IMPACT OF STRATEGIC MANAGEMENT OF INNOVATION ON THE PERFORMANCE OF SMES IN NIGERIA

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Abstract

The study sought to examine impact of strategic management of innovation on the performance of SMEs in Nigeria. The specific objectives are to: investigate the effect of product innovation on the performance of SMEs in Nigeria, determine the effect of service provision innovation on the performance of SMEs in Nigeria and ascertain the impact of market innovation on the performance of SMEs in Nigeria. A descriptive survey design was adopted for the study. The Instrument used for data collection was the structured questionnaire. Regression tool was used to test the hypotheses. The findings indicated that product innovation had positive significant effect on performance of SMEs in Nigeria (coff= .335, p-value<0.000), service provision innovation had positive significant effect on performance of SMEs in Nigeria (coff = .345, p-value<0.000) and market innovation had positive significant effect on the performance of SMEs in Nigeria (coff = .366, p-value<0.000). The study concluded that that product innovation, service provision innovation, and market innovation has positive significant effect on performance of SMEs in Nigeria. The study were recommended that management of SMEs should continue to increase product innovation through adoption of new technological equipment in order to sustain existing customers, managers of SMEs should continue to work head on maintaining effective and efficient service at any particular point in time to enable customers to access information any time and management should continue to maintain market innovation right over individual workers and customers by continue to cultivate it as policy and regulations of the firms.

Keywords: Strategic Management; Performance of SMEs; Innovation; Nigeria

Introduction

The widespread corporate failures around the globe have kept the discussion of the roles and contributions of small and medium scale enterprises (SMEs) to economic growth in the fore front of public discussion over the last two decades. The regenerated focus is passionately motivated by the policy makers' interest to revive and improve the economy through strong and viable SMEs. Aaina, Chris and Amnes (2007) noted that SMEs in Nigeria not only provide employment and income for majority of its citizens but are also recognized as the breeding ground for domestic entrepreneurial capabilities, technical skills, technological innovativeness and managerial competencies for private sector development. Therefore, a major concern to policy makers in different countries especially in developing nations is to identify and adopt appropriate innovative strategies to support and encourage SMEs (Aremu, Aremu, & Olodo, 2015).

Financial experts report that about 80% of SMEs in Nigeria fail within the first five years of their existence due to lack of experience and other wrong business practices (Franklin and Williams 2013). Such failure can as well be attributed to lack of effective and functional strategic management of innovation necessary to boast the operation of the SMEs. Aburime, (2008) in his own study noted that the performance of SMEs is a qualitative measure since it could be use in survey design method where opinions will be gathered to establish the relationship between strategic management of innovation activities and SMEs' performance. Hence, sequel to all these inherent benefits of SMEs is deemed a worthwhile stance that SMEs' performance boost economic development. In view of Okechukwu (2016) opine that the more innovative driven SMEs are more productive than the reverse and can pay better wages and offer better working conditions to their workers thus helping in reduction of inequalities among income earners. Such can as well attract higher returns to the owners, hence sustainable improved economic growth.

Statement of the Problem

The issue of deciding on the impact of strategic management of innovation on the performance of SMEs in Nigeria is one of the key elements of a firm's financial strategy. However, there is much debate regarding the impact of strategic management of innovation on the performance of SMEs as agents of sustaining rapid growth and development of economies. From reviewed previous works, it still stands obvious that many past researchers have conflicting views about the impact of strategic management of innovation on the performance of SMEs in Nigeria. In these arguments, Opaluwa, Umeh and Ameh (2010) support that strategic management innovation does not positively and significantly affect output of the SMEs sector especially in Nigeria where there is high dependence on import of inputs and capital goods. On the other hand, Navarro, Bromiley & Sottile, (2010) contend that SMEs can take advantage of strategic management of innovation variables such as product concept, service provision concept, market concept, innovative actions and business model innovations to influence positively and significantly the performance of SMEs. Also, studies on its impact on SMEs performance is still scarce in Nigeria where the sector was prioritized just in 2007, (Oleka, Eyisi, & Ebue, 2015). Equally, there is a lapse in scope on the previous studies as most of them could not extend to 2019, thereby lacking currency.

