

# PRODUCT INNOVATION, A SURVIVAL STRATEGY FOR SMALL AND MEDIUM ENTERPRISES IN NIGERIA

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## Abstract

The study investigated how product innovation, as a strategy, enhances the survival of the small and medium enterprises in Nigeria, using Procco Foods Nigeria Limited as a study. Among the objectives set out were the relationship between product innovation and the survival of Small and Medium Enterprises (SMEs), changes in tastes and preference of consumers necessitating product innovation, and whether product innovation increases sales volume of SMEs. The research study was developed around the product innovative and dynamic capability innovative theories. The theoretical model of the product life-cycle was used in developing the three hypotheses that were tested at 0.05 significant levels; through the survey of one hundred and forty respondents. Copies of the questionnaire were administered to the respondents sampled. The validity and reliability of the instrument were measured at Cronbach's alpha of 0.63 and alternative form validity of 0.59. The findings revealed that there is a significant relationship between product innovation and the survival of SMEs, also, that changes in tastes and preference of consumers necessitate product innovation, and that product innovation increases sales volume of SMEs. The conclusion from the research findings showed that there is need for SMEs to carry out research on product innovation; in other to meet and fulfill the demand and expectations of all consumers and the market. It was recommended that adequate finance, conducive environment, and public policy framework should be developed by the Nigerian governments to support and encourage the SMEs.

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**Keywords:** Product innovation, survival strategy, SME, Nigeria

## **Introduction**

Product innovation according to Gunday, et al, (2011) is broadly seen as an essential component of competitiveness, embedded in the organizational structure, processes, products, operations, and services within a firm. Product innovation is one of the fundamental instruments of growth strategies to enter new markets, to increase the existing market share and to provide the company with a competitive edge. However, developed and developing economies around the world have come to realize the value of small and medium-scale businesses. They are seen to be characterized by dynamism, innovations, efficiency, competition, technological development, and their small size allows for faster decision-making process. Governments all over the world have realized the importance of these categories of companies and have formulated comprehensive public policies to encourage, support, and fund the establishment of SMEs. Development of small and medium scale enterprises is *sin-quo-non* for employment generation, encouraging the use of local resources, feeding service industries, potential for rapid industrialization, value added production, and contributing to gross domestic product. But with the dynamism of the environment and changes in consumption pattern, the small and medium enterprises innovating in products has been a challenge; hence their survival is not guaranteed.

Some SMEs do not invest so many resources on the utilization of modern technologies, as this makes for the decline in the designing and development of new products. This might not be appropriate for present and future circumstances, which could make the organizations to fade away with time. SMEs cannot only rely on her past success of established products, and lose sight of market realities of changes in taste and preference of consumers, which are fundamentals requirements for achieving competitive advantages; as sooner or later, this leads to failure. Small sizes of SMEs and lack of healthy competition in the sector lead to decline in sales volume and inability to achieve their marketing and corporate goals, yet they find it difficult, if not impossible, to survive. The above scenario therefore informed the bases and objectives of this study as follows: i) to examine the relationship between product innovation and the survival of SMEs, ii) to ascertain whether changes in tastes and preference of consumers necessitate product innovation, and iii) to show whether product innovation increases sales volume of SMEs. The relevance of this study, this time, is as crucial as the study will help to highlight benefits the companies in this industry will derive. The information collected will expose the management of the companies in product innovation, and know the quantity to produce in order to avoid losses. The study also helps in the following dimensions:

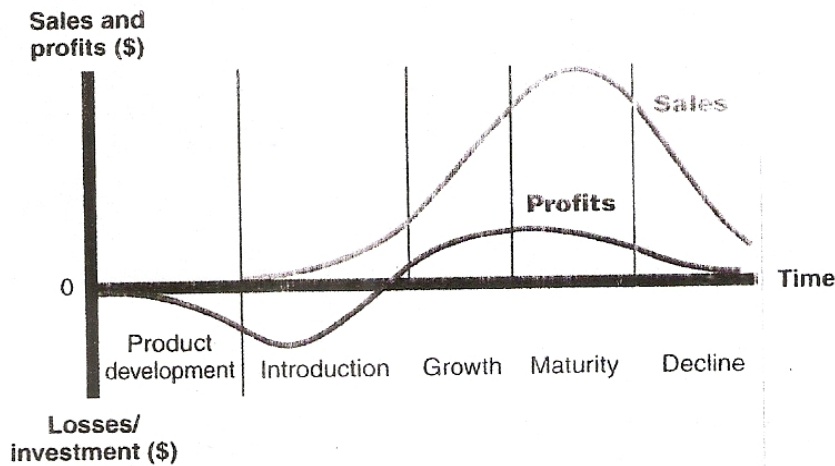
- i) It helps the firms in the industry to compete favourably,

