RESEARCH ARTICLE

INNOVATIONS, COMPETITIVE ADVANTAGE AND PERFORMANCE OF SMALL AND MEDIUM-SIZE ENTERPRISES IN KOGI STATE: AN EMPIRICAL INVESTIGATION

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Manuscript Info

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Abstract

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This study aimed at investigating innovations, competitive advantage and performance of Small and Medium-Size Enterprises in Kogi State. For the study, a survey research design was used. Small and Medium Enterprises in Kogi State were surveyed. Multi-stage sampling technique was adopted, and the sample size of 384was chosen.Data were collected through well structured questionnaires. 224 copies of questionnaires (58.3%) were returned out of the 384 copies of the questionnaires administered, while 160 questionnaires (41.7%) were not returned. All data collected were presented and analyzed using descriptive statistics and multiple regression models. Finding showed that innovative activities have weak effect on the survival of SMEs in Kogi State. Finding further showed that innovative activities have strong significant effect on the competitive advantage of SMEs in Kogi State. The study concluded that when innovative activities are undertaken, there is likelihood that the survival of SMEs in Kogi State will witness little changes. There is possibility that the achievement of the competitive advantage of SMEs will be facilitated given the engagement of owners/managers in innovative activities. The study recommended that SME owners/managers should give little or no attention to product innovation and process innovation, but invests more on market innovation to enhance thesurvival of their enterprises in Kogi State, and that they should engage more in process and market innovations to achieve competitive advantage in Kogi State.

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Introduction:-

Performance among Small and Medium-sized Enterprises (SMEs) is very crucial toKogi State economy. The SME sector is a big driver in Kogi's economic system (stimulating job and wealth creation). The performance of SMEs in totality has the potential to strengthen and enhanceKogi State economic growth and development. According to Eniola (2014: 76), the "SME performance and growth in manufacturing, agriculture, services, and so on, have been considered as engine room and have contributed to the Nigerian economy". Increase in the performance of SMEs can result into more employment opportunities (Eniola, 2014: 76).

Every enterprise needs to be innovative to keep track of success in the dynamic business environment of today. Many SMEs may have missed the concept of innovation due to the fact that it is popularly attributed to changing or

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converting old products into new ones. Innovation spans beyond introduction of new products. Hult, Hurley and Knight (2004) expressed that it also involves introducing new processes, organization structure and administrative structure. These among others are the cardinal aspects of innovation. Silva (2012) added that enterprises' capability to innovate varies widely considering numerous factors. Such factors may be categorized as the forces of the internal environment (such as collection of knowledge resource, availability of fund, sophisticated technology, equipment and adequate facilities) and the forces of the external environment (such as the market demand, economic factors-inflation, recession and policy change, competition, changing customer taste and socio-political vices). The current environment thrives on innovation which is driven by knowledge, employee creativity and the desire to constantly learn research and develop new ideas and process (Bartes, 2013).

Competition in Nigeria is gradually becoming unbearable for small enterprises. In fact, studies (such as Kiraka, 2009; Boachie-Mensah and Acquah, 2015) have argued that in this 21st century majority of enterprises (whether small, medium or large) are faced with increasing 'global competition'. This implies that the competitive force challenging all enterprises is not only domesticated. With this understanding, Porter (1980) had advocated that all enterprise owners engage in strategic thinking. Ramadani and Gerguri (2011) posited that innovation serves as strategic means to cope with the competitive environment (because it involves creation of new products, services, new technological process, new organization or the enhancing of existing products or services, enhancement of technological processes and the existing organization). Osuga (2016: 1) stated that "innovation is one of the strategies adopted by various firms in different industries in order to create a market niche for themselves". Kiraka (2009) also added that innovation requires SMEs to create and sustain competitive position.

Despite the government's effort to ensuring the growth of SME Sector, it is still seen that some SMEs are growing and competing below expectation. Adeusi and Aluko (2014: 91) posited that "the role government plays cannot be overlooked in the growth and survival of their businesses; without government intervention most SMEs would have gone into extinction". Obviously, government intervention has not stopped SMEs from gradual extinction today in Kogi State. This study placed innovation and competitiveness at the forefront of SMEs' survival. SMEs must first possess competitive strength to engage in dynamic business environment. For competitive strength, Johnson, Scholes and Whittington (2011) posited that SMEs must engage in innovate (through adopting new technologies and management practices). Gebauer, Worch and Truffer (2012) added that innovation that can facilitate the achievement of enterprise's performance must manifest in carving of new markets, the creation of customers' value and refurbishment of existing market through the improvement of the products' value and services to the customers. Palmer and Kaplan (2007) opined that innovation can influence improved performance of SMEs. The findings of Kiss (2011) and Terzioski (2010) have scientifically proven that competition and performance are significantlyinfluenced by innovation. Though, the confusing part of these studies among others is to ascertain what dimension of innovation that actually possesses predictive power. That reflects the gap in the studies. Ukpabioet al. (2018) identified this and investigated product innovation, process innovation, market innovation, and organizational innovation, and found that the dimension have significant and positive relationship with firm's performance. Also, the aspect of performance is unknown. This study was carried out to bridge these gaps.

