THE MODERATING ROLE OF MARKET INNOVATION CAPABILITY ON THE RELATIONSHIP BETWEEN KNOWLEDGE SHARING AND SMES PERFORMANCE

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Abstract *The study examined the moderating role of Market Innovations Capability on the relationship between knowledge sharing and SMEs performance. The study used cross sectional research design, it utilized primary data, with questionnaire as the instrument for primary data collection. The population of the study was made up of 38,685 business owners. The sample size for this study is 380 determined by using the Krejcie and Morgan (1970) table. Statistical Package for Social Science (SPSS) Version SPSS 27 and Smart PLS 4 were employed to analyze the data and test the hypotheses respectively. The findings of the study revealed that knowledge sharing was found to be positive and significantly related with SMEs performance. Market innovation significantly moderate the relationship between knowledge sharing and SMEs performance. The study therefore recommended that SMEs should consider combining knowledge sharing with market innovation to maximize performance outcomes.*

Keywords Knowledge Sharing, Market Innovation and SMEs performance.

1.0 Introduction

The important of SMEs cannot be over emphasize as they contribute contributes significantly to GDP, accounting for about 50% in high-income countries and around 35% in low- and middle-income countries, making them essential to economic stability (OECD, 2021).

Table 1: Table showing countries share of business, GDP contribution and Employment

Country	Share of Business (%)	GDP Contribution (%)	Employment (%)
Malaysia	97.2	38.2	48
South Africa	98.5	40	60
Ghana	92	70	80
Indonesia	99.7	61	97
Mexico	99.7	35.6	50
Nigeria	96.9	46.3	>84

MSME Survey, (2024); NBS (2024)

In Indonesia Small and Medium Enterprises (SMEs) contributes 61% to GDP. In Ghana, SMEs contribute 70% to GDP. However, in Nigeria, the statistical report by National Bureau of Statistics (NBS), Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), MSME Survey and NBS revealed that SMEs contribute 46.3% to Nigeria's GDP which is very low when compared to the contribution of SMEs in other developed and developing countries.

Knowledge sharing is very important for the growth and performance of organizations, especially Small and Medium Enterprises (SMEs), because it ensures that valuable insights, skills, and experiences are not kept in isolation but are spread across the organization for collective benefit. Studies such as Bux, Zhu & Devi, (2025), Chang, Sawaguchi & Mori, 2025; Soto-Acosta, Popa & Palacios-Marqués, (2017); Chen, Lee, Chi, Yeh, & Huang, (2021); Shamout, Elayan, Hamouche & Chabani, (2025); Hanifah, Abd Halim, Vafaei-Zadeh & Nawaser, (2022); Adu Sarfo, Zhang, Wauk, Nyantakyi, Amankwah, & Lassey, (2025); Safdar, Batool & Mahmood, (2021); Chatterjee, Chaudhuri & Vrontis, (2022); Than, Le, Thanh Ha & Nguyen, (2024); Anand, Muskat, Creed, Zutshi & Csepregi, (2021); Anand, Muskat, Creed, Zutshi & Csepregi, (2021); Zhao, Jiang, Peng & Hong, (2021); Zan, Leong, Ismail, Chu, Saif, & Islam (2024); Saddewisasi, & Santoso, (2024); Azeem, Ahmed, Haider & Sajjad, (2021); Albawwat, (2022); Makhloufi, Laghouag, & Ali Sahli, (2024); Khraishi, Paulraj, Huq, & Seepana, (2023) showed a positive relationship while other studies such as Biloslavo & Lombardi,

(2021) showed negative relationship which showed that there are still Contradictory findings. Therefore, conducting further research on the relationship between knowledge sharing and performance is an important contribution to the body of knowledge. However, the inconsistencies in the relationship between knowledge sharing and SME performance will create a gap that need to be addressed. Hence, to give a comprehensive view of SME performance as a result of knowledge sharing, additional variables (market innovation capability) was considered as recommended by Baron and Kenny (1986).

2.0 Literature Review

This chapter reviews literature on SMEs performance knowledge sharing and market innovation capability. The development of this chapter is geared to present mainly the relevant literature to the research questions under study. The chapter also includes the theories to underpin the study.

