Influence of Digital Innovation on Customer Acquisition and Service Delivery by Ethiopian Business Development Service Providers

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Abstract

This research investigates the adoption of digital innovations among Ethiopian Business Development Service Providers (BDSPs) and its impact on their ability to engage with Small and Medium Enterprises (MSMEs). Employing a mixed-methods approach, the study assesses the extent of Digital Innovation (DI) adoption, identifies associated challenges, and evaluates its influence on BDSP effectiveness in customer acquisition. A questionnaire was administered to 74 BDSPs from various Ethiopian regions, yielding 34 responses subjected to descriptive and regression analysis. Qualitative insights were obtained through Focus Group Discussions with 24 participants representing diverse BDSP stakeholder groups, with responses analyzed thematically.

The findings reveal that Ethiopian BDSPs exhibit a moderately high level of DI adoption in relation to communication, face challenges of competing with donor/government funded 'free/unfairly subsidized' BDS provision, language barriers, limited internet access, and financial constraints while findings shows that digital literacy, and infrastructure play a pivotal role in client acquisition.

The study offers recommendations for BDSPs to enhance MSME engagement, emphasizing the importance of holistic approaches that encompass both digital and offline channels, and collaborative initiatives involving public and private sector. This research contributes to the understanding of DI adoption in the Ethiopian BDS sector and sets the stage for further exploration of regional factors, cultural considerations, and policy implications that shape innovation and BDS dynamics in Ethiopia

Keywords: Business Development Service Providers (BDSPs), Micro, Small and Medium Enterprises (MSMEs), Digital Innovation (DI), Ethiopia

1. Introduction

The concept of Digital Innovation (DI) represents the infusion of new technologies and inventive strategies into existing business practices, with the goal of achieving transformative changes and gaining a competitive edge. In today's rapidly evolving business landscape, characterized by swift technological advancements, Digital Innovation (DI) holds paramount importance. It encompasses not only the adoption of novel technologies but also the reimagining of business models, processes, and customer experiences to attain strategic objectives (Bessant, J., & Tidd, J. 2015).

Governments and public sector bodies globally are increasingly focusing on fostering innovation within their domains. In Ethiopia, the Private Sector Development Initiative, in collaboration with various donors are driving BDS growth (Ethiopian Investment Commission, 2020). For Ethiopia, nurturing innovation is pivotal for its economic growth (Baku, A.A., 2022). Although the country has experienced significant economic progress, it still faces challenges in terms of its innovation ecosystem, as indicated by rankings (Startup Blink, 2019). Rankings from the Startup Blink research network placed Ethiopia's innovation ecosystem 100th out of 100 countries evaluated in 2019, with Addis Ababa ranking 505th out of 1,000 cities.

Progress has been made in reducing gender inequality, with Ethiopia's ranking improving from 123rd (2018) to 82nd (2020) on the UNDP Gender Inequality Index. Furthermore, the COVID-19 pandemic has highlighted the vulnerabilities of Micro, Small, and Medium-sized Enterprises (MSMEs) and Business Development Service Providers (BDSPs) in the face of disruptions. The Business development environment has been positively affected by the consistent drive for the implementation of the 2030 Homegrown Economic Reform Agenda set up by the Ethiopia's government. Among several areas , more than 4 national indicators related to private sector development. Ethiopia has achieved substantial economic growth, averaging around 10% annually from 2010 to 2019 as poverty rate has significantly decreased from 71.1%

in 1995 to 25.9% in 2019. The Ten Years Perspective Development Plan (2021-2030) complements these reforms by introducing comprehensive changes for shared prosperity in various sectors.

