

Interaction Effect of Customer Focus and Digitization on Sustainability of Small and Medium Enterprises in Kenya

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ABSTRACT

In Kenya, SMEs are faced with many challenges of sustainability. The aim was to find out the moderating role of digitization on the link between customer focus and sustainability. The study was guided by sustain-centrism theory, service marketing theory and diffusion of innovation theory. Explanatory research design was utilized. A sample size of 164 derived from 1500 respondents using Cochran formula. Instrument reliability was tested by Cronbach Alpha Coefficient with a threshold of 0.7. Testing of validity involved face, content and construct validity. The results indicated that customer focus ($\beta = 0.4307$) and digitization ($\beta = 0.5409$) were significant predictors of sustainability. Interaction of customer focus and digitization ($\beta = -0.1897$) was negative significant predictor of sustainability. R^2 results showed that customer focus and digitization explained 76.12% of sustainability. Stakeholders of enterprises must consider sustainability through digitization and customer focus. Interaction of customer focus and digitization in Kenyan context is crucial in sustainability of small and medium enterprises.

KEY WORDS: Customer Focus, Digitization and Sustainability

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I. INTRODUCTION

Small medium enterprises (SMEs) contribute significantly to global economies (Yuen & Ng, 2020), which makes them pivotal regardless of the size or sector they are in. SMEs play a significant role in enhancement of innovation, initiation of job opportunities and overall improvement of the economy (Abd Aziz *et al.*, 2019; 2022). However, despite their growth and development, SMEs are still challenged with issues ranging from skills and knowledge, fiscal unsustainability, issues with governance, politics and disasters (Duan *et al.*, 2012). The outcome of discourse on SME sustainability is a comprehensive assessment of resources that SMEs need so as to effectively and efficiently handle industry turmoils.

Subsequently, Foerstl *et al.* (2015) aver that integrating sustainability to the operational and marketing strategies of SMEs is instrumental for success. Grant (2010) delineates sustainability as the capacity to arrive at appropriate decisions in resource allocation and use towards both non-economic and economic undertakings for purposes of achieving desired environmental, social and economic outcomes. However, Mota, Gomes, Carvalho and Barbosa-Povoa (2015) opine that the contest for SMEs is seamlessly finding a balance between the three pillars when business strategies are undertaken. From an academic perspective, sustainability for SMEs is thus the process whereby material well-being is increased without irreversible damage to the natural environment.

Therefore, according to Faridi and Malik (2019), SMEs need to enhance their focus on resources and resource transformation to ensure competitiveness and improved performance. Faridi and Malik (2019) further add that one of the ways through which SME sustainability can be achieved is through digitization, as many other industry sectors have embraced it, which makes it essential for SMEs to adapt, giving them an upper hand in improving operations, achieving goals, improving growth and remaining successful. Further, with digitization, SMEs are also capable of expanding and providing customers with varied options of products and services (Khai *et al.*, 2020). Digitization was taken as moderator in this study which complements previous studies (Gu *et al.*, 2020; Trabucco & De Giovanni, 2021; Taghizadeh, 2021).

Recurrently, the deviations experienced in the commercial environment of the SME sector has made it pivotal for SMEs to utilize feasible mechanisms so as to be sensitive and responsive to customers' needs. Domi *et al.* (2020) posits that focus on customers calls for SMEs to utilize customer-focus methods because of the distinctiveness of association existing between them and their customers. According to Madhani (2020), customer focus is delineated as values putting the interest of customers first, yet at the same time not disregarding business stakeholders' interests, to ensure sustainable profitability. Alternately, customer focus is delineated by Han *et al.* (2021) as the concerns of organizations with regard to the wants, needs and

expectations of customers, and their commitment towards understanding and satisfying them proactively for achievement of long term growth.

