

**DOES ISLAMIC WORK ETHICS STRENGTHEN THE SIZE OF  
KNOWLEDGE MANAGEMENT AND ENTREPRENEURIAL  
ORIENTATION EFFECTS ON PERFORMANCE  
OF SMEs IN NIGERIA?**

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**ABSTRACT**

The performance of organization has been measured using various combinations of factors that are pertinent to effective management. With Islamic work ethics being considered as an important factor due to evidence of ethical crises in workplace that have led to depleting performance as well as running businesses into bankruptcy. This study aims to examine whether Islamic work ethics can resolve the issue by strengthening the effects of knowledge management and entrepreneurial orientation on SME performance in developing country, specifically Nigeria. Questionnaires was administered to 531 owners/managers of SMEs that are duly registered member of Nigerian Association of Small and Medium Enterprise in six states that represent six geo-political zones in Nigeria. Employing SPSS and Smart-PLS SEM as the analytical tool to perform the analysis of data received from the respondents. The findings of the study reveal that Knowledge management and entrepreneurial orientation have significant positive influence on SME performance. Entrepreneurial orientation was found to have a higher effect on SME performance. The findings further reveal that Islamic work ethics strengthen the influence of entrepreneurial orientation on SME performance. Therefore, a contribution of novel insight to literature and practice that Islamic work ethics provides a guideline for improved managerial practices and harmonious work environment, curtailing any form of unethical behaviour that could jeopardized the existence of the organization, as well as enhancing efficiency and quality of the organization. Limitations and areas for future research are discussed.

**Keywords:** Entrepreneurial Orientation, Islamic Work Ethic, Knowledge Management, SME Performance.

## **1. INTRODUCTION**

The prevalence of effective management practices and utilization of firm intangible resources as impetus to attain organizational performance have been established by various studies (Gupta & Gupta, 2015; Jogaratnam, 2017) and supported by resource-based theory (Barney, 1991, Lonial & Cater, 2015). Various authors in the past decades have used different combination of factors that are both internal and external to organization to determine the impact on performance.

However, with ethics being considered as one of the major factor in organization management (Yesil, 2012), so is knowledge management (KM) and entrepreneurial orientation (EO) (Deb & Wiklund, 2017; Giampaoli, Ciambotti & Bontis, 2017). It bemused to know that many organizations in recent time are faced with performance issues to the extent of running into bankruptcy due to ethical crises in workplace (Manan, Kamaluddin & Puteh Salin, 2013; Marri, Sadozai, Zaman, Yousufzai & Ramay, 2013). Example are the cases of Arthur and Anderson, Enron, and WorldCom from the West. In the case of Nigeria are public enterprises such as, NEPA, Nigeria Airways, Nigeria Railway Corporations and private enterprises like Banks and others. The perilous circumstances that befell these organizations did not just occurred by itself, but due to unethical practices by in most cases the managements (Sanusi, 2010). These issues of unethical practices cut across various types of organizations with no exception of small and medium enterprises (SMEs), thereby affecting their performance in terms of contribution to GDP and economic development. Given that SMEs performance is crucial to the development of any country (Eniola, 2014), and with the fact that moral and ethical issues which can deplete the performance of organizations to the extent of jeopardizing their survival have become rampant in developing and developed countries (Almoharby, 2011). It is imperative to understand the extent of ethical practice of owners/managers of SMEs in Nigeria. This has provoked this present study to examine the extent to which Islamic work ethics (IWE) practice relates to the size of knowledge management (KM) and entrepreneurial orientation (EO) effects on the performance of SMEs in Nigeria. A justification of this study is the much attention granted to Protestant work ethics (PWE) by the researchers, while the concept of IWE is underexplored. More so, majority of the studies on work ethics are conducted in the Western countries (Rokhman, 2010), hence there is paucity of studies on Islamic work ethics in relation to firm performance in the developing countries such as Africa, and specifically Nigeria. The main objective of this study is to examine the moderating effects of IWE on the relationship between KM and EO on SME performance (SMEP). The study will also test the relationship between KM and EO on SMEP. The subsequent parts of the study are organized as follows. The review of the literature in relation to the constructs of the study. Discussion on the relationships between KM, EO, IWE and firm performance, methodology and data of the study. Presentation of the results and discussions of the findings. Finally, the conclusion and direction for future research.

