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### Telecommuting and Innovative Performance of Micro and Small Scale Enterprises in Ondo State

**Bukola Olaosebikan Ogunribido**

Department of Business Administration, Bamidele Olumilua University of Education, Science and Technology Ikere  
Ekiti, Ekiti State, Nigeria

Corresponding Author: **Bukola Olaosebikan Ogunribido**

#### Abstract

The new generation of workers are skillful in technology but wants workplace flexibility. The need to achieve a sustainable competitive advantage with their demands has necessitated this research. The objective of this study was to examine the effect of telecommuting on the innovative performance of micro and small-scale enterprises in Ondo State. Primary data were collected from 324 respondents who are owners, managers, and employees of small businesses selected from two local Government headquarters of Ondo State using self-administered questionnaire. The data obtained were analyzed using

descriptive and inferential statistics. Findings from the study showed that, telecommuting had a significant and positive effect on innovative performance of the micro and small businesses examined in the study area ( $\beta = 0.512$ ,  $t = 8.681$ ,  $P_{\text{value}} = 0.000 < 0.005$ ).

In conclusion, telecommuting have significant effects on innovative performance. It was therefore recommended that small business owners and managers in Ondo State should adopt telecommuting as a strategy to sustain their competitive advantage in the digital era.

**Keywords:** Telecommuting, Innovation, Performance, Small Business, Competitiveness

#### 1. Introduction

Organisations are consciously established to utilise human resource to achieve a set of predetermined objectives (Stobierski, 2020; Thevanes & Mangaleswaran, 2018; Mahmudova & Kovács, 2018) <sup>[32, 33, 18]</sup>. The achievement of the stated objectives predicate performance. However, the interests of the employees are important in the continuous performance of any organisation. Therefore, organisations that desire progress, and competitiveness in the 21<sup>st</sup> century must institutionalise human resource practices that will meet the need of employees. The millennial generation are intelligent in information technology and multitasking but want freedom and flexibility in working time and place (Wolor *et al.*, 2020; Dahkoul, 2018; Pillay & Singh, 2018) <sup>[34, 8, 28]</sup>. Telecommuting has largely become the norm and preference of most employees in the recent times with more employees, academics and practitioners showing interest and more organisations embracing it as a strategy to attract talent and improve employee performance.

Although there are quite numerous conceptual studies, only a few have empirically examined the relationship between, telecommuting and performance (Onyemaechi *et al.*, 2018 <sup>[26]</sup>; Onyemaechi *et al.*, 2024). While there are evidences of the benefits of this hybrid work in the big organizations and of the developed countries because of advanced technology, its effect on the innovative performance of the micro and small scale enterprises in the developing Nations like Nigeria has raised a focal question that this study sought to answer, The objective of this study therefore was to investigate the effect of telecommuting on the innovative performance of micro and small scale organisations in Ondo State, Nigeria.

#### 2. Literature Review

##### 2.1 Schumpeterian Innovation Theory

The Innovation theory of profit proposed by Joseph Schumpeter posits that business innovation is the primary reason for increased investments and business fluctuations. Schumpeter defined innovation as any new policy that an entrepreneur undertakes to reduce the overall cost of production and increase the demand for his products The innovative performance is a must factor for a firm to gain profits and retain competitiveness (Schumpeter; 1934). The function of entrepreneurs is to bring

changes to the pattern of production by exploiting a new technological possibility. This research anchored on this theory to propose that the adoption of telecommuting by entrepreneurs will bring about an innovative performance in the small business sector of the Nigerian economy.

## 2.2 Telecommuting/Telework

Telecommuting is a type of work arrangement that provides that at least some regular work be done from home on a computer linked to the employer's office instead of going to the traditional office environment. (Virtual office) (Eurofound and the International Labour Office, 2017) <sup>[9]</sup>. Work model has shifted significantly in the recent times with hybrid working becoming the norm and the preference of most employees. The shift came about as a result of continuous technological change, globalization, adoption of internet, changing workforce demographics and changing demand for skills, the COVID 19 pandemic, global financial crises, corporate cost savings, and the removal or elimination of fuel subsidies in Nigeria (Cnossen, 2022; Sin & Kathiarayan, 2023; Ozili & Obiora, 2023) <sup>[7, 30, 27]</sup>.