Objectives of the Study:-
The main objective of the study was to investigate innovations, competitive advantage and performance of Small and Medium-Size Enterprises in Kogi State. The specific objectives were to:
1. Assess the influence of innovation dimension (product innovation, process innovation and market innovation) on the survival of SMEs in Kogi State.
2. Determine the effect of innovation on the competitive advantage of SMEs in Kogi State.

Conceptual Framework:
SMEs are presently exposed to the dynamism in the global economic environment. Susanto (2017) believes that there is pressing need for SMEs to improve their competitive advantage. With the current trend in the Kogi State economy; people have found the start-up of SMEs to be alternative means of supporting their households. Sequel to this, there has been increase in the number of SMEs in Kogi State. Although this increase does not guarantee that SMEs have taken over the business environment. Some SMEs are growing epileptically, and some witness entropy within a very short period from start-up. In the past, researchers have preoccupied themselves with unveiling the prime cause of the problems. Abd Aziz and Samad (2016) expressed that researchers were driven into unveiling the factors underlining the success and failure of SMEs with respect to sustainable competitive advantage. Many others have been motivated to know the success and failure of SMEs with respect to survival of enterprises. Idar and

Mahmood (2011) expressed that SMEs are facing tremendous bottleneck arising from 'globalization, technological innovation, demographic and social change, and innovative potential'. Susanto (2017) attributed the problem facing SMEs to corporate innovation. Gunday, Ulusoy, Kilic and Alpkan (2011) buttressed that innovation is one of the basic instruments (for new growth strategies to enter the market, to increase existing market share and provide enterprises to be competitive). Abd Aziz and Samad (2016: 257) stated that "SMEs should involve in innovation in order to gain competitive advantage in marketplace". This implies that innovation is a must engage activity for SMEs. Olughor (2015: 91) observed that "the significance of innovation as firms' resources has been shown in the literature by a wide range of definitions". Table 1 presents some definitions among many others.

Table 1:- Conceptual Meaning of Innovation.

Author	Definition
Morone and Testa (2008)	Innovation is a strategic aspect of business and investment for creating the capacity to develop and improve products.
Bayarçelik, Taşel and Apak (2014)	Innovation could be the implementation of a new or significantly improved product (e.g. change in product properties), process (e.g. changed delivery methods), marketing method (e.g. new product packaging) or organizational method (e.g. changes in workplace organization) in business practices, workplace organization, or external relations.
Ionescu and Dumitru (2015)	Innovation refers to the commercial implementation of the best ideas, work methods and even business models for the company, thus becoming the most important component of the long-term economic growth engine.
Olughor (2015)	Innovation can be viewed as a process of furnishing and improving on products and services to appeal to customers' taste and demand and which expand on workers' aptitudes.
Abdilahi and Hassan (2017)	Innovation (in business) means novelty, new things being done, or old things being done in new ways to increase the performance in terms of sales, profitability and market shares in an organization.

Source: Gathered by the Author.

The table 1 reveals that innovation is about developing and implementing improved product, process, business methods,and operations at the forefront of competition in the marketplace.