The goal of customer focus is to actualize expectations of customers, and hence a significant catalyst of the performance of SMEs as well as a core element for SMEs relationships to their target markets (Li *et al.*, 2021). Previous researchers have discovered a significant and positive correlation between customer focus and performance of business organizations (Setiyaji, Alves & Wijaya, 2022; Han, Reinartz & Skiera, 2021). However, other researches have revealed a significant and negative association (Manishimwe, Raimi & Azubuike, 2022; Husain, Dayan & Di Benedetto, 2022). Consequently, researches have recommended that studies be conducted to have a better outlook on moderator or mediation and the nature of the relationship in diverse contexts.

Madhani (2020) and Neneh (2016) in their respective studies have contended that business sustainability as a result of customer focus is achievable by blending various strategic factors. According to Neneh (2018), to achieve competitiveness and improve overall performance, businesses do not rely on one factor. Rather, they rely on various factors like networking (Neneh, 2018), co-creation (Hamidi, Gharneh & Khajeheian, 2020) and customer insight (Madhani, 2020).

Subsequently, Donkor *et al.* (2018) argues that businesses focusing on customers, especially SMEs still have a probability of failing to benefit from the strategy if they still face resource constraints with which they can maximize opportunities. Such challenges are attributed to fact that customer-focus strategy significantly relies on availability of resources; hence, as concluded by Al-Gasawneh, Anuar, Dacko-Pikiewicz and Saputra (2021), in the absence of resources, customer-focus positive impact is lessened. Despite that customer-focus strategy is verifiable from previous research as pivotal to sustainability of business organizations; its combination with other elements such as digitization as a moderator is yet to be investigated. Further, the conflicting findings of the link between customer-focus and performance leads to the supposition that customer-focus is associated with other outcomes for SME sustainability (Islam & Zhe, 2022; Abrokwah-Larbi, 2023; Nicolas, 2022; Santos *et al.*, 2020).

II. LITERATURE REVIEW

Sustainability defined by Grant (2010) refers to as an approach, philosophy or practice which guides the efficient utilization of resources in a way that ensures resources are not only available but also sufficient to satisfy the needs of the future. Moreover, various researches have delineated sustainability with respect to other contexts for example product sustainability (Dyllick & Rost, 2017), business sustainability (Bansal & DesJardine, 2014), career sustainability (Tordera *et al.*, 2020), fiscal sustainability (Byne, Fiess & MacDonald, 2011) and urban sustainability (James, 2015).

According to Aven (2020), in the small and medium enterprises context, recent occurrences for example the race for fossil fuel emission reduction, shift to circular economy, climate change and shift to renewable energy have facilitated the change towards sustainability. In this case, as Ranjbari *et al.* (2021) suggests, sustainability primarily comprises three aspects, which are environmental, economic and social dimensions. Govindan *et al.* (2016) underscored the necessity of balancing between the three aspects as indicators of sustainability.

In addition, Gopalakrishnan, Yusuf, Musa, Abubakar and Ambursa (2012) referred to sustainability as a triple bottom line or profits, people and planet. The concept of sustainability to SMEs is the process where the average well-being of resources is increased without irreversible damage to the natural environment. Belz and Peattie (2012) argue that sustainability needs customers' green consumerism and eco-efficiency to be enhanced in technologically developing SMEs, which is purposed to integrate ethical and ecological concerns of oriented value of relationships and long term sustainability with customers' relationships.

Small and medium enterprises have realized that they have to concentrate on establishing and sustaining strong customer relationships as it is a pivotal component of prosperity. According to Newby *et al.* (2014) and Kaura (2013), it is costly to acquire new customers due to high levels of competitiveness; hence SMEs are taking up customer-focus strategies so as to achieve customer retention. Similarly, Saxena and Khandelewa (2011) posit that customer-focus strategies center customers and SMEs consider as assets, ensuring that they are continuously managed and also certifying that SMEs are sustainable over time.

In the recent years, customer focus has taken center stage. Islamgaleyev, Petrova, Kurenkeyeva, Shalbayeva and Kadirbergenova (2020) posit that customer-focus comprises the anticipations and needs of potential and current customers through development of wide insights of their needs and conveying value to them about products and services. According to Abrokwah-Larbi (2023), businesses, for instance small medium

enterprises may strategically adopt customer-focus as a way of identifying their capacity for developing and conveying enhanced value by processing insights of the market. Madhani (2020) emphasizes that the outcome of customer-focus, while aiming at creating value for customers, also leads to loyalty that enhances overall performance of the business. Further, Madrakhimova (2021) argues that customer-focus provides inspiration for customer engagement that lead to unique experiences for customers. According to Lee and Lee (2020), customer-focus is not only a strategy, but also a culture adopted by the business that facilitates competitiveness and sustainability through customer satisfaction.