Telecommuting can be advantageous for employees by allowing them to organise their workday around their personal and family needs, decrease work-related expenses; reduce commuting time; and work in a less stressful and disruptive environment (Abioro *et al.*, 2018; Morris *et al.*, 2023) <sup>[1, 20]</sup>. Employers will be able to accommodate and retain employees and those who because of particular disabilities, are unable to leave home or might otherwise have quit. Moreover, studies have shown that workers' productivity, cost optimization, positive environment can be achieved. Considering the advantages, telecommuting can lead to peak productivity and favourably influence a company's bottom line.

Telecommuting adoption requires cloud tech, advanced communication, and video conferencing (Makori & Nautu, 2023) <sup>[19]</sup> which may determine some organisations' willingness to adopt such an arrangement. Employers and managers may raise concerns about employees working outside of their normal workplace. Such concerns may include the initial implementation costs, potential legal liabilities, and difficulties in supervising and appraising the performance of teleworkers in addition to fears of reduced productivity, trust and rapport. Trade-Unions may disapprove of work-at-home clauses if they perceive them as leading to more excellent isolation of employees, reduced job security, promotion opportunities, diminished health and safety protection. The employees may experience work-family conflict. Therefore, it is imperative to study the significance of this hybrid work system on workers' performance.

## 2.3 Innovative performance

Innovative performance, as defined by Afriyie *et al.*, (2019) <sup>[3]</sup>, is the combination of overall organisational achievements resulting from renewal and improvement efforts done. Tuan *et al.*, (2016), viewed Innovative performance as a composite construct, used on various performance indicators that are often manifested in the implementation of new ways of doing things or significantly improved products or services. Based on the definitions above and many others, innovative performance can be viewed as the key ingredients of competitiveness in the 21<sup>st</sup> century. Several factors are used by many scholars for the determination of

innovativeness among which are, human resources management, research and development related factors, the quality or skill level of employees, factors related to the organisation's network, and environment (Faloye, 2018; Sözbilir, 2018) <sup>[10, 31]</sup>.

Motivated by the increasing competition in global markets and changing technologies, innovative performance has become the corporate strategy to gain sustainable competitive advantage. Innovative performance is embedded in product, processes, marketing techniques, and organisational or managerial structures, used in translating the organisations' possibilities into actions, such as turnover growth, employment growth, profit improvement and wealth (Korole *et al.*, 2017; OECD, 2015; Ndesaulwa & Kikula, 2017; Faloye, 2018; Arshad *et al.*, 2018; Afriyie *et al.*, 2019) <sup>[17, 22, 21, 10, 5, 3]</sup>. However, understanding how innovative capacity can be increased will serve to inform activities that organisations can provide.

## 2.4 Micro and Small Scale Enterprises in Nigeria

The International Labour Organisation defined micro-enterprises as having up to nine employees, while small enterprises have as many as 49 employees. In Canada, a micro-business is defined as a business with fewer than five employees. The US small business administration office of advocacy defined a small business as having fewer than 500 employees and selling less than 5million Dollar worth of products and services annually (OECD, 2015 <sup>[22]</sup>; Mariotti & Glackin, 2016; Prenaj & Ismajl 2018 <sup>[29]</sup>). Nigeria adopted a classification based on employment and assets (excluding land and buildings), According to SMEDAN (2017), micro and small businesses are independently owned and managed businesses having less than (10 employees, 5 million Naira investment) and less than (50 employees and 50 million naira investment) respectively.

