MODERATING ROLE OF INNOVATION CAPABILITIES ON THE RELATIONSHIP BETWEEN INTELLECTUAL CAPITAL, MARKETING ORIENTATION AND SMES PERFORMANCE

Sada Mudassir Idris
International Center of Excellence for Rural and Entrepreneurship (ICERFE),
Ahmadu Bello University, (ABU) Zaria

Dr. Idris Bashir Bugaje
Department of Business Administration,
Ahmadu Bello University, (ABU), Zaria

Dr. Sahnun Ladan
Department of Business Administration,
Ahmadu Bello University, (ABU), Zaria

Abstract
In Nigeria, the SMEs sector has not been able to perform up to expectation, they have not met the expected vital and vibrant role of bringing about economic growth and development of the country. This is because the SMEs are confronted with several drawbacks and challenges they have to overcome in order to operate successfully. The main objective of the study is to examine the moderating role of innovation capabilities on the relationship between intellectual capital, marketing orientation and SMEs performance. Primary data was obtained through the use of questionnaire. The study employed the Smart PLS 3.0 in other to compute the two basic model of PLS path modelling which includes measurement model and structural model. The findings of the study revealed that intellectual capital and market orientation predict the SME performance, while innovation capability moderate the relationship between intellectual capital, market orientation and SMEs performance. The study recommended that Owners/Managers should be made to grow intellectual capital, marketing orientation and innovation capabilities of firms by recruiting very competent staff that possess skills, knowledge and abilities, train and motivate them. Owners/managers must strategically and deliberately train and retain staff for a long time to avoid losing the intellectual assets possessed by them, which could improve better performance.

Keyword: Innovation Capabilities, Intellectual Capital, Marketing Orientation and SMEs Performance

Introduction
The performance of small and medium enterprises (SMEs) is a major driver and indices for the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry.

SMEs has remained source of change and a pivot of economic catalysts in industrialized states as they are in the developing world. In many developed nations, more than 95% of all enterprises are within the SME sub-sector. In Japan SMEs contributes 80% to the GDP, in Germany they contributed 75% to German GDP and in the USA SMEs contributes 79% of the country's GDP (NBS, 2019). In addition, Ghana SMEs provide about 85 percent of manufacturing employment, and contribute 70 percent to the

Ghanaian GDP (Rao, 2013). Similarly, in South Africa, the sector contributes between 52 and 57 percent of the GDP and 61 percent of employment (Gavurova, 2018)

However, in Nigeria, SMEs contribute 46.41% to the GDP and 30% employment ratio (SMEDAN 2018) which shows that SMEs are performing below per (better) in Nigeria in comparison to other developed and developing countries of the world (Squire, 2014). Small and Medium Enterprises (SMEs) have attracted considerable attention of both public and private sectors in Nigeria, government makes provisions for policies that are deemed promoting in their development plans, policies and programmes for the promotion of Small and Medium Enterprises because of their perceived benefit to economic development (Andreeva, 2017).

Studies on the relationship between intellectual capital and SMEs performance have been inconsistent. For example, the studies conducted by Salisu & Bakar, (2018), Ginesti & Caldarelli, (2018) have documented negative relationship between intellectual capital and SMEs performance while other studies such as Wales, Gupta, and Mousa, (2013), Garanina, 2017 ; Cisneros & Hernandez, 2018 ; Bayraktaroglu & Calisir, 2019 documented posttive relationship between intellectual capital and perfromance. It is on the basis of these differences in results and the recommendation of Waller, (2014) that the current study integrated a moderator. Therefore, investigating the relationship between intellectual capital and SMEs performance with the introduction of innovation capabilities is a good contribution to knowledge.

Research conducted on market orientation and SMEs performance revealed inconsistent findings. For instance, the work of Wamba, (2016), Wang, (2008) and the study of Waterhouse, (2017), Mohapatra & Jena, (2018) documented a positive relationship between market orientation and SMEs performance, while studies of Svendsen (2017) and Xu, (2018) documented a negative relationship. This inconsistency in results necessitated the introduction of moderator to explain the relationship between market orientation and SMEs performance (Baron & Kenny, 1986). Therefore, conducting a study on the moderating role on intellectual capability on the relationship between market orientation and performance is an important contribution to knowledge

Literature Review

This chapter is concerned with review of relevant literatures on intellectual capital, marketing orientation, innovation capabilities and SMEs performance.