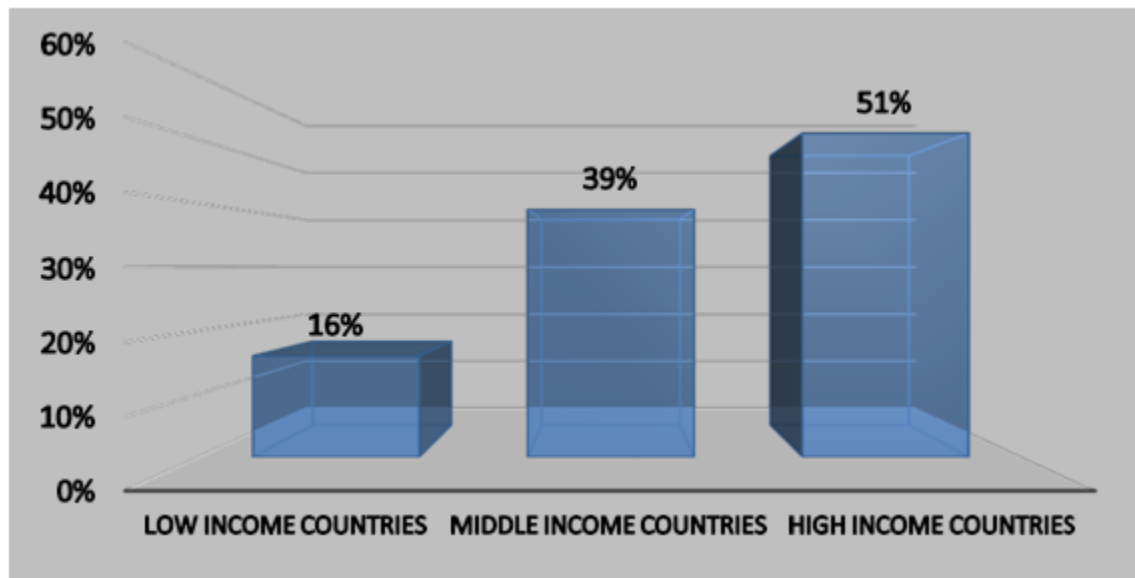
## **2. CONCEPTUAL BACKGROUND AND HYPOTHESES DEVELOPMENT**

### **2.1 SME PERFORMANCE**

The performance of any organization is vital to its existence. It is an important measure of how organizations are faring in the competitive business environment. More importantly, the effectiveness and efficiency of management practices within an organization is determined and measured by performance (Man, 2009).

According to extant literature, firm performance could be financial (i. e. profitability, return on asset, return on equity, return on investment) and non-financial (i. e. market share, customer/employee satisfaction, service quality, productivity, effectiveness, sales growth) (Kamyabi & Devi, 2012; Wilden, Gudergan & Nielsen, 2013). With no consensus about the measures of firm performance in research world and practice (Ghalomi et al., 2012), extant studies established that successful strategic initiatives and implementations are the antecedents to firm performance (Aliyu & Nyadzayo, 2016).

However, SME performance is vital to its survival, and to economic development of both developed and developing countries (Eniola, 2014). Countries with performing SMEs are likely to attain high level of productivity, industrialization, employment, modernization, income per capital and standard of living of the citizens (Aremu & Adeyemi, 2011). Unexpectedly, the performance of SMEs in developing countries have continue to generate much concern due to little contributions of the sector to the development of these countries (Alrousan & Jones, 2016; Bouazza *et al.*, 2015). Existing research argued that the performances of SMEs in developed countries are higher than the developing ones. This is evident in the average contribution of SMEs to GDP of countries with low income (16%), middle income countries (39%), and high-income countries (51%) (Hashim, 2015).



**Fig. 1. Contribution of SMEs to GDP based on Countries Level of Income**

*Source: Hashim (2015), SME Development Framework. The Malaysian Case*

Figure 1 shows that developing countries have a low performance of SMEs in comparison with developed ones. Additionally, it was emphasized that there is a wide gap between SMEs productivity relative to large firms in the developing nations than in the developed ones (International Trade Centre Annual Report, 2015). Despite the tremendous support by the government of various countries in terms of finance and provision of infrastructure and other incentives, SMEs in some countries are not contributing meaningfully to GDP. Surprisingly, SMEs in Nigeria could only contribute 9.3% to GDP of the country (SMEDAN & NBS, 2013).

## 2.2 KNOWLEDGE MANAGEMENT

Knowledge management is an organization's systematic and conscious efforts to improve, promote, and utilize acquired knowledge in ways that add value to the organization, in the sense of positive results in accomplishing its objectives or fulfilling its purpose (Holsapple & Wu, 2011). This confirms the assertion of existing studies that KM is a vital strategic resource that can enhance the achievement of organizations performance as well as sustainable competitive position (Lee & Wong, 2015). KM is an important component of operations and strategies in most of the organizations (Ajmal *et al.*, 2010). An effective KM is capable of driving, enabling and enhancing positive outcome within an organization (Massingham & Massingham, 2014). KM is highly strategic to organization's achievement of superior performance (Lee & Wong, 2015; Wong, *et al.*, 2015). Knowledge cannot be gained without the existence of necessary

information (Abdullateef, Mokhtar & Yusoff, 2010). Thus, acquisition of knowledge within an organization can only take place when available information is successfully analyzed and effectively implemented to achieve an organizational goals and objectives (Eid, 2007). Thus, KM remains the key strategy that can be employed by organizations to manage their relevant information for the attainment of strategic fit (Davood & Morteza 2012). This makes managing knowledge very crucial as it constitutes part of the strategic initiatives that can avail organizations the opportunity to attain, sustain and improve their performance (Janepuengpora & Ussahawanitchakit, 2011). KM is a unique organizational asset which requires to be controlled effectively as the information generated and passed within the various sub-units of organization possess the capability to enhance its value and competence to withstand any unforeseen business circumstances (Ajmal et al., 2010; Birasnav, 2014).