In another dimension, despite Nigeria's heavy investment in the vision-2020 which broad objective was to develop SMEs, the nation is yet to become a member of the world's top-twenty strong economies (Abiodun & Harry 2014). Studies For instance, Calantone *et al.* (2002) examined the relationship between learning orientation, firm innovation and firm performance in US firms. Carol and Marvis (2007) examined the relationship between innovation and organizational performance of Taiwanese SMEs in the manufacturing and service sectors. Van Auken *et al.* (2008) assessed the relationship between the degree of innovation and performance among a sample of 1,901 Spanish manufacturing SMEs and their study reveal evidence of a positive relationship between three types of innovation (product, process and managerial/systems) and performance. Similarly, Terziovski (2010) studied the innovation practice and its effects on performance of Australian SMEs. Their study revealed that innovation strategy is a key driver to performance of SMEs have extensively analyzed the link between economic performance and strategic management of innovation in developed nations, the topic is largely unexplored in Nigeria as a developing nation. Against these backdrops, this study therefore, sets to examine the effect of strategic management of innovation on the performance of SMEs in Nigeria, thereby resolving the conflicting views.

Objectives of the Study
The broad objective of this study was to examine the impact of strategic management of innovation on the performance of SMEs in Nigeria. The specific objectives are to:
1) Investigate the effect of product innovation on the performance of SMEs in Nigeria
2) Determine the effect of service provision innovation on the performance of SMEs in Nigeria.
3) Ascertain the impact of market innovation on the performance of SMEs in Nigeria

Statement of Hypotheses
The following hypotheses (in null forms) were guide this study.
H_{01}: Product innovation does not positively and significantly affect the performance of SMEs in Nigeria.
H_{02}: There is no positive and significant effect of service provision innovation on the performance of SMEs in Nigeria.
H_{03}: Market innovation does not have positive and significant impact on the performance of SMEs in Nigeria.

Significance of the Study

This study when completed would be beneficial to the following group:

This study will educate the firms' Directors/Managers on how to maximize their firms' profitability and enhance growth through application of strategic management of innovation. They will also use the knowledge gained from this study to ensure the survival of their firms through technological and educational innovative actions. Policy makers and financial regulators will also find this study useful in planning and implementing policies that will help to stabilize and encourage the SMEs operations. Future Researchers will also find this study relevant since it will serve as a reference material for future researches. It will moreover add to already available literature on the subject matter or related topics. Aside from these beneficiaries, the core idea to explore the impact of strategic management of innovation on the performance of SME's productivity is inspired by Nigerian's failure to achieve its 2020-vision of becoming part of the top twenty economies. Policy makers and Regulatory authorities will find this study useful in planning and implementing policies that will help to improve the performance of SMEs through strategic management of innovation.

Review of Related Literature

The purpose of this literature review is to identify the strategic innovative variables that affect the overall performance of SMEs in Nigeria based on previous study results. Equally, to show whether there is a gap in literature or potential utility to the current body of knowledge to justify conducting further research. Based on these fundamental assumptions of research, the following variables were reviewed; product innovation, service provision innovation and market innovation concept to increase the understanding of the strategic management of innovations that contribute to performance of SMEs in Nigeria. In pursuit of these, this work was reviewed under the following sub-headings;

Theoretical Framework: the study reviewed many theories, but underpinning theory was Innovation Theory propounded by Schere in (1984). Innovation can be said to be the application of novel ideas to products, processes, or other parts of the activities of an organization that cumulates to an increment in "value." This value is described in a wider way to include higher value added for the company and benefits to consumers or other firms SME owners are basically considered as entrepreneurs. The acknowledgement that SMEs play a vital role in innovation has led to a number of insights about the mechanisms by which SMEs improve and introduce new products and services. SMEs can have an innovative advantage as a result in different management structures (OECD, 2000). This theory contributed to literature review.

