

## Entrepreneurial Ecosystem and Sales Growth of Selected Manufacturing Small and Medium Enterprises in South-West, Nigeria



Binuyo, A. O.<sup>1</sup>, Nwankwere, I. A.<sup>2</sup>, Okoronkwo, G.I.<sup>3</sup> Bamidele, A.G.<sup>4</sup>

<sup>1,2,3,4</sup>Department of Business Administration and Marketing School of Management Sciences, Department of Business Administration and Marketing, Babcock University, Ilishan-Remo, Ogun state, Nigeria.

**ABSTRACT:** Small and medium scale enterprises (SMEs) play a key role in the development of every nation and thus, instrumental in economic growth and development. They help in promoting prosperity by creating new jobs and increasing a region's economic prosperity. Hence, governments in developing and developed nations see them as a means of employment, innovation and wealth creation. Nevertheless, there are still many small businesses that fail in their first few years of existence, despite all of the positive efforts, contributions, and interventions that have been put in place. This could be due to the fast-changing, increasingly competitive, and dynamism of the entrepreneurial ecosystem. Therefore, this study focuses on the role of the entrepreneurial ecosystem in improving sales growth of selected manufacturing small and medium enterprises in South-West, Nigeria. The study adopted survey research design. The population of study consist of 423 owner-managers within the 6 selected ecosystems. The total enumeration method was used because the size of the population is moderate, and data was collected using a valid and reliable questionnaire with a Cronbach alpha value ranged from 0.701 to 0.911. The data were analysed using both descriptive and inferential tools. A response rate of 95.5% was recorded. Multiple and hierarchical regression analysis were used to determine the effect of the variables using Statistical Package for Social Science version 27. The findings revealed entrepreneurial ecosystem has significant effect on waste reduction ( $Adj. R^2 = 0.289$ ;  $F(6,397) = 28.342$ ,  $p < 0.05$ ). The study concluded that entrepreneurial ecosystem has significant effect on waste reduction of selected manufacturing small and medium scale enterprises in South-West Nigeria. The study recommended that management should prioritize developing and operating in a strong entrepreneurial ecosystem to ensure long-term sustainability.

**KEYWORDS:** Entrepreneurial ecosystem, financial support, Networking, Need for achievement, Profitability, Sales Growth

### INTRODUCTION

There are essential factors within the entrepreneurial ecosystem of Nigeria that have the potential to enhance firm sustainability that has not been given adequate attention (Hermanto, 2017). An entrepreneurial ecosystem or entrepreneurship ecosystem is the social, environmental and economic environment affecting the local or regional entrepreneurship. Entrepreneurial ecosystems are set of interdependent actors and factors coordinated in such a way that they enable productive and sustainable entrepreneurship within a particular territory (Kobylińska & Lavios, 2020). The entrepreneurial ecosystem concept operates on the premise that small businesses are an important source of innovation, productivity growth, and employment (Guerrero & Espinoza-Benavides, 2021). The concept of entrepreneurial ecosystem consists of factors such as financial support, infrastructural support, research and development networking, institutional support and government policy among others.

Poor energy efficiency among SMEs in Nigeria is a significant issue with several implications. Many SMEs in Nigeria rely on inefficient equipment and outdated technologies, leading to excessive energy consumption and high operational costs. A study conducted by Ogwueleka and Uwakwe (2017) found that SMEs in Nigeria have a low level of energy efficiency due to factors such as outdated machinery, lack of energy management systems, and limited access to energy-saving technologies (Ogwueleka & Uwakwe, 2017). Also, inefficient energy use results in increased energy bills for SMEs. The high energy costs can strain the financial resources of these businesses, limiting their ability to invest in other critical areas such as expansion, innovation, and talent acquisition. A report by the Nigerian Energy Support Programme (NESP) highlights the financial burden faced by SMEs due to poor energy efficiency practices (Nigerian Energy Support Programme, 2018). Poor energy efficiency contributes to higher greenhouse

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gas emissions and environmental degradation. SMEs in Nigeria, with their inefficient energy practices, contribute to the overall energy consumption and carbon footprint of the country. This further exacerbates the environmental challenges faced by Nigeria, including climate change and air pollution (Ogwueleka & Uwakwe, 2017). Inefficient energy use often leads to increased reliance on fossil fuels, such as diesel generators, in Nigeria. SMEs heavily depend on these generators to compensate for inadequate and unreliable electricity supply. The use of fossil fuels not only contributes to environmental pollution but also exposes SMEs to the volatility of fuel prices and supply disruptions (Ajayi et al., 2019).