Mciver and Lengnick-Hall (2011) referred to knowledge management as the practice of discovering and leveraging the overall knowledge existing within an organization toward attaining favorable competitive stance. Thus, the process of generating, representing, storing, transferring, transforming, application, surrounding and protecting organizational knowledge are instinctively embedded in knowledge management (Alegre, Sengupta, & Lapidra, 2013). Theriou, Maditinos and Georgios (2011) explicate that knowledge management is an extraordinary multi-disciplinary concept which allows the existing separable knowledge to be captured and transformed into organizational knowledge which in turn can be shared among organizational employees. Centobelli, Cerchione and Esposito (2017) defined knowledge management as a set of techniques and technical system that encompasses various forms of knowledge generation, storage, representation and sharing to support organization process.

However, various authors have established diverse relationship between KM and performance in their study. Giampaoli et al. (2017), and Slavkovic and Babic (2013) reported a significant and positive relationship between KM and organizational performance. Noruzy et al. (2013) found that KM influence performance indirectly through innovation. While, Idowu (2013) revealed a partial association between KM and performance. However, literature posits that the much-established direct relationship between KM and performance does not guarantee that simply investing in KM will automatically lead to organization performance (Kamhawi, 2012). Giampaoli *et al.* (2017) opined that believing such could amount to oversimplify the real nature of the relationship. Despite this submission, Gloet and Samson (2017) argued that effective KM is a crucial way of attaining and sustaining the performance of organization. Wholesomely, exploratory findings opine that organization that is willing to accomplish better performance and competitiveness must effectively practice the activities of knowledge creation, documentation and transfer, and application. In line with extant literature, this study substantiates KM as the powerful antecedent to firm performance. Based on the arguments from literature, this study

hypothesized that;

**H1:** The influence of knowledge management on the performance of SME in Nigeria is positive and significant.

### **2.3 ENTREPRENEURIAL ORIENTATION**

Entrepreneurial orientation offers considerable amount of benefits to organization in terms of sustainable growth, easy and quick identification of causes of customer dissatisfaction as well as responsive toward resolving it to gain full customer loyalty (Al-Swidi & Mahmood, 2012; Fadda & Sorensen, 2017). It further enhances competitive position and the benefits associated with available business opportunities, and in overall facilitates the general performance of the organization (Covin & Lumpkin, 2011). According to Fadda and Sorensen (2017) and Pearce *et al.* (2010) EO is a set of distinct but related behaviors that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy. Although argument abound in existing literature such as, Covin and Lumpkin (2011), Shirokova *et al.* (2016), Wales *et al.* (2013) that EO consists of three dimensions, that is, innovativeness, proactiveness, and risk taking as developed by Miller (1983) and instituted by Covin and Slevin (1989) are enough for any firm to attain its performance goal. Covin and Lumpkin (2011) portend that EO exists in practice either as a set of independent behavioral scores across five dimensions or as a collective profile or gestalt formed by the five dimensions as mentioned earlier. Pittino *et al.* (2017) conclude that both conceptualizations exhibit the overall idea that EO reflects. However, it is generally acknowledged by most studies that the practices of EO will no doubt strengthen the overall performance of the organization. As such, this study is confined into this belief.

However, extant studies have established EO as one of the most vital resources for an organization to achieve business performance in a competitive milieu (Al-Swidi & Mahmood, 2012). Making EO an inevitable and crucial strategic posture for new entrant firms and existing ones to attain and sustain business success (Ambad & Wahab, 2013; Aminu *et al.*, 2015). Apparently, several authors have investigated the linkage between EO and firm performance as well as tested the variables that can affect that relationship and the different situations in which it ensues (Rauch *et al.*, 2009). A positive EO to performance linkage was found by some studies (Boso *et al.*, 2013; Dai *et al.*, 2014; Soininen *et al.*, 2012), negative relationship was also recorded by others (Arbaugh *et al.*, 2009), while a curvilinear relationship is not left out in the outcomes (Su *et al.*, 2011; Wales *et al.*, 2013). More so, the degree of the relationship between EO and firm performance appears to be vary across these studies. Given these insights, this study hypothesized that;

**H2:** The influence of entrepreneurial orientation on the performance of SME in Nigeria is

positive and significant.

## **2.4 ISLAMIC WORK ETHICS**

The concept of IWE was derived from The Quran, the practice and sayings (*Sunnah*) of Prophet Muhammad (PBUH), and the consensus of Muslim scholars (*ijma'ulama*) (Ali & Al- Owaihan, 2008; Fauzwadi et al., 2008). The Quran preaches and teaches justice and honesty in business endeavors, as much, the commitment to work is perceived as a virtue in IWE (Farsi et al., 2015). Hence, placing satisfactory effort in performing one's work is considered not voluntary, but compulsory. IWE emphasizes creativeness and innovativeness as a source of pleasure and accomplishment (Ali & Al-Owaihan, 2008; Kumar & Che Rose, 2010). It reiterates that conducting business in a determined milieu will result in greater performance and huge success (Ali & Al-Owaihan, 2008). IWE exceptionally emphasized the importance of one's involvement to community and society and obligations of the organization to its employees (Abu-Saad, 2003). However, the study on work ethic and its links with individual and organizational factors has received significant attention in the literature (Ali & Al- Qwaihan, 2008; Ali, 2005; Yousef, 2001). Hence, considerable studies on the effect of work ethics that highlighted the attitude and behavior of individual towards working for the success of organization have been acknowledged. The importance of IWE in designing, formulating and implementing the change program in organizations has been emphasized by various studies (Yousef, 2000). This has brought about suggested linkage of IWE and organizational performance (Marri *et al.*, 2013).