In this context, BDSPs in Ethiopia play a vital role in supporting the growth of MSMEs. Around 75% of Business Development Service Providers (BDSPs) in Ethiopia are concentrated in the capital region. Less than half of Ethiopian MSMEs have utilized these services. Business development services aren't widely recognized as a specialized area in Ethiopia; they are often included in the offerings of management consultants However, there's a lack of comprehensive academic resources addressing the digitalization of BDSPs in the Ethiopian context. This research aims to bridge this gap by exploring the adoption and impact of Digital Innovation (DI) among BDSPs in Ethiopia. The objectives of the study include understanding the extent of DI adoption, assessing its impact, and identifying limitations faced by BDSPs in their digitalization journey.

1.1 Objective:

- To assess the level of Digital Innovation (DI) adoption among Ethiopian BDSPs for BDS delivery
- To identify the key challenges faced by Ethiopian BDSPs during the adoption of digital innovations
- To examine the impact of DI adoption on the effectiveness of Ethiopian BDSPs in acquiring local businesses, particularly MSMEs.

2. Key literatures on BDS and digitalization in Ethiopia

Previous studies have identified multiple areas for further research and investigation around BDS in Ethiopia based on their research and studies, this includes Impact AssesMSMEnt of BDS (Gebreeyesus, 2009) Tailoring BDS for Specific Sectors (Demissie, 2019) Digital Transformation of BDS towards clients acquisition (Yoo, F.D., et al 2023) Customer-Gender Inclusivity in BDS (Mahe & Dufhues, 2015) Sustainability of BDS Initiatives towards customer experiences (Woldie & Adersua, 2018) BDS and Export Competitiveness (Kassahun

& Van Diermen, 2019) Role of BDS in Rural Development in the sub-saharan region and supporting customers in the rural areas (Endris, E. and Kassegn, A., 2022) Public-Private Partnerships for BDS (Debela, G.Y., 2021) Measurement of BDS Effectiveness (Gebreeyesus & Iizuka, 2016) BDS Policy and Regulation (Baku, A.A., 2022) on digitalization, Anagaw (2020) Lixi, M. and Dahan, M., (2014) analysed DI and Performance. These literatures provided background and forms the literature review in this paper as they provide incite into BDS and Digitalization in Ethiopia. The recommendations as proposed by the researchers forms the basis of this research.

2.1 BDS in Ethiopia

The goal of BDS is to enhance business performance (Kossaï, M. and Piget, P., 2014), foster innovation (Bessant, J., & Tidd, J. 2015), through training, consulting, market research, technology adoption, and networking opportunities. Ethiopian Investment Commission (2020) noted that BDSPs in Ethiopia perform multiple roles and responsibilities despite the numerous challenges they face. Yutang, Z. and Yesuf, A.E., (2021) noted that surviving the digital age requires Information technology, by consulting specialized IT BDSPs, MSMEs can adopt digital technology to their business processes. Sundaram, B.B., et al (2018) opined that BDS in Ethiopia encompass a wide array of services, including training, technical assistance, market research, product development, and more to MSMEs.

Seymen, D.Ö.F., (2022) noted that MSMEs/BDSPs in the bid for survival claim to be able to deliver multiple divergent solutions to MSMEs, and this in it self becomes adherent for MSMEs growth. Kedir, A. M., & Admassie, A. (2012) opined that Specialization among trainers, lecturers, coaches and BDSP is key to sustainability and competitiveness in the ecosystem. Ethiopian Investment Commission (2020) noted that most of BDS service gotten by NMEs in Ethiopia are free and donor or government funded. This Free BDS makes quality of BDS access low and building a sustainable business environment for BDSPs in Ethiopia a nightmare as right fees attached to quality services is ignored (Lixi, M. and Dahan, M., 2014).

2.2 Digital Innovation (DI) and BDSPs efficiency

DI plays a pivotal role in driving business development by enabling organizations to create new opportunities, enhance operational efficiency(Berman & Hagan, 2018), and better engage with customers in today's fast-paced and technology-driven landscape (Hang, N.P.T., et al., 2023). The businesses that disrupt and then harness DI effectively are better positioned to remain competitive and achieve sustainable growth (Christensen, C. M., et al., 2015).

