



Moderating effects of digital orientation on the relationship between training and development and small and medium enterprises performance in Kaduna metropolis

Aransiola Femi Olasupo¹, Yusha'u Ibrahim Ango², and Helen Afang Andow³

¹Department of Management, Nigerian Army University Biu, Nigeria.

^{2,3}Department of Business Administration, Kaduna State University, Nigeria.

Corresponding Email: femiaransiola@gmail.com

Abstract

This study became necessary because SMEs, particularly in Kaduna metropolis, are performing at a low level. This is further supported by the fact that, in Nigeria, SMEs only contribute 48% of GDP, a low percentage when compared to 60%, 80%, and 70% of GDP in Ghana, Egypt, and Zambia, respectively. This study therefore, examined the moderating effects of digital orientation on the relationship between training and development and small and medium enterprises performance in Kaduna metropolis. A survey and a quantitative design were employed for the study. Primary data was gathered via a self-administered questionnaire, and respondents were selected using a proportionate stratified random sampling technique. Data was gathered from sample of 401 from a total population of 11,187 SMEs in the Kaduna State local government areas of Kaduna North, Kaduna South, Chikun, and Igabi. To evaluate the collected data, Partial Least Squares Structural Equation Modeling (PLS-SEM) version 3 was utilized. Based on the results, it was found that SMEs' performance is significantly improved by training and development. Also, it was discovered that training and development, and performance relationships was significantly moderated by digital orientation. According to these results, the study suggested that SMEs should initiate the practice by arranging (symposiums, seminars, and workshops) to bring in successful experts. These combined efforts will not only improve workers performance but also allow a business to operate to their optimum level.

Keywords: Digital orientation, Training and development, Small and medium enterprises

1. Introduction

Small and medium-sized enterprises (SMEs) are essential to the development and expansion of economies in many countries (Mustafa, 2017). The progress of society and the economy depends heavily on SMEs as well as industrialization of many countries in the world. (SMEDAN, 2021). Owing to their capacity to generate income and jobs, they are not only essential for attaining economic growth and development but also make numerous contributions to the social and economic well-being of society (SMEDAN, 2021). Banji (2020) reports that small and medium-sized businesses (SMEs) make up about 96% of businesses in Nigeria,

compared to 53% in the US and 65% in Europe. Furthermore, SMEs offer a way to significantly reduce poverty and improve an economy's technical and technological capabilities (Abisuga, Patra, & Muchie, 2019; SMEDAN, 2021). Therefore, considering their contributions to employment, GDP, and a nation's total economic growth, the growing significance of SMEs in any given economy especially in Nigeria cannot be overstated (Uzoamaka, 2021), as a result reducing unemployment and other fundamental social, political, and economic issues in an economy (Razak 2021). This can be achieved by having vibrant SMEs in place.



Due to the aforementioned significance of SMEs, several administrations in Nigeria have launched a number of initiatives and programs to create a thriving SMEs sector that can significantly boost the country's economy both domestically and internationally. However, majority of these initiatives ended without achieving the anticipated, meaningful outcomes and results (Maryam & Bassey, 2018). Among these initiatives/programs are; Nigerian Export and Import Bank (NEXIM), People's Bank of Nigeria (PBN), Community Banks (CB), Nigerian Bank for Commerce and Industry (NBCI), National Economic Reconstruction Fund (NERFUND), and the liberalization of the banking industry, Small and Medium Enterprises Development Agency (SMEDAN).

In spite of the policies as well as programs implemented by succeeding administrations to support the industry, Nigerian SMEs continue to perform poorly when compared to those in other African nations. SMEs' GDP contributions in Nigeria, for example, are only 48%, which is significantly less than their respective GDP contributions in Ghana, Zambia, and Egypt, which are 60%, 70%, and 80%, according to reports from the Ghana Enterprises Agency (GEA Report of 2021), the MSMEDA Report of 2022, published by the Micro, Small, and Medium Enterprises Development Agency, the International Trade Center (ITC) Survey (2018), and the Zambia Development Agency (ZDA Report of 2018).