Several scholars (Treyger 2017; Kehinde *et al.*; 2016 <sup>[16]</sup>; Adisa *et al.*; 2014 <sup>[2]</sup>) identify the contribution of small business to the nation, that includes employment generation, Improved standard of living, economic and sustainable growth, building a better future by developing local technology among others. Moreover, it is widely known that small businesses make up the bulk of the business population in Nigeria and all over the world (OECD, 2019) <sup>[24]</sup>, yet, the rate of mortality is still high due to global trends, and many unforeseen situations. How to improve the performance of this important sector has been the focus of all stakeholders. Studies have shown that there are evidences of improved performance and sustainable competitive advantage for big organisations that seize the opportunity of information and communication technology to adopt telecommuting (Onyemaechi *et al.* 2018; Onyemaechi *et al.* 2018) <sup>[26]</sup>. The paucity of literature on the adoption of telecommuting in the micro and small enterprises is of great concern that informed this study.

## 2.5 Telecommuting practice and innovative performance

Onyemaechi *et al.* (2020) conducted a study on Telecommuting and organizational performance in the phase of Covid-19 Pandemic in South East Region. They conducted a survey research using a sample size of 300. Spearman Rank Correlation Coefficient was used in the testing of hypotheses. The results revealed that; telecommuting has a minimum impact on the organizational performance in the phase of the COVID-19 pandemic. The

researchers, therefore, recommended, among others, that organizations need to encourage the work practice that allows employees to work at the agreed location.

Onyemaechi *et al.* (2018) [26] examined the impact of Telecommuting on Employees' Performance: A Focus on Telecommunication Out-Fits in Owerri, Imo State. A survey research design was adopted. Descriptive statistics and Spearman rank correlation coefficient were used to analyse the data. The results indicated that the arrangement that enables an employee to work at home has a weak and positive relationship with better quality of work. It was also found that arrangement that allows the employee to work at an agreed location has a significant relationship with speedy service delivery. Based on the findings, the researcher concluded that telecommuting has an impact on employee performance.

Campo *et al.* (2019) [6] examined the relationship among telework, job performance, work–life balance and family supportive supervisor behaviours in the context of COVID-19. The data ( $N = 519$ ), were collected from large private service companies in Colombia during the COVID-19 pandemic, and analysed using partial least squares structural equation modelling (PLSSEM). The results do not indicate a correlation between telework and job performance. the reason might be because the study was carried out during COVID 19, the outcomes may vary after the COVID-19 pandemic.

### 3. Methodology

This research adopted a quantitative technique to investigate the effects of telecommuting on the innovative performance of micro and small scale enterprises in Ondo state, Nigeria. Primary data were obtained through structured questionnaire that was designed based on earlier studies conducted (Gunday *et al.*, 2011) and modified to enhance the strength of the research work. The reliability of the questionnaire was examined to prove that it could yield similar results at all times using the Cronbach alpha coefficient test ( $\alpha$ ) (Cronbach 1951). A general accepted rule is that  $\alpha$  of 0.7 indicates an acceptable level of reliability.

Multistage sampling technique was adopted in the selection of the representative sample. In the first stage, purposive sampling was used in selecting two towns in Ondo State. The second stage involved stratified random sampling in creating two strata comprising Trade and Distribution, and Services, sectors. The third stage involves a simple random sampling to select respondents from among business owners with or without employees, managers, and employees in the selected lines of small businesses located in Akure and Ore in Ondo State, Nigeria.

The sample size of 385 was derived using the z-score of 1.96 for 95% confidence interval, and a 4.4% margin of error. A  $P$ -value of 0.5 was used (White, 2018).

$$n = \frac{z^2 p(1-p)}{d^2}$$

Where  $n$  = sample size

$Z$  = statistic for a level of confidence

$P$  = expected prevalence or proportion (in proportion of one; if 50%,  $P = 0.5$ ), and

$d$  = precision (in proportion of one; if 6%,  $d = 0.06$ ).  $Z$  statistic ( $Z$ ): For the level of confidence of 95%, which is conventional,  $Z$  value is 1.96.

Regression analyses was used to achieve the stated objective. The level of confidence for the hypothesis was 0.05.

The Regression model is

$$IP = \beta_0 + b TC + \mu \tag{3.1}$$

Where

IP= Innovative performance

$\beta_0$  = constant

$b$  = beta coefficient

TC= telecommuting

$\mu$ =error term

### 4. Data Presentation, Analysis, and Interpretation

A total number of four hundred questionnaires were distributed out of which three hundred and twenty-four (324) were retrieved which formed the sample size for this research.