Conceptualization

According to Sapouna, (2016), SME performance is a concept that often discussed in various studies, but rarely has the similar definition. Literally, SME performance is a measure of actions that lead to the achievement of firm's aims and objectives. From a business perspective, firms achieve its objective if they are performing in meeting the needs of their stakeholders and customers' more than competitors. Halim (2015), suggests that intellectual capital includes general knowledge, design approaches, ideas, computer programs, inventions and publications. The term marketing orientation can be defined various ways: as a set of beliefs that shapes particular attitudes and culture of business (Bhaskar 2017, In: Mishra and Gounaris, 2017,) or as an implementation of marketing concept (Asiaei, 2014). The ability to develop new ideas, a new way of thinking, and to implement and utilise these abilities is known as innovativeness, particularly when the organisation manages to introduce new products to the market or opens up new markets through combining strategic orientation (Wang, Ahmed 2002).

Review of Empirical Studies

According to Dumay, (2013) in their study on measuring company's intellectual growth, they stated that customer capital is the relationship between firms and their customers. The study concluded that knowledge of marketing channels and customer relationships is the main theme of customer capital. Frustrated managers often do not recognize that they can tap into a wealth of knowledge from their own clients. Kohli and Jaworski (2000) indicates that understanding what customers want in a product or a service better than anyone else is what makes someone a business leader as opposed to a follower.

In the study of Akhtar, (2015), they attempted to explore the mediating effect of intellectual capital on innovation. The research was made in Taiwanese manufacture and non-manufacture industries. Seven hundred survey questionnaires were mailed to firms. The response rate of the study is 22.71%. They found that effects of intellectual capital including human capital, customer capital and structural capital, on innovation exist at significant levels, suggesting a perfect mediating effect of intellectual capital on innovation.

Garanina, (2016) aimed to explore the influences of innovative activities, intellectual capital towards corporate development in Taiwanese publicly listed IT corporations. During the study, from total of 800 questionnaires, 301 were returned. The response rate of the study is 36.63%. In the study, innovative activities have three sub categories which are Research & Development, managerial innovation and knowledge innovation. The study found that, there is a mutually positive correlation between innovative activities and intellectual capital. Accumulation of intellectual capital of Taiwanese IT corporations has positive influences on their operation and development. This suggests that the more the intellectual capital, the more added value contributed to corporations.

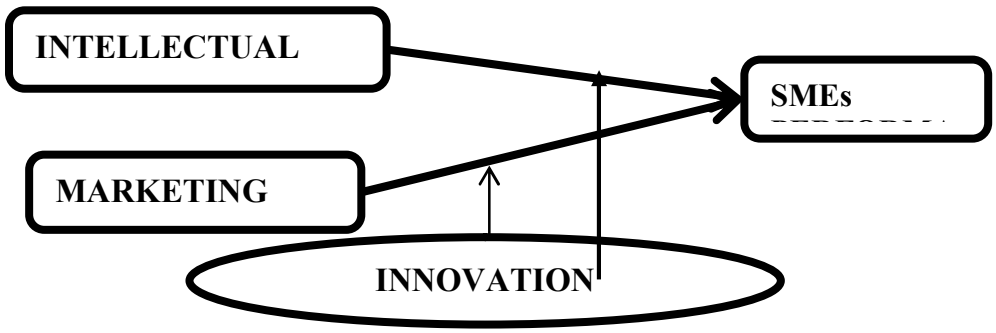
Zawawi, (2016) investigated the influence of marketing practices on small SMEs performance. Their sample made up of five hundred and forty - five businesses/ senior staff in LagosNigeria, using a questionnaire survey and analysis of variance (ANOVA) as a method of analysis. The finding of their study indicated a link between marketing practices and overall SMEs performance. However, the study of Jaiyeoba (2014) established a significant influence relationship on MO behavior of service firms. Similarly, Webster, Hammond and Rothwell (2014) examined the effect of MO on business performance of business schools that register with the association of advance

collegiate schools of business in the US. One hundred and sixteen educational vice presidents and one hundred and thirty - one deans were the respondents. The finding from their study indicated a positive influence between market orientation and performance.