Governments in Nigeria and organized private sector organizations are increasingly concerned about the issue of SMEs' poor performance (Patra & Muchie, 2019). The performance of Nigeria's SMEs sector has fallen short of expectations, which means it is not contributing as much to the country's economic development and progress as it should (Page & Okeke; 2019; Ogbo, 2020). However, SMEs can attain optimal level of performance, if they take

the appropriate steps to initiate, implement, and maintain right training and development (TRD), make decisions and policies that give them a competitive edge, and manage both internal and external resources in the external environment (Tonuchi & Onyebuchi, 2019). According to empirical research, the majority of owners and managers of SMEs lack sufficient training and development (TRD) understanding, which causes them to be narrowly focused and motivates more traditional performance improvement initiatives, which eventually have a detrimental effect on business performance (Wahyudiati & Isroah, 2018).

Additionally, existing literature has established the connection between small and medium enterprises performance and training and development. There have been conflicting reports from multiple researches regarding how training and development and small and medium enterprises performance are connected. Anwar and Shukur (2015), Anwar & Zebari (2015), Al-Safadi (2016), and Bou Kamal, Al Aghbari & Atteia (2016), demonstrated that SMEs' performance is significantly impacted by training and development. However, some researchers, like Tarrah (2022), Radhika (2018), Mobarraq, Musfiq & Wasib (2019), and Coung & Duong (2020), discovered that training and development have no considerable influence on the performance of SMEs. It is impossible to draw any conclusions from these contradictory findings. In accordance with (Barone & Kenny, 1986), which suggested that a typical moderating variable could be included in an event of a weak or inconsistent relationship between exogenous and endogenous variables, this suggests the need for an interacting variable to bolster and balance the existing relationship. Hence, this research introduced digital orientation as a moderator which is expected to bolster the existing relationship.



Therefore, this research aims to examine moderating effects of digital orientation on the relationship between training and development (TRD) and small and medium enterprises performance in Kaduna metropolis. The following hypothesis were developed for the study in order to meet the aforementioned goal:

H₀₁: training and development has no significant effect on SMEs performance in Kaduna metropolis.

H₀₂: digital orientation has no significant effect on SMEs performance in Kaduna metropolis.

H₀₃: digital orientation does not moderate the relationship between training and development and SMEs performance in Kaduna metropolis.

2. Literature Review

SMEs' Performance

Scholars have examined SMEs' performance from a number of perspectives. The performance of SMEs is measured by how well they provide value to their various stakeholders, including the government, society, and owners (Aderibigbe, 2019). Al-Hakim and Lu (2017) define SMEs performance as the process of measuring a business firm's actions that help it accomplish its goals and objectives. In other words, it signifies the degree to which the management effectively oversees the organization's resources (Pramashela, 2017). A further way to characterize the performance of SMEs is to look at how well they accomplish their goals (Kiyabo & Insaga, 2019). Therefore, the accomplishment of the firm's aims and objectives, which gauge its success, can be used to characterize its performance (Penrose, 2019).). Thus, exceptional methods for controlling and providing value for customers and stakeholders make up the entirety of a firm's performance (Pramashela, 2017).

Training and Development (TRD)

Tasks intended to facilitate learning about job knowledge, skills, and employee behaviors are referred to as training and development (Mann, 2016). According to Mpofu and Hlatywayo (2015), training is the application of methodical, planned instruction activities to enhance learning. Training entails the application of formal procedures to transfer knowledge and assist individuals in gaining the abilities required to carry out their jobs in a satisfactory manner (Padachi & Lukea 2016). Well-trained employees are able to comprehend the organization's system development for a product or service, communicate their knowledge with others, and utilize creativity to manufacture or offer a product to consumers (Nasurdin, Ahmad & Tan, 2015).

Digital Orientation (DO)

According to Kholi and Melville (2019), digital orientation refers to a firm's propensity to adjust to the realities of the digital environment by utilizing modern technologies to develop a fresh business strategy, optimize processes, and/or enhance customer's satisfaction in order to achieve performance. Digital orientation can also be understood as the possession of skills that make it possible to recognize opportunities, such as entrepreneurial alertness and technology opportunism (Newbert, 2007). According to Mckenny, Aguinis, Short, and Anglin (2018), digital orientation is the organizational capacity to recognize, absorb, and put to use important information about prospects for digital innovation from both inside and outside the organization. On the other hand, digital orientation denotes the amalgamation of various technologies into every facet of commercial operations that are amenable to digitization (Bley, Leyh & Schäffer 2016, Kain, 2017).