DI enhances operational processes which in turn leading to increased efficiency and cost savings (Endris, E. and Kassegn, A., 2022, ALI, A.S., et al 2021, Oshora, B et al., 2021, Laudon & Laudon, 2020, Porter, M. E., & Heppelmann, J. E. 2014). Yutang, Z. and Yesuf, A.E., (2021) and Choudhury & Harrigan, (2014) noted that DI facilitates improved customer engagement and personalized experiences. Michael C. et al (2014) Jan Marco et al (2015) and Teece (2018) noted that DI is a driving force behind contemporary business development among thriving and successful companies, enabling organizations to remain competitive (Sundaram, B.B., et al 2018), expand their reach (Caputo, A., et al., 2021)., new market opportunities (Peng, Y. and Tao, C., 2022)., Improving customer engagement (Caputo, A et al., 2021).

Automation and digital tools can help manage client interactions, scheduling, and resource allocation (Peng, Y. and Tao, C., 2022). Teece, D. J. (2018) noted that BDSPs that utilize digital platforms have broader reach locally and globally. Online marketing, ecommerce and communication tools enhance visibility and engagement (Hassen, Y.A. and Svensson, A., 2014). DI allows BDSPs to tailor their services to individual client needs (Dodgson, M., et al., 2013). BDSPs decision to specialize are supported and initiated based on data driven analytics and insights (Dellermann et al., 2017; McAfee, A., & Brynjolfsson, E., 2012; Laudon, K. C., & Laudon, J. P., 2020).

Bessant, J., & Tidd, J. (2015) and Porter, M. E., & Heppelmann, J. E. (2014) noted that incorporating DI enables BDSPs to offer a wider range of services. With digitalization, BDSPs can automate processes, personalize their services, reduce operational costs optimizing resource allocation (Bessant, J., & Tidd, J., 2015), Utilizing digital platforms for virtual sessions, training, workshops, and digital format of BDS resources can complement traditional

offerings (Caputo, A et al., 2021) Being at the forefront of technological advancements can enhance BDSP credibility and accessibility (Yoo et al., 2012). Bharadwaj, A. S., et al (2013) noted that digitalization brings better collaboration among BDSP teams further facilitating the scaling of BDSP operations without a proportional increase in administrative burdens.

2.3 Digital Innovation (DI) among Ethiopia BDSPs

DI in Ethiopia has been instrumental in transforming various sectors and promoting economic growth (Ethiopian Investment Commission., 2020). The country has witnessed advancements in technology adoption (Lixi, M. and Dahan, M., 2014), digital infrastructure development (Baku, A.A., 2022, Debela, G.Y., 2021), and the emergence of innovative solutions to address local challenges (Gebeyehu & Mitiku, 2020). The Ethiopian government's commitment to the digital agenda is evident in initiatives such as the National Digital Transformation Strategy, which aims to harness digital technologies to achieve sustainable development goals (Ethiopian Investment Commission., 2020, Debela, G.Y., 2021).

The rise of DI in Ethiopia can be attributed to factors such as increased internet penetration (Ali Y. E., 2018), and the growing tech-savvy youth population (Kifle & van Dijk, 2021). E-commerce platforms (Ali Y. E., 2018), and digital solutions have gained prominence, contributing to improved access to markets and financial services(Endris, E. and Kassegn, A., 2022) especially for rural communities (Woldeamanuel & Zewge, 2018).

Digitalization in Ethiopia, especially among BDSPs face several challenges that hinder its effectiveness (Sundaram, B.B., 2018). These challenges arise from a variety of factors ranging from technological limitations to socio-economic and policy issues (Mustaf, A., et al (2020), Lessa, L., et al., (2011), Baku, A.A., (2022). Kossaï, M. and Piget, P., (2014) noted that Ethiopia struggles with inadequate digital infrastructure and connectivity, particularly in rural areas. Morrar, R., et al (2019) noted the lack of digital literacy and skills among BDSPs and the broader population hampers the adoption and effective utilization of digital tools.

