



DIGITAL TRANSFORMATION OF SMALL AND MEDIUM SCALE ENTERPRISES IN THE COVID-19 PANDEMIC ERA IN ANAMBRA STATE

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Abstract

The study investigated the digital transformation of small and medium scale enterprises in the covid-19 pandemic era in Anambra State. Two research questions guided the study. The study adopted the descriptive survey research design. The population of the study comprised 2,502 managers of SMEs in Anambra State. The sample of the study was 750 managers of SMEs determined through stratified random sampling. The instrument for data collection was a structured questionnaire developed by the researcher. The instrument was validated by three experts in education. The reliability of the instrument was ascertained through a trial test. The application of the Cronbach Alpha reliability method for the two clusters yielded coefficient values of .82 and .88 for clusters 1 and 2 respectively with an overall reliability co-efficient of 0.85. Data for the study was analyzed using mean and standard deviation. Findings revealed that employees require soft skills (good communication skills, ability to work in a team, taking responsibility for action and being proactive in decision making among others) and specific skills (ability to work with technology, knowledgeable about trends in the business and ability to manage the business online environment among others) for digital transformation of SMEs in the Covid-19 pandemic era in Anambra State. Further findings revealed that funding digital research and development, expanding adoption of digital consumer tools like e-commerce and digital payments, facilitating access to financial services, improving mobile internet affordability, fostering environments friendly to innovation in new technological areas and training and retaining of professionals with digital skills are some of the conditions necessary for promoting the digital transformation of SMEs in the Covid-19 pandemic era in Anambra State. The researcher therefore recommends among others that managers of small and medium scale enterprises should organize training and retraining programmes that will equip employees with the necessary digital competences needed to conduct businesses with digital tools in the Covid-19 pandemic era.

Keywords: Digital Transformation, Small and Medium Scale Enterprises, Covid-19, Era



Introduction

The outbreak of the Covid-19 or Corona virus has greatly impacted on the way human activities has traditionally been conducted globally. This is because of the severity in which the virus spreads as a result of physical interaction between person and which has led to loss of millions of lives around the world (World Health Organization, 2020). The virus has continued to cause disruptions in the way business activities are conducted around the world with various variants of the virus emerging leading to apprehension and subsequent emergency regulatory measures placed by governments around the world to protect lives. Same is the case in Nigeria and Anambra State where the federal and state governments have stipulated safety measures to help reduce the spread of the virus. Some of these measures include the social distancing measures which has limited the number of person at a particular spot at a time. These measures though laudable seem to impact on the growth of small and medium enterprises in Nigeria and Anambra State in Nigeria.

Small and medium scale enterprises are at the center of growth and development in Anambra State. This is because SMEs are the major contributors to the revenue generation drive of the Anambra State government. SMEs are important in the state because they are the highest employers of labour and wealth creators as well as drive direct foreign investment into the State. The importance of SMEs was aptly enunciated by Obi, Ididunmi, Tolulope, Olokundun, Amahian, Borishade and Fred (2018) who noted that SMEs are critical to the development of the local economy because it contributes to job creation, economic growth, and poverty reduction. However, the pandemic seems to have eroded the contributions made by SMEs in Anambra State. According to Borino and Rollo (2020), the pandemic has decimated the large majority of businesses everywhere in the world where lockdowns and quarantines were utilized as a method to stop its spread, reports continue to highlight the terrible sufferings of micro, small, and medium size enterprises (MSMEs). According to the International Trade Centre (ITC), developing countries are the hardest hurt by COVID 19, with one out of every four businesses permanently closing if governments in such regions do not act quickly.