Evidences were established in prior studies on the significant relationship between Islamic work ethic and organizational outcomes (Farrukh, Butt & Mansori, 2015; Khan & Rasheed, 2014; Manan *et al.*, 2013). The growing interest in this field is perhaps due to the belief that work ethic facilitate employees' behavior and their job. Extant studies specified that both organization and individual can benefit immensely when an individual exhibit positive attitude by truthfully adhering to the Islamic work ethic (Ali, 2005). These positive attitudes as signified in Islamic work ethic are hardworking, attentiveness to work, commitment, high creativity, teamwork cohesiveness, and encourage impartial competition among colleagues (Ali, 1992; Yousef, 2000). Prophet Muhammad (PBUH), for instance, preached that no Muslims consume better food than that which he takes out of his work (Ali & Gibbs, 1998). Existing studies argued that many organization operating in present business milieu are faced with the issue of ethics which in turn affected their performance and threatened the survival of the businesses (Manan *et al.*, 2013; Marri *et al.*, 2012). Studies on the IWE in relation to business performance in the developing countries such as Africa, and specifically Nigeria is inadequate if exist at all. Most research on work ethics are being carried out in the western countries (Rokhman, 2010). According to Marri *et al.* (2013), unethical practices can deplete the performance of any organization as much as

bringing them to the level of bankruptcy. This made the organization to be more concerned and focused on establishing viable corporate code of ethics in order to accomplish their goals more effectively (Marri *et al.*, 2012). Hence, a suggestion that IWE be instituted into organizational practices in any country, emphasizing the vital role of IWE in providing a guideline to an organization to enhance the management practices to achieve sustainable success and quality (Aldulaimi, 2016).

Therefore, based on the argument that the extent of the influence and the comparison of the weight and hierarchy of variables in a relationship can be measure through the moderating roles of specified variables (Baron & Kenny, 1986; Preacher, Rucker & Hayes, 2007). Couple with extant literatures that have proven the significance of moderating variables in the relationship between independent variables and dependent variables (Hair, Hult, Ringle, Sarstedt, 2014). This study hypothesized that;

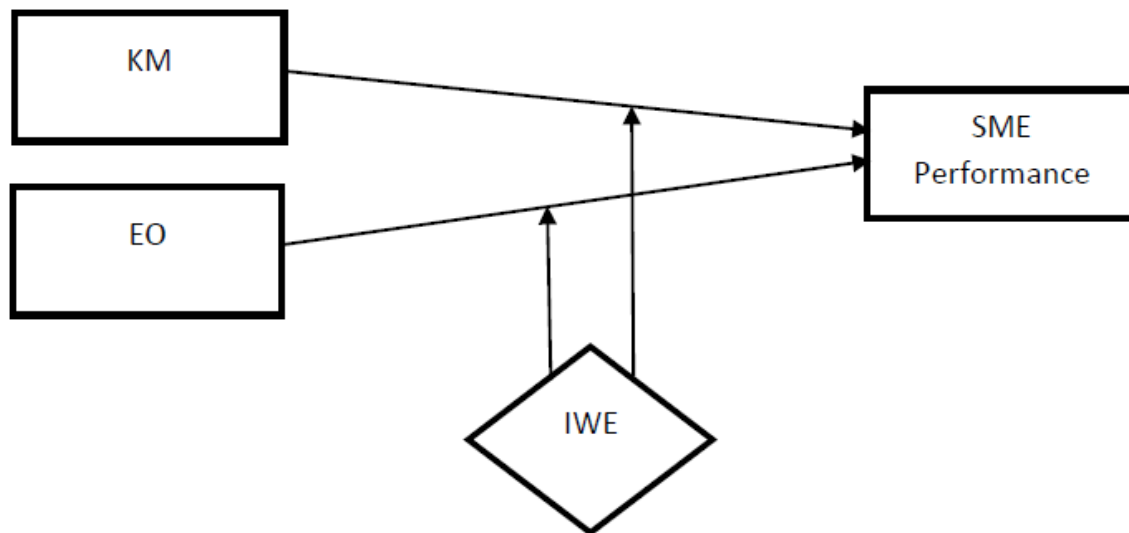
**H3:** Islamic work ethics strengthen the effect of knowledge management on SME performance in Nigeria.