Yadete, F.D., Kant, S. and Kero, C.A., (2023) Debela, G.Y., (2021) Mustaf, A., et al (2020) considered the egovernment challenges in the areas of Regulatory and Policy Challenges, Unclear regulations (Lessa, L., et al., 2011, Baku, A.A., 2022), lack of supportive policies

(Mustaf, A., et al., 2020), and bureaucratic obstacles (Mustaf, A., et al 2020) can create an unfavourable environment for digital initiatives. ALI, A.S., et al (2020), Oshora, B (2021) Endris, E. and Kassegn, A., (2022) further noted that insufficient access to financial resources prevents BDSPs from investing in digitalization tools and infrastructure.

3. Research methodology

In Exploring the Influence of DI in Ethiopian Business Development Service Providers (BDSPs) on Customer Acquisition. Pragmatism emphasizes the practical consequences of knowledge and the importance of addressing real-world problems. Empiricism places a strong emphasis on empirical evidence and observation. In this research, an empirical approach would involve gathering real-world data and evidence related to the adoption and impact of DI in BDSPs. Critical theory encourages a critical examination of societal structures and power dynamics. This perspective can be applied to analyze the digital divide, access to technology, and potential inequalities in the adoption of digital innovations among different groups of BDSPs in Ethiopia. Constructivism posits that individuals actively construct their own understanding of the world based on their experiences and mental frameworks

3.1 Research Design

The research is exploratory, seeking to understand the current state of DI in BDSPs in Ethiopia. Hence the adoption of a mixed-methods approach, combining both quantitative and qualitative research methods. The researcher believes that this approach provides a comprehensive understanding of DI in Ethiopian BDSPs.

Region/chartered cities	Number of BDSPs participants invited to fill the questionnaire & FGD
Addis Ababa	62
Amhara	5
Oromia	4
Dire Dawa	1
Hawassa/Sidamo	2
Total	74

Quantitative Data: Questionnaire was distributed randomly among 74 pre-selected BDSPs in Ethiopia. 34 respondents filled the questionnaires. Random stratified sampling was used to select BDSPs from various regions. Call for participation was publicly shared across the country and 74 interested BDSPs showed interests in participating in the research. Using google form, all 74 BDSPs were invited to fill the questionnaire and 34responses was gotten. For quantitative data, statistical analysis techniques was adopted. For to identify the innovation options adopted by BDSPs in Ethiopia, descriptive statistics was used, while to find out if adoption of innovation has an impact on BDSP acquisition of customers online regression analysis) to analyse survey results.

Qualitative Data: For the second object to find out the challenges faced in adopting innovation in the delivery of BDS, Focus Group Discussion was done. Focus Group Discussion was done among group of BDSPs to gain deeper insights into challenges and opportunities. To accomplish this, we employed focused group discussions and document analysis as data-gathering methods. A day moderated workshop with oral presentations took place on August 10, 2023 at Addis Ababa, Ethiopia. The researcher recorded the entire session, transcribed it to create the dataset, and then conducted simple open coding to identify key concepts and major themes. The previously shortlisted 74 interested BDSPs where invited, but only 24 BDSPs voluntarily participated in the FGD activity. The 24 respondents includes BDSP managers, Head of BDSPs associations and groups, policymakers, and industry and freelance BDS experts, BDS influencers in the ecosystem, one government representative in charge of regulatory of the BDS in Ethiopia, two representative of the BDS associations and groups, and BDS experts with diverse specialization within the sector. The objective of the FGD was to identify the challenges faced in adoption of DI in delivering BDS solutions to MSMEs in Ethiopia

To ensure ethics of research was observed, the researcher ensured informed consent from participants, protected the confidentiality of participants and adhered to ethical guidelines when conducting research in Ethiopia.