As a result of COVID 19, businesses in Nigeria and Anambra State in particular, have been severely impacted and are experiencing major disruptions, with millions of job losses. SMEs have been particularly vulnerable to the effects of COVID-19 lockdowns due to their smaller size, low resources, and lack of contingency planning for supply chain interruptions. Microentrepreneurs are more likely to be disproportionately impacted by social distancing measures and curfews since they often operate in densely populated regions, relying on foot traffic in physical marketplaces for sales and promotion of products and services. Fems, Opigo, and Owutuamor (2020) reported that business and work activities have been reduced by at least 50%, with huge drops in revenues, reductions in import and exports, and an increase in unemployment, with a potential loss of 45 percent (26,542,500) of all jobs in Nigeria's MSME sector. This has led to the renewed call for the use of digital technologies by SMEs so as to mitigate the impact of the pandemic on business sustenance and profitability.

The use of digital technologies and data to transform the current business model, reshape the way work is done, and add a new dimension to interactions with customers, contractors, and government agencies, as well as create new opportunities for generating revenue and creating products is referred to as digitalization. According to Uvarova and Pobol (2020), through the use of Internet of Things (IoT) technologies, extensive data sharing, and predictive analytics, digitalization is transforming the way business is performed inside industrial value chains. SME digital transformation (DT) allows companies to lower operational costs and increase efficiency, which could lead to increased transparency and easier access to capital. Bikse, Lusena-Ezera, Peteris, Rivza and Baiba Rivza (2021) analyzed key definitions from various sources and concluded that the given definitions allow categorizing DT into three distinct elements: technological, where DT is based on the use of new digital technologies such as social media, mobile, analytics, or embedded devices;



organizational, where DT necessitates a change in organizational processes or the creation of new business models; and social, where DT is influenced by social factors. In the same vein, Uvarova and Pobol (2020) averred that digital transformation is more than just putting IT solutions in place. However, organizational reform, culture transformation, and moving toward a customer-centric strategy should all be considered in the same breath. Segal and Gesterl (2020) stated that digital transformation of SMEs entails developing a customer-centric business strategy with the goal of transforming internal operations using digital technologies such as cloud, mobility, social, augmented/virtual reality, IoT, analytics, and artificial intelligence (AI) to improve customer, partner, and employee engagement. Bikse, et al (2021) asserted that digital transformation has to do with the customer. For Verhoef (2021), the merger of modern technologies and the integration of physical and digital systems characterize digital transformation.

This is evident in the promotion of innovative business models, innovative manufacturing methods, and the development of knowledge-based goods and services. For SMEs to effectively deal and work more with the latest available technologies during digital transformation, managers and employees in SMEs are expected to develop relevant competencies and digital skills that are required when using ICT and digital media. This is because, first, in order to deal and work more effectively with the latest available technologies, one must have a high level of professionalism with advanced digital skills (Bikse, et al, 2021). Second, it is critical to build not just skills but also digital competencies, as the term "digital competence" encompasses a far larger idea than "digital skills." Digital competence entails the development of soft skills such as problem solving, cooperation, and creativity, as well as a mix of knowledge, skills, and attitudes. As a result, digital skills are a crucial part of digital competence. Furthermore, Organization for Economic Co-operation and Development (OECD) in Uvarova and Pobol (2020) emphasize that the idea of digital competence must be based on a broader perspective, since ICT skills alone would not suffice in the digital economy age, and other complementing skills will be required. Additionally, the European Commission policy (2020) stated that in addition to digital skills, the digital economy requires also complementary skills such as adaptability, communication and collaboration skills, problem solving, critical thinking, creativity, entrepreneurship and readiness to learn.

Furthermore, the OECD (2020) reported that though the digital transformation of SMEs in the Covid-19 pandemic, SMEs are able to operate manage transactions at a distance, facilitates access to financial services, ensures prompt delivery of goods, and increases efficiency of interaction with new and existing clients. However, the researcher wonders if SMEs in Anambra State have the potentials in terms of the possession of competencies to adopt digital transformation process in their business operations. It is against this background that the study investigated the digital transformation of SMEs in the Covid-19 pandemic era in Anambra State.