Innovation has the potential to translate into superior competitive advantage and performance for SMEs in Kogi State. In a competitive situation, firms have the probability to achieve sustainable competitive advantage and performance only when they constantly engage in innovation. A number of studies have been conducted to ascertain the behaviour pattern among innovation, competitive advantage and performance. The study ofSpithoven, Clarysse and Knockaert (2011) found a significant relationship between innovation and enterprise's performance. In similar vein, Ntiamoah, Li and Sarpong (2019) found that product, process, organizational and marketing innovations have significant relationship with performance. Researchers (Bakar and Ahmad, 2010;Mohd and Syamsuriana, 2013; Njogu, 2014; Gu and Shao, 2015; Audrey and Jaraji, 2016) also argued that innovation has impact on enterprise's performance. Figure 1 shows the conceptual framework of innovation dimensions (product, process and marketing innovations), competitive advantage and performance.
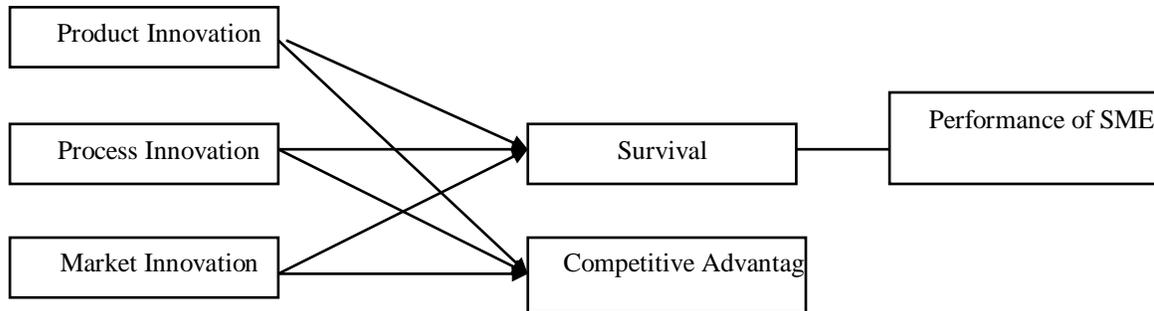
Fig 1:- Conceptual Framework of Innovation and Performance.
Source: Bakar and Ahmad (2010), Mohd and Syamsuriana (2013), Njogu (2014), Olughor (2015).

Theoretical Review:
The Theory of Innovative Firm (TIF) explains the link between innovation, competitive advantage and performance. TIF was popularized by William Lazonick(an economist). According to the theory, the function of SMEs is to transform productive resources into products and services (Nafula, 2017). Superior performance from innovative enterprises therefore creates products of superior quality at lower costs (Lazonick, 2013). Innovative enterprises are able to turn productive resources into higher quality, lower cost goods and services that translate into benefit for consumers and other economic participants (Lazonick, 2009). According to the theory, innovation can make SMEs to achieve and maintain its competitiveness in the sector.

Joseph Schumpeter (a renowned economist) also propounded the theory of innovation. The theory is part of the innovation based endogenous growth models (Schumpeter, 1934). The theory explains 'entrepreneurship and innovation'. The assumption of the theory is that there is a continuous process of change. This implies that change in product, process and market. The implication of this change is on the competitive advantage and performance of SMEs. Continuous improvement of products, processes and markets innovations is paramount for increased SMEs' competitiveness (Porter, 1980; Lazonick, 2005).

Schumpeterian Theory of Innovation and Entrepreneurship (STIE) andTIF are adopted for the study simply because they provided a direction for the study. For instance, one of the study's specific objectives was to determine the significant effect of innovation on the competitive advantage of SMEs in Kogi State. The theories provide explanation regarding how to achieve competitive advantage. The TIF explains that higher performance can be achieved through innovative. This was also affirmed in the study of Nafula (2017) and Lazonick (2013). The STIE explains that entrepreneurship and innovation can influence economic growth. Raymond and St-Pierre (2010) validated the assumption of STIE. Since Schumpeterian explained that entrepreneurship and innovation can influence economic growth; it is possible that the dimensions of innovation will have significant effects on the survival of SMEs in Kogi State.

Methodology:-
For this study, a survey research design was used. Small and Medium Enterprises in Kogi State were surveyed. The choice of SMEs for the survey cut across varying industries. The SMEDAN and National Bureau of Statistics in 2013 provided that the total population of SMEs in Kogi State is 968,275. Multi-stage sampling technique was adopted for this study. The study's sample size was 384. The sample size was determined usingSallant and Dillman's method.

$$N_s = \frac{N_p\ (p)(1-p)}{(N_p - 1)\left(\frac{B}{C}\right)^2 + (p)(1-p)}$$

Where:
Ns= completed sample size required
Np= Sample population
P= proportion expected to answer in a certain way (50% or 0.5 is most conservative)
B= acceptable level of sampling error (0.05 = +5%; 0.03 = + 3%)
C= Z statistic associated with the confidence interval (1.645=90% confidence level; 1.960=95% confidence level; 2.576=99% confidence level).

Therefore;

$$\text{Kogi State} = \frac{968,275\,(0.5)(1-0.5)}{(968,275-1)\left(\frac{0.05}{1.96}\right)^2 + (0.5)(1-0.5)}$$

Where:
Ns= 384.0080499 (Approximately 384)
Np= 968,275
P= 50% or 0.5
B= 0.05 or +5%
C= 1.960

Data were collected through well structured questionnaires. The copies of the questionnaires were administered to the SME owner/managers across the SME sector in Kogi State. 224 copies of questionnaires (58.3%) were returned out of the 384 copies of the questionnaires administered, while 160 questionnaires (41.7%) were not returned. The study based analysis on the returned questionnaires.