- ii) Moreover, consumers stand to gain immensely from the study, given the fact that it will make them to make rational choices,
- iii) For the society at large, the study will unveil product innovations which will further aid growth of SMEs and explore it for better revenue generation,
- iv) The study will help the dairy sector to appreciate the problems and prospects associated in the production of dairy products,
- v) The study will assist the nation in appreciating the prospects in dairy sector and explore it for better revenue generation,
- vi) Central Bank of Nigeria and Nigerian Financial Institutions will also benefit from this study, in a bid to restore both foreign and local entrepreneurs, distributors, and suppliers' confidence and profitability.

### **Review of Related Literature**

Barney, (1991), Kuralko and Hodgetts, (2006) and Rakesh, et al, (2006) asserted that product innovation is considered as a development and a new application, with the purpose of launching newness into the economic area. Also, Rainey, (2005) submitted that product innovation involves the conceptualization, commercialization, development, design, and validation of new product, which provides higher value or utility to all the stakeholders of that product. However, Chandy and Tellis, (1998), Gronhang and Kaufinan, (1998), and Rajee, (2005) described product innovation as a source of competitive advantage to the innovator and at the same time can lead to a sustainable increase in firm's profits at difficult times. But Kotler, (2004) referred to innovation as a new ways of thinking, which in turn can lead to controlling costs by creating more efficient ways to develop products, fostering creative ways to collaborate with outside resources, or improving business processes in a way to reduce spending, while also improving performance and outcomes. On the other hand, Eisenhardt and Martin, (2000) opined that organization structure provides the internal configuration, including communication and resource flows necessary for innovation to occur. Organizational capabilities provide organizations with the inputs required for innovation that in turn can provide the organization with superior performance. Wang and Ahmed, (2004) stated that innovation in products and process is regarded as an essential prerequisite for organizational survival and success. However, product and process innovations are related to the concept of technological development. The authors described the entrepreneur orientation as the process, practice, and decision-making activity that leads to new entry. These include; innovations, risk taking, pro-activeness, competitive aggressiveness and autonomy (Brock, 2003).

Kotler and Keller (2009) asserted that companies face a problem that they must develop new products, but the odds weight heavily against success. In all, to create successful new products, a company must understand its consumers, markets, and competitors and develop products that deliver superior value to customers. It must carry out strong new-product planning and set up a systematic, customer-driven new-product development process for finding and growing new product. Yet, innovation can be very expensive and risky, because a new product faces tough odds, as product improvement, product modification, and new brands, achieves competitive advantage for the organization. He further supported his views with the stages through which a product passes before becoming a house-hold name as evidenced on the figure 1 below:



**Source: Kotler and Keller, (2009). Marketing Management, 13<sup>th</sup> ed. (Upper Saddle River, NJ: Prentice Hall.**

Kotler and Keller (2009) in the table 1 below summarize the performance of an innovative product on the Product Life-Cycle in terms of Characteristics, Objectives, and Strategies.

**Table 1: Summary of Product Life-Cycle Characteristics, Objectives, and Strategies.**

Characteristic	Introduction	Growth	Maturity	Decline
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
<b>Marketing objectives</b>				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
<b>Strategies</b>				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Uses cost-plus	Price to penetrate Market	Price to match or beat competitors	Cut price
Distribution		Build intensive Distribution	Build more intensive distribution	Go selective: phase outlets
Advertising	Build selective distribution	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyal
Sales promotion	Build product awareness among early adopters and dealers	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level
	Use heavy sales Promotion to Entice trail			

*Source: Kotler and Keller, (2009). Marketing Management, 13<sup>th</sup> ed. (Upper Saddle River, NJ: Prentice Hall.*

### **Product Innovation Supporting Theories:**

There are also some theories that support this intensive research work. Among these are:

**Prospect Innovation Theory:** Kahneman and Tversky (1979) stated that managers in profitable companies are likely to be risk averse and therefore are psychologically likely to reject potentially innovative ideas, particularly new product, service, and ideas that offer an opportunity to increase income. However, potentially innovative ideas, which reduce loss are more likely to be implemented. Thus, in an established firm, process efficiency and ideas, which reduce costs, are more attractive to the typical human than a product idea. Likewise, loss-making companies such as new start-ups or companies facing economic difficulties are more likely to embrace new product and service ideas, as they offer the opportunity to reduce loss. However, start-ups with a young, not-yet-defined corporate culture would seem more likely to innovate effectively than established companies that are suddenly losing money and need to innovate themselves out of trouble.