Training and development and SMEs performance

Enga (2017) conducted research on how organizational performance in Kumba is affected by training and development. Data was collected from 350 national financial Credit bank in Kumba. According to the report, training and development are essential in any firm, especially for employees who lack experience or are unskilled. Overall, the company's training techniques and resources significantly increased workers' contributions to the work. In general, the company's training techniques and resources significantly increased the amount of work that employees contributed. An investigation was carried out by Nai, Chih, and Carol (2015) on how training and development improve the performance of SMEs in China. Data were collected from 1,510 SMEs. Additionally, hiring seasoned telephone interviewers was used in accordance with Groves and Lyberg's (1988) to guarantee the quality of the data gathered. The results demonstrated that FDI boosts SME performance. FDI-related training and development initiatives were implemented, which served as a partly mediating factor in this connection.

Digital Orientation and SMEs performance

Quinton, Canhoto, Molinillo, Pera, and Budhathoki (2018) conducted research on the factors that influence SMEs' success in the digital economy. The study focused on conceiving a digital orientation. Finding out if SMEs' performance in UK enterprises is impacted by digital orientation was the study's main goal. According to the report, SMEs' performance is significantly impacted by their digital orientation. According to the report, in order to grow their business and meet the needs of their expanding clientele, major, established companies might find it advantageous to embrace a digital mindset.

In light of this, Foxall (2014) investigated the connection between SMEs' success in

Texas and their digital orientation. The study's key finding is that while there is a correlation between SMEs' performance and digital orientation, the two do not seem to reflect the same underlying business philosophy. Additionally, Teng, Wu, and Yang's study from 2022 examines the connection between Chinese SMEs' performance and their digital orientation. In order to serve as a resource for academic researchers and business decision-makers, this study seeks to discover the impacting elements that affect the development of sustainability of SMEs undertaking digital transformation by examining their performance empirically. Data was collected from 335 firms. The results showed that SMEs' performance and their digital orientation were positively correlated.

Theoretical Framework

The theory of Resource Based View (RBV) served as the foundation for the study. Advocated by Wernerfelt (1984), this theory is thought to be among the most helpful model for explaining the success of businesses. Wernerfelt introduced the Resource Based View (RBV) in 1984. In his RBV analysis, Wernerfelt (1984) outlined a firm's strategic options for resource selection. The theory describes a firm's beginnings or competitive edge and argues that a firm's intangible resources are what ultimately guarantee its success. Research has demonstrated how organizational resources, competencies, and performance are related to each other through RBV (Barney, 2007; Ibrahim & Shariff, 2016).

According to Wright, Gardner, Moynihan, and Allen (2005), RBV refers to the procedures, techniques, competencies, technologies, skills, product, services, and specific inputs that provide a firm with a competitive edge and are rare, valuable, and non-replaceable. One business management technique that helps identify a company's strategic resources is the resource-based view (RBV) (Byremo, 2015). The core tenet

of the RBV is that a firm's application of the collection of valuable resources at its disposal forms the basis of that firm's competitive advantage (Arend & Levesque, 2010). RBV is available in the areas of technology, customer attention, product innovation, logistics, production, finance, and marketing, among other areas (Collins, 2021).

However, this theory can also explain the variable of this study in the sense that training and development as well as digital orientation can be seen as intangible assets of SMEs in Kaduna State metropolis, in line with the theory when the aforementioned variables are properly utilized, they might enhance the performance of SMEs as postulated by the theory.

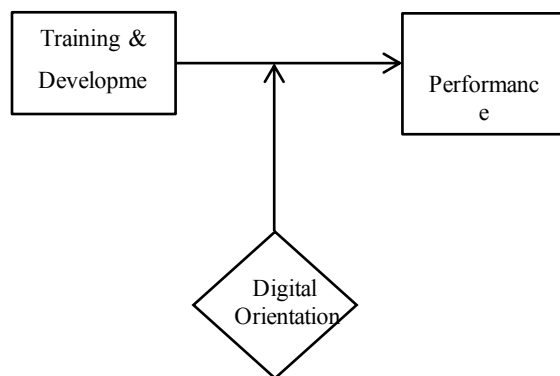


Figure 1: Conceptual Framework

3. Methodology

This study employed cross-sectional survey research. Through the use of a self-administered questionnaire, primary data was obtained from the participants. According to the Kaduna Bureau of Statistics (KDBS), Updated Frame of (2022), the study's population comprised 11,187 managers and owners of SMEs situated in Kaduna metropolis. The sample size table of Krejcie and Morgan (1970), which is the average of 370 and 375 for a population of 10,000 and 15,000, respectively, was used to calculate the sample size of (373). According to Hair, Wolfinbarger, Ortinau, and Bush's (2008) recommendation, a possible sample size may be expanded ranging from 30 to 50%