Customer-focus has been given much attention in literature and has been investigated in different contexts (Santos *et al.*, 2020; van Assen, 2021; Abrokwah-Larbi, 2023; Marta *et al.*, 2022). Notably, the principles of customer-focus have been established to be incorporation of cross-functional business activities, market orientation, responses to changes in the market and customer centricity. Customer-focus is perceived as one-dimensional, having three behavioral components, which are inter-functional coordination, customer orientation, competitor orientation; and two criteria of decisions, which comprise the profit objective and long term focus.

In a study by Narver and Slater (1990), the findings concluded that customer-focus positively and significantly affected business profitability. However, the delineation of customer focus in the study did not comprise elements of collaboration between customers and businesses. Furthermore, the measures were limited only to the fiscal component of performance, leaving out the non-financial measures. Another study by Deshpandé, Farley and Webster (1993) concluded that customer focus is positively associated with performance of businesses; however there were variations between customers and suppliers, with supplier evaluation having no significant outcome on performance. The findings revealed that profitability of businesses does not rely on business owners' evaluation of their processes, but on customers' evaluation of the products and services.

Alternatively, a study by Bartley *et al.* (2007) gave insights on how businesses can enhance customer focus by evaluating the culture of the business with regard to customer focus. Nonetheless, the measurements used in the study only addressed key performance indicators of customer service, training and induction strategy, understanding customer information and customer relationship management. The findings from literature reveal that investigation on customer focus has not only been wide in scope, but studies were disaggregated (Mohiuddin Babu, 2018).

Primarily, the delineation of customer focus in previous studies has followed a model and framework of generating and disseminating customer information, placing customers as core player of the market. According to current literature, businesses that adopt customer focus strategy emphasize on present and future expectations and needs of their customers, enhancing their capabilities respectively and in collaboration with customers, taking note of insights they provide, networking with them and with other businesses so as to effectively and efficiently apply the strategy to achieve sustainability (Neneh, 2018; Yau *et al.*, 2021; Hamidi *et al.*, 2020; Madhani *et al.*, 2020).

Small and medium enterprises whose customer-focus orientation is high focus more on efforts towards customer preparation by appropriately developing customer-focus components including co-creation (Hamidi, Shams Gharneh & Khajeheian 2020), networking (Neneh, 2018) and customer insight (Madhani, 2020). Hamidi *et al.* (2020) affirm that co-creation denotes the procedures and processes through which businesses and consumers collaborate in the development of services and products to achieve a value that will later be shared between them. Benchekroun and Soulami (2021) posit that co-creation is instrumental in aiding the advancement of customer-focus orientation by building strong relationships with customers where both customers and businesses collaborate in service and product development.

In addition, Neneh (2018) augur with Hasyim and Syahreza (2021), indicating that networking is a significant component of customer focus and is a business' value resource especially in the current environment where business competitiveness is high. The prominence of networking ties is steadily increasing due to the fact that they allow organizations and businesses such as small and medium enterprises to gain marketing capabilities, technology, markets and customer knowledge. Laage-Hellman and Lind (2021) surmise that ties of business networks comprise business relationships connecting customers and SMEs and facilitate efficacy in exchange of value for money.

According to Madhani (2020), customer insight revolves on the generation of knowledge and information concerning targeted markets or customer segments. Daqau and Smoudy (2019) aver that market and customer knowledge or information gleaned from customer insight is pivotal in informing the customer-focus strategy of organizations. Businesses and organizations usually obtain customer insights from data analytics, allowing them to variedly discern customers, hence encouraging innovative customer-focus actions that effectively satisfy customer demands. Zulaikha, Mohamed, Kurniawati, Rusgianto and Rusmita (2021) conclude

that the adoption of customer insights have gained prominence due to increased complexities in consumers' journey. Therefore, the following hypotheses were proposed:

H0₁: There is no significant effect of co creation on sustainability of SMEs.