**H4:** Islamic work ethics strengthen the effect of entrepreneurial orientation on SME performance in Nigeria.

## **2.5 RESEARCH FRAMEWORK**

Resource-based theory (RBT) is the premise on which this study's framework is conceptualized. RBT submits that successful application and implementation of the resources possessed and controlled by the organization, and that are valuable, rare, non-substitutable and inimitable would result to the achievement of superior performance in a competitive business environment (Barney, 1991; Ringim, 2012). Thus, RBT validates the resources and organization performance direct relationship (Lonial & Carter, 2015). In line with the theory, KM and EO have been studied on the wide range of organizational outcomes (e. g. Cohen & Oslen, 2015; Fidel *et al.*, 2015; Forte, 2016; Kearney *et al.*, 2017; Pittino *et al.*, 2016), thereby making their applicability for this study suitable. More so, Islamic work ethics is grounded in RBT as management activity and internal resource of organization (Yesil, 2012). Therefore, the study conceptualized the framework proposing the effect of IWE on the relationships between KM, EO and SME performance.





**Fig. 2: Research framework**

### **3. METHODOLOGY**

#### **3.1 SAMPLE AND MEASURES**

This study examines whether IWE strengthen the effects of KM and EO on the performance of SMEs in Nigeria. The population consists of owners/managers of small and medium enterprises in six states, namely; Kano (North West), Bauchi (North East), FCT (North Central), Lagos (South West), Anambra (South East) Rivers (South South) with each state representing each geo-political zone as structured by the federalism system in Nigeria. Employing a proportionate random sampling to determine the amount of sample drawn from the population of SMEs in each state, simple random technique was used to select the sample for which data were finally collected for analysis of this study. Questionnaire were administered to 531 owners/managers of SMEs who are registered member of Nigeria Association of Small and Medium Enterprises (NASME). Of the distributed questionnaires, 358 (67.4%) were returned completely answered while 320 (60.3%) were suitable for final analysis due to removal of ambiguous responses and outliers. Thereafter, data were analyzed using statistical package for social sciences SPSS 22 and Smart-PLS SEM 3.2.7. Smart-PLS was preferred in this study over other SEM approach such as AMOS and LISREL, because the PLS approach places minimal restrictions on sample size and residual distribution (Hair et al., 2017).

The research framework comprises of three constructs and multiple items were used to measure each of the construct. All the latent constructs were measured with unidimensional and reflective items and all items were scored on a 7-point Likert scale with 1 = strongly disagree to 7 =

strongly agree. The study uses 17 items adopted from Wang et al. (2009) to measure KM. Nine items used for EO were adapted from Al-Swidi and Mahmood (2012). IWE was measured with 17 items adapted from Ali (1992) and SME performance 8 items adapted from Kamyabi and Devi (2012).

Test for common method bias were conducted for this study because of self-administered cross-sectional survey approach employed (Podsakoff et al., 2003). The result of Herman’s single factor test that was carried out to detect any common method issue reveal no cases single factor as the variance of first factor is less than 50% as recommended by Podsakoff et al. (2003). Hence, an indication that majority of the variance is not linked to the first factor and then common method bias is not problem in this study.

This study conducted reliability test using values from composite reliability, rho\_A, cronbach’s alph and the values from these measures for each of the construct exceeded the recommended figure of 0.70 (Hair et al., 2014) as depicted in Table 3. The results indicated and confirmed that all the reliability was met. As regards the validity, the cross loadings which is also referred to as item-level discriminant validity (Henseler et al., 2016), indicated that item loading on the construct it measures is greater than it loadings on other constructs in the model (Chin, 1998). The average variance extracted (AVE) for all the constructs exceeded recommended values of 0.50 as shown in Table 3, thus convergent validity was attained for this study (Fornell & Larcker, 1981; Hair et al., 2014). However, for discriminant validity, the squared root of AVEs for each construct is greater than the inter-construct correlation estimates (Hair *et al.* 2017). This is shown in Table 1. Further confirmation of discriminant validity with heterotrait-monotrait (HTMT) ratio of correlations was presented and the suggested value of less than 1 (Henseler et al., 2016) or less than 0.85 (HTMT<sub>0.85</sub>) (Kline, 2011) was achieved as indicated in Table 2. These indicated that all the constructs of the study attain acceptable level of discriminant validity. HTMT ratio is an estimate of the correlation between constructs, which parallels the deattenuated constructs correlations (Henseler et al., 2016).

**Table 1: Fornell-Larcker Criterion**

<b>Construct</b>	<b>EO</b>	<b>IWE</b>	<b>KM</b>	<b>SMEP</b>
<b>EO</b>	0.804			
<b>IWE</b>	0.435	0.755		
<b>KM</b>	0.639	0.605	0.778	
<b>SMEP</b>	0.722	0.584	0.623	0.771

**Table 2: Heterotrait-Monotrait Ratio (HTMT)**

	<b>EO</b>	<b>IWE</b>	<b>KM</b>	<b>SMEP</b>
<b>EO</b>				
<b>IWE</b>	0.467			
<b>KM</b>	0.725	0.670		
<b>SMEP</b>	0.745	0.641	0.693	

**Table 3: Measurement items, Factor loadings, Composite reliability, Cronbach's alpha, rho\_A and Average variance extracted**