Scholars have argued that manufacturing small and medium enterprises play a major role in most economies, particularly in developing countries. However, access to finance is a key constraint to SME growth, it is the second most cited obstacle facing manufacturing SMEs to grow and sustain their businesses in emerging markets and developing countries (Cherkos et al., 2018). Small and medium enterprises are less likely to have access to financial facilities or obtain bank loans, instead, they rely on internal funds, credit, or cash from friends and family, to launch and initially run their enterprises (Kebede & Abera, 2014). The International Finance Corporation (IFC) estimates that 65 million firms, or 40% of formal small and medium enterprises (SMEs) in developing countries, have an unmet financing need of \$5.2 trillion every year, which is equivalent to 1.4 times the current level of the global SME lending (Al Mamun et al., 2021).

The entrepreneurial ecosystem is a complex network of organizations, institutions, and individuals that interact to support the growth and development of entrepreneurs and small and medium-sized enterprises (SMEs) (Stam & Van de Ven, 2021). Linking the ecosystem to firm sustainability is important as it helps create an environment in which SMEs can thrive and become more resilient. The entrepreneurial ecosystem provides SMEs with the resources they need to succeed, such as access to capital, legal advice, and mentorship (Wurth et al., 2022). These resources can help SMEs establish the necessary foundations for success, such as developing and marketing their products, accessing customers, and managing their finances (Volkman et al., 2021). However, in the context of Nigeria, financial support is one of the main challenges faced by small and medium-sized enterprises (SMEs). Due to their lack of collateral and credit history, SMEs have difficulty obtaining bank loans, and venture capital and other forms of equity finance are often out of reach (Anwar & Li, 2021). Likewise, unfavourable government policy and regulations have also affected the functioning of SMEs (Alabi et al., 2019). Regulations that are too complex or too costly for SMEs have led to reduced efficiency and profitability, as well as reduced access to capital and financial resources (Agbim, 2020). It is against this background that it becomes pertinent to examine entrepreneurial ecosystem and firm sustainability of small and medium scale enterprises in South-West, Nigeria.

### **LITERATURE REVIEW**

Sales growth means a firm's increase in net sales from the previous measurement period in comparison to the current period of measurement (Dewi & Nataherwin, 2019). It refers to the amount by which the average sales of a company's products or services have grown over some time but usually from year to year (Yoshino & Tahizadeh – Hesary, 2016). According to Giarto and Fachrurrozie (2020), sales growth is the ratio that shows an increase/decrease in sales in a particular year at a company. According to Coa and Li (2015), growth is the product of an internal process in the development of an enterprise and an increase in quality and/or expansion. It is that amount by which an organisation's average sales of its products or services have increased over time, usually from year to year (Isaac et al., 2019).

Growth is a common occurrence in small and medium-sized businesses (SMEs). In fact, their ability to compete in the market with other large corporations is critical to their survival. Small enterprises are less likely to close as a result of growth (Amadasun & Mutezo, 2022). Sales growth, according to Castao et al (2016), is the result of an internal process in an enterprise's development, as well as an increase in quality and/or expansion. Business growth, according to Bravo-Biosca et al (2016), entails extending a company's product and services, as well as expanding its target markets, or a combination of the two. However, Bravo-Biosca et al (2016) in studying entrepreneurs' growth strategies, identified them to be the following: increased sales, increased staff numbers, increased profit, increased assets, increased company value, and internal development. Internal development includes the enhancement of skills, the implementation of efficient organizational processes, and the building of a professional sales process.

### **Entrepreneurial Ecosystem**

Entrepreneurial ecosystem is a rather recent concept, having no fixed definition yet. There is not yet a widely acceptable definition of entrepreneurial ecosystems among researchers or practitioners. The first component of the term is entrepreneurial: a process in which opportunities for creating new goods and services are explored, evaluated and exploited (Schumpeter 1934). The entrepreneurial ecosystem approach often narrows this entrepreneurship down to 'high-growth start-ups' or 'scale-ups', claiming

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that this type of entrepreneurship is an important source of innovation, productivity growth and employment (Theodoraki & Messeghem, 2017). The second component of the term ecosystem borrows from biology, where ecosystem ('ecological system') has been defined as 'a biotic community, its physical environment, and all the interactions possible in the complex of living and non-living components' (Guerrero & Santamaria, 2019). It consists of the components within the environment in which entrepreneurs operate. According to Cavallo et al (2019), the entrepreneurial ecosystem concept stresses how entrepreneurship is enabled by a comprehensive set of resources and actors, which have an important role to play in enabling entrepreneurial action. Ecosystem enables the individuals, enterprise and the society to combine effectively for the cause of generating economic wealth and prosperity.

Stam and Van de Ven (2021) provided a definition for entrepreneurial ecosystem, according to which the ecosystem enables the individuals, enterprise and the society to combine effectively for the cause of generating economic wealth and prosperity. The remarkable attribute of an ecosystem is to blend together the stakeholders who are often driven by different objectives and expectations. Mason and Brown (2014) defined entrepreneurial ecosystem as a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organisations (e.g. firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms, levels of 'blockbuster entrepreneurship', number of serial entrepreneurs, degree of sell-out mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment.