The reliability of the instrument was tested through Cronbach Coefficient Alpha (α). The coefficient alpha is the most commonly applied estimate of a multiple-item scale's reliability with a coefficient of 0.70 and above considered to have good reliability.

Table 2:- Test of Reliability.

Construct	Cronbach's Alpha	Items
Product innovation	.874	3
Process innovation	.714	3
Market innovation	.864	3
Survival	.819	2
Competitive advantage	.892	2

Source: Field Survey (2019).

Table 2 shows that product innovation has the reliability of 0.874 with three items; process innovation has the reliability of 0.714 with three items; and market innovation has the reliability of 0.864 with three items. Survival has the reliability of 0.819 with two items; and competitive advantage has the reliability of 0.892 with two items. All the constructs are seen to be reliable. All data collected were presented and analyzed using descriptive statistics andmultiple regression. Descriptive statistics summarized and described the data in a simple and understandable manner while the multiple regression analysis provided inferential statistics which led to drawing of conclusions. The models are specified below:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$…………………………………………………i
Where X= The independent variable
X_1 = Product innovation
X_2 = Process innovation
X_3 = Market innovation
Y= The dependent variable (Survival of SMEs)
β = independent variable coefficients
e = Error margin
$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + + e$…………………………………………………ii
Where X= The independent variable
X_1 = Product innovation
X_2 = Process innovation
X_3 = Market innovation
Y= The dependent variable (Competitive advantage)
β = independent variable coefficients
e = Error margin

Data Analysis and Analysis:
3a: Regression Model Summary of innovation and survival of SMEs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.577[a]	.333	.324	.92472

Predictors: Innovations   **Dependent Variable:** Survival of SMEs

3b: ANOVA on innovation activities and survival of SMEs

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	94.087	3	31.362	36.676	.000[b]
	Residual	188.123	220	.855		
	Total	**282.210**	**223**			

Predictors: Innovations   **Dependent Variable:** Survival of SMEs

3c: Coefficients on innovation dimensions and survival growth

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std. Error**	**Beta**		
1	(Constant)	4.802	.158		30.421	.000
	Product Innovation	.028	.056	.034	.503	.616
	Process Innovation	.026	.060	.027	.433	.665
	Market innovation	-.524	.054	-.599	-9.631	.000

Dependent Variable: Survival of SMEs

Table 3a shows that 33.3% of the variation in the survival of SMEs in Kogi State is explained by innovative activities. The remaining 66.7% shows that there are other variables that can explain the variations in survival of SMEs in Kogi state. The result shows that innovative activities have weak effect on the survival of SMEs in Kogi State.

Table 3b shows that the mean square of the residual values is 0.855. This shows less deviation between the observed and fitted values. The P-value for the F test statistic (36.676) is less than 0.001. This provides strong evidence against the null hypotheses. Thus, the coefficient of determination (R^2= 0.333) indicates that the effect of innovations on the survival of SMEs in Kogi State is significant. It is however seen that the significant effect is a weak one.

Table 3c shows that the coefficient of product innovation (β= .028; p-value> 0.05). This indicates that 2.8% change in product innovation will bring about 2.8% changes in the survival of SMEs in Kogi State. The linear relationship is proven to be positive. The more the effort towards increasing product innovation, the tendency of SMEs to survive the turbulence in the business environment of Kogi State becomes higher. The p-value proves that this linear relationship is not a significant one. The table also shows that process innovation has the coefficient (β= .026; p-value> 0.05). The implication of this is that 2.6% change in process innovation is brought about by 2.6% change in the survival of SMEs in Kogi State. The variable entered the model with positive sign; indicating that increase in process innovation will lead to proportional increase in the survival of SMEs in Kogi State. The linear relationship is also not significant with reference to the p-value which is above 0.05. Market innovation has the coefficient (β= -0.524; p-value= 0.01); showing that 52.4% change in market innovation will bring about 52.4% changes in the survival of SMEs in Kogi State. Since the linear relationship model is negatively signed, increase in market innovation will lead to decrease in survival of SMEs in Kogi State.