Baussola, (2018) reported a significant and positive influence of market orientation on small SMEs performance. Alkurdi, (2017) in their study of the MO to the business performance in service firms: role of innovation, examined the association between MO and performance in the hospitality business, more specifically to international hotels. Two hundred and one data were generated through survey questionnaire and the preliminary questions were pre-tested on thirty hotel chief executives who joined an executive development program at a leading hotel and restaurant in the north- eastern USA. The finding shows that MO is positively related to both financial measures of performance-service quality, customer satisfaction, and employee satisfaction and non-financial of performance-occupancy rate, gross operating profit and market segment. It establishes a strong positive association between MO and all forms of performance.

The study utilized Resource-Based View (RBV). The RBV has been established for more than 20 years and has become one of the most influential theoretical frameworks (Martin 2010). The RBV (Gourio 2015) has largely influenced academic research in the area of innovation. This theory has also gained prominent attention in many fields of innovation capabilities, intellectual capital and marketing orientation (Gunday 2011).

Model of the Study



RESEARCH METHODOLOGY

Chapter three discusses the research methods that are used in this study. This chapter starts by introducing the research design, population and sampling, data collection procedure, administration of instrument, validity and reliability and techniques of data analysis

The study utilized survey design as it is considered the most appropriate for collecting information on predetermined instruments that yield statistical data on a large sample for the purpose of generalizing result to a given population (Creswell, 2003). The cross sectional survey design was deemed appropriate for this study because it enhanced uniform data collection and comparison across many respondents at one point in time.

The population of this study comprises of Small and Medium Enterprises (SMEs) that are only located and operated within Kaduna State. Kaduna State has one thousand and seventy-two (1,072) SMEs (SMEDAN, 2019).

The sample size was determined using Krejcie and Morgan (1970), because of large population, in most studies researchers hardly study the entire population. Therefore, sample is always drawn from the population. The sample size drawn from the population is 285 using Krejcie and Morgan (1970).

However, in order to take care of response bias and improper filling of some respondents to return the questionnaire, 30% of the above minimum sample size was added as suggested by Israel (2013). 86 respondents which is the 30% of the sample size will be added to the calculated sample size of 285 which brings it to 371 questionnaire administered across the State. In order to locate the sample out of the population, the researcher adopted simple random sampling technique.

Primary source of data was used in the study to examine the moderating role of innovation capabilities on the relationship between intellectual capital, marketing orientation and SMEs performance. Primary data was obtained through the use of questionnaire. The study will employ the Smart PLS 3.0 in other to compute the two basic model of PLS path modelling which includes measurement model and structural model (Anderson & Gerbing, 1988).

RESULT AND DISCUSSION

The chapter begins with data presentation and analysis, test the hypotheses and conclude with the discussion on the result findings. The main objective of this study is to examine the moderating role of Innovation Capabilities on the effect of Intellectual Capital, Marketing Orientation on SMES Performance.

Data analysis and Presentation

The study used a descriptive analysis, the research hypotheses were presented and tested, and partial least square SEM were used to test the hypotheses. This notion assumes that both latent and emergent variables serve as a proxy for behavioural concepts (Ringle & Sarstedt, 2015). Following this reasoning, the validity gap occurs between the concept and its construct (Al-dalahmeh, Khalaf & Obeidat, 2018). The respondents cut across the owners and managers of SMEs who were participated to the research and made up three hundred and seventy one (371).