<b>Constructs &amp; Items</b>	<b>FLs</b>	<b>CR</b>	<b><math>\alpha</math></b>	<b>rho_A</b>	<b>AVE</b>
Entrepreneurial Orientation		0.917	0.891	0.910	0.647
EO01	0.866				
EO03	0.756				
EO04	0.788				
EO05	0.818				
EO06	0.783				
EO07	0.811				
Knowledge Management		0.902	0.870	0.875	0.605
KM01	0.769				
KM02	0.764				
KM04	0.820				
KM05	0.773				
KM06	0.760				
KM07	0.780				
Islamic Work Ethics		0.941	0.932	0.935	0.571
IWE02	0.755				
IWE03	0.724				
IWE04	0.752				
IWE05	0.764				
IWE06	0.812				
IWE08	0.790				
IWE09	0.809				
IWE10	0.724				
IWE11	0.759				

IWE12	0.739				
IWE13	0.713				
IWE15	0.715				
IWE16	0.755				
IWE17	0.724				
SME Performance		0.898	0.867	0.879	0.595
FP01	0.794				
FP02	0.744				
FP03	0.755				
FP04	0.772				
FP05	0.785				
FP06	0.774				

Note: FLs- Factor loadings, CR- Composite reliability,  $\alpha$ - Cronbach's alpha, AVE- Average

#### 4. FINDINGS AND DISCUSSION

The result of the data analysis using Smart-PLS SEM software is shown in figure 3 and 4.

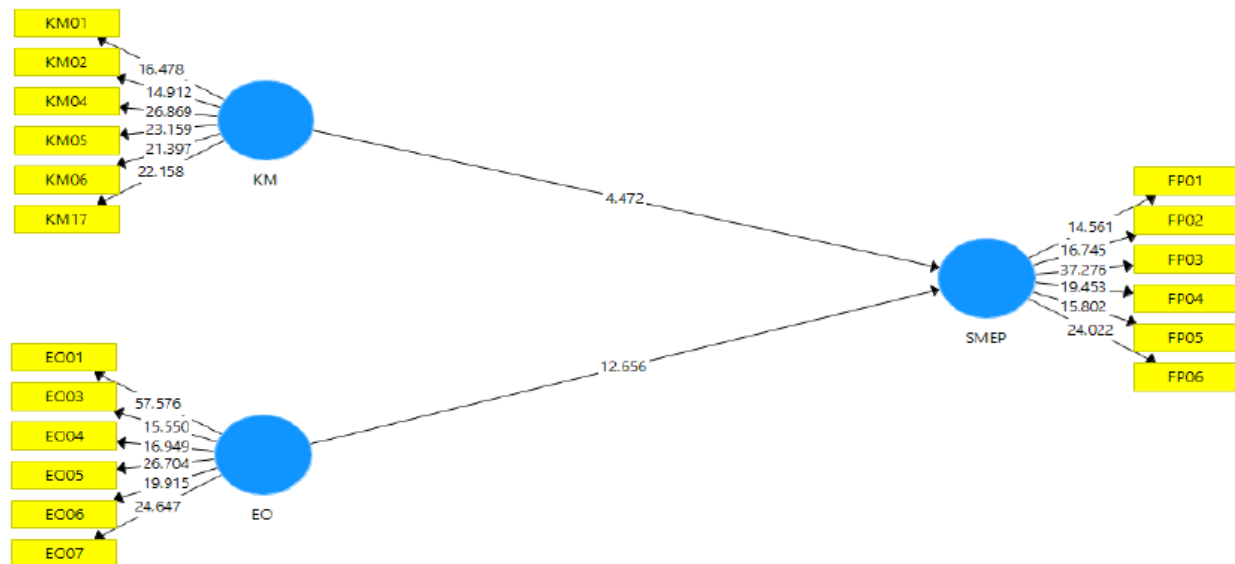
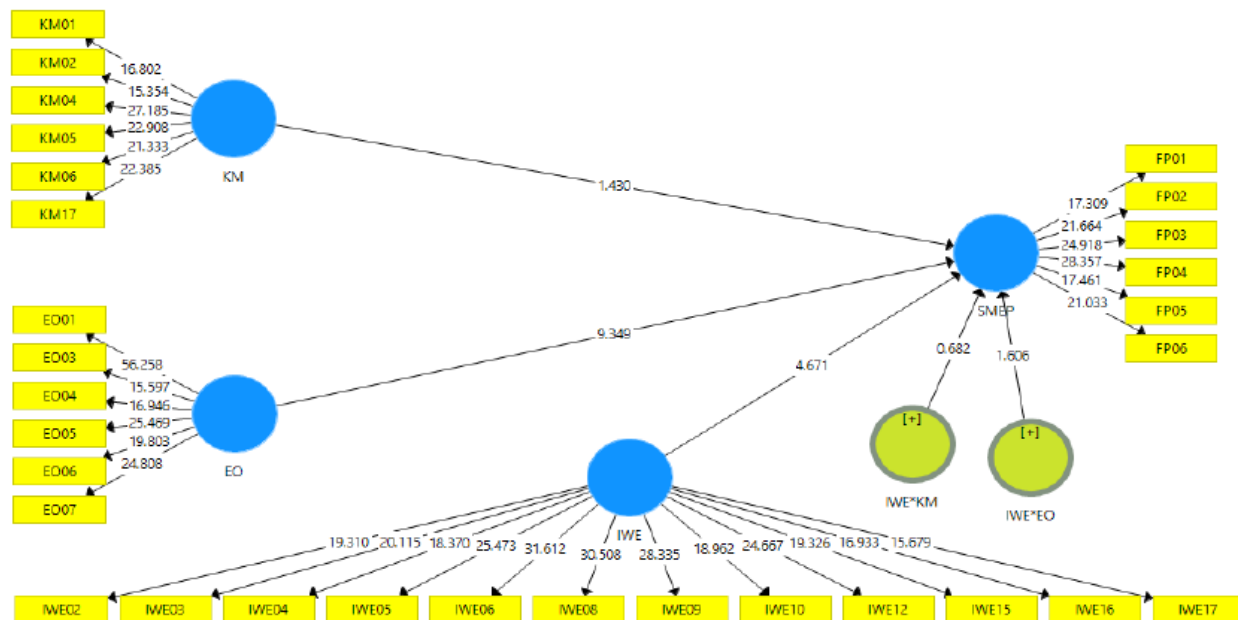


