*) and eight 8 SMEs were visited for data generations. Table 3.1 below showed the distribution of the population of the firms.

Table 3.1 Distribution of the Population of the Study

S/N	Names of small and medium scale firms	Accessible population
1	Iyadbilly Ventures	56
2	A1 Integrated Resources Limited	38
3	Sodexho Nigeria Limited	5
4	K&K Concept Company Limited	54
5	Hamilton Technology Limited	5
6	B.G Technical Limited	6
7	Glomir Global Resources Limited	30
8	Hazcon Nigeria Limited	28
	Total	350

Source: Research desk (2018).

A sample is a group of subjects that represent the entire population (Brynard & Hanekom, 1997). A sample is taken from a larger population. The two types of sampling are non-probability and probability sampling. Non probability sampling is not truly representative while probability sampling is truly representative and each element has an equal chance of being selected. In this study, the simple random probability sampling technique was

adopted. Here, all the elements in the population are given an equal opportunity to be chosen. This minimizes bias and simplifies analysis of results. To determine the sample size representation of the population of the study, the study adopted Taro Yamane's (1967) formula as stated below:

$$n = \frac{N}{1 + N(e^2)}$$

Where;

n = Sample size

N = Population

e² = level of significance (0.05)

To compute the sample size becomes;

$$= \frac{350}{1 + 350(0.05)}$$

$$= \frac{350}{1 + 350(0.0025)}$$

$$n = 187$$

Bowley's (1964) individual sampling method was used for unit population allocation for each company. To determine the sample proportion of each firm, Bowley's formula for individual sample size was adopted. Thus, the entire sampling determination process was computed and tabulated as shown below.

Table 3.2 Summarized Sampling Procedures.

S/N	Names of small and medium scale firms	Population	Strata Comp. $\frac{nNh}{N}$	Stratum Size
1	Iyadbilly Ventures	56	$\frac{187 \times 56}{350}$	30
2	A1 Integrated Resources Limited	38	$\frac{187 \times 38}{350}$	20
3	Sodexho Nigeria Limited	34	$\frac{187 \times 34}{350}$	18
4	K&K Concept Company Limited	54	$\frac{187 \times 54}{350}$	29
5	Hamilton Technology Limited	64	$\frac{187 \times 64}{350}$	34
6	B.G Technical Limited	46	$\frac{187 \times 46}{350}$	25
7	Glomir Global Resources Limited	30	$\frac{187 \times 30}{350}$	16

8	Hazcon Nigeria Limited	28	$\frac{187 \times 28}{350}$	15
	Total	350		187

Source: Research data, (2018).

Methods of Data Analysis

Since the major focus of the research study is to examine the relationship between entrepreneurial mind-set and human capacity building, the major statistical tool adopted in the data analysis include the descriptive statistic (e.g. simple percentage rates and mean score determination) and the non-parametric test statistic technique (Spearman’s rank order correlation coefficient (Rho)).

The Spearman’s rank order correlation coefficient is appropriate with use of SPSS version (21.0) in testing the proposed hypotheses to generate findings. The reason behind the use of the Spearman’s rank order correlation coefficient is because it is appropriate if the study involves the examination between two ranked paired observations. Additionally, it measures the relationship between two set of ranked observations, and showed the degree of effectiveness in predicting one ranked variable based on another ranked variable (Baridam, 2001). The formula for the Spearman’s rank order correlation coefficient is stated as expressed below;

$$\text{Rho} = 1 - \frac{6 \sum d^2}{n(n^2 - 1)}$$

Where, $\sum d^2$ = Sum of the squared differences in the ranking of the subject on two variables.
 N = Number of subject being ranked.

Test statistic: The significance level of the relationship between the two variables is very important to ascertain, and Z-test was appropriate in the computation of the level of significance, although SPSS software was used to handle this task.

Decision Criteria

Decision was made on the tested hypotheses, although it depends on the value of correlations that exists between the two variables tested. The interpretation in table 3.3 below guided the decision on the test results.

Results and Discussion

Testing of Hypotheses

Testing of Hypothesis One

H₀₁: There is no significant relationship between opportunity search and sales volume in small and medium scale enterprises in Port Harcourt.

Table 4.15 Correlation analysis on the relationship between opportunity search and sales volume.

Correlations			Opportunit y search	Sales volume
		Correlation	1.000	.617**

Spearman's rho	Opportunity search	Coefficient		
		Sig. (2-tailed)	.	.000
		N	152	152
	Sales volume	Correlation Coefficient	.617**	1.000
		Sig. (2-tailed)	.000	.
		N	152	152

** . Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS Output result, (2018).

Opportunity search and sales volume correlates at .617, when the p-value is $0.000 < 0.05$. This signified a moderate relationship. Thus, the study rejected H_{01} and accepted the alternative hypothesis that there is significant and a strong positive relationship between opportunity search and sales volume in small and medium scale enterprises in Port Harcourt.

Testing of Hypothesis Two

H_{02} : There is no significant relationship between opportunity search and profit maximization in small and medium scale enterprises in Port Harcourt.

Table 4.16 Correlation Analysis on the relationship between opportunity search and profit maximization.