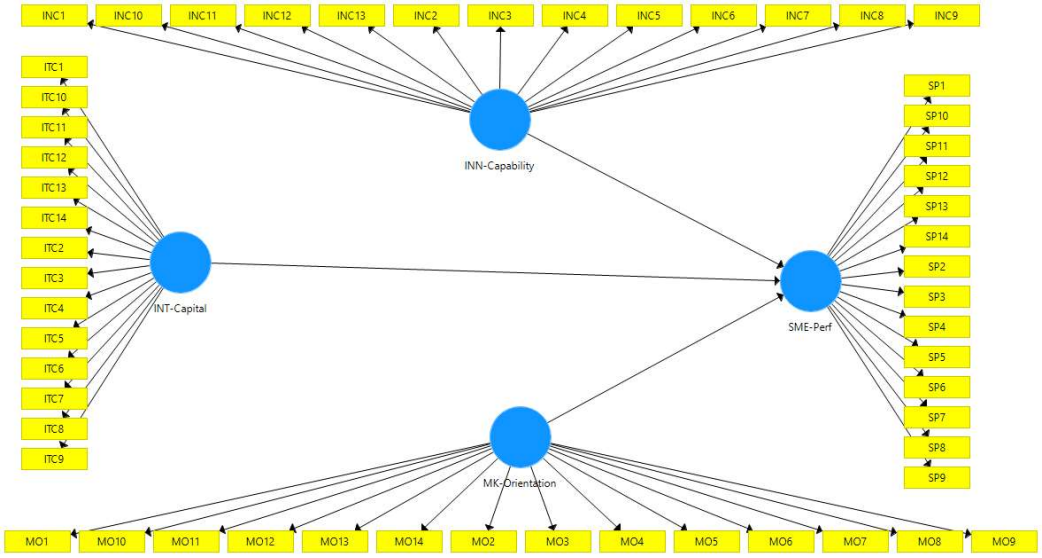
Administered Questionnaire

Questionnaire	Number	Percentage
Distributed Questionnaire	371	100
Received Questionnaire	342	92.2
Unreturned Questionnaire	29	7.8
Questionnaire with defect	18	4.9
Valid Questionnaire	324	87.3

Sources: Field Survey 2021

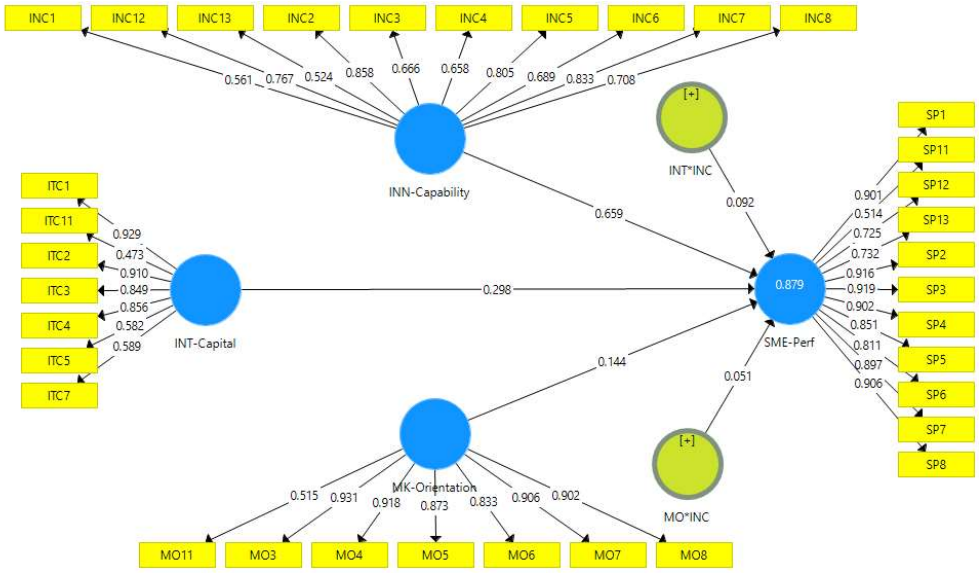
Data Analysis Measurement

This study uses the structural equation modelling (SEM) approach.