Statement of the Problem

Covid-19 outbreak has continued to impact on the business operation of SMEs in Anambra State resulting from the restriction of person to person interaction in order to lessen the spread of the virus. These restrictions have placed heavy burden on small and medium scale enterprises which heavily rely on personal face to face interaction with their customers to sell their products. The impact of the pandemic has led to some businesses closing down as a result of low patronage and their inability to adopt innovative method to make their products visible to their client base. Though the use of technology has been reportedly to have been successfully used by small businesses in Europe and America to keep businesses operational, its use in Nigeria in general and Anambra State in particular appear to be abysmal. The researcher is worried that this situation has left many young entrepreneurs out of work and may have resulted in the high rate of criminal activities in the State.



This situation makes the researcher to wonders if the failure of SMEs to utilize digital tools in transforming their business operation and process in the Covid-19 pandemic is borne out of the lack of competences among SMEs managers and employees in managing digital tools for business change. The researcher also wonders if the necessary conditions that promote digital transformation among SMEs are in place in Anambra State. The study is therefore aimed at answering these questions.

Research Questions

The following research questions guided the study:

1. What are the competencies required of employees of SMEs for digital transformation of SMEs in the Covid-19 pandemic era in Anambra State?
2. What are the conditions necessary for promoting the digital transformation of SMEs in the Covid-19 pandemic era in Anambra State?

Method

The study adopted the descriptive survey research design. The study was carried out in Anambra State and the population of the study is 2,502 managers of SMEs in Anambra State. The sample of this study comprised 750 managers of SMEs. The sample was drawn from 2,502 registered SMEs in Anambra State using stratified random sampling. Thirty percent each of small and medium scale managers were selected. Instrument for data collection was a structured questionnaire titled "Questionnaire on Digital Transformation of Small and Medium Scale Enterprises (QDTSME)". The instrument contains 39 items arranged in two sections of A and B according to the two research questions guiding the study. Section A contains 22 items on competences required of employees of SMEs for digital transformation of SMEs in the Covid-19 pandemic era. Section B contains 17 items on conditions necessary for promoting the digital transformation of SMEs in the Covid-19 pandemic era. The instrument was structured on a four point rating scale of Strongly Agree, Agree, Disagree and Strongly Disagree. The instrument was validated by three experts in the Faculty of Education, Nnamdi Azikiwe University, Awka.

A trial test was carried out to determine the reliability of the instrument. The instrument was administered on 20 Small and Medium Scale Entrepreneurs in Ebonyi State. The application of the Cronbach Alpha reliability method for the two clusters yielded coefficient values of .82 and .88 for clusters 1 and 2 respectively with an overall reliability co-efficient of 0.85. The instrument was administered on managers of SMEs by the researcher and with the help of six research assistants who were briefed on the mode of instrument administration. The researcher and the research assistants administered the instrument to the managers of SMEs in their business premises and offices and they were allowed time to fill the questionnaire on the spot. In cases where the respondents were indisposed to fill the questionnaire on the spot or were not available, a copy of the questionnaire is left with the receptionist or business assistants and an appointment was made for the date of retrieval of the instrument. This process lasted for four weeks. Out of the 750 copies of questionnaires distributed, 680 were returned in good condition. This amounted to 90% questionnaire return rate. The data collected from the respondents was analyzed using mean and standard deviation. The mean value was used to answer the research questions while the standard deviation was used to ascertain the homogeneity or otherwise of the respondents' ratings. Any item with mean rating between 2.50 and above was regarded as agree while any item with mean value less than 2.50 was regarded as disagree.



Results

Research Question One

What are the competencies required of employees of SMEs for digital transformation of SMEs in the Covid-19 pandemic era in Anambra State?