H0₂: There is no significant effect of networking on sustainability of SMEs.

H0₃: There is no significant effect of customer insight on sustainability of SMEs.

Furthermore, Wang and Feng (2012) argued that the capability of technology adoption significantly improves the ability of businesses in sustaining relationships with customers by gathering information, facilitating effective and efficient engagement and enhancing product customization, which retains existing and attracts new customers. Nevertheless, there is evidence on the capability of digitization to give inconclusive findings on the association between digitization and measures of business performance such as sustainability. Newby *et al.* (2014) study revealed the necessity of businesses to fully adopt customer-focused strategies at both strategic and tactical levels. In another study, Ata and Toker (2012) surmised that sustainability depends on business' ability to assimilate customer-focused strategies to their technological processes.

A study undertaken by Denicolai *et al.* (2021) surmises that digitalization is a key driver of enhancing the capability of businesses to innovate, which enhances sustainability by enabling them to maintain competitiveness. Lo *et al.* (2021) adds that sustainability is essential for businesses as it comprises present and future needs. According to North *et al.* (2020) digitization primarily focuses on customer satisfaction and securing future business opportunities. Similarities exist between sustainability and digitalization targets, hence for SMEs to sustain competitiveness, digitization is pivotal. Ghobakhloo and Ching (2019) argued that sustainable businesses embrace digitization as a way of improving their capability for value creation and innovativeness.

Further, North *et al.* (2020) surmise that digitization plays a critical part in ensuring that SMEs achieve their growth, especially since growth is a factor of sustainability (Schneider & Kokshagina, 2021). Subsequently, Hermundsdottir and Aspelund (2021) argued that sustainable businesses are characterized by cost reduction resulting from adoption of new technology and improved innovativeness. Moker *et al.* (2020) augur with Osarenkhoe and Fjellstrom (2021), arguing that one of businesses' intention in implementation of digitization is improvement of internal processes and enhancement of efficacy and effectiveness in business operations which is a feature of sustainability.

According to Rogers (2016), digitization is a key component of disruption in various sectors of industry where processes and models are changing, impacting the business norm. Hagberg *et al.* (2016) avers that the use of innovative technologies is highly motivated by cost reduction, enhanced efficacy and improvement in customer satisfaction and relationships. Olleros and Zhegu (2016) argue that digitization has for several years been delineated as a major force, with its effects being investigated in varied perspectives, albeit with different results. Collin *et al.* (2015) posits that the generalization in research is that digitization is associated with the creation of opportunities for innovation in business models, changing businesses process, capabilities, services, products and relationships between businesses and customers. Hence, for businesses to benefit from digitalization, it is essential for technology to be integrated into their operations. However, whereas digitalization has significant benefits for businesses, SMEs are yet to overcome the challenges associated with its adoption (Olleros & Zhegu, 2016).

Schröder (2016) augur with Kane *et al.* (2015) supposition that despite SMEs constituting the backbone of various economies across the globe, and despite SMEs characterization of flexibility and quick decision making compared to larger organizations in terms of adopting new technology, they are more often challenged in terms of advancement of their capabilities due to inadequacies in strategy and resources. Furthermore, whereas digitization is pivotal for business growth and sustainability, merely relying on digitization is not enough, and businesses have to make changes to their knowledge, strategy and culture so as to maintain competitiveness and sustainability (Kane, Palmer, Phillips & Kiron, 2015). Nevertheless, Matt, Hess and Benlian (2015) conclude that despite the prevalence of digitization among different businesses in different industry sectors, few studies exist with regard to its effect on businesses, especially small businesses such as small medium enterprises.