to account for the tendency of subjects to become disengaged and missing questionnaires. A 30% increase in sample size resulted in a new sample size of 485. Of 485 questionnaires distributed, 416 were completed and returned, making questionnaire number 15 unusable or rejected. Consequently, the analysis used 401 valid questionnaires. Because the sample was taken from different local governments, which functioned as strata that comprise the population, the method employed for the sampling was proportionate stratified random sampling. Having 0.71 Chronbach's alpha, the performance evaluation tool (PERF) consisted of seven (7) components that were modified from Ferguson and Reio's (2010). Five (5) items in total were used for measuring training and development (TRD) with a 0.78 Chronbach's alpha were also modified from Altarawneh (2005). Lastly, ten (10) digital orientation (DO) measurement items possessing a 0.78 Chronbach's alpha were modified from the work of Dantsoho et al 2020. Data analysis was done using Smart-PLS 3.0 statistical software and structural equation modeling.

4. Results and Discussion

Data Analysis and Assessment of SMART PLS-SEM Path Model Results

In accordance with Henseler, Ringle, and Sarstedt's (2013) recommendation, utilized a two-step process to present the SMART PLS-SEM approach's findings. The study employed a two-step method that involved assessing both a measurement model and a structural model (Hair et al., 2018 and Henseler, 2013). Assessment of measurement models includes determining individual item reliability, internal consistency reliability, convergent validity, content validity, and discriminant validity (Hair et al., 2018). See Appendix 1 and 2.



Individual Item Reliability and Internal Consistency Reliability and Convergent Validity

By analysing the outer loadings of each unique construct's measure, the reliability of each indicator was assessed (Hair et al, 2018). The results showed that every other outer loading satisfied the suggested 0.5 and above as the threshold, with the exception of four items: PERF1, PERF2, PERF3, and DO3. (Hair et al, 2014). But according to Hair et al. (2014), elements with loadings between .40 and .70 are also acceptable, as long as their removal or other modification did not increase the AVE and composite dependability. It was observed that eighteen (18) of the twenty-two (22) items measuring the study's constructs were kept because their loadings ranged from 0.707 to 0.886. Due to loadings below the established threshold, the four items, PERF1, PERF2, PERF3, and DO3, were deleted. Table 1 displayed the exact outer loadings values.

Using Cronbach's alpha and composite reliability, the internal consistency and

reliability were assessed. Furthermore, Cronbach's alpha is a cautious reliability metric that is likely to provide low results, whereas the composite reliability tends to exaggerate internal consistency values, thereby producing logically greater reliability estimates. For these reasons, both the Cronbach's alpha and the composite index were used to assess reliability (Hair et al, 2012). To put it another way, Cronbach's alpha makes the assumption that each indicator has an equal outer loading on the construct and a comparable degree of reliability. This notion is invalidated by PLS-SEM, which assigns a reliability rating to each indicator (Hair et al, 2018). Alternatively, composite reliability is the second alternative measure of internal consistency reliability. This measure focused on the indicators' unique outer loadings. Accordingly, it makes sense to consider both (Hair et al, 2018). According to the guideline, any outer loading that has an indicator value of 0.70 or above will be kept; if not, it will be discarded.

Table 1: Items Loadings, Average Variance Extracted, Reliability

Constructs	Items	Loadings	AVE	CA	CR
Training and Development	TRD1	0.812	0.637	0.857	0.898
	TRD2	0.783			
	TRD3	0.838			
	TRD4	0.800			
	TRD5	0.756			
Performance	PERF4	0.886	0.741	0.883	0.920
	PERF5	0.883			
	PERF6	0.830			
	PERF7	0.843			
Digital Orientation	DO1	0.829	0.670	0.938	0.948
	D02	0.842			
	DO4	0.745			
	D05	0.707			
	DO6	0.849			
	DO7	0.816			
	DO8	0.810			
	DO9	0.866			
	D10	0.829			