According to Brown and Mason (2017), entrepreneurial ecosystems are linked to local economic development and promote new businesses as entrepreneurial actors, organizations, institutions and processes formally and informally mingle to connect, mediate, and control the performance within the local environment. Disregarding the interconnection of elements and tailoring entrepreneurship apart from own local circumstances can lead to perverse outcomes, particularly if lacks the presence of entrepreneurs (Hakala et al., 2020).

In addition to the definition of the Entrepreneurial ecosystem, some scholars have analyzed the supporting elements or pillars of the Entrepreneurial Ecosystem. Wang et al (2021) outlined seven factors of the Entrepreneurial Ecosystem as informal network, formal network, university, government, professional and support services, capital services, and talent pools. Isenberg (2011) pointed out that the entrepreneurial ecosystem consists of six domains, namely, policy, finance, culture, market, human capital, and support system. In their springer brief on Global Entrepreneurship Index in 2018, Acs et al listed the dimensions of entrepreneurial ecosystem to include market structure, infrastructure, research and development (R & D) system, financial sector, corporate sector, government and education (Acs et al., 2018). Audretsch et al (2019) concluded that the entrepreneurial ecosystem is characterized by family businesses and role models, a diversified economy, a strong business infrastructure, available investment capital, a supportive entrepreneurial culture, and public policies that encourage entrepreneurship.

A critical role in the functioning of these ecosystems is seen to consist a certain level of governance which enables connections stable enough to pull in investments but at the same sufficiently flexible to encourage recombinations for innovation to occur. It is imperative to understand that these Entrepreneurial Ecosystems governanceIn addition, particular formal and informal institutions enable these forms of governance, and ultimately productive entrepreneurial action (Acs et al., 2017). Entrepreneurial ecosystems are dynamic, local, social, institutional, and cultural processes that aim to nurture new venture creation and business growth (Wurth et al., 2022). This conceptual definition is aligned with the regional development literature, grounded on its geographical dimension to explain differences concerning social and economic performances, by appraising innovation or employment as outcomes (Roundy & Bayer, 2019). At the same time, entrepreneurial ecosystems are highlighted as the external environment of the business initiative where different combinations of processes or elements are set together, favoring entrepreneurial initiatives. Countries with fertile entrepreneurial ecosystem and exhibiting high-quality entrepreneurship support services turn to be very attractive to entrepreneurs, broadening the outcome of the phenomenon, and facilitating entrepreneurs to develop their business with fewer obstacles (Mack & Mayer, 2016).

Looking at the advantages of an entrepreneurial ecosystem, they can act as the catalysts for speeding up the economic progress of stable economies; also, they can act as the prime movers in the rescue of sharply declining economies. Culturally, the entrepreneurial ecosystems play a key role in ensuring that the model takes cognizance of the social factors that an individual may not be able to achieve or control by himself in single framework. This is necessary because the individual's personality and behaviour, political and legal system and even the social mores are all intertwined with the national culture of the place of their origin (Miller & Acs, 2017). The growth of businesses reflects stronger economy and in developed environment, there is an increased level of job opportunities which actually diminishes interests of individuals towards entrepreneurship and enterprises suggesting an undesirable relationship among economic development and entrepreneurial activity. In a contrary association, it

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can be seen that countries that are innovation-driven often exhibit wider firm landscape dispersal with larger and smaller companies, industry and services, reflecting a favourable prospect to the emergence of entrepreneurs (Spigel, 2017)

### **Financial Support**

Financial support is money provided to enable an organization to continue (Xu et al., 2020). This money is usually provided by the government, individuals, groups or any other financial institution. Financial Support refers to loans, guarantees, security or any other financial assistance (whether actual or contingent) (Xiang & Worthington, 2017). This means the financial resources that are provided so as to make the conduct or achievement of certain projects possible. Any monetary assistance provided by supporting institutions in order to provide help to small business owners to start and grow businesses (Cusmano, 2018). Perevozova et al (2019) define financial support service as the totality of all available sources of finance for SMEs. Financial support service, according to Erin et al (2018), is described as those activities aimed at assisting organizations to overcome problems that are connected with obtaining appropriate financing, particularly throughout the consolidation and growth stages of development in those organizations. It refers to the supply of finances and/or help to small enterprises to enable them obtain more funding from other organizations (Kirieieva et al., 2019). Financial support service, on the other hand, is defined by Akbulaev et al (2019) as the development of instruments for financing small businesses during their start-up and ongoing operations in order for them to become competitive in providing the highest quality services, resulting in an improvement in the standard of living.

### **Infrastructural Support**

According to Akinyele et al (2016), infrastructure support reflects the basic physical and organizational structures that are key to enhancing the operation of a society or enterprise, or it can also refer to the services and facilities necessary for an economy to function. It can be generally defined as the set of interconnected structural elements that provide framework supporting an entire structure of development (Wiley, 2015). It is an important term for judging a country or region's development. The term typically refers to the technical structures that support a society, such as roads, bridges, water supply, sewers, electrical grids, telecommunications, and so forth, and can be defined as "the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions. Research on infrastructure dwells on different issues such as education, roads, water supply, power grids, telecommunications, and hospitals (Orekan, 2015).