Research question	Measurement Tools	Hypothesis	Statistical analysis
How do Ethiopian Business Development Service Providers (BDSPs) adopt digital innovations to improve the delivery of Business Development Services (BDS)?	Questionnaire	None	Descriptive analysis
How do Ethiopian Business Development Service Providers (BDSPs) adopt digital innovations to acquire customers	Questionnaire	None	Descriptive analysis
What are the key challenges encountered by BDSPs in the process of adopting digital innovations?	FGD	None	Thematic analysis
How does the adoption of DI affect the effectiveness of BDSPs in their acquisition of local businesses?	Questionnaire	Adoption of DI significantly affect the effectiveness of BDSPs in their acquisition of local businesses	Regression analysis

4. Results and discussions

4.1 The Adoption of DI by Ethiopian (BDSPs) for Enhancing BDS Delivery and Customer Acquisition

The level of adoption of DI among Ethiopian Business Development Service Providers (BDSPs) in the delivery of Business Development Services (BDS) to Small and Medium Enterprises (MSMEs) is moderately high.

BDSPs in Ethiopia exhibited varying levels of DI adoption, with 34.2% reporting moderate adoption, 26.3% high adoption, 21.1% fair adoption, 10.5% very high adoption, and 7.9% low adoption. When combining the percentages of BDSPs with moderate, high, and very high

adoption rates (34.2% + 26.3% + 10.5%), we find that a total of 71% of BDSPs in Ethiopia are using DI in their BDS delivery efforts. This demonstrates a significant awareness of the importance of digitalization among BDSPs in Ethiopia, aligning with previous research by Amha and Ageba in 2006, which also recognized the need for digitalization in BDS provision.

Furthermore, there is evidence of increased adoption of DI since 2006, as highlighted by the growth in social media users from 1.56 million in 2014 to 6.4 million in 2023, as reported by Statista 2023. This increase indicates that BDSPs in Ethiopia are moving in the right direction toward improving business efficiency.

Specific digital innovations that were observed among BDSPs in Ethiopia include:

1. Online Payment: 35.1% of BDSPs offer online payment options for their clients.
2. Business Websites: 57.9% of BDSPs maintain active and updated business websites.
3. Use of Google Maps to help MSMEs identity their Business Locations: 55.3% of BDSPs have their business locations visible on Google Maps.

However, it's noteworthy that 42.1% of BDSPs do not have active, updated business websites. This might be attributed to a lack of guidance on the utilization of digital tools or a digital skills gap among BDSPs, as highlighted by Lixi and Dahan in 2014. In the past, Ethiopia faced challenges with electronic payments and mobile phone services due to government monopoly control. However, recent developments, such as the ratification of the National Financial Inclusion Strategy (NFIS) in 2016 and the formulation of the National Digital Payments Strategy, have facilitated the adoption of digital payment platforms. Statista's projection of significant growth in digital transaction value further supports the idea that digital payment is becoming a welcome innovation among MSMEs and BDSPs in Ethiopia. Statista (2023) has projected a significant growth in the total digital transaction value, with an anticipated annual growth rate (CAGR 2023-2027) of 16.39%, resulting in a projected total of US$4,754.00 million by 2027. This stands in stark contrast to the situation

outlined in Getahun's 2008 report. This research findings provides an update to previous research showing that digital payment is becoming a welcome innovation among Ethiopians especially MSMES and BDSPs.

4.1.1 Adoption of DI to improve the delivery of Business Development Services (BDS)

In the context of Ethiopian Business Development Service Providers (BDSPs) seeking to improve the delivery of Business Development Services (BDS) and enhance customer acquisition, it becomes evident that digital marketing plays a pivotal role. This research investigates the extent of digital marketing platform adoption for client acquisition by BDSPs. Ethiopian business owners exhibit a notable presence on various social media platforms. Specifically, they are more prevalent on professional social media platforms like LinkedIn (91.9%) compared to entertainment-focused platforms. This strong presence on professional networks offers BDSPs valuable global connections. Additionally, a significant proportion of BDSPs (86.5%) actively utilize Facebook for business advertising and brand promotion. Instagram is employed by approximately 43.2% of BDSPs, Twitter by 40.5%, TikTok by 29.7%, Telegram by 10.8%, and other platforms.