Table 1: Respondents Mean Ratings on Competencies Required of Employees of SMEs for Digital Transformation of SMEs in the Covid-19 Pandemic Era

S/N	Item Statements	Mean	SD	Remarks
A.	Soft Skills			
1.	Good communication skills	3.65	0.91	Agree
2.	Takes responsibility for action	3.33	0.78	Agree
3.	Proactive in decision making	3.20	0.70	Agree
4.	Ability to adapt to new conditions	3.50	0.87	Agree
5.	Willingness to work	3.48	0.76	Agree
6.	Ability to work in a team	3.30	0.72	Agree
7.	Rich in initiative	3.44	0.74	Agree
8.	Ready for change	3.39	0.73	Agree
9.	Rich in ideas	3.52	0.84	Agree
10.	Willing and able to work independently	3.22	0.76	Agree
11.	Willing to learn	3.08	0.71	Agree
12.	acts rationally in a stressful situations	3.10	0.71	Agree
13.	Ability to control emotions	3.24	0.76	Agree
14.	Ability to apply the acquired knowledge in practice	3.44	0.75	Agree
15.	Ability to be self-motivated	3.02	0.72	Agree
	Cluster Mean	3.32		Agree
B.	Specific Skills			
16.	Ability to work with technology	3.96	0.98	Agree
17.	Knowledgeable about trends in the business	3.70	0.88	Agree
18.	Ability to achieve better results with fewer resources	3.66	0.81	Agree
19.	Ability to effectively manage the business online environment	3.50	0.79	Agree
20.	Ability to effectively provide feedback to customers	3.55	0.77	Agree
21.	Ability to speak different languages	2.89	0.69	Agree
22.	Ability to collaborate with other businesses	3.49	0.72	Agree
	Cluster Mean	3.53		Agree
	Grand Mean	3.39		Agree

Data in Table 1 reveal that the respondents rated items, 1 to 22 as competencies required of employees of SMEs for digital transformation of SMEs in the Covid-19 pandemic era in Anambra State with mean ratings ranging between 2.89 to 3.96. Furthermore, Table 1 indicated that the respondents rated soft skills (with cluster mean ratings of 3.32) and specific skills (with cluster mean of 3.53) as required by of employees of SMEs for digital transformation of SMEs in the Covid-19 pandemic era in Anambra State. The Grand mean of 3.39 shows that employees require soft skills (good communication skills, ability to work in a team, taking responsibility for action and being proactive in decision making among others) and specific skills (ability to work with technology, knowledgeable about trends in the business and ability to manage the business online environment among others)for digital transformation of SMEs in the Covid-19 pandemic era in Anambra State.



The standard deviation scores ranging between 0.69 to 0.98 shows that the respondents' opinions were related.

Research Question Two

What are the conditions necessary for promoting the digital transformation of SMEs in the Covid-19 pandemic era in Anambra State?

Table 2: Respondents Mean Ratings on the Conditions Necessary for Digital Transformation of SMEs in the Covid-19 Pandemic Era

S/N	Item Statements	Mean	SD	Remarks
1.	Expanding adoption of digital consumer tools like e-commerce and digital payments	3.80	0.88	Agree
2.	Providing fast, universal, terrestrial (e.g. Fiber optics)	3.42	0.76	Agree
3.	Providing mobile broadband Internet access	3.28	0.72	Agree
4.	Continuing to use policy tools and regulation to ensure inclusive access to digital capabilities	3.08	0.72	Agree
5.	Using policy tools to protect all consumers from privacy violations	3.43	0.78	Agree
6.	Using policy tools to protect all consumers Cyberattacks, and other threats	2.98	0.67	Agree
7.	Attracting professionals with digital skills	3.32	0.76	Agree
8.	Training and retaining of professionals with digital skills	3.50	0.97	Agree
9.	Facilitating access to financial services	3.72	0.84	Agree
10.	Identifying new technological niches	3.68	0.76	Agree
11.	Fostering environments friendly to innovation in new technological areas	3.75	0.71	Agree
12.	Improving mobile internet access	3.55	0.71	Agree
13.	Improving mobile internet affordability	3.76	0.76	Agree
14.	Generating investment in digital enterprises	3.66	0.84	Agree
15.	Funding digital research and development	3.95	0.99	Agree
16.	Creating an institutional environment that supports safe consumer use of digital products and services	3.36	0.73	
17.	Promoting public-private initiative that aims at providing digital access to businesses	3.44	0.78	
Cluster Mean		3.51		Agree