The results of reliability and validity were displayed in Table 1, and for every latent construct that was examined, the Cronbach alpha and composite reliability values showed that each of them was above the established 0.7 as the threshold (Hair et al., 2014, Henseler et al., 2009). Shown in table 1, the latent construct values in relation to the two reliability tests that were used ranged from 0.857 to 0.948, showing a greater degree of reliability (Hair et al., 2014). Also, degree of correlation between two measures of the same idea was measured by convergent validity, which was evaluated in addition to the reliability test (Hair et al., 2014). It was accomplished looking at the (AVE) value. Table 1 indicates that every AVE value was higher more than the 0.5 threshold (Hair et al., 2014; Henseler et al., 2009). It appears that convergent validity was attained because the minimum value was 0.637. The discriminant validity of a construct is

examined next, as it shows how distinct it is from other constructs (Hair et al., 2014). As recommended by Henseler et al. (2015), the Heterotrait-Monotrait Ratio (HTMT) of correlation was used. They contended that even though researchers most frequently employ cross-loadings and the Fornell-Larcker criterion to assess discriminant validity, they are not always effective in identifying instances in which discriminant validity is lacking (Henseler et al. 2015). Discriminant validity was proven because study's findings showed that the values of the HTMT ratio are below the threshold of 0.85 recommended by (Kline, 2011). Table 2 provided the standard of HTMT ratio for determining discriminant validity.

Table 2: Discriminant Validity (Heterotrait-Monotrait Ratio (HTMT))

Construct	DO	PERF	TRD
DO	0.819		
PERF	0.829	0.861	
TRD	0.633	0.682	0.798

Assessment of Significance of the Structural Model

Table 3 indicated, each of the hypotheses that were formulated within this part was put to test for validity

Table 3 (Hypothesis Test (direct and moderating relationship))

Hypotheses	Construct	Beta value	(STDEV)	T Stat	P Values	Decision
H ₀₁	DO -> PERF	0.685	0.038	18.019	0.000	Rejected
H ₀₂	TRD -> PERF	0.290	0.040	7.318	0.000	Rejected
H ₀₃	DO*TRD->PERF	0.056	0.028	2.006	0.045	Rejected

Discussion of the findings

The major objective of this study is to moderate the effects of digital orientation (DO) on the relationship between training and development and the performance of small and medium-sized enterprises in Kaduna metropolis. The data collected indicated that training and development

positively and significantly have influence on performance (t= 7.318, p< 0.000). Empirically, the findings is in line with the studies of Enga, (2017), Rabie, Cant and Mohan, (2017) and Rao and Mohan, (2017) which discovered a strong and favourable correlation between training and development and SMEs performance; and



go against the results of Tarrah (2022), Radhika (2018) and Niazi (2018). According to the (RBV), the study also agrees with submission of underpinning theory of the study, which says, intangible resource are essential assets to an organization, and training and development are intangible assets to an organization. Practically, it is believed that SMEs performance will improve in Kaduna metropolis according to the study's findings, a single increase in training and development will significantly improve the performance of SMEs by 29% as depicted in table 3 above.

Also, a strong, favourable relationship was established involving digital orientation and performance ($t= 18.019, p < 0.000$). This study is empirically consistent with the study of Driskell (2011), Nai, Chih and Carol (2015), and Karimi, (2016). This implies that digital orientation is very critical in predicting the performance of SMEs in Kaduna metropolis. According to the study findings, it is practically believed that SMEs performance will improve in Kaduna metropolis, a single increase in digital orientation will considerably boost performance by 68.5%, as table 3 above illustrates.

Lastly, the study discovered that digital orientation moderates the relationship between training and development and performance ($t= 2.006, p < 0.045$). It was suggested that performance will increase if training and development interacts with digital orientation. The findings of this study shows that there is a direct connection with digital orientation and performance of SMEs (Sarah et al 2017; Dantsoho et al 2020; Rupeika et al 2022; Xiaoyan et al 2022). Practically speaking, training and development as well as digital orientation are both considered intangible assets by a business, as seen in table 3 above. Particularly in the Kaduna metropolis, it is anticipated that SMEs will perform better when digital orientation interacts with training and development. As also

demonstrated in table 3 above, the interaction between digital orientation and training and development will boost performance by 56% as shown in table 3. Surprisingly, the findings of this study as shown in table 3 above fulfils the study's apriori expectations because it is expected that when training and development (TRD) and digital orientation (DO) is rightly put in place, the performance of SMEs will undoubtedly and greatly improve as supported by this study. Likewise, digital orientation (DO) has to do with technology, it is equally believed that when organizations imbibe or involve the use of modern technology, it will definitely improve their performance as demonstrated in the findings above. Finally, as predicted in the result, it is also believed that when digital orientation with training and development, which indicates the availability of efficient training and development, couple with the effective and efficient utilization of digital orientation. It will undoubtedly enhance SMEs' performance, as this study has demonstrated.