Denicolai *et al.* (2021) avers that various researches present that digitalization is instrumental for business success whether large organizations or relatively smaller SMEs. According to Lo *et al.* (2021), the emphasis of digitalization is that technology brings about new opportunities that can be adopted by SMEs in the promotion and sustainability of competitiveness. Developing countries have initiated and implemented business related programs for SMEs which play a pivotal role in helping them adopt technologies suitable for business performance and sustainability. However, the productivity levels of SMEs in developed countries are higher than the levels in developing countries, where adoption of technology is considerably low (Maier, 2017). Lee

and Falahat (2019) argue that considering that evidence reveals an indirect effect of digitalization on SMEs, the effects associated with digitalization have not been adequately measured and investigated. Therefore, digitization was considered as moderator which was congruent with (Das *et al.*, 2017; Scott *et al.*, 2017). The following hypothesis was stated:

H04: Digitization does not moderate the relationship between customer focus and sustainability of SMEs.

III. Theoretical Review

The study applied three theories: sustain-centrism theory, service marketing theory and diffusion of innovation theory.

3.1 Sustain-centrism theory

Propounded by Gladwin, Kennelly and Krause (1995), and validated by Valente (2012), the theory empirically analyzes the factors explaining how SMEs have adopted it. According to Gladwin *et al.* (1995), the theory is the process where performance is achieved inclusively, connectively, equitably, prudently and securely by small and medium enterprises.

3.2 Service Marketing Theory

In the study on ‘An applied service marketing theory’, Gronross (1982) indicated that there are five factors that are pivotal for SMEs, which are the development of customer-oriented service, service accessibility, personnel interactivity/customer communication, customer influence and auxiliary service. In the context of service marketing, organizations make promises to consumers, allowing them to center on endorsement, promotion, referrals, personal selling and word of mouth, all of which augment the capacity of SMEs creation of customer focus and achieving customer satisfaction.

3.3 Diffusion of Innovation Theory

The theory was proposed by Rogers (1962) to explain how sometimes products and ideas spread and are accelerated in society. The same of which applies to the context of SMEs. The result of diffusion is that as the society’s members, people tend to embrace novel ideas, products and modes of operation. Diffusion is feasible as a process through which innovation is communicated via specific channels in certain tie periods among the social system’s members (Rogers, 1962), which comprises small and medium enterprises.

3.4 Conceptual Framework

The study determined the association of customer focus (independent variable) and sustainability (dependent variable) on small and medium enterprises moderated by digitization as shown in Figure 1.

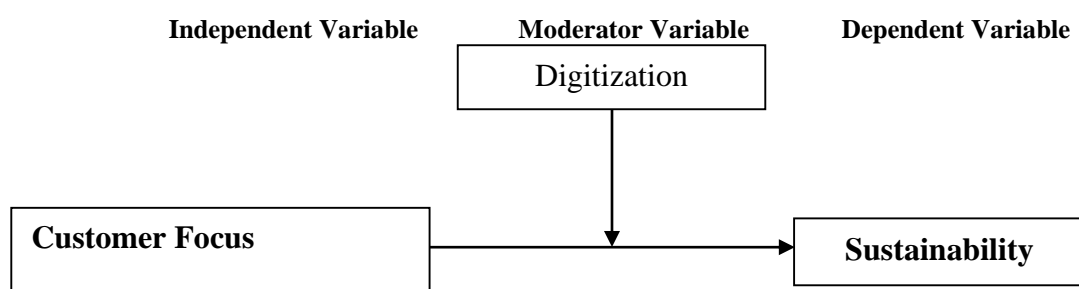


Figure 1: Conceptual Framework

IV. Research Methodology

Explanatory research design was adopted to determine the moderating effect of digitization on the link between customer focus and sustainability. Explanatory research is a form of design focusing on elucidating the aspects of research in more detail. Explanatory design also delineated a particular topic of research that has previously been studied albeit not comprehensively explained. The aim of the research design is to gain familiarity in unknown (Akhtar Inaam, 2016). Explanatory research design always starts with a theory or hypothesis and after gathering evidences it approves or disapproves a theory.

Survey was conducted in all registered SMEs in Kenya. The population was comprised of 1500 SMEs. The study sampled 164 respondents obtained by use of the formula by Cochran (1977).