Fig. 3: Direct Relationship

The testing of hypotheses was conducted using Smart-PLS SEM software to determine the direct relationship and the interaction effect (H1 – H4). Statistical model for direct relationship displays the links between KM, EO independent latent variables and SME performance (SMEP) dependent latent variable as shown in figure 3. The structural model that shows the moderating effect of Islamic work ethics on the relationship between KM, EO and SMEP was illustrated in figure 4. While, Table 4 shows the results of both the direct relationship as well as interaction effect (moderating effect).

The findings as shown in Table 4 revealed that the influence of KM on SME performance is positive and significant with beta value ( $\beta = .258$ ) and t value ( $t = 4.472$ ), thus in support of H1 as hypothesized in the study. The finding confirms the results of the research of the previous studies such as Giampaoli et al. (2017). With their study examining the impact of KM on performance of top Italian firm, they reported a significant relationship between KM and performance. In accordance with the finding of Forte et al. (2016), there is significant relationship between KM and performance of knowledge-based organizations in Fars Science and Technology Park. Our findings also verify the results of the studies by Fidel et al. (2015), Lee et al. (2012), and Wu and Chen (2014), all of which reported significant positive relationship between the KM and performance. This validates the existing literature that established knowledge management as a strategic resource that can lead to the achievement of sustainable superior performance (McGuinness & Hutchinson, 2013; Zheng, Yang & Mclean, 2010).

The findings of this study further indicated that the influence of EO on SME performance is positive and significant with beta value ( $\beta = .575$ ) and t value ( $t = 12.656$ ) and as well in support of H2 as hypothesized in the study. This outcome verifies the existing studies on EO and performance relationship which found a significant and positive result. This study finding confirms the research of Fadda and Sorensen (2017) on the impact of EO on performance of the Sardinia accommodation sector where a significant positive relationship was reported. Other studies that found related outcomes like this study includes Gupta and Gupta (2015); Kearney et al. (2017) and Wales et al. (2013). Our study further justifies the importance of entrepreneurial strategy in the achievement of performance of SME. However, ranking the extent of the effect accordingly, the influence of EO on performance is the strongest, followed by that of KM on performance as the results indicated.