Regarding the online visibility of BDSPs' businesses, a distinct pattern emerges. Businesses of these service providers are predominantly found on Facebook (71.1%), followed closely by LinkedIn (68.4%), Instagram (18.4%), TikTok (15.8%), Google My Business (GMB) (15.8%), and other platforms. Facebook stands out as the preferred platform, with 71.1% of BDSPs choosing it for their business presence. These findings underscore the perception among Ethiopian BDSPs that social media serves as a significant avenue for client acquisition.

Furthermore, with 86.5% of BDSPs emphasizing the importance of their online visibility through Facebook, it can be inferred that, among various digital solutions, this platform plays a particularly crucial role in client acquisition for BDSPs in Ethiopia. This observation aligns with the broader context of Ethiopia's digital landscape, which has witnessed substantial growth in internet users, increasing from 12.6 million to 20.86 million in 2023, marking a remarkable growth rate of 65.5% over three years. Additionally, there has been an increase in

internet penetration from 10.3% in 2020 to 16.7% in 2023, reflecting a growth of 61.7% over the same three-year period. These statistics affirm the adoption of DI by BDSPs, enabling them to leverage the expanding population of internet users to enhance the delivery of BDS and drive customer acquisition.

4.1.2 Adoption of Digital marketing by the BDSPs in Ethiopia to acquire MSME clients The extent of adoption of digital marketing and digital promotional materials by Business Development Service Providers (BDSPs) in Ethiopia to acquire MSME clients varies, as indicated by the findings from this research.

Websites: BDSPs use their websites as a platform for digital marketing and promotion. The data shows that 40.5% of the respondents update their websites sporadically when they remember. However, a significant portion (13.5%) never updates their websites. On the positive side, 13.5% of BDSPs update their websites daily, 21.6% do it weekly, and 10.8% do it on a monthly basis. This suggests a mixed level of commitment to website maintenance and digital marketing efforts among BDSPs.

Promotional Materials: Various promotional materials used by BDSPs in their digital marketing strategies include marketing collateral (44.7%), branded merchandise (10.5%), email templates and signatures (55.3%), business cards (81.6%), logos (86.8%), letterheads (76.3%), and high-quality photos and videos (34.2%).

Effective Materials: On the other hand, business cards, email templates, and letterhead papers are widely used by BDSPs, with 81.6%, 55.3%, and 76.3%, respectively, employing these materials. These materials can play a crucial role in building a professional image and establishing credibility among potential MSME clients. They provide tangible and easily understandable means of communication and branding.

4.2 The challenges encountered by BDSPs in the process of adopting DI

The direct individual responses of the participants in this study on the challenges faced by BDSPs was presented in Appendix A1. However, the views and opinions raised by respondents

on the challenges faced by BDSPs were thematically presented below using the principles of saturation in thematic analysis.