It is well documented that infrastructures promote human development and better quality of life through sustainable development (Kodongo & Ojah, 2016). Theoretically, there are different views on the effect of infrastructure in an economy. Hammayo et al (2020) opines that infrastructure facilities are part of factors of production (capital stocks), which promote economic output directly. The second view relates to Adenipekun (2013) who explains that infrastructure complement and arguments other factors of production by increasing the total factor productivity level and reducing cost of production, thereby increasing the profitability level of investment. It is believed that availability of infrastructure facilities can rapidly open entrepreneurial opportunities while effective and reliable electricity would reduce the cost of production, encourage entrepreneurial intentions among households and annual output growth, which has been supported widely empirically (Tomal, 2021).

### **Research and Development**

Research and development (R&D) are a systematic and creative work undertaken in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this knowledge to devise new applications. Research and development activities include basic research, applied research and experimental development (Ouru et al., 2018). Research and development (R&D) costs include all the resources spent for the activities that are particularly suitable for the production of the planned products. These activities can be outsourced by a single organization or an independent unit within the organization (Maylor et al., 2016). In another definition, research and development as a way of discovering new knowledge about products, processes and services and applying that knowledge to create products, processes and services that meet the new and increasing needs of the market (Basu, 2016). Research and development are the sum of actions deliberately undertaken to generate new Knowledge (Little, 2016). Research and Development is defined as work directed towards the innovation, introduction, and improvement of products and Processes (Adedoyin et al., 2020). Chernopyatov et al (2018) defined research and development (R&D) to mean the systematic activities necessary so as to increase knowledge and use of this knowledge when developing new products, processes, or services; it also encompasses innovation.

### **Networking**

A business network is a free commercial association capable of putting together structures and procedures, enabling joint decisions making, and combining members' efforts to develop and manufacture goods and services, as well as exchange

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information and other resources (Rasouli et al., 2019). According to Mohamad and Chin (2019), a benefit of networking is that it enables the forging of trusting relationships among businesses. Furthermore, SMEs harvest from individual ties in their networks, including suppliers, customers, friends and relatives, for various advantageous purposes (Chung, Yen & Wang, 2020). According to Klyver and Arenius (2020), networking is defined as a behaviour that promotes purposeful social interactions with others to develop and maintain relationships in order to gain benefits in various domains (like business or social). Networking in SMEs refers to the network process that is undertaken by SME owner-manager in managing the business activities. Relationships can be developed on the basis of trust.

Looking at the features of networking, purposeful connection with people to create and sustain relationships is referred to as networking behaviour. Regardless of whether networking is used for social or business purposes, it can help entrepreneurs build a new venture team, raise capital, recruit, find customers and outlets, obtain relevant advice and knowledge, and establish international contacts (Elfring et al., 2021). With their close social ties and weak ties, entrepreneurs vary in their degree of networking (Kuwabara et al., 2018). Networking is viewed in extant literature as a reciprocal “grant and receive” situation aimed at leaving all concerned partners contented (Vătămănescu et al., 2017). Leick and Gretzinger (2020) concur that entrepreneurs who are able to make reference to a diversity of social networks and those who receive support from such networks are bound to be more successful. Mohamad and Chin (2019) support the views of Leick and Gretzinger (2020) in arguing that ventures rely on networks with other players to enjoy resources that they would have not been able to enjoy so easily.

### **Institutional Support**

According to Anugwom (2019), institutional support can be described as the kind of support received from official bodies that can be governmental or non-governmental including religious institutions. Zhang et al (2017) opined that institutional support is a general reflection of the supports, such as implemented policies, programs, financial support, technical support and other support from the government and its agencies as well as non-governmental organizations. Institutional support refers to the extent to which government and its agencies give support to firms in order to mitigate the negative effects of inadequate institutional infrastructure (Zhang et al., 2017). The specific support which institutions give to small businesses are of different types; they can be technical in form of mentoring and connecting, they can be financial or functional like incubation etc (Bjørnsnikov et al., 2016; Vekic & Borockic, 2017). Institutional support services refer to the assistance rendered by organizations and agencies, established by governmental, non-governmental organizations, religious bodies and others (Adeyemo et al., 2017). Institutional support generally has strong effect on the growth and development of any business.

### **Government Policy**

Government policies are rules or principles that hopefully better guides decisions, resulting in positive outcomes that enhance the community or unit. Government policies often come with the justification and reasons for things to be done in a certain way and why (Setiawan et al., 2020). Government policy is seen as an anchor to all other factors which are also essential and paramount to any entrepreneurial scheme. Government policy according to Nassr & Siddiqui (2022) refers to an agreed plan of action that is designed and accepted by an organization containing a group of people and a political party. Eniola (2015) describes government policies to be those policies that have been designed to moderate the relationship that exists between the entrepreneurship and the economic development of SMEs development through wealth creation and job creation. Government support agencies are institutions that aim at regulating and improving the conditions of SME's and entrepreneurs in terms of supportive, implementation and funding policies by the government (Bouazza et al., 2015). Based on this definition, government policy as it relates to business practice is targeted at encouraging businesses by ensuring the availability of a favourable environment for the organizations and entrepreneurs. This, it does through enactment of guidelines that will regulate business activity generally for the reason that business organisations are the bedrock of any nation's path to industrialization.