Correlations				
			Opportunity search	Profit maximization
Spearman's rho	Creativity	Correlation Coefficient	1.000	.759**
		Sig. (2-tailed)	.	.000
		N	152	152
	Profit maximization	Correlation Coefficient	.759**	1.000
		Sig. (2-tailed)	.000	.
		N	152	152

** . Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS Output result, (2018).

Opportunity search and profit maximization correlated at .759 when the p-value is $.000 < 0.05$. This indicates that there is a strong relationship. Therefore, the study rejected H_{02} and concludes that a strong, positive and significant relationship between opportunity search and profit maximization in small and medium scale enterprises in Port Harcourt.

Testing of Hypothesis Three

H_{03} : There is no significant relationship between resource acquisition and sales volume in small and medium scale enterprises in Port Harcourt.

Table 4.17 Correlation analysis on the relationship between resource acquisition and sales volume.

Correlations				
			Resource acquisition	Sales volume
Spearman's rho	Resource acquisition	Correlation Coefficient	1.000	.779**
		Sig. (2-tailed)	.	.000
		N	152	152
	Sales volume	Correlation Coefficient	.779**	1.000
		Sig. (2-tailed)	.000	.
		N	152	152

** . Correlation is significant at the 0.05 level (2-tailed).

Resource acquisition and sales volume correlated at .628 when the p-value is $.000 < 0.05$. This indicates that there is a strong relationship. Therefore, we rejected H_{03} and concluded that there is a significant and strong relationship between resource acquisition and sales volume in small and medium scale enterprises in Port Harcourt.

Testing of Hypothesis Four

H_{04} : There is no significant relationship between resource acquisition and profit maximization in small and medium scale enterprises in Port Harcourt.

Table 4.18 Correlation analysis showing the relationship between resource acquisition and profit maximization.

Correlations				
			Resource acquisition	Profit maximization
Spearman's rho	Resource acquisition	Correlation Coefficient	1.000	.715**
		Sig. (2-tailed)	.	.000
		N	152	152
	Shareholders' value	Correlation Coefficient	.715**	1.000
		Sig. (2-tailed)	.000	.
		N	152	152

** . Correlation is significant at the 0.05 level (2-tailed).

Resource acquisition and profit maximization correlated at .715 when the p-value is $.000 < 0.05$. This indicates that there is a strong relationship. Therefore, we rejected H_{04} and concluded that there is a significant and strong relationship between resource acquisition and profit maximization in small and medium scale enterprises in Port Harcourt.

Testing of Hypothesis Five

H₀₅: There is no significant relationship between resource reconfigurations and sales volume in small and medium scale enterprises in Port Harcourt.

Table 4.16 Correlation Analysis on the relationship between reconfiguration and sales volume.

Correlations				
			Resource reconfiguration	Sales volume
Spearman's rho	Resource reconfiguration	Correlation Coefficient	1.000	.634**
		Sig. (2-tailed)	.	.000
		N	152	152
	Shareholders' value	Correlation Coefficient	.634**	1.000
		Sig. (2-tailed)	.000	.
		N	152	152

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output result, (2018).

Opportunity search and sales volume correlated at .634 when the p-value is .000 < 0.05. This indicates that there is a moderate relationship. Therefore, the study rejected **H₀₂** and concludes that a moderate, positive and significant relationship exists between resource reconfiguration and sales volume in small and medium scale enterprises in Port Harcourt.

Testing of Hypothesis Six

H₀₆: There is no significant relationship between resource reconfiguration and profit maximization in small and medium scale enterprises in Port Harcourt.

Table 4.16 Correlation Analysis on the relationship between resource reconfiguration and profit maximization.

Correlations				
			Resource reconfiguration	Profit maximization
Spearman's rho	Resource reconfiguration	Correlation Coefficient	1.000	.823**
		Sig. (2-tailed)	.	.000
		N	152	152
	Profit maximization	Correlation Coefficient	.823**	1.000
		Sig. (2-tailed)	.000	.
		N	152	152

** Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS Output result, (2018).

Resource reconfiguration and profit maximization correlated at .823 when the p-value is $.000 < 0.05$. This indicates that there is a moderate relationship. Therefore, the study rejected H_{02} and concludes that a strong, positive and significant relationship exists between resource reconfiguration and profit maximization in small and medium scale enterprises in Port Harcourt.

Discussion of Findings

The study examined the relationship between the dimensions of dynamic capabilities and measures of entrepreneurial growth as adopted in this study. From the analysis of hypothesis one, the finding revealed a significant relationship between opportunity search and sales volume. This finding is supported by the work of Venkataraman and Sarasvathy (2001); Wilden, Gudergan, Nielsen, and Lings (2013). Venkataraman and Sarasvathy (2001) found that opportunity search is very important to entrepreneurs and stated that the essence of entrepreneurship is the identification and creation of new opportunities, and to transform these opportunities into (sustainable) competitive advantage (Venkataraman & Sarasvathy, 2001). While Wilden, Gudergan, Nielsen, and Lings (2013) examined the role of the external environment on the effect of dynamic capabilities. It was found that dynamic capabilities have a positive effect on sales growth and financial solvency when firms are faced with increasing levels of competitive intensity.