1. Language Barrier: Respondents 1, 5, and 22 mentioned language barriers as a challenge. It appears that the language used in digital innovations may not be accessible or understandable to some MSMEs, hindering their adoption. BDSPs noted that Ethiopia is a linguistically diverse country with a multitude of languages spoken across its regions. BDSPs noted that prominent languages include Amharic, the official language used in government and education; Oromo, widely spoken by the Oromo ethnic group; and Tigrigna, prevalent in the Tigray region other languages include Somali, Sidamo, Afar, Gurage languages, Harari, Silt'I, Hadiyya, Gedeo, Konso etc reflecting the country's linguistic diversity. Unfortunately, lot of documents are in English and Amharic which not every MSME can comprehend also diversity in language makes it hard to communicate and deliver BDS solutions across multiple regions.
2. Digital illiteracy, Limited Internet Access and infrastructure: Respondents 2, 4, 6, 11, 16, 18 and 24, noted that limited access to the internet poses a significant challenge. Access to theinternet is a fundamental requirement for engaging with digital innovations. Digital illiteracy is a recurring challenge, highlighted by respondents 1, 3, 5, 6, 11, 18, 21, and 23. Many MSMEs lack the necessary skills and knowledge to effectively utilize digital tools and platforms due to temporary recurrent restrictions as a result of political issues. This is substantiated by Accessnow (2023) report stating that 2016, the Ethiopian government blocked access to social media platforms such as Facebook, Twitter, and WhatsApp in response to protests the government. In 2019, the Ethiopian government imposed a complete internet blackout on the Amhara and Oromia regions in response to ethnic violence. In 2020, the Ethiopian government blocked access to social media platforms and messaging apps in the Tigray region in response to the armed conflict there, and as at date of FGD August 2023, BDSPs claimed that access to internet was still limited in Afar Region, Amhara Region (parts of), Benishangul-Gumuz Region, Gambella Region, Oromia Region (parts of), Somali Region, Tigray Region (parts of).

3. Awareness and Visibility: Respondents 2, 9, 17, and 23 mentioned challenges related to awareness and visibility. Many MSMEs are not aware of the digital innovations available, and BDSPs struggle to make their services and solutions visible to potential clients. Data Reportal (2023) reported that 20.86 million internet users in Ethiopia at the start of 2023 out of the Ethiopia's total population of 124.9 million in January 2023. With 16.69% accessing internet, BDSPs struggle with making the decision to significantly adopt DI as a means of delivering BDS or acquiring clients.
4. Financial Constraints: Respondents 3, 7, 12, 22, and 24 cited financial challenges. The cost associated with adopting digital innovations, including website management and subscription fees, can be a barrier for some BDSPs. Data from World Bank, International Monetary Fund, African Development Bank, Trading Economics reports shows that In 2021, the digital economy contributed an estimated 2.2% to Ethiopia's GDP, and this is expected to grow to 4.3% by 2025, and finance is not adequately directed to digital industry, but more focus is on agriculture. Hence making adopting digitalization hard, furthermore respondents above stated that Due to barrier in acquiring Foreign Exchange, patronizing global ICT organization is significantly limited as access to FX to pay for such services is tenacious.
5. Free/cheap BDS by Donor Agencies and government: Respondents 7,10,12,14,19,22,23 noted that MSMEs do not see the need to consult private sector organizations for BDS services as the government seems to provide these BDS services for free, further stating that international donor agencies enter the BDS market in a bid to strengthen but unfortunately do otherwise through free or extremely subsidized BDS. MSMEs with the knowledge of free BDS do not see the need to consult privately owned BDSPs.

Other areas of challenges in adopting innovation for BDS provision were highlighted by Respondents 7, 15, 22, and 23 highlighted trust issues as a challenge. Some MSMEs may be reluctant to fully engage with BDSPs due to concerns about trust and security in the digital realm. Respondents 2, 4, 20, and 21 discussed the importance of user-friendly BDSP directories and portals. The ease of use and accessibility of digital platforms and portals by MSMEs to

access BDSPs and BDS solutions are critical factors for MSMEs. Respondents 9 and 13 raised concerns about the quality of service provided by BDSPs. Ensuring the quality and competency of digital services is essential for building trust and credibility. Respondent 10 noted that some business owners still rely on traditional methods and may not be inclined to use BDSPs' online services. Respondent 24 mentioned shallow content as a challenge. Providing up-to-date and valuable information is crucial for the success of digital innovations.