Concept of SMEs

Small Enterprises and Medium Enterprises. Small Enterprises have 10-49 employees and assets valued between ₦5 million and less than ₦50 million (excluding land and building). Medium Enterprises, on the other hand, employ 50-199 individuals and possess assets worth between ₦50 million and less than ₦500 million. This classification provides a clear framework for identifying and distinguishing SMEs in Nigeria, facilitating targeted support, policy development, and research initiatives tailored to their specific needs and characteristics.

The Concept of SMEs Performance

SME performance can be viewed as the result of interactions between internal resources—such as human capital, financial capital, and technological capacity—and external factors such as market dynamics, competition, and government policies (Hayton, 2003).

The Concept of Knowledge Sharing

Knowledge sharing has emerged as one of the most critical elements in the broader field of knowledge management and organizational learning. It refers to the process through which individuals, groups, or organizations exchange knowledge—both tacit and explicit—so that it becomes accessible and usable for others (Zamiri & Esmaeili, 2024).

The Concept of Market Innovation

Scholars have defined market innovation capability as the organization's ability to develop and implement innovative marketing strategies that improve customer satisfaction, brand positioning, and overall firm performance (Elgarhy&Abou-Shouk, 2023).

Review of Empirical Studies

Relationship between Knowledge Sharing and SMEs performance

Chen, *et. al.,* (2021) examined the correlations among Social Interaction, Knowledge Sharing and Innovation Capability-Case on Medical Technology Industry. The research samples, are distributed 450 copies of questionnaire in this study. After deducting invalid and

incomplete ones, 316 valid copies are retrieved, with the retrieval rate 70%. According to the results, suggestions are proposed, expecting to help employees in medical technology industry possess high-level professional knowledge and skills to deal with complicated work and develop the effectiveness of organizational resource application.

Shamout, *et. al.,* (2025), examined the role of Collaboration Technology and Knowledge Sharing Climate on Employee Productivity and Innovative Behavior. The findings show that the mediating role of knowledge sharing climate remains significant in the proposed relationships. Implications for theory and practice are discussed.

Hanifah, *et. al.,* (2022) examined the effect of intellectual capital and entrepreneurial orientation on innovation performance of manufacturing SMEs: mediating role of knowledge sharing.The findings demonstrate that using collaboration technology cultivates a knowledge-sharing climate in organizations, which in turn boosts employee productivity and innovative behavior.

Safdar, *et. al.,* (2021), examined the relationship between self-efficacy and knowledge sharing: systematic review. The purpose of this paper was to systematically collect and review the research studies that provide empirical evidence regarding the existence of relationship between self-efficacy and knowledge sharing or influence of self-efficacy on sharing of knowledge. Findings of current research paper will be helpful for organizations striving to implement a knowledge-sharing culture.

Market Innovation Capabilities and SMEs Performance

The relationship between Market innovation Capability and SMEs performance has been confirmed in both empirical and theoretical studies.

Sprong, Driessen, Hillebrand & Molner, (2021), market innovation: A literature review and new research directions. Over the past three decades, a rapidly expanding academic literature has investigated how new markets are created and how existing markets are transformed, phenomena this article refers to as “market innovation”.

Elgarhy & Abou-Shouk, (2023), analysed the effects of entrepreneurial orientation, marketing, and innovation capabilities, on market performance: The mediating effect of sustainable competitive advantage. The findings of this study showed that SCA is a partial mediator between SCA antecedents and MP. SCA antecedents significantly improve the prediction of travel agencies’ MP.

Somwethee, Aujirapongpan, & Ru-Zhue, (2023), examined the influence of entrepreneurial capability and innovation capability on sustainable organization performance. The analysis was conducted using (AMOS-SEM) approach. The results reveal that entrepreneurial capability plays a robust role in promoting innovation capability and sustainable organization performance.

Theoretical Framework

From an RBV standpoint, shared knowledge forms part of the collective intellectual capital of the firm, which is difficult for competitors to replicate. Effective knowledge sharing fosters collaboration, teamwork, and collective problem-solving, all of which improve organizational learning and performance (Purnantara, Huanza, Pianda, Effendi & Waqiah, 2023).Market innovation capability enhances the capacity of SMEs to use shared knowledge in developing innovative market strategies, such as pricing models, branding, and promotional campaigns, which improve competitiveness and performance (Olazo, 2023). Therefore, market innovation capabilities act as moderators, strengthening the performance impact of knowledge sharing.