Assessment of Measurement Mode/Outer Loading

This sub section explains the measurement/outer loading of the model. It is part of the SEM model, which describes the relationships among the latent variables and their indicators (Hair, *et al.*, 2017). On the other hand, the outer model parameter estimates consist of the loadings (Ringle & Sarstedt, 2015). Figure 4.2 represent the path model



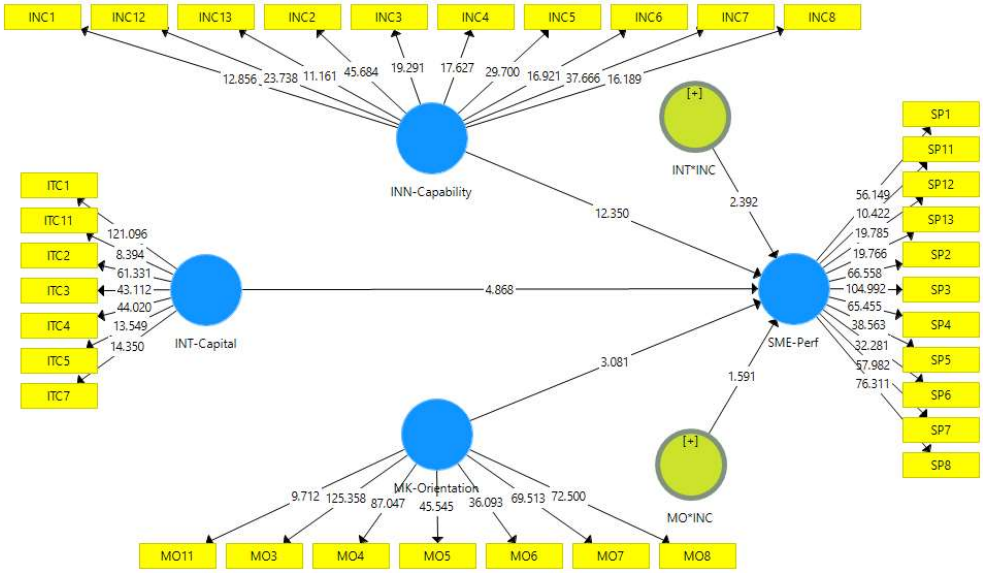
Reliability and Validity

This study performs internal consistency composite reliability (CR) to ensure the accuracy of the designed first-order reflective constructs and factor loading to evaluate the reliability of each item (Andreeva & Garanina, 2017). It also executes the average variance extended (AVE) to evaluate the construct's validity. As illustrated in Table 4.1, factor-loading values for all indicators were above 0.5. It achieves the desired value, which findings supported by several studies (Hair *et al.*, 2017). The results of constructs achieved desired composite reliability (CR)>0.7 and have gotten accepted AVE value >0.5 as presented in Table 4.1.

Assessment of Structural Model/Inner Loading

This sub section explains about the assessment of structural model. Also, it completes the SEM model, which describes the correlations among the latent variables that make up the SEM model (Bhaskar & Mishra, 2017).

Bootstrapping Result of Direct Relationship



The above show the result of bootstrapping of the direct relationship between the independent variables and the dependent variable of the study and it show the test of hypotheses. Below is the result of the test of hypotheses in table.

Test of Hypotheses

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Decision
INN-Capability -> SME-Perf	0.659	0.653	0.053	12.35	0	Rejected 1%
INT*INC -> SME-Perf	0.092	0.09	0.038	2.392	0.017	Rejected 5%
INT-Capital -> SME-Perf	0.298	0.301	0.061	4.868	0	Rejected 1%
MK-Orientation -> SME-Perf	0.144	0.141	0.047	3.081	0.002	Rejected 1%
MO*INC -> SME-Perf	0.051	0.046	0.032	1.591	0.112	Fail to Reject 10%

The show the bootstrapping procedure for testing the hypotheses and evaluate the significance between constructs (Hair, *et al.,* 2015). The table further elucidates that all constructs in the model are with a critical value of 1.96 for the two-tailed test at significant level $p < 0.05$. Therefore, it supports the following hypotheses:

Summarizes the assessment of the relationship between the constructs (endogenous and exogenous). Results recapitulate that,

H_{01}: Intellectual capital (human, structural and relational capital) has significant effect on Small and Medium Enterprises performance ($\beta = 0.298$, t-value 4.868 and P value = 0.000).