Data in Table 1 reveal that the respondents rated items 1 to 17 as conditions necessary for promoting the digital transformation of SMEs in the Covid-19 pandemic era in Anambra State with mean ratings ranging between 2.98 to 3.95. The standard deviation scores ranging between 0.71 to 0.99 indicate that the respondents opinion were close. The cluster mean of 3.51 shows that funding digital research and development, expanding adoption of digital consumer tools like e-commerce and digital payments, facilitating access to financial services, improving mobile internet affordability, fostering environments friendly to innovation in new technological areas and training and retaining of professionals with digital skills are some of the conditions necessary for promoting the digital transformation of SMEs in the Covid-19 pandemic era in Anambra State.



Discussion

Findings revealed that employees require soft and specific skills for digital transformation of SMEs in the Covid-19 pandemic era in Anambra State. The findings further revealed that for managers and employees of SMEs to be able to efficiently engage in the digital transformation process of the business they have to possess certain soft skills such as good communication skills, ability to work in a team, taking responsibility for action and being proactive in decision making among others. Findings also revealed that they are specific skills like the ability to work with technology, knowledgeable about trends in the business and ability to manage the business online environment among others which employees of SMEs need to acquire for digital transformation in the Covid-19 pandemic era. This finding is in agreement with Bikse, et al (2021) who reported that for SMEs to successfully transform their business operation digitally, employees require certain digital competences which are showcased in the demonstration of soft and specific skills. According to Bikse et al for effective digital transformation in the Covid-pandemic era employees need to be willing to work and apply creativity and initiative in the discharge of their duties. In the same vein, Verhoef(2021) reported that for small enterprises to engage in digital transformation employees need to possess some level of digital competencies that would assist them in navigating the change in business practices and processes of digitalization in the pandemic era.

Findings revealed that funding digital research and development, expanding adoption of digital consumer tools like e-commerce and digital payments, facilitating access to financial services, improving mobile internet affordability, fostering environments friendly to innovation in new technological areas and training and retaining of professionals with digital skills are some of the conditions necessary for promoting the digital transformation of SMEs in the Covid-19 pandemic era in Anambra State. This is in agreement with OECD (2020) which reports that government and stakeholders in the business community should ensure that necessary conditions are put in place to facilitate digital transformation of SMEs in the pandemic era. According to the OECD, government need to promote digital transformation among SMEs by making policy regulations that promotes adoption of digital tools, provides financial services and provides affordable and accessible mobile internet access to businesses and their customers. According to Klein and Todesco (2021), when government provides access to finance for SMEs they would be able to easily transform their business operation digitally. In the same vein, Klein and Todesco noted that one area where government can promote digital transformation among SMEs is in the area of making policies that promotes consumer trust and perception in the usability and adoption of digital platforms for business transactions. This is why Bikse, et al (2021) called for increased awareness programme aimed at promoting the benefits of the application of digital tools to mitigate the impact of Covid-19 pandemic. Through increased awareness, provision of necessary enabling digital infrastructures and access to funds, SMEs would be able to engage in seamless transformation of products and services to ensure business sustenance and profitability in the Covid-19 pandemic era.

Conclusion

Based on the findings of the study, the researcher concludes that digital transformation of SMEs in the Covid-19 pandemic era requires the acquisition of soft and specific skills as well as the provision of necessary conditions that would facilitate the digital transformation process. SMEs need to emphasize the acquisition of these competences so as to successfully mitigate the effect of Covid-19 on their business operations. It is therefore imperative that measure are put in place to facilitate the digital transformation processes among small and medium scale enterprises so as to ensure that they remain competitive and profitable during and beyond the Covid-19 pandemic era.

Recommendations

The researcher makes the following recommendation based on the findings of the study:



1. Managers of small and medium scale enterprises should organize training and retraining programmes that will equip employees with the necessary digital competences needed to conduct businesses with digital tools in the Covid-19 pandemic era.
2. Government should ensure that Information and Communication Technology Infrastructure like the broadband services are functional and actively accessible to rural and urban communities.

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