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Mediating Effect of Network Competence on Organisational Performance

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Abstract

This study examines the conceptual relationships in the Nigerian context. The research wascarried out based on Two hundred and forty-five (245) samples involving owners/managers of medium sized manufacturing enterprises, using structured questionnaire. Statistical Package for Social Sciences (SPSS) will be adopted for descriptive analysis as well as Structural Equation Modelling (SEM) using AMOS for inferential statistics. Furthermore, the mediating effect analysis was carried out using bootstrapping analysis. In addition, Human Resources Development (HRD) indicators for performance namely effectiveness, efficiency, development, satisfaction, innovation and quality was used to measure organizational performance. The findings reveal that better organizational performance is a direct result of integrating knowledge creativity and network competence practices. In particular, that network competencehelps to foster some level of trust both inside and outside of linked businesses.

Keywords: Network Competence, Organisational Performance, Inter-organisational Relationships, Networking Capability.

Introduction:

The thrust of the new global order is focused on self-reliance and self-sufficiency, which in essence has given impetus to the adoption of small and medium sized enterprises, as a propelling force to achieve that purpose (Ogunyomi & Bruning, 2015). The organizational performances of these medium sized organizations have become critical to researchers, human resource development practitioners as well as captains of industries recently (Alagaraja, 2012; Ozuomba, Ibeaja & Nosiri 2023; Swanson & Holton, 2020). While small percentage owner/managers who are the owners of these organizations are adopting practices that encourage human resource development practices, a large percentage of the owner/managers looksdeceived about the gains of human resource development practices in their medium sized enterprises (mazena 2021; Mahmud & Hilmi, 2014; Ogunyomi & Bruning, 2015). Meanwhile, Siepel, Cowling and Coad, (2017) contended that any firm that do not consider the development of their human capital from the inception even though they grow to maturity, is most likely to fail. This implies that the capacity to access workforce skills and specialization, plays crucial roles in shaping the development and survival prospects of the firm as it progresses through its life course. In order words, organizations that lack human capital development strategy/plan to improve human resource or specialized skills such as network task competences, knowledge for creativity are likely to die off even after high growth (Siepel, et al, 2017; Ritter & Gemunden 2023). Therefore, encouraging owner/managers of companies such as small and medium enterprise organizations to adapt practices linked with human capital development. This can help improve individual's performance competencies leading to organizational performance of the enterprise (Olatunji, 2013; Swanson & Hilton, 2010).

This study hinges on the application of network competence as a mechanism through which human capital predictor such as knowledge creativity influences organizational performance of medium sized enterprises in Lagos state Nigeria. Practically this study will help owner/managers to adopt the right human resource development practices that includes development of network competence skills and creativity which can pave way for innovations in the enterprise.

Previous empirical studies have emphasized the impact of human resource development on organizational performance, others focused on HRD and HRM Perspectives on Organizational Performance (Alagaraja, 2012; Ogunyomi & Bruning, 2015; Siepel, et al, 2017; Ritter & Gemunden 2023). Researchers, however, have not addressed predictors of human capital such as knowledge creativity, and the mediating role of network competence on organizational performance of medium sized SMEs. Few studies have attempted to address it, but it was done in isolation, for example social and human capital predict participation in lifelong learning. Taken together, previous researchers seemed to focus on HRD and organizational performances' related areas in general terms, but not specifically on the mediating effect of network competence and medium sized SMEs performance. Hence, little is known about the connection between predictors of human capital such as knowledge creativity and the mediating effect of network competence on medium sized SMEs performance. This gap in knowledge if not attended to may lead to a serious setback for the performance of SMEs. It is necessary to study the Mediating Effect of Network Competence on Organizational Performance of Medium Sized Manufacturing Company and also look at possible areas of applications.

Justification:
Lagos state Nigeria was chosen because it has the highest number of medium sized enterprises in Nigeria (SMEDAN, 2020). A five Likert type scale questionnaire consisting of six dimensions will be utilized.

The aim of the work is to examine the mediating effect of network competence on organizational performance of medium sized Manufacturing enterprises in Lagos state Nigeria

The specific objectives are:
To analyse the relationship between knowledge creativity and network competence
To examine the relationship between knowledge creativity and organizational performance
To investigate the mediating effect of network competence on organizational performance
To examine network competence, knowledge creativity and organizational performance

This work is anchored on the Human capital theory by Gary Becker in 1964. He postulates that investment in education whether formal or informal improves an individual's level of performance and by extension increases their earning potentials.

Organizational performance.