Proposed Research Model

The research model for the study is depicted below:

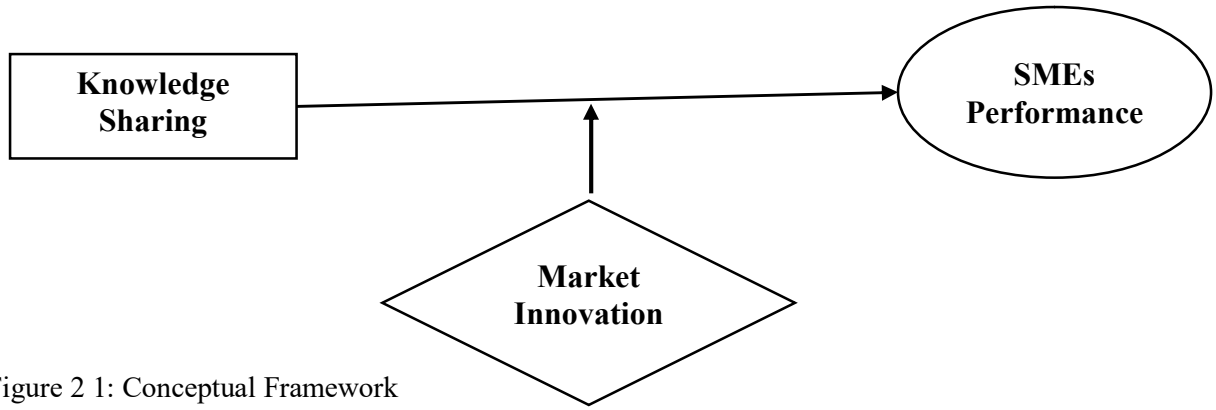


Figure 2 1: Conceptual Framework

The model in figure 2.1 represents the research model (framework) of the study. The independent variable is knowledge sharing predicting the dependent variable SMEs performance. Market Innovation capability is the moderator.

3.0 Research Methodology

This chapter presents the most appropriate methods to be employed for conducting the present study. The study utilized cross sectional research design.

Population of the Study

This population focuses on SMEs located and operating within Kaduna State. The State boasts of a vibrant SME sector comprising 38,685 SMEs (National Bureau of Statistics, 2024; MSME Survey 2024).

Table 3.1: The Populations of SMEs owners in Kaduna State

S/NO	SENATORIAL DISTRICT	NUMBER OF SMEs
1	Kaduna North Senatorial District	18,561
2	Kaduna Central Senatorial District	12,779
3	Kaduna South Senatorial District	7,345

Sample size and sampling technique

The sample comprises of SMEs operating in Kaduna North Senatorial District, Kaduna Central Senatorial District and Kaduna South Senatorial District. The sample size for this study is determined by using Krejcie and Morgan (1970) table. The sample for this study is 380 using Krejzie and Morgan sample size table. However, the size of the sample was multiplied by two to minimize error in sampling and to take care of nonresponse rate issue (Hair, Wolfinbarger & Ortinall, 2008). Therefore 760 were selected as the total number of questionnaires to administer.

From the total sample size of 760, the following proportionate sample size was drawn for each stratum using the formula.

$n_h = (N_h/N)*n$

Where n_h = is the sample size for stratum $_h$,

N_h = is the population size for stratum $_h$.

N = is the total population size

n = is the total sample size (Trek, 2020).

Below is the distribution of samples for each category of the SMEs in Kaduna State:

Table3.2: Distribution of Samples for SMEs in Kaduna State

SMEs	Distribution of Sample	Sample Size
Kaduna North Senatorial District	n_h= (18,561/38685)760 = 364.64	364
Kaduna Central Senatorial District	n_h = (12,779/38,685)760 =251.05	251
Kaduna South Senatorial District	n_h = (7,345/38,685)760 = 144.30	145
TOTAL		**760**

The sampled SMES were selected at random from the randomly sampled SMEs. Simple random sampling technique was chosen because every element in the population has an equal chance of being chosen, reducing researcher bias in the selection process (Pathak, Meinhold & Fisher, 1980; Zieser, Lorenz & Voith, 2025).

Method of Data Collection

For the purpose of this study, most relevant information was gotten through primary data which further help in fulfilling the research objectives (Lancaster, 2007).

Utilizations of primary data have some advantages such as high quality level of data, and first-hand information can be collected based on the requirements. Questionnaire was utilized as instrument of data collection.

Method of Data Analysis

The researcher presents both descriptive and inferential statistics. The study employed Statistical Package for Social Science (SPSS) Version SPSS 27 for preliminary analysis and Partial Least Square Structural Equation Modeling (PLS-SEM) for data analysis using Smart PLS Version 4.0 statistical software.