### **Entrepreneurial Ecosystem and Sales Growth**

Scholars have studied the effect of the ecosystem and its various dimensions on sales growth of firms and have put forward different findings. Some studies have established that the SMEs are faced not just with financial challenges but also with non-financial challenges that include poor access to markets, a lack of information as well as inadequate technical skills (Dabor & Oserogho, 2016; Mugo et al., 2019; Osei, Forkuoh, Shao & Osei, 2016; Yashino, 2016). Further to this, Mugo et al., (2019) while acknowledging list adequacy in infrastructural structures such as roads, railways, port facilities, power facilities and telecommunication facilities as culminating to improve and grow sales of SMEs. Similarly, Abur (2020) recommended that the government enacts policies that are infrastructure driven to drive SMEs visibility, reduce their costs and enhance their

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performances. Equally, the study of Al-Abri, Rahim and Hussain (2018) found that the necessary elements for entrepreneurship growth in the form of an integrated environment – the entrepreneurial ecosystem was found missing.

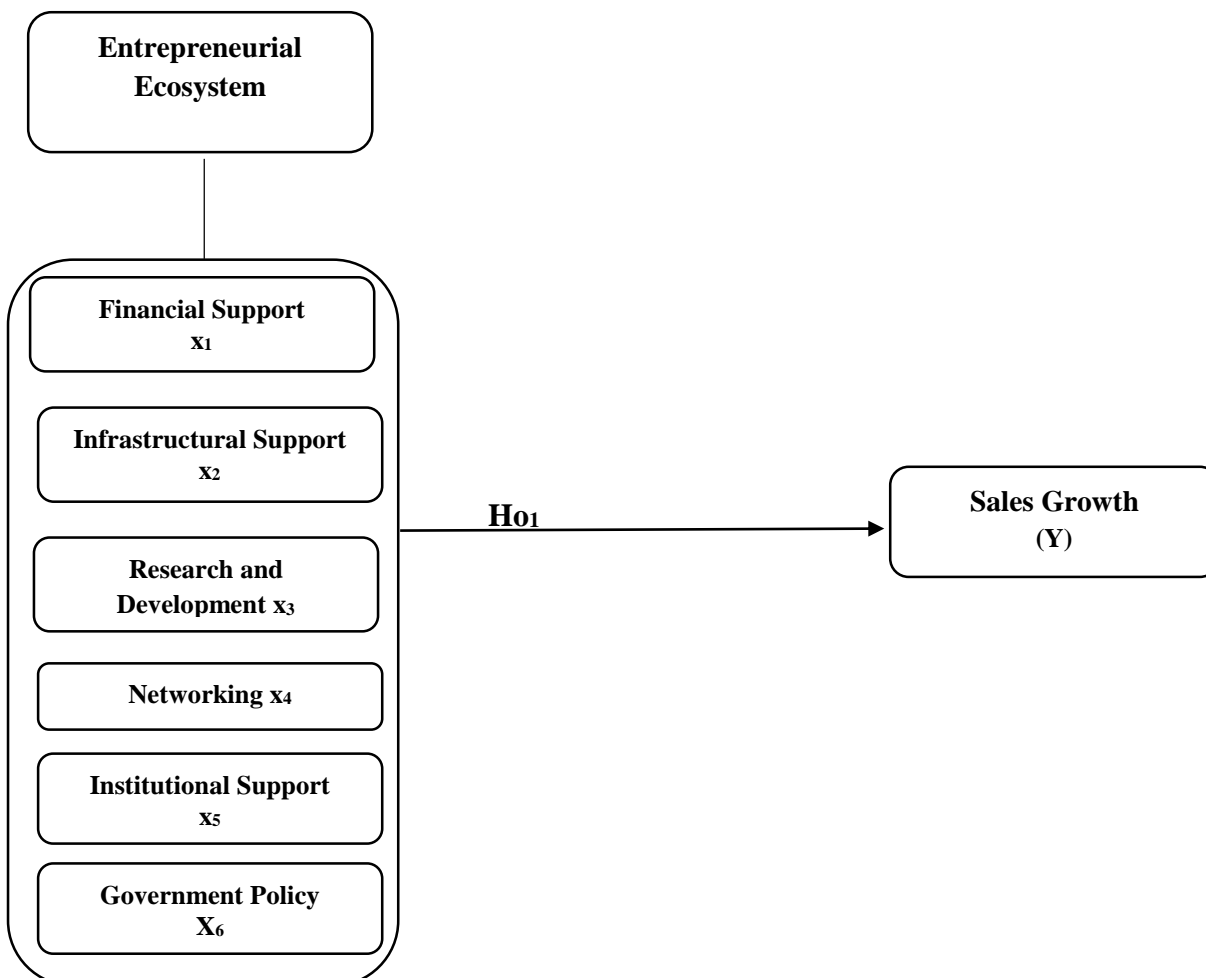
On the converse, studies have also suggested that for smaller and younger companies unlike their larger counterparts, Institutional financial support is burdensome and inhibits their growth; which often stems from the conditions that are found attached to the provision of these institutional financial supports (Prijadi & Desiani, 2017; Moscalu, Girardone & Calabrese, 2020). This also aligns with the work of Ajike et al (2018) that further found government policy in taxation as having a significantly negative effect on businesses growth explaining that when overboard can inhibit profitability, revenue growth and turn over given that they eat into and deplete them.