**Dynamic Capability Innovation Theory:** Schoonhoven, (2006) states that the firm's resources are an essential basis for innovation. That is, how competitive advantage within firm is achieved and how that advantage might be sustained over time. Within this perspective, firms are conceptualized as bundle of resources, which are heterogeneously distributed across the firm and where resources differences persist over time. Indeed, when firms have resources that are valuable, rare, difficult to imitate and non-substitutable, they can implement value-strategies that resist duplication by other firms and hence create a competitive advantage of product innovation or development. The theory of dynamic capabilities is based on antecedent organizational and strategic routines by which managers alter their resources base to generate new value-creating strategies. Moreover, in the context of turbulent markets in hi-tech industries, the resource-based view has provided a dynamic concept that focuses on the capabilities a firm should possess to approach uncertainty and maintain competitive advantage. Firms should therefore have the dynamic capability of anticipating these shifts by integrating, building and reconfiguring internal and external competencies to address their rapidly changing environment.

From the review of the literature above, three hypotheses were propounded in null form as follows:

- H<sub>1</sub>:** There is no significant relationship between product innovation and the survival of SMEs..
- H<sub>2</sub>:** Changes in taste and preference of consumers do not necessitate product innovation.
- H<sub>3</sub>:** Product innovation does not increase sales volume of small and medium enterprises.

## B Methodolgy

Due to the homogenous characteristics of the population of the study, survey research was adopted, with the use of well-structured questionnaire, and personal interview. Simple random sampling method was used in the choice of two hundred and seventeen (217) participants comprising staff in production department which comprises seventy eight (78) workers, marketing department, thirty nine (39) workers, personnel department, thirty three (33) workers, and the company’s distributors comprising sixty seven (67) companies were sourced. One hundred and forty copies of the questionnaire were administered among the 217 participants. Four research assistants who are graduates of business related disciplines were engaged for the administration and retrieval of the instrument and research assignment. The questionnaire was divided into three sections, A-C. 5-points rating Likert scale was used with calibration of Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), and Strongly Disagree (SD). Values of 5, 4, 3, 2, and 1 respectively were assigned to it in a descending order. On the validity test, the test-retest was carried out within two weeks interval. The result yielded 0.63. To ensure equivalent-form (parallel or alternate-form) validity, two different versions of the instrument were created. The researcher assumed both measured the same period. The scores on the two instruments were correlated to calculate the consistency between the two forms of the instrument and the  $r = 0.63$  as, it was concluded that the results obtained from reliability test showed that the items of questionnaire could be easily understood and rated by the respondents for achieving the objectives for each parts of the instrument. Spearman Rank Correlation Coefficient and Z test were also employed to test the hypotheses at the 5% level of significance. PASW program was employed to analyze the data. The three hypotheses earlier formulated constituted the basis of arrangement of tables for analysis. The hypotheses were structured to focus on the operational variables used in designing the research questions.

The sample size was calculated thus;

$$n = \frac{N}{1 + N (r^2)}$$

$$1 + N (r^2)$$

Where:n	=	Sample size to be determined
		N = Size of the population
		R = Level of significance.

Therefore,  $n = \frac{217}{1 + 217 (0.05)^2}$

$$1 + 217 (0.05)^2$$

$$n = \frac{217}{1.5425}$$

$$1.5425$$

$$n = 140.68$$

## Discussion of Findings

According to the table 1 below, demographic and bio-data of the respondents are shown. Majority of the respondents 93(66.4%) were male, while 47(33.6%) were female. Similarly, 64 respondents, representing 45.7% were between 20-30years of age. 37(26.4%) were between 30-40years. Whereas 28(20%) respondents were between 40-50years, while 11(7.9%) were 51years and above. Regarding marital status of the respondents, 51(36.4%) respondents were single, and 80(57.1%) of them were married, while 9(6.4%) of the respondents were divorced. In term of qualification, 42(30%) of the respondents were holders of ‘Ordinary’ level, 51(36.4%) were holders of diploma or certificate, 36(25.7%) were holders of Higher diploma or degree, while 11(7.9%) were holders of Master’s degrees. As regards working experience, 56 (40%) of the respondents have spent between 1-9years in service, 47(33.6%) have put in between 10-15years, 21(15%) have worked between 16-20years, while 16(11.4%) have spent 21-25years and above in service.