Within the field of human resource development considerable attention has been paid to understanding the practices that can provoke organizational performance (Alagaraja, 2012; Sung & Choi, 2014) and the factors that contribute to non-performance which is frequently related to failure in the developing countries (Mahmud & Hilmi, 2014; Ritter & Gemunden 2023). However, studies' regarding this phenomenon (performance) has established that organizational performance is linked to different areas of discipline such as economics, sociology, psychology, industrial engineering, human resource management etc (Swanson & Hilton 2010). These fields of studies as mentioned are measured differently using a particular indicator and concept consideration to define performance or performance improvement to fit each need or purpose. However, HRD discipline looks at the domains of performance and the analysis from the angles of ***levels:*** Organization, process and individuals. And *measures of Output**:*** in terms of quantity, time and quality features (Swanson, 1994; cited in Swanson & Hilton, 2010)**.**

The Small and Medium Enterprisies (SMEs)
SMEs are small and meduim sized businesses whose employee numbers falls within certain limits. Asah et al. (2015), averred that SMEs, are characterized by their ability to respond quickly to the changing market conditions which constitutes lots of competitive challenges. Currently, in Africa SMEs consists of over 90% of African business operations and contributes over 50% of African employment and the Gross Domestic product (GDP) (Saravanan, Gupta, & Ghatak, 2008). In Nigeria, SMEs play a significant role in the development of the nation's economy, because it provides over 90% of employment opportunities, which essentially accounts for about 70 % of aggregate employment per annum particularly in the manufacturing sector (Agwu, 2014; Eniola & Ektebang, 2014).However, despite the critical nature of SMEs as drivers of socio-economic activities, such as innovation, economic growth and employment generation many owner/managers appear complacent to the state of their ventures without much attention to issues related to skill development, in order to improve performance. Meanwhile, studies have shown that SMEs that did not

consider skills or specialized skills such as knowledge creativity at adolescence are likely to die off even after high growth (Asah et al., 2015; Siepel et al., 2017). The need for network competence strategy to further, improve performances as the traditional networking which is not competency driven seem obsolete (Torkkili, et al., 2015).

Table 1 shows the classification of SMEs in Nigeria.

Table 1: Classification of SMEs based on Dual criteria (SMEDAN, 2020)

Size	No. of employees	Total capital base excluding land & building
Micro	1 – 9	Less than 5 million Naira
Small	10 – 49	5 - 50 million Naira
Medium	50 – 199	50 - 500 million Naira
Large	Above 200	More than 500 million Naira

Source: micro, small & medium enterprises (SMEDAN, 2020)

Knowledge Creativity

Knowledge creativity is imperative and vital to the performance and success of every SMEs. Improvements on the existing methods and manner of production activities have been attributed to the good policies put in place to encourage knowledge creativity in the work place and beyond. creativity (innovation) as the driver of economic growth, in the Schumpeterian theory of the gale of creative disruption which he adjudged as the bane of every entrepreneurial activity. This implies organization that invests in knowledge creation of individuals or groups delivers increasing customers demand and stake holders' value (Hills, 2009; Ozuomba, Anichebe & Okoye 2016). Thus, efforts should be made to link knowledge creation alongside enterprise plans to foster organizational performance.

Network competence

Network competence is a mechanism for knowledge collaboration and relationship building. Enterprises collaborate in order to consolidate on each other's' strength to succeed, confirming the notion that firms can no longer grow in isolation as they cannot produce the needed skill and knowledge base to provoke performance. This can bridge both knowledge and marketing gaps across geographical boundaries. In this sense, captains of industries can explore the gains of network competence, through arrangements towards institutionalizing innovations and technological learning in their organizations to develop technically qualified managers that can handle technical and innovative collaboration in order to promote efficiency (Walter, Auer, & Ritter, 2006). In addition, it is also believed that the application of network competence on work and inter-organizational collaboration can positively lead to enterprise performance.

The accessible population to this study, was limited to owner/managers of manufacturing medium sized enterprises in Lagos state Nigeria who are aware of their organizations' performance. To successfully achieve this, this research utilized simple random probability sampling techniques in which the population under study was given an equal chance of being selected. The entire population of registered small and medium sized manufacturing enterprises in Lagos state Nigeria with SMEDAN, 2020 was 619 (N population). Using Taro Yemeni's formula, the calculated sample size outcome of the medium sized enterprises was 242.9 samples. Thus, the sample size of the study will be 243 by approximation. Cluster sampling technique was used to divide N= the population of interest and then random probability sampling was adopted to further identify the specific business to be used for the study. The instrument of measurement was Linkert scale structured questionnaire to be

distributed across the medium sized manufacturing enterprise industrial cluster of Lagos state Nigeria. The scale coefficient α for the composite organizational performance measure was 0.9.

The study is reveals that better organizational performance is a direct result of integrating knowledge creativity and network competence practices. In particular, that network competencehelps to foster some level of trust both inside and outside of linked businesses. Furthermore, in order to guarantee performance and serve as a guiding principle for businesses, methods pertaining to the development of individuals' abilities and knowledge thatmust be followed. The association between organizational performance and knowledgeinnovation in medium-sized businesses in Lagos State, Nigeria, to be partially mediated by network competence.

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