**Table 1:** Reliability of research instrument

S. No	Variable	No. of Observed Variables	Alpha Score	Comment
1	Telecommuting	5	0.777	Reliable
2	Innovative performance	23	0.871	Reliable
3	All items	28	0.824	Reliable

Source: Researcher’s compilation (2024)

As presented in Table 1, the results of the reliability testing indicated that all the variables investigated in this study attained the acceptable and recommended alpha level of 0.7.

**Table 2:** Descriptive and Regression Analyses of telecommuting

Goodness of fit	Test Statistics	p-value	
R	0..628		
R-squared	0. .685		
Adjusted R-squared	0. .684		
F-value	701.297	0.000	
Dependent Construct = Innovative Performance of MSSE			
	coefficients	t-statistics	p-value
Telecommuting	0.512	8.681	0.0000
IP	0.782	7.289	0.0000
Constant			
Note:** significant at 5%			

Source: Survey Data (2024)

### Discussion of Findings

This research was carried out to assess the effect(s) of telecommuting on the innovative performance of micro and small-scale enterprises in Ondo State, Nigeria. Primary data were collected on the variables and linear regression was used to analyze the data. The result is as shown in Table 2.

A correlation result of 0.628 showed that Telecommuting has a positive relationship with the innovative performance of the micro and small-scale enterprises examined.  $R^2$  of 0.685 showed that 68.5% of innovative performance can be accounted for by telecommuting. Other variables accounted for 31.6% of the innovative performance of micro and small-scale enterprises in Ondo state. From the result, the relationship was found to be positive and statistically significant at  $\beta = 0.512$  and  $t = 8.681$ ,  $P$ -value =  $0.000 < 0.005$ . The findings of the study provided a shred of evidence that

telecommuting can have a positive effect on both the employees and organizational innovative performance thereby helping them to sustain a competitive edge in the global world. The null hypothesis was rejected and the alternate hypothesis was accepted. The result is consistent with studies like Onyemaechi *et al.* (2018) [26] who examined the impact of Telecommuting on Employees' Performance with a Focus on Telecommunication outfits in Owerri, Imo State and concluded that telecommuting has an impact on employee performance. Ipsen *et al.* (2021) [14], Iddagoda and Opatha, (2020) [13], and Gálvez *et al.* (2020) [12] also observed that improved work efficiency, autonomy and flexibility, opportunity for workers to devote time to personal matters, are some of the advantages of telework.

## 5. Conclusion and Recommendations

Telecommuting had a positive and significant relationship with innovative performance of the micro and small-scale enterprises examined and the relationship was statistically significant. As a result, the null hypothesis was rejected and the alternate hypothesis was accepted.

Apart from contributing to the existing studies on how to increase organizational performance generally, the study also provided insight into the inherent potentials and wide range of benefits in adopting telecommuting practice in the study area. This further established the fact that the strategies meant for improved performance of businesses is not only limited to large or corporate organizations but also extended to micro and small scale businesses. It may be of particular interest to find out those factors that help organisations to be innovative. Thus, this study identified that both availability and use of telecommuting practices are essential factors that can help organisations to be innovative. Human resources managers can gain insight into how to: Support the successful implementation and maintenance of telecommuting, engage management in reflective and critical discussions regarding the inputs and processes required to sustain telecommuting thereby increasing innovative performance in the organisations of today. Policy makers can find this study useful in making relevant policies that meet the need of both the Gen Z workers and the society at large. Based on the conclusions of this study, it is recommended that micro and small businesses that have access to Network should adopt telecommuting in order to remain competitive in the global world. Because.

## 6. Suggestions for future research

This research was carried out in Ondo State in Nigeria. There are other countries where differences in terms of economic, political, and technological factors play an important role in shaping business performance. Additional research is therefore needed in other regions of Africa for a better understanding of telecommuting and innovative performance linkage so as to aid the generalizability of findings of this study.

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