Assessment of Variance Explained in the Endogenous Latent Variables

The degree of variation in the endogenous variable(s) that can be accounted for by one or more predictor variables is indicated by the coefficient of determination (R-squared) value. Nonetheless, acceptable R² value threshold varies depending on the study's context. (Hair et al. 2011) suggested that an R-squared of 0.10 be the lowest acceptable level. Table 4 presented the endogenous latent variables' R-squared values.

Table 4. R Squared

Dependent Variable R Square (R²)	
Performance	0.732 (73%)

The exogenous factors account for 73% of the variance in the endogenous variable (PERF), according to the research model. This model assesses the effect size, or F², in addition to the R² value of the performance dependent variable. F² indicates the relative influence of a particular exogenous latent



variable on the latent endogenous variable based on changes in the R² value caused by the exclusion of the former (Chin, 1998).

Table 5 displays the F² values as follows.

Table 5: Assessment of effect size: F-Square

Construct	f ² (PERF)	Effect size
Digital Orientation	0.98	Large
Training and Development	0.17	Small

Table 5 shows that digital orientation has a considerable effect size on the endogenous variable. There is also small effect of Training and development on performance. Given that performance, the moderator, absorbed a sizable portion of the exogenous

Table 6: Predictive relevance on endogenous variables: Q-square

Construct	SSO	SSE	Q ² (=1- SSE/SSO)
DO	3564.000	3564.000	
PERF	1584.000	735.388	0.536
TRD	1980.000	1980.000	

It is clear from table 6 that cross-validated redundancy (Q²) is above zero. This indicates that there is a path model that predicts relevance on performance (Chin, 1998; Hair et al, 2014; Hayes, 2009).

5. Conclusion and Contribution to Knowledge

The study's findings suggest that small and medium-sized enterprises' (SMEs') performance can be enhanced by combining training and development (TRD) with digital orientation (DO) in the study's setting. This implies that, SMEs should actually pay more attention to this variable as its inclusion will enhance and also improve SMEs performance especially in Kaduna metropolis. This study contributes to the body of literature on the performance of small and medium-sized enterprises (SMEs), which is quite uncommon in the existing literature, by documenting the moderating effects of digital orientation on

variables, this clearly suggests that there is a moderating influence between the exogenous and endogenous variable (digital orientation). It is crucial to examine the Stone-Geisser Q² value in addition to the level of the R² value as a measure of predictive relevance (Geisser, 1974; Stone, 1974). A model's predictive relevance is indicated by this criterion (Hair et al, 2014). Henseler et al. (2009) state that if a model's Q² value is higher than zero, it is deemed to have predictive relevance. Thus, the greater the Q², the larger the predictive value of the exogenous latent factors on the endogenous latent variable (Duarte & Roposo, 2010). The Q² value achieved from the blindfolding process is shown in Table 6.

the relationship between training and development and the performance of SMEs.

6. Recommendations and suggestions for further study

The following recommendations were made in accordance with the findings above and suggestions for further study:

1. The study recommends that employees should be provided with former and adequate training because, employees with proper training can impart their knowledge as well as using their creativity to ensure organization achieve its aims and objectives. The study also recommends that employees should be provided with the appropriate knowledge and practical experience; by bringing successful expert through organizing (symposium, seminars and workshops) such combined effort will not only enhance employee's



performance but will also enable an organization to perform to their optimum level.

2. The study had established the moderating effects of digital orientation; hence, future researchers should consider digital orientation as a mediator in the domain of management sciences and entrepreneurship to see the nature of the relationship.