4.0 Results and Discussion

The chapter presents the research findings of the study in line with the data collected.

Response Rate

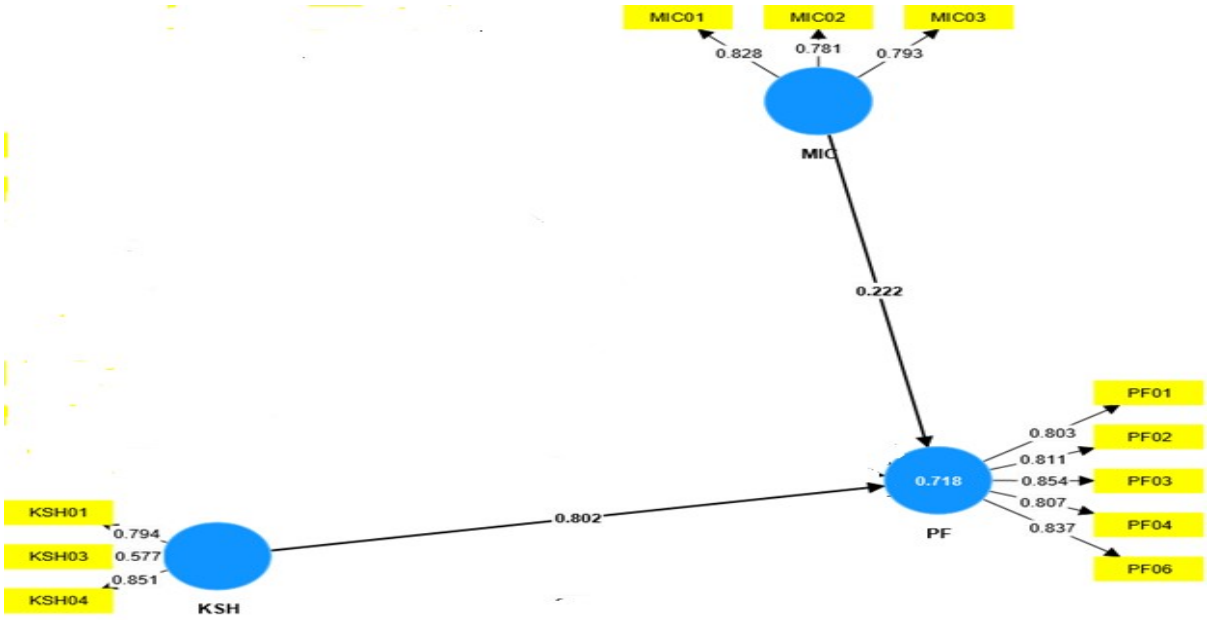
This study distributed 760copies of the questionnaire, and a total of 556 copies were finally retrieved.

Partial Least Square Structural Equation Modelling (PLS-SEM)

This two-step process adopted in the present study comprises the measurement model and the structural model (Hair et al., 2014; Hair et al., 2012; Henseler et al., 2009).

Measurement Model (outer model)

The figure below presents the measurement model of the study.



MEASUREMENT MODEL

Figure 4.2 PLS Algorithm

Figure 4.2 shows the indicator of the independent variable, moderator and the dependent variable.