The formula is expressed as: $n_0 = (t)^2 (s)^2 / (d)^2$

Where:

t = Value for the selected alpha level of .025 in each tail = 1.96.

s = Estimate of standard deviation in the population = 0.833 which was the estimate of variance deviation for 5-point likert scale calculated by using 5 divided by 6.

d = Acceptable margin of error for mean that was obtained by multiplying number of points on likert scale (5) and acceptable margin of error (0.03).

$$= (1.96)^2(0.833)^2 / [(5)(.03)]^2 = 118$$

The correction formula by Cochran (1977) was used in calculating the final size of the sample. The calculation is as follows:

$$\text{Where } n_1 = \frac{no}{(1+no/population)} = \frac{118}{(1+118/1500)} = \frac{118}{(1.07866)} = 109.$$

According to Salkind (2010), the recommendation is that a sample should be oversampled by between 40% and 50%, accounting for respondents who would not be cooperative. Thus, in the study, the sample size was increased by 50% giving a size of 109 + 55 = 164 respondents. To allow equal representation of respondents, the sample was identified using simple random sampling.

Reliability of research instruments was determined using Cronbach's Coefficient Alpha. In the study co-creation (0.786), networking (0.799), customer insight (0.775), digitization (0.873) and sustainability (0.854) met the threshold of 0.7. In addition, validity of research instruments was by use of content validity and face validity.

The simple PROCESS Macro tool, created by Hayes (2013) utilizing the standard linear regression menu item in SPSS program version 23, was used to investigate the moderation effect of digitization. Testing of hypotheses was done using the three models shown;

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \dots \dots \dots \text{Model 1}$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 M_1 + \varepsilon \dots \dots \dots \text{Model 2}$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 M_1 + \beta_3 X_1 * M_1 + \varepsilon \dots \dots \dots \text{Model 3}$$

Where:

- Y: Sustainability
- X₁: Customer focus (co-creation, networking and customer insight)
- M₁: Digitization
- β₀: Constant
- β₁ – β₃: Regression coefficients
- ε: Error term

4.1 Measurements

Measures from the previous research were adopted and slightly modified for the study. Customer focus 8 items adopted from (Narver & Slater, 1990), digitization 6 items adopted from (Sabbagh *et al.*, 2012) and sustainability 10 items adopted from (Chow & Chen, 2012).

V. Analysis

Moderation model was tested using PROCESS *macro* (Hayes, 2013) model 1.

5.1 Response Rate

The findings indicates that out of 164 distributed questionnaires, 148 questionnaires were filled and analyzed, representing a response rate of 90%.

5.2 Correlation

The findings revealed positive correlation between sustainability and co-creation was positively significant (r = 0.734, P = 0.000). Correlation of sustainability and networking was positively significant (r = 0.735, P = 0.000). The correlation of sustainability and customer insight was positively significant (r = 0.720, P = 0.000). The correlation of sustainability and digitization was positively significant (r = 0.833, P = 0.000). This shows a positive significant degree of relationship between dependent, moderator and independent variables as shown in Table 1.

Table 1: Correlations

		Sustainability	CC	NW	CI	DIG
Sustainability	Pearson Correlation	1				
	Sig. (2-tailed)					
CC	Pearson Correlation	.734**				
	Sig. (2-tailed)	.000				
NW	Pearson Correlation	.735**	.688**	1		
	Sig. (2-tailed)	.000	.000			
CI	Pearson Correlation	.720**	.645**	.691**	1	
	Sig. (2-tailed)	.000	.000	.000		

DIG	Pearson Correlation	.833**	.757**	.750**	.736**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

CC=Co-creation, NW=Networking, CI= Customer insight and DIG= Digitization

Notes ** Correlation is significant at the 0.01 level (2-tailed).

5.3 Model Summary

The overall model was statistically significant where customer focus, digitization and their interaction accounted for approximation of 76.12% of the variance in sustainability, $R^2 = 0.7612$, $F(3, 144) = 183.4208$, $p < 0.001$ as presented in Table 2.