Entrepreneurial ecosystem studies and its attendant effect on sales growth have not been fully explored and the few available ones appear not only dissimilar but also fragmented. For instance, research studies have established the ripple effect of unbridled competition in Nigeria’s enterprise system as a leading challenge of SMEs’ sales growth (McKenzie, & Sansone, 2019; Olalere et al., 2021). Baehre et al (2022) raised methodological gap as they used customer mindset to study sales growth. The authors also recommend for future studies to be conducted with other actors of the business environment different from customer. Ahmad and Jamil (2020) as well as Lee et al (2020) found that financial support was instrumental to increasing sales growth of the business; emphasizing that good cash flow from business activities is an essential ingredient for increasing profitability and sustainability in business (Ahmad & Jamil, 2020; Lee, Wang & Ho, 2020). Nnama-Okechukwu et al (2020) saw the problem facing SMEs in Nigeria as poor institutional support, inadequate funding on the part of financial institutions and poor management on the part of small business owners which often cause decline in the sales of the products and services offered (Peter et al., 2018).

Based on these varied findings, this study hypothesizes that:

**H<sub>01</sub>** Entrepreneurial ecosystem has no significant effect on sales of selected manufacturing small and medium enterprises in South-West, Nigeria.

### RESEARCH CONCEPTUAL MODEL



Source: Author’s Research Model (2023)

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## Theoretical Review

### Stakeholder Theory

Stakeholder theory is an organizational management theory that emphasizes incorporating ethical concerns with morals and values to sustain businesses based on stakeholder obligations and interests (Freeman, 1984). The primary stakeholder group are made up of all those stakeholders with the most significant influence on a firm's environmental strategy, such as employees, customers, suppliers, and shareholders, the secondary stakeholders consist of regulators, competitors, communities, NGOs, support organizations, the media, and other institutional forces (Kuikka et al., 2018; Taghian et al., 2015). The survival, expansion and profitability of a firm are directly tied to its primary stakeholders whereas it is mostly the secondary stakeholders that can act as the pushing the firm to responsibly to take on the big role of getting the firm to start acting more sustainably (Kuikka et al., 2018).

According to Stakeholder theory, the actions promoted by regulatory stakeholders can act as the highlighter for the pressure exerted by stakeholders (for example, governmental regulators, trade associations, and competitors), the community (such as environmental organizations and society), and other primary organizations' stakeholders (including customers, suppliers, shareholders, and employees). The theory lays emphasis on both an organization's accountability as well the rights of stakeholders, implying that an organization must meet the expectations of all stakeholders and not just the shareholders (Fernando & Lawrence, 2014; Freeman & Dmytriiev, 2017).

Supporters of stakeholder theory (Aboelmaged & Hashem, 2019; Del Giudice et al., 2017; Helmig et al., 2016; Singh et al., 2020) describe stakeholder pressure as the ability of stakeholders to influence a firm's decisions in order to ensure long term business sustainability. Other supporters further posit that pressure from stakeholders also encourages businesses to take a proactive approach in building and revitalizing their resources and capacities by necessarily ensuring that environmental practices are put into effect into effect (Caputo et al., 2018; Murillo-Luna et al., 2011; Sarkis et al., 2010).

Critics of stakeholder theory (He et al., 2020; Narbel & Muff, 2017; Wen & Qwang, 2022) posit that sometimes firms are not sustainable but rather fail for inability to fairly and squarely address the diversity of stakeholder concerns, which in turn leads to an inability achieve a unified sustainable goal. You cannot please everyone as the saying goes, and the needs of some stakeholders will naturally place higher than the interests of others; they further state that it is an unrealistic assumption to think that the needs of the society can adequately be addresses in economic terms; further arguing that it is practically impossible that firms would always totally comply with the law.