Table 4a:- Regression Model Summary of innovation and competitive advantage.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748[a]	.560	.554	.77725

Predictors: Innovations   **Dependent Variable:** Competitive Advantage of SMEs

Table 4b:- ANOVA on innovation activities and competitive advantage.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	168.932	3	56.311	93.210	.000[b]
	Residual	132.907	220	.604		
	Total	301.839	223			

Predictors: Innovations   **Dependent Variable:** Competitive Advantage of SMEs

Table 4c:- Coefficients on innovations and competitive advantage.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.254	.133		1.916	.057
	Product Innovation	.018	.047	.020	.371	.711
	Process Innovation	.277	.051	.280	5.445	.000
	Market innovation	.541	.046	.598	11.830	.000

Dependent Variable: Competitive Advantage of SMEs

Table 4a shows that 56.0% of the variation in the competitive advantage of SMEs in Kogi State is explained by innovative activities. The remaining 44.0% shows that there are other variables that can explain the variation in competitive advantage of SMEs in Kogi state. The result shows that innovative activities have strong effect on the competitive advantage of SMEs in Kogi State.

Table 4b shows that the mean square of the residual values is 0.604. This shows less deviation between the observed and fitted values. The P-value for the F test statistic (93.210) is less than 0.001. This provides strong evidence against the null hypotheses. Thus, the coefficient of determination ($R^2= 0.560$) indicates that the effect of innovations on the competitive advantage of SMEs in Kogi State is significant. It is however seen that the significant effect is a strong one.

Table 4c shows that the coefficient of product innovation ($\beta= .018$; p-value> 0.05). This indicates that 1.8% changes in product innovation will bring about 1.8% changes in the competitive advantage of SMEs in Kogi State. The linear relationship is proven to be positive. Increase in product innovation may probably lead to proportionate increase in sustainable competitive advantage in the business environment of Kogi State. The p-value proves that this linear relationship is not a significant one. The table also shows that process innovation has the coefficient ($\beta= .227$; p-value= 0.01). The implication of this is that 27.7% change in competitive advantage of SMEs is brought about by 2.6% change in process innovation. The variable entered the model with positive sign; indicating that increase in process innovation will lead to proportional increase in the competitive advantage of SMEs in Kogi State. The linear relationship is found significant with reference to the p-value which is 0.01. Market innovation has the coefficient ($\beta= 0.541$; p-value= 0.01); showing that 54.1% change in market innovation will bring about 54.1% changes in the competitive advantage of SMEs in Kogi State. Since the linear relationship model is positively signed, increase in market innovation will lead to increase in competitive advantage of SMEs in Kogi State.

Discussion of Findings:-
Finding shows that innovative activities have weak effect on the survival of SMEs in Kogi State. This supports the assertion of Becheikh et al. (2006) and Kiraka (2009) that innovation is cardinal to enterprise's survival. On individual ground, the linear relationship between product innovation and the survival of SMEs in Kogi State is positive but insignificant. The linear relationship between process innovation and the survival of SMEs in Kogi State is also positive but insignificant. Market innovation has a significant negative linear relationship with the survival of SMEs in Kogi State. This implies that increase in market innovation will lead to decrease in the survival of SMEs in Kogi State.

Finding shows that innovative activities have strong significant effect on the competitive advantage of SMEs in Kogi State. No wonder Abd Aziz and Samad (2016) advocated the need for SMEs to engage in innovation in order to gain competitive advantage. The finding of this present study agrees with that of Abd Aziz and Samad (2016) that innovation has a strong positive impact on competitive advantage. Process and market innovations have significant positive linear relationship with the competitive advantage of SMEs in Kogi State. The linear relationship between product innovation and the competitive advantage of SMEs in Kogi State is positive but not significant.

Conclusion:-
Considering the probability that innovative activities will influence the survival of SMEs in Kogi State, the empirical position of this study was established that the influence will be weak. When innovative activities are

undertaken, there is likelihood that the survival of SMEs in Kogi State will witness little change. Meanwhile, the relationship between product innovation and the survival of SMEs in Kogi State is insignificant. The relationship between process innovation and the survival of SMEs in Kogi State is also insignificant. It was empirically proven that market innovation has significant negative relationship with the survival of SMEs in Kogi State.

There is possibility that the achievement of the competitive advantage of SMEs will be facilitated given the engagement of owners/managers in innovative activities. This is because the finding of the study shows that innovative activities have strong significant effect on the competitive advantage of SMEs in Kogi State.

Recommendations:-
The study recommends that:
SME owners/managers should give little or no attention to product innovation and process innovation, but invest more on market innovation to enhance thesurvival of their enterprises in Kogi State. This is because product innovation and process innovation have no linear significant relationship with the survival of SMEs in Kogi State; and there is linear relationship between market innovation and the survival of SMEs in Kogi State.

SME owner/managers should engage more in process and market innovations to achieve competitive advantage in Kogi State. Less attention should be given to product innovation because it has insignificant relationship with the competitive advantage of SMEs in Kogi State.

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