The finding from hypotheses two showed a significant relationship between Opportunity search and profit maximization. Thus finding is supported by the work of Wilden, Gudergan, Nielsen, and Lings (2013) who examined the role of the external environment on the effect of dynamic capabilities. It was found that dynamic capabilities have a positive effect on financial solvency when firms are faced with increasing levels of competitive intensity.

From the analysis of hypotheses three, the finding showed a significant relationship between resource acquisition and sales volume. This finding is supported by the work of Helfat et al. (2007), they found that firm lacks relevant resources, it typically needs to search for new resources outside the firm and that resources can be acquired through other processes or through activities undertaken in product markets.

From the analysis of hypotheses four, the finding showed a significant relationship between resource acquisition and sales volume. This finding is in supports of the findings by Grant, (1996). It was stated that surviving in changing market situations requires the firm to be able to modify its resource base. Additionally, by integrating acquired resources with the resource base already possessed by the firm, this kind of integration can be illustrated by the form of new product innovations where a firm's ability to integrate and combine assets (including knowledge) often plays a major role (Grant, 1996). This will lead to increased sales volume.

From the analysis of hypotheses five, the finding showed a significant relationship between resource reconfiguration and sales volume. This finding is supported by the work of Romano (1990). They stated that from the viewpoint of a firm's growth, capabilities related to reconfiguration are essential because growth is often related to R&D, product

innovation and the ability to gain competitive advantage in product markets (Romano 1990). By opening new markets to the firm, new products provide firms with momentum for market share growth and improved profitability (Iansiti, 1995; Zahra & Nielsen, 2002) and it is, therefore, obvious that reconfiguration processes are intertwined with opportunity search as well as resource acquisition processes. However, firms must do much more than simply allocate large expenditures to R&D to sustain superior performance.

From the analysis of hypotheses six, the finding showed a significant relationship between resource reconfiguration and profit maximization. This finding is supported by the work of Zahra and Nielsen, (2002), they found that reconfiguration processes are intertwined with opportunity search as well as resource acquisition processes. However, firms must do much more than simply allocate large expenditures to R&D to sustain superior performance. They recommended that firms build, maintain and adjust its product offerings, structures and routines. Consequently, the firm needs not only new resources but also the capabilities to change those resources into new combinations as the firm grows. If it has the capabilities to shape its existing resources into new products and routines, it appears that the firm needs fewer new resources and therefore it has the opportunity to make cost savings. They also found that resource reconfiguration capabilities therefore play a significant role above and beyond a firm's innovations.

Conclusion and Recommendations

Conclusion

Following the findings, it is concluded that dynamic capabilities facilitates entrepreneurial growth through the deployment of dynamic capabilities. Dynamic capabilities influence entrepreneurial growth positively and thus any enterprise that fails to embrace dynamic capability may not survive in the dynamic market environment because the possession of only unique resources is not sufficient anymore to achieve entrepreneurial growth.

Recommendations

Based on the findings the following recommendations were put forward:

- i. Entrepreneurs should establish dynamic capabilities to identify emerging opportunities or threats and effectively capitalize on opportunities by launching new products and services, entering new market segments, or forming strategic alliances to increase sales volume.
- ii. Entrepreneurs should engage in opportunity search in order to identify new area of business that will increase sales volume in small and medium scale enterprises in Port Harcourt.
- iii. Entrepreneurs should embrace resource acquisition as an effective medium for increasing sales volume in small and medium scale enterprises in Port Harcourt
- iv. Entrepreneurs should strategically acquire resources efficiently and evaluate which resource combination from the possible alternatives best suits the firm's purposes to attain profit maximization.

Contribution to Knowledge

The study contributes to the extant literature on firm growth in three ways: (a) by providing a detailed case description capturing the process of firm growth based on

rich, longitudinal quantitative and qualitative data; (b) by providing an analysis of the dynamic causal relationships of organizational capabilities and firm performance during the process of growth; and (c) by advancing the integration of the concept of capabilities to the literature on firm growth.

This study contributes to remedy the perceived lack of knowledge in the firm growth literature about the dynamic process of growth and extends the integration of the concept of capabilities into the research on firm growth. Prior research suggests that the development of adequate organizational capabilities is crucial for achieving sustainable growth. However, detailed investigation of how firms build capabilities for growth and the effects of overstressing organizational capabilities due to fast growth is scarce. By providing insights about the dynamic relationships of firm growth, capabilities, and performance this study provides a firm internal explanation for why in many cases growth surges are followed by periods of stagnation and/or reversal. The findings of this study have important implications for research and practice.

Suggestion for Future Research

While this study focused on small and medium scale enterprises, future research could take the path of empirically enumerating how often failure to develop and sustain dynamic capabilities influence growth of manufacturing companies in Port Harcourt for the dilution or reversal of growth issues. Also, future studies could delve into the topic why companies fail to develop dynamic capabilities during the growth process. In order to advance research on capability and entrepreneurial growth, future studies need to be designed and to include the factors that moderates the relationship between dynamic capabilities and entrepreneurial growth.

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