## METHODOLOGY

The study adopted the survey research design in examining the effect of entrepreneurial ecosystem on firm sustainability. This research design is suitable for the study because it describes the effect of one variable against another variable. The population of this study consists of 423 owner-managers of manufacturing small and medium scale enterprises (SMEs) that went through various incubation programmes in Federal government owned incubations centres in South-West Nigeria. The choice of incubation centres is justified in that business incubation is considered to be a key element of adequate entrepreneurial ecosystem in any sub-Saharan African country (Bosma et al., 2020; Lose, 2021). The states within the South-West were Ogun State, Oyo State, Ondo State, Osun State and Ekiti State. The data for this study was collected with the aid of questionnaire that was drafted with questions related to entrepreneurial ecosystem and firm sustainability variables. The questionnaire included closed-ended questions. The response structure were as follows: Strongly Agree (SA) = 6; Agree (A) = 5; Partially Agree (PA) = 4; Partially Disagree (PD) = 3; Disagree (D) = 2; Strongly Disagree (SD) = 1. The use of a six-point Likert type scale was justified on the grounds that it motivates respondents to think about the subject more carefully and make a decision that leans either favourably or unfavorably. The six-point scale contributes to the fact that individual views are seldom unbiased. Data was collected using a valid and reliable questionnaire with a Cronbach alpha value ranged from 0.701 to 0.911. The data were analysed using both descriptive and inferential tools. A response rate of 95.5% was recorded. Multiple and hierarchical regression analysis were used to determine the effect of the variables using Statistical Package for Social Science (SPSS) version 27.

### Model Specification

$$Y = f(X)$$

X = Entrepreneurial Ecosystem (EE)

Y = Sales Growth (SG)

$$X = (X_1, X_2, X_3, X_4, X_5, X_6)$$

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- $x_1$  = Financial Support (FS)
- $x_2$  = Infrastructural Support (IS)
- $x_3$  = Research and Development (R&D)
- $x_4$  = Networking (Net)
- $x_5$  = Institutional Support (InS)
- $x_6$  = Government Policy (GP)

Functional Relationship

$$Y = f(x_1, x_2, x_3, x_4, x_5, x_6)$$

$$Y = f(X)$$

The equations of the study based on the research hypotheses are as follows:

### Hypothesis One

$$SG = \beta_0 + \beta_1FS + \beta_2IS + \beta_3R\&D + \beta_4Net + \beta_5InS + \beta_6GP + \mu_i \text{ ----- Eqn 1}$$

## RESULTS AND DISCUSSION

The researcher distributed 423 copies of questionnaire to the respondents of which 404 copies of the distributed questionnaire were duly filled and returned and was used for the analysis. This represents a response rate of about 95.5% of the population employed in the study, which was considered an excellent response rate according to Johnson and Wislar (2012) and Mugenda and Mugenda (2012) whom both asserted that a response of above 60% is generally accepted as a threshold for survey quality in social sciences.

**H<sub>0</sub>:** Entrepreneurial ecosystem has no significant effect on sales growth

**Table Multiple Regression of entrepreneurial ecosystem components on sales growth of selected manufacturing small and medium scale enterprises companies in South-West Nigeria.**

N	Model	B	Sig.	T	ANOVA (Sig.)	R	Adjusted R <sup>2</sup>	F (6,397)
404	(Constant)	2.374	.000	6.066	0.000 <sup>b</sup>	0.288 <sup>a</sup>	0.069	5.967
	Financial support	.014	.854	.185				
	Infrastructural support	.184	.019	2.358				
	Research and development	.126	.128	1.524				
	Networking	-.018	.822	-.225				
	Institutional support	-.138	.008	-2.683				
	Government Policy	.224	.002	3.181				
Predictors: (Constant), Financial support, Infrastructural support, Research and development, Networking, Institutional support, Government Policy								
Dependent Variable: Sales Growth								



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### Interpretation

Table 1 shows the multiple regression analysis results for the components of entrepreneurial ecosystem on sales growth of selected manufacturing small and medium scale enterprises companies in South-West Nigeria. The results showed that only infrastructural ( $\beta = 0.184$ ,  $t = 2.358$ ,  $p < 0.05$ ) and government policy ( $\beta = 0.224$ ,  $t = 3.181$ ,  $p < 0.05$ ) had a positive and significant effect on sales growth of selected manufacturing small and medium scale enterprises companies in South-West Nigeria, while financial support ( $\beta = 0.014$ ,  $t = 0.185$ ,  $p > 0.05$ ) and research and development ( $\beta = 0.184$ ,  $t = 2.358$ ,  $p > 0.05$ ) show a positive but insignificant effect on sales growth. Although, networking ( $\beta = -0.018$ ,  $t = -0.225$ ,  $p > 0.05$ ) and institutional support ( $\beta = -0.138$ ,  $t = -2.683$ ,  $p > 0.05$ ) have negative and insignificant effect. This implies that research and development and government policy are important factors in the workplace which in turn yields an increase in sales growth.