Summary of Empirical Review

However, the overriding conclusion of many investigations is that effective policies significantly inspire the culture of strategic innovation in the SMEs sector. The major finding in these inquires is that innovations are major drivers of policy development and economic expansion in the SMEs sector (Gil, Rodrigo-Moya, & Morcillo-Bellido 2018;

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Slimane 2015; Hughes, Lee, Tian, Newman, & Legood 2018). In contrast, Okwu, Obiakor and Obiwuru, (2005) in their studies underscore the significance of innovation in SMEs; thereby revealed that strategic management of innovation has positive but no significant impact on the performance of SMEs in Nigeria.

Gaps in Knowledge

Based on the previous works reviewed, the researcher found out that recent studies have largely focused on developed nations-specific analysis and frequently fail to consider the impact of strategic management of innovation on performance of SMEs in developing nations like Nigeria. To buttress this, Abiodun & Harry (2014) lamented that most studies on the relationship between strategic management of innovation and performance of SMEs focused on developed countries and there is only little or rudimentary empirical evidences existing in Nigeria. Hence, investigations that examine the type of innovations that SMEs in developing countries pursue are sparse. In other words, most of the studies were carried out in places with the different economic environment, thus creating a very crucial gap as a result and such studies sometimes vary geographically. Again, there are adverse outcomes in previous studies which were not equivocal and coherent. This can be noticed in the fact that some studies revealed that there is a positive relationship, while some revealed negative relationship, yet some remained undecided. In these cases the results remain inconclusive. Also, there was a lapse in scope on the previous studies as most of them could not extend to 2019, thereby lacking currency. These research gaps created by the identified weaknesses of the past researches need to be closed; hence, stand as motivators for this study.

Methodology

This section describes the techniques and procedures to be used by the researcher in conducting the study and accumulating the data for the study. It comprises of the description of the population of the study, sampling techniques, sample size, sources of data, method of data collection, method of data analysis and testing hypotheses. This thesis proposal was qualitative (survey design) research design method. The study target is Nigeria; particularly, the population to be used in this study were covered all the registered 39 SMEs operating in Nigeria. The techniques designed in such a way as to ensure that all the segment of the population is included in the sample (Onwumere, 2009). This is to obtain adequate and diverse views pertaining to the level and impact of strategic management of innovation on the performance of SMEs in Nigeria. Hence, the sample was drawn from both junior and senior officers of the SMEs operating in Nigeria. The researcher used both primary and secondary data in the study. The primary data were collected by the researcher through the use of questionnaire and interview, while the secondary data were collected from library, textbooks, internet access etc. The study were used both descriptive and inferential statistics in analyzing the data as seen in the work of Oleka, Eyisi, & Ebue, (2015). Also, simple frequency counts, percentages and the regression model were used in the data analysis. The chi-square test will be employed by the researcher to test the significance of the responses from the officers of the sampled SMEs operating in Nigeria.

Test of Hypotheses

Test of Hypothesis One

H_{01}: Product innovation does not positively and significantly affect the performance of SMEs in Nigeria.

H_{a1}: Product innovation positively and significantly affect the performance of SMEs in Nigeria.

Table 1: Summary of Regression Analysis for Hypothesis one

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.824	.589	.588	.33439	

ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	65.216	1	65.216	583.224	000
Residual	102.427	249	.112		
Total	167.643	250			

COEFFICIENTS					
Model	Coefficient	Std. Error		T	Sig
Constant	1.958	.026		74.865	0.000
Product innovation	.335	.014		24.150	0.00

Source: **SPSS Result, 2023**

The result of the regression analysis summarized in table 1 shows the model effect of product innovation has positive and significant effect on the performance of SMEs. This reveals that product innovation has a positive significant effect on the performance of SMEs. Furthermore, the p-value < 0.05 indicates a significant effect at 5% level of significance. Also, the regression coefficient (R) of 0.824 indicates a strong positive effect between the independent variable (product innovation) and the dependent variable (performance). The coefficient of determination which is 0.589 reveals that 59% of the variation observed that the dependent variable is caused by the independent variable. The F value and the p-value (583.224, 0.000) shows that these results are significant. Based on this we can say that product innovation has positive significant effect on the performance of SMEs.