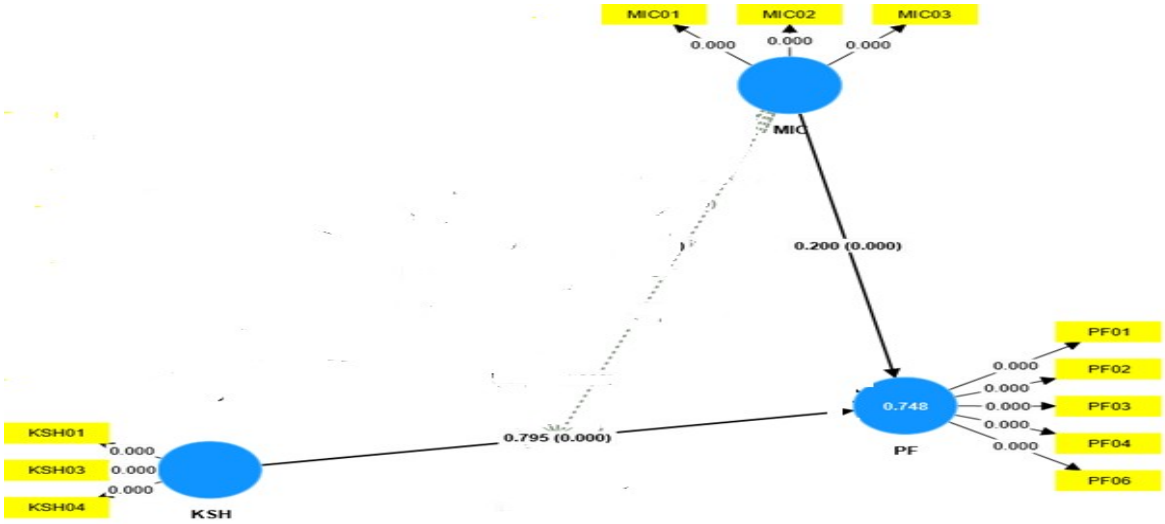
Table 4.1: Measurement Model

Constructs	Items	Loadings	Composite Reliability (CR)	Average Variance Extracted (AVE)
Knowledge Sharing	KSH1	0.794	0.790	0.562
	KSH3	0.577		
	KSH4	0.851		
Market Innovation Capability	MIC1	0.828	0.843	0.642
	MIC2	0.781		
	MIC3	0.793		
SMEs Performance	PF1	0.803	0.913	0.677
	PF2	0.811		
	PF3	0.854		
	PF4	0.807		
	PF5	0.837		

As can be seen from the Table 4.6, the indicators have loadings of 0.40 and above. Even though the above items has a loading below 0.70, it was maintained because it is already above the critical level of 0.40, and its removal would not bring about any significant change to either AVE or CR. Therefore, based on the criterion given by Hair *et al*. (2017); Hair *et al*. (2014), all the remaining items are reliable to measure their respective reflective latent constructs.

Structural model (Inner model)

The second part of the model is the structural model or inner model which Hair *et. al.*, (2013) identified four key criteria for assessing the structural model in PLS-SEM. These criteria include assessments of significance of the path coefficients, coefficient of determination (R^2), the effect size (f^2), and predictive relevance (Q^2). However, to ascertain the effect of independent variables on the dependent variable, it is important to carry out a bootstrapping analysis. Bootstrapping was done by using 5,000 subsamples. Figure 4.3 presents the structural model of the effects.



STRUCTURAL MODEL

Figure 4.2: *Structural model*

Path coefficient for direct relationship

Hypotheses	R/Ship	Beta	Standard deviation	T statistics	P values	Decision
HO_1	KSH -> PF	0.795	0.035	22.816	0.000	Rejected
HO_2	MIC x KSH -> PF	0.176	0.039	4.510	0.000	Rejected

The table above presented the results of the test of hypotheses. The table disclosed that knowledge sharing has positive relationship with SMEs performance (Beta value = 0.795 t-value = 22.816 & p value =0.000). Similarly, the moderating effect of Market Innovation Capability between knowledge sharing and SMEs performance were positive and significant with a Beta value = 0.176, t-Value 4.510, P value 0.000.

Findings

The study showed that there is a significant relationship between knowledge sharing and SME performance. Knowledge sharing enhances SME performance by fostering innovation, improving decision-making, and enabling adaptability to market changes. SMEs that prioritize knowledge sharing and implement effective knowledge-sharing practices are better positioned to achieve sustainable growth and competitiveness.

The findings indicate that market innovation capability significantly moderates the relationship between knowledge sharing and SMEs' performance. The interaction effect between knowledge sharing and market innovation capability was statistically significant, showing that the impact of knowledge sharing on SMEs' performance depends on the level of market innovation capability within the firm (Khraishi, Paulraj, Huq &Seepana, 2023).

5.0 Conclusion and Recommendations

Conclusion

This study examined the role of product and market innovation capability on the relationship between knowledge sharing and SMEs performance.Following the data analysis and hypothesis testing using PLS output, the study conclude that knowledge sharing was found to be positive and significantly related with SMEs performance. Market innovation was revealed to moderate the relationship between knowledge sharing and SMEs performance.

Recommendations

1) SMEs should create an environment where employees feel comfortable sharing ideas, experiences, and expertise that improve performance.

2) SMEs should integrate knowledge-sharing practices with market insights, collaborative processes, and technology, ensuring that shared knowledge directly supports market innovation activities that enhance organizational performance.

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