The findings from this research shows that challenges faced by Ethiopian BDSPs in adopting digital innovations to deliver BDS solutions encompass issues related to language barriers, digital literacy, internet access, awareness, financial constraints, trust, infrastructure, user-friendliness, quality of service, and the preference for traditional methods. Addressing these challenges is essential for BDSPs to effectively support MSMEs in embracing digital solutions and improving their business prospects.

a. Effect of DI adoption on the effectiveness of BDSPs in their acquisition of local businesses

Hypothesis testing

H_0 = Adoption of DI does not significantly affect the effectiveness of BDSPs H_1 = Adoption of DI significantly affect the effectiveness of BDSPs

Respondents were asked if they have every gotten a paying clients using digital technology or via online channels. This was compared to their level of adoption of DI as a BDSP. The analysis, which involved regression analysis, sought to examine the relationship between the adoption of DI and the effectiveness of Business Development Service Providers (BDSPs) in acquiring local businesses. The results, as presented in Table 1, indicated a weak relationship, with an R-value of 31.2% and a standard error of 0.5059. However, further assessment through analysis of variance (ANOVA) in Table 2 revealed that DI adoption did not have a significant impact on BDSPs' effectiveness at a significance level of $P < 0.05$. The obtained P-value (0.056) exceeded the 0.05 error margin, suggesting that DI adoption alone is not a decisive factor in enhancing the effectiveness of BDSPs in delivering Business Development Services (BDS) to local Small and Medium Enterprises (MSMEs). Therefore, the null hypothesis was accepted, implying that other variables may also play crucial roles in BDSPs' effectiveness.

The model equation with coefficients for predicting the relationship between DI adoption and BDS customer acquisition was detailed in Table 3.

The findings shows that while DI adoption is relevant for BDSPs in today's business landscape, this analysis indicates that its impact on BDSPs' effectiveness in acquiring local businesses is relatively weak and statistically non-significant. BDSPs should consider a holistic approach that incorporates various factors and strategies to enhance their effectiveness in serving MSME clients.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.312(a)	0.098	0.072	0.5059

a. Predictors: (Constant), Digital Adoption

Table 2: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.996	1	.996	3.890	.056(a)
	Residual	9.215	36	.256		
	Total	10.211	37			

a. Predictors: (Constant), Digital Adoption

b. Dependent Variable: BDS Customer acquisition

Table 3: Variable Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.857	.247		3.472	.001
	Digital Adoption	.148	.075	.312	1.972	.056

a Dependent Variable: BDS Customer acquisition

5. Conclusion

BDS in Ethiopia hold significant potential for driving enterprise growth and development. However, addressing the challenges they face requires a collaborative effort involving government intervention, private sector engagement, and very importantly technological innovation. By enhancing BDS provision and adoption through digitalization, Ethiopian BDSPs can further empower its MSMEs and contribute to sustainable economic development. Based on the findings presented, here are three key recommendations:

1. Digital Skills Development: BDSPs in Ethiopia should prioritize the development of digital skills among their staff and MSME clients. Bridging the digital literacy gap through training and education will enable both BDSPs and MSMEs to effectively use digital tools for business development. This can be achieved through workshops, online courses, or partnerships with digital training organizations.
2. Enhanced Online Visibility: BDSPs should focus on improving their online visibility, particularly on social media platforms like Facebook and LinkedIn. These platforms are essential for client acquisition, and BDSPs should invest in creating and maintaining professional profiles, regularly posting relevant content, and engaging with potential clients. Additionally, BDSPs should consider using Google Maps to make their business locations more accessible to MSMEs.
3. Collaborative Initiatives: To address the challenges related to limited internet access and financial constraints, BDSPs can collaborate with government agencies and influence BDS pricing, NGOs, and private sector organizations to create affordable digital solutions and internet access opportunities for MSMEs. Public-private partnerships can help provide financial support for MSMEs to adopt digital innovations, making it more accessible and affordable.

These recommendations aim to strengthen the adoption of DI among BDSPs, enhance their effectiveness in acquiring local businesses, and ultimately support the growth and development of MSMEs in Ethiopia

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