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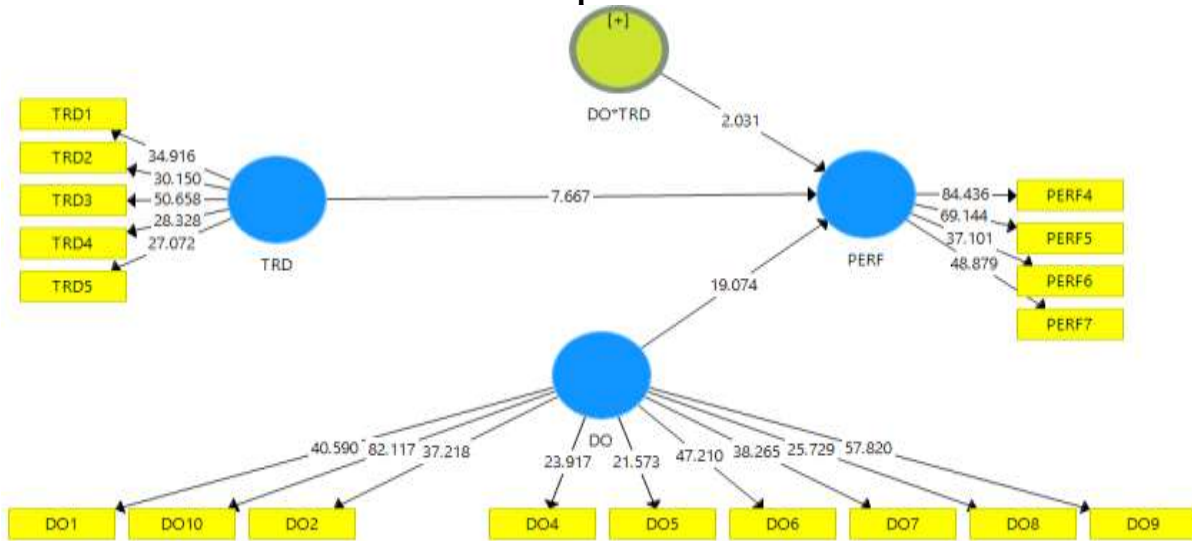


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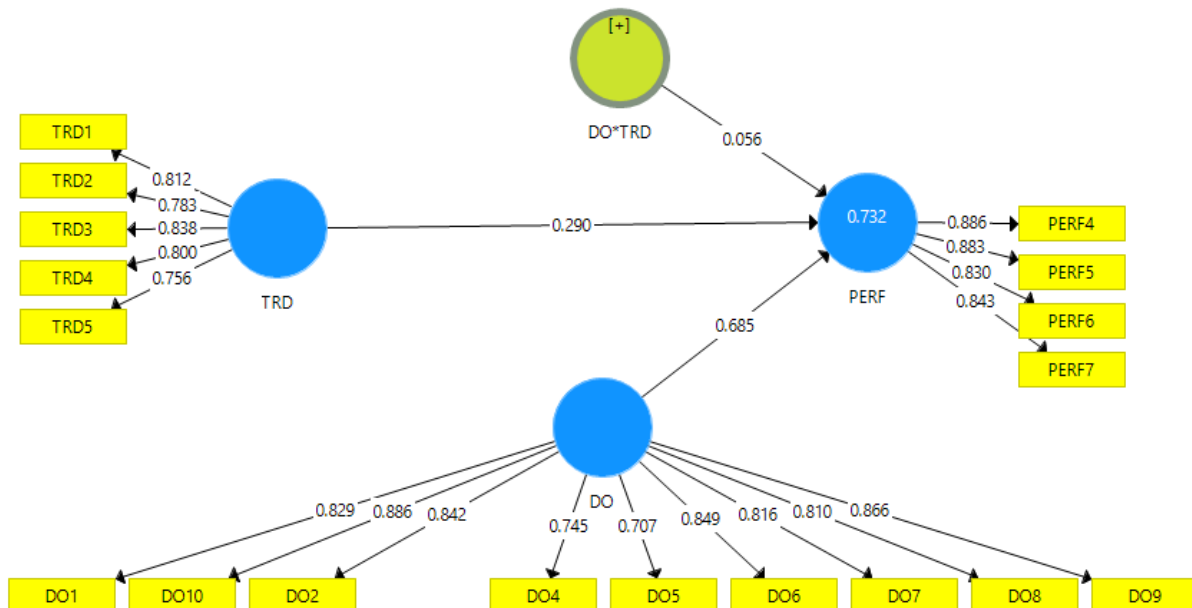
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Appendix 1



Appendix 2





Appendix 3 Moderating Graph