Table 2: Model Summary

R	R-sq	MSE	F	df1	df2	p
.8725	.7612	.1188	183.4208	3.0000	144.0000	.0000

Source: Survey Data (2023)

5.4 Coefficients

Table 3 shows that customer focus was a significant predictor of sustainability ($\beta=0.5409$, $se=0.1261$, $t=4.2896$, $p < 0.05$). Thus, a unit increase of customer focus contributes 0.5409 of sustainability when all other variables are held constant in the model. This was in line with findings of Lee and Lee (2020) they emphasized that customer-focus is not only a strategy, but also a culture adopted by the business that facilitates competitiveness and sustainability through customer satisfaction. In a study by Narver and Slater (1990), the findings concluded that customer-focus positively and significantly affected business sustainability. Digitization was a significant predictor of sustainability ($\beta=0.4307$, $se=0.1052$, $t=4.0955$, $p < 0.05$). Thus, a unit increase of digitization contributes 0.4307 of sustainability when all other variables are held constant in the model. This augured with Denicolai *et al.* (2021) findings which surmised that digitalization is a key component of enhancing the capacity of businesses to innovate, which uphold sustainability by enabling them to maintain competitiveness. Ghobakhloo and Ching (2019) argued that sustainable businesses embrace digitization as a way of improving their capability for value creation and innovativeness.

Findings revealed that interaction between customer focus and digitization was a negative and significant predictor of sustainability ($\beta=-0.1897$, $se=0.0440$, $t=-4.3110$, $p < 0.05$). Thus, interaction between customer focus and digitization contributed -0.1897 to sustainability when all other variables are held constant in the model. This indicated that the link between customer focus and sustainability depends on digitization, although it was a negative relationship. This was in line with findings of Denicolai *et al.* (2021) averred that various researches present that digitalization is instrumental for business success whether large organizations or relatively smaller SMEs.

Therefore the null hypotheses, co-creation, networking and customer insight had no significant effect on sustainability were rejected as it was concluded that co-creation, networking and customer insight had positive significant effect on sustainability. The null hypothesis, digitization does not moderate the association between customer focus and sustainability was rejected as digitization had a significant negative moderating effect on sustainability.

Table 3: Coefficients

	coeff	se	t	p	LLCI	ULCI
constant	3.1666	.0357	88.7597	.0000	3.0961	3.2371
Digi	.4307	.1052	4.0955	.0001	.2228	.6386
Cusfoc	.5409	.1261	4.2896	.0000	.2917	.7901
int_1	-.1897	.0440	-4.3110	.0000	-.2767	-.1027

Source: Survey Data (2023)

5.5 Conditional Effect of X on Y at Values of the Moderator

At low level of digitization the effect of customer focus ($\beta=0.6696$, $se=0.1317$, $t=5.0845$, $p < 0.05$) on sustainability was more strong than moderate level ($\beta=0.5409$, $se=0.1261$, $t=4.2896$, $p < 0.05$) or higher level ($\beta=0.4122$, $se=0.1274$, $t=3.2345$, $p < 0.05$). The effects were significant given there was no zero between low

level confident intervals and high level confident intervals as indicated in Table 4. This was consistent with the findings of Hermundsdottir and Aspelund (2021) who argued that sustainable businesses are characterized by cost reduction resulting from adoption of new technology and improved innovativeness.

Table 4: Conditional Effect of X on Y at Values of the Moderator

Digi	Effect	se	t	p	LLCI	ULCI
-.6785	.6696	.1317	5.0845	.0000	.4093	.9299
.0000	.5409	.1261	4.2896	.0000	.2917	.7901
.6785	.4122	.1274	3.2345	.0015	.1603	.6641

Source: Survey Data (2023)

5.6 Data for Visualizing the Conditional Effect of the Focal Predictor

Simple slope of relationship between digitization and sustainability was tested for mean, standard deviations above and below mean levels of customer focus. Based on the range values for low (2.4800, 3.2688), Moderate (2.8480, 3.4852) and High (3.2160, 3.7016). This indicated a significant link between customer focus and sustainability with digitization as shown in Table 5.