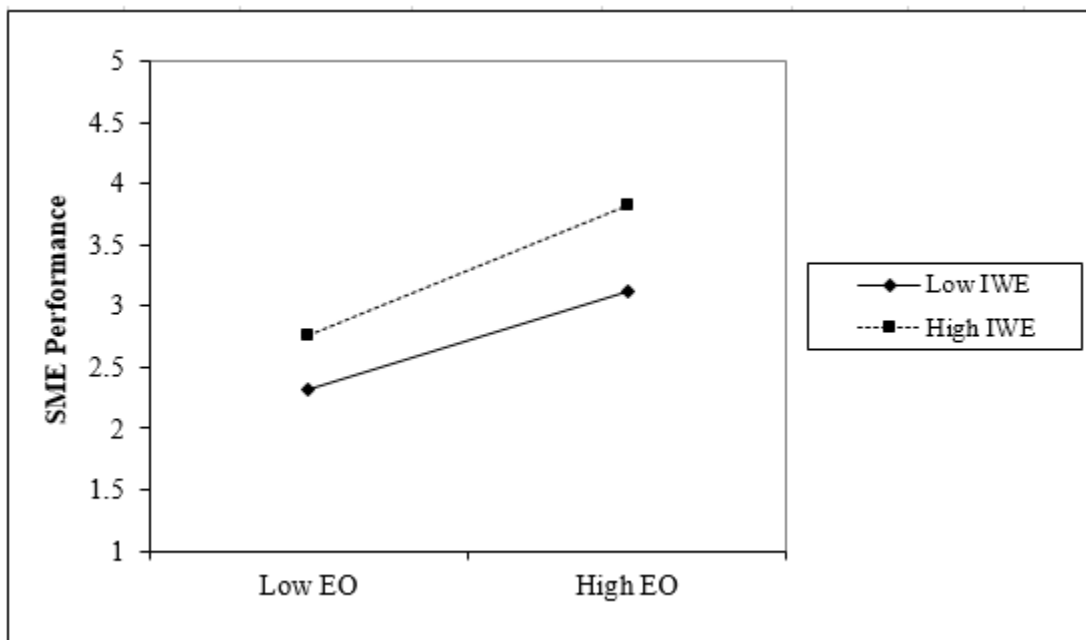
**Fig. 4: Moderating effect**

The testing of moderating hypotheses (H3 & H4) was conducted using the concept of interaction term as an approach to include moderation into the statistical model. Two-stage method was employed to determine the interaction terms of moderating variable on the independent variables' effects on dependent variable (Dawson, 2013; Henseler & Chin, 2010; Henseler & Fassot, 2010). The suitability of this method is in its universal applicability in respect of whether the independent and/or moderating variables are measured formatively or reflectively and on the basis that it exhibited a higher level of statistical power (Hair et al., 2017). While the moderating effect of IWE on the relationship between KM and EO on SMEP is depicted by figure 4, the results as shown in Table 4 revealed  $t = 1.606$  and  $p = 0.054$ , a support for hypothesis H4 at significant level of 10%. Therefore, a remark that IWE strengthen the relationship between EO and SMEP. Conversely, the effect of IWE on KM and SMEP relationship is not significant and thus not supported for hypothesis H3 with  $t = 0.682$  and  $p = 0.248$ . This indicates that IWE did not strengthen the effect of KM on SMEP.

**Table 4: Results for direct relationship and interaction effect**

Paths	Beta	STDEV	T Statistics	P Values	Remark
EO -> SMEP	0.575	0.045	12.656	0.000	Accepted
KM -> SMEP	0.258	0.058	4.472	0.000	Accepted
IWE*EO -> SMEP	0.064	0.040	1.606	0.054	Accepted
IWE*KM -> SMEP	0.031	0.045	0.682	0.248	Not accepted

Significant level at 0.01, 0.05, 0.1 of one-tailed tests



**Fig. 5: interaction slope**

As a way to further explain the strength of moderating variable on the independent variable’s effect on dependent variable, a simple two-way interaction slope was plotted using the path coefficients obtained from the model together with interaction term for hypothesis H4 (Preacher, Curran, & Bauer, 2006). This probes the conditional effect to better understand the structure of the relation of the significant interaction. Figure 5 shows the interaction slope that explains the strength of IWE on EO and SMEP. In this regard, the performance of SME is improved with the high level of IWE practice more than in the case of low level of IWE practice. Hence, the low level of IWE practices does not have decreasing effect on relationship between EO and SMEP, but the level of SMEP is stronger with higher IWE practices. This means that the higher the IWE

practices by the owners/managers of SMEs in Nigeria in conjunction with EO, the better and stronger the performance that would be achieved. Therefore, IWE will strengthen the size of EO's effect on SMEP.

## **5. CONCLUSION**

This study aimed to determine if Islamic work ethics can strengthen the size of knowledge management and entrepreneurial orientation effects on SME performance in a developing country like Nigeria. Knowledge management, entrepreneurial orientation, Islamic work ethics and SME performance were explained, and their influence on SME performance was studied. Prior related research and their outcomes were discussed. A survey questionnaire designed by seven-point Likert scale was determined. Thereafter, with the use of SPSS version 22 and Smart-PLS SEM version 3.2.7 software, it was found that both knowledge management and entrepreneurial orientation significantly influence SME performance. However, the significant effect of entrepreneurial orientation on SME performance was further strengthened by Islamic work ethics.

Since this research focused on developing country, with the notion that moral and ethical crises are at higher rate. And emphasis on unethical practices in business having great tendency of degrading firm's performance and jeopardize its survival. The practice of Islamic work ethics as discovered in this study will provide guidelines that would serve as an impetus for organizations to enhance effective management practices. Thereby facilitate the accomplishment and maintenance of quality and success of organization in a sustainable way. Thus, instilling the values of Islamic ethics is crucial for organizational efficiency and quality. This study highlights that the exhibition of Islamic work values by managers in an organization, will serve as role model and motivation for workers to exert hard work, trustworthiness, novelty, loyalty to duty and organization and thus an improvement in the performance. Based on the contexts of Nigeria small and medium enterprises, a contextual explanation of Islamic work ethics and organizational outcomes was provided by this study.

The limitations of the current study are inevitable and provide avenues for future research. On the first note, this study employed cross-sectional research design and this portray a short-term influence of Islamic work ethics on the levels of knowledge management and entrepreneurial orientation effects on SME performance. Therefore, sustaining the extent of the effect on performance in the long run might not be ascertained. Future study might employ longitudinal designs to determine the interaction term of the relationships. More so, future study can employ qualitative approach to complement the vast existence of quantitative research. This will pave way for the adoption of different tool for data collection and then can improve the outcomes of



the study.

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