H_{02}: Market orientation has significant effect on Small and Medium Enterprises performance. (β = 0.144, t-value 3.081 and P value = 0.002).

H_{03}: Innovation capabilities have significant effect on Small and Medium Enterprises performance (β = 0.659, t-value 12.350 and P value = 0.00). While the;

H_{04}: Innovation capabilities moderate the relationship between intellectual capital and Small and Medium Enterprises performance (β = 0.092, t-value 2.392 and P value = 0.017).

H_{05}: Innovation capabilities do not moderate the effect of market orientation on Small and Medium Enterprises performance (β = 0.051, t-value 1.591 and P value = 0.112).

Result Findings and Discussion

This study assessed the moderating effect of innovation capability on the relationship intellectual capital and market orientation on SME performance in Nigeria. The results support the postulated model. Specifically, the PLS approach yielded support of the null H_{01}; where it was found that intellectual capital has a positive and significant effect on SME performance in Nigeria. This is in accordance with the results of previous and recent researches found in the literature (Nakhata, 2018; Neubert, Bradley, Ardianti, & Simiyu, 2017; Adamu, 2021). Hypothesis testing shows that intellectual capital has a positive and significant influence on the performance of SMEs. This indicates that intellectual capital has been viewed as an important factor for firms in enhancing their competitive competence and achieving corporate success. As IC includes knowledge, information, intellectual property and experience that can be used to create value for a firm (Al-Dmour, *et al.,* 2019). Findings aid researchers and practitioners in entrepreneurship when explaining the growth and survival of the small and medium enterprises.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Intellectual capital and marketing orientation are considered to be one of the most important elements that affect the activities of all private firms operations particularly the small and medium enterprises. This was supported by the main hypotheses of this study of having a relationship between intellectual capital, marketing orientation and SMEs performance. in Nigeria. However, it was found that the innovation capability was able to moderate the relationship and have an effect between intellectual capital, marketing orientation and SMEs performance.

The finding suggests that innovation capability has a higher influence on SME performance with (β = 0.659) positive and significant, while Intellectual Capital has (β = 0.298) positive and significant and the second influence to the SME performance. Also market orientation was weak (β = 0.144) and positive significant. The moderating effect on innovation capability was positive and significant between Intellectual capital and SME performance, while the moderation effect for market orientation was weak, positive and insignificant to SME performance. The moderation indicate that innovation capability have an effect on the independent variable to predict SME Performance. The discussion and implications of the findings were discussed. The study has particularly provided empirical evidence that indeed the adoption of intellectual capital and market orientation in this case study going by what the analyzed data collected from these firm have revealed, has largely impacted SME performance. Therefore, this study concluded that innovation capability moderate the relationship between IC and MO on SME

performance in Nigeria.

Recommendations

Based on the findings the study recommendations the following;

1. Intellectual capital have significant effect on SME performance in Nigeria thus owners and managers of SMEs should invest in developing sound human, structural and relational capital practices in the actualization of their goals of increasing the adoption and use of their products and services to enhance their efficiency and improve in their performance.
2. the owner(s) and employees in the SMEs can communicate freely about successful and unsuccessful customer experience across all business functions, to creating customer value.
3. The study recommends that, managers and owners enterprises should use the adoption of e-commence to improve policies relating to product and process innovation. This will go a long way to improve on the performance of the SMEs, Thereby, sustain optimal operation capacity by providing innovative ideas and solutions to clients.
4. the study recommends that the owners and managers improve their firms' capability to innovate by acknowledging the multiple facets of innovation capability. Thereby enhance the structural, human and relational capital in product creativity and innovative process to improve on market capacity.
5. Owners/Mangers should guide their employees towards utilizing the innovation which comprises the hardware, software, social capital databases, organizational structure, process manuals, strategies, routines and anything that is valuable to the organization as properly innovation capabilities improve performance.

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