Test of Hypothesis Two

H_{02}: There is no positive and significant effect of service provision innovation on the performance of SMEs in Nigeria.

H_{a2}: There is positive and significant effect of service provision innovation on the performance of SMEs in Nigeria.

Table 2: Summary of Regression Analysis for Hypothesis Two

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.824	.589	.588	.33439	

ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	55.216	1	55.216	683.224	000
Residual	112.427	249	.122		
Total	147.643	250			

COEFFICIENTS					
Model	Coefficient	Std. Error		T	Sig
Constant	1.958	.026		64.865	0.000
service provision innovation	.345	.024		34.150	0.00

Source: SPSS Result, 2023

The result of the regression analysis summarized in table 2 shows that the model for the relationship service provision innovation has positive significant effect on the performance of SMEs. This reveals that service provision innovation has a positive significant effect on the performance of SMEs. Furthermore, the p-value < 0.05 indicates a positive significant effect at 5% level of significance. Also, the regression coefficient (R) of .345 indicates that service provision innovation have a strong positive significant effect on performance. The coefficient of determination which is 0.345 reveals that 34% of the variation observed that the dependent variable is caused by the independent variable. The F value and the p-value (683.224, pv= 0.000) shows that these results are significant. Based on this we can say that service provision innovation has positive significant effect on the performance of SMEs.

Test of Hypothesis Three
H03: Market innovation does not have positive and significant impact on the performance of SMEs in Nigeria.
Ha3: Market innovation has positive and significant impact on the performance of SMEs in Nigeria.

Table 3: Summary of Regression Analysis for Hypothesis Three

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.724	.689	.688	.43439	

ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	55.216	1	35.216	483.224	000
Residual	112.427	249	.102		
Total	147.643	250			
COEFFICIENTS					
Model	Coefficient	Std. Error		T	Sig
Constant	1.958	.026		64.865	0.000
Market innovation	.366	.024		34.150	0.00

Source: SPSS result, 2023

The result of the regression analysis summarized in table 3 shows that the model for the effect of market innovation has positive significant effect on the performance of SMEs in Nigeria. This reveals that market innovation has a positive significant effect on the performance of SMEs in Nigeria. Furthermore, the p-value < 0.05 indicates a positive significant effect at 5% level of significance. Also, the regression coefficient (R) of .366 indicates that civic virtue have a strong positive significant effect on performance. The coefficient of determination which is 0.366 reveals that 36% of the variation observed that the dependent variable is caused by the independent variable. The F value and the p-value (64.864, pv= 0.000) shows that these results are significant. Based on this we can say that market innovation has positive significant effect on the performance of SMEs in Nigeria.

Summary of Findings

The outcome of the analysis is as follows:

I.   Product innovation had positive significant effect on performance of SMEs in Nigeria (coff= .335, p value<0.000).
II. Service provision innovation had positive significant effect on performance of SMEs in Nigeria (coff = .345, p value<0.000).
III. Market innovation had positive significant effect on the performance of SMEs in Nigeria (coff = .366, p-value<0.000).

Conclusion

Strategic management is an important discipline since existence of organization in Nigeria bee it government and non-governmental firms that can contribute positively to the performance in Nigeria economy. Based on the finding, the study concluded that product innovation, service provision innovation, and market innovation has positive significant effect on performance of SMEs in Nigeria.

Recommendations

i.   Management of SMEs should continue to increase product innovation through adoption of new technological equipment in order to sustain existing customers.

ii. Managers of SMEs should continue to work head on maintaining effective and efficient service at any particular point in time to enable customers to access information any time.

iii. Management should continue to maintain market innovation right over individual workers and customers by continue to cultivate it as policy and regulations of the firms.

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