Table 5: Data for Visualizing the Conditional Effect of the Focal Predictor

Low	-.5890	-.6785	2.4800
	.0000	-.6785	2.8744
	.5890	-.6785	3.2688
Moderate	-.5890	.0000	2.8480
	.0000	.0000	3.1666
	.5890	.0000	3.4852
High	-.5890	.6785	3.2160
	.0000	.6785	3.4588
	.5890	.6785	3.7016

Source: Survey Data (2023)

The graphing tool can then be used to visually and create the interaction’s representation. Process provided an option of output that assisted in visually illustrating the link between customer focus and digitization. Figure 1 shows the simple slopes of the association between the variables customer focus and sustainability in presence of digitization. The interaction effect between customer focus and digitization on sustainability of small and medium enterprises was significant.

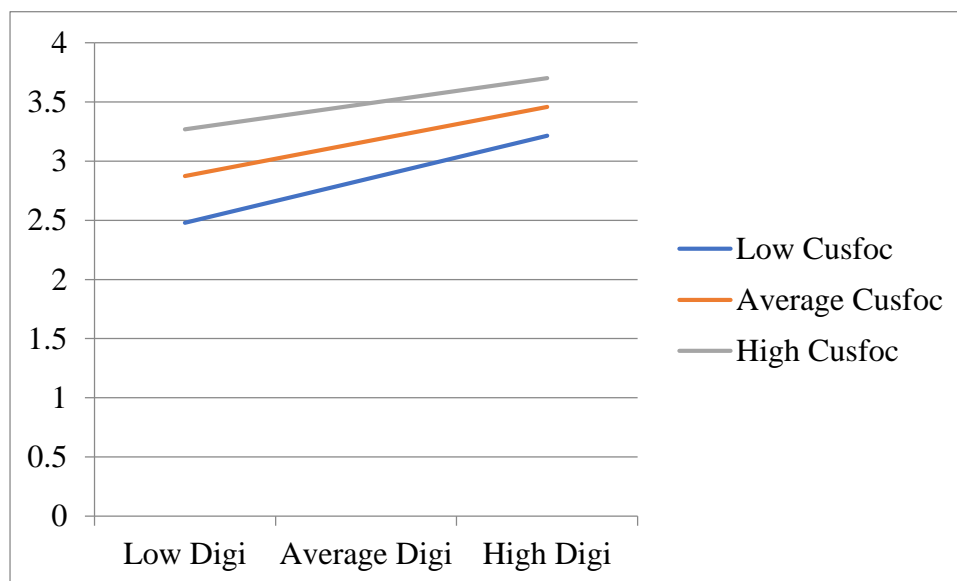


Figure 1 Graph/Scatterplot=Customer Focus with Sustainability by Digitization

VI. Conclusion

The three objectives were combined into a single construct called customer focus to enable seamless analysis under model 1 of Macro Process. Findings revealed that customer focus and digitization were significant predictors of sustainability. However their interaction had negative significant effect on sustainability. Overall, digitization is associated with the creation of opportunities for innovation in business models, changing businesses process, capabilities, services, products and relationships between small and medium enterprises as well as customers.

7.0 Implications to Practice and Theory

Results of the research should help owners of SMEs allocate resources to elements of customer focus that will increase their sustainability. It also indicates that digitization is important in that it can moderate customer focus to increase the effect of sustainability. Owners of small and medium enterprises might be better off by concentrating in customer focus and digitization when it comes to business sustainability.

In addition, this study advances the theoretical basis provided by earlier scholars on the interplay of customer focus, digitization and sustainability of SMEs. Specifically, the study emphasizes the extension combination contribution of service marketing theory, diffusion of innovation theory and sustaincentrism theory. In doing so, the study offers a more understanding of theories for examining the moderation aspect of digitization on the link between customer focus and sustainability of SMEs in Kenyan context for future development of knowledge.

VII. Recommendations for Future Research

Experimental research design may be employed to examine the effectiveness of digitization on customer focus as well as their effect on sustainability of small and medium enterprises. Apart from Kenya, future researchers could repeat the same study in other developing African countries to enable generalization of the findings.

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