The R value of 0.288 indicates that entrepreneurial ecosystem components have a strong positive relationship with sales growth of selected manufacturing small and medium scale enterprises companies in South-West Nigeria. The coefficient of multiple determination  $Adj R^2 = 0.069$  indicates that about 6.9% variation that occurs in the sales growth in manufacturing small and medium scale enterprises can be accounted for by the components of entrepreneurial ecosystem while the remaining 93.1% changes that occurs is accounted for by other variables not captured in the model. The predictive and prescriptive multiple regression models are thus expressed:

$$SG = 2.374 + 0.014FS + 0.184IS + 0.126RD + -0.018NET + -0.138INS + 0.224GP + U_i$$

---Eqn(i) (Predictive Model)

$$SG = 2.374 + 0.184IS + 0.224GP + U_i$$

---Eqn(ii) (Prescriptive Model)

Where:

- SG = Sales Growth
- FS = Financial Support
- IS = Infrastructural Support
- RD = Research and Development
- NET = Networking
- INS = Institutional Support
- GP = Government Policy

The regression model shows that holding entrepreneurial ecosystem components to a constant zero, sales growth would be 2.374 which is positive. In the predictive model it is seen that of all the variables only infrastructural support and government policy is positive and significant so the management of the company can emphasize on these variables that is why it is included in the prescriptive model. The results of the multiple regression analysis as seen in the prescriptive model shows that when (infrastructural support and government policy) are improved by one unit sales growth would also increase by 0.184 and 0.224 respectively and vice-versa. This implies that an increase in infrastructural support and government policy would lead to an increase in the rate of sales growth of selected manufacturing small and medium scale enterprises companies in South-West Nigeria. Also, the F-statistics ( $df = 6,397$ ) = 5.96 at  $p = 0.000$  ( $p < 0.05$ ) indicates that the overall model is significant in predicting the effect of entrepreneurial ecosystem component on sales growth which implies that entrepreneurial ecosystem components (infrastructural support and government policy) are important determinants in the sales growth rate of selected manufacturing small and medium scale enterprises in South-West Nigeria. The result suggests that such manufacturing small and medium scale enterprises should pay more attention towards developing the components of the entrepreneurial ecosystem especially infrastructural support and government policy to increase sales growth. Therefore, the null hypothesis ( $H_0$ ) which states that entrepreneurial ecosystem has no significant effect on sales growth was rejected.

### DISCUSSION OF FINDINGS

The aggregated results of multiple regression analysis for hypothesis six showed that entrepreneurial ecosystem (financial support, infrastructural support, research and development, networking, institutional support and government policy) have positive and significant effect on sales growth of selected manufacturing small and medium scale enterprises in South-West Nigeria ( $Adj. R^2 = 0.069$ ;  $F(6,397) = 5.967$ ,  $p < 0.05$ ). Thus, the combination of the independent sub variables was significant in predicting sales growth of selected manufacturing small and medium scale enterprises in South-West Nigeria. Put differently, financial support, infrastructural support, research and development, networking, institutional support and government policy combined have statistically significant effect on sales growth of selected manufacturing small and medium scale enterprises in South-West Nigeria.

## Entrepreneurial Ecosystem and Sales Growth of Selected Manufacturing Small and Medium Enterprises in South-West, Nigeria

Empirically, Mugo et al. (2019) while acknowledging list adequacy in infrastructural structures such as roads, railways, port facilities, power facilities and telecommunication facilities as culminating to improve and grow sales of SMEs. Similarly, Abur (2020) recommended that the government enacts policies that are infrastructure driven to drive SMEs visibility, reduce their costs and enhance their performances. Equally, the study of Al-Abri, Rahim and Hussain (2018) found that the necessary elements for entrepreneurship growth in the form of an integrated environment the entrepreneurial ecosystem was found missing. On the converse, studies have also suggested that for smaller and younger companies unlike their larger counterparts, Institutional financial support is burdensome and inhibits their growth; which often stems from the conditions that are found attached to the provision of these institutional financial supports (Prijadi & Desiani, 2017; Moscalu, Girardone & Calabrese, 2020). This also aligns with the work of Ajike et al (2018) that further found government policy in taxation as having a significantly negative effect on businesses growth explaining that when overboard can inhibit profitability, revenue growth and turn over given that they eat into and deplete them.

### CONCLUSION AND RECOMMENDATION

The study concluded that entrepreneurial ecosystem has significant effect on sales growth in the selected manufacturing firms in South-West, Nigeria. This implies that Importance of the entrepreneurial ecosystem: The study highlights the significance of the entrepreneurial ecosystem in shaping the growth and success of manufacturing firms. This implies that factors such as access to capital, availability of skilled labor, supportive government policies, networking opportunities, and infrastructure play a crucial role in driving sales growth.

It is recommended that the management should prioritize creating and maintaining a supportive entrepreneurial ecosystem that provides financial and infrastructural support, research and development, networking, institutional support, and government policies that promote sales growth and sustainability in their operations. Management can also leverage ecosystem resources to increase access to markets, partnerships, and marketing opportunities that can drive sales growth

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