**Table 1: Presentation of Bio-Data of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
<u>GENDER</u>				
Male	93	66.4	66.4	66.4
Female	47	33.6	33.6	100.0
<u>AGE</u>				
20-30 years	64	45.7	45.7	45.7
30-40 years	37	26.4	26.4	72.1
40-50 years	28	20.0	20.0	92.1
51 years above	11	7.9	7.9	100.0
<u>MARITAL STATUS</u>				
Single	51	36.4	36.4	36.4
Married	80	57.2	57.2	93.6
Divorced	9	6.4	6.4	100.0
<u>ACADEMIC QUALIFICATION</u>				
‘O’ Level				
Diploma/Certificate	42	30.0	30.0	30.0
Higher Diploma/Degree	51	36.4	36.4	66.4
Masters	36	25.7	25.7	92.1
	11	7.9	7.9	100.0
<u>WORKING EXPERIENCE</u>				
1-9 years	56	40.0	40.0	40.0
10-15 years	47	33.6	33.6	73.6
16-20 years	21	15.0	15.0	88.6
21-25 years	16	11.4	11.4	100.0
26 years above	-	-	-	-
<u>JOB STATUS</u>				
Personnel	23	16.4	16.4	16.4
Production	21	15.0	15.0	31.4
Marketing	57	40.7	40.7	72.1
Distributors	39	27.9	27.9	100.0

Source: *Sample Survey, 2012*



Job status of the respondents reveals that, 23(16.4%) were personnel staff, 21(15%) were production staff, 57(40.7%) were marketing staff, while 39 (27.9%) were distributors of the company.

## Structural Presentation Of Variables

### Descriptive Statistics of Profitability and Sales Volume

This section of questionnaire addressed how the respondents perceived product innovation as it affects profitability and sales volume of SMEs. An 8-item instrument was used to measure the perceived product innovation. The respondents were requested to react to some statements with options based on the 5-points Likert scale used. The distribution of scores on perceived product innovation is presented in table 2 below.

### Keys to variables as applied in statistical analysis

PSV<sub>1</sub> = Due to changes in fashion and taste of consumers and increase in market competitions, there is need for product innovation.

PSV<sub>2</sub> = What are the management views about the product innovation

PSV<sub>3</sub> = Has your organization innovated a product before.

PSV<sub>4</sub> = Which market segment do you serve with your new product.

PSV<sub>5</sub> = In order to meet and fulfill the demands and expectations of all consumers, there is need for product innovation.

PSV<sub>6</sub> = Product innovation strategy is an essential tool for product development and continued growth even in difficult time.

PSV<sub>7</sub> = Product innovation enhances competitive advantage and open up new market segments for an organization.

PSV<sub>8</sub> = Stability of a product in the market depends on how consumers perceive its ultimate value and satisfaction.

**Table 2: Descriptive Statistics of Perceived Profitability and Sales Volume.**  
**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
PSV1	140	3.00	6.00	4.8595	.88794
PSV2	140	3.00	6.00	4.9091	.86603
PSV3	140	2.00	6.00	4.4380	1.25095
PSV4	140	1.00	6.00	4.4628	1.34809
PSV5	140	2.00	6.00	4.4628	1.29126
PSV6	140	1.00	6.00	4.6116	1.64505
PSV7	140	2.00	6.00	5.1570	.91295
PSV8	140	3.00	6.00	4.6612	.83220
Valid N (listwise)	140				

Source: Sample Survey, 2012

Table 2 above shows the descriptive statistics of the perceived product innovation of the surveyed organization (i.e. Prodcos Foods Nigeria Limited) by the respondents. In other words, it shows the extent to which the respondents perceived profitability and sales volume as a strategy for SMEs survival. The mean for the response scale was 3.0. The lower limit of the mean is 2.5 while the upper limit is 3.5. Therefore, any of the scaled questions with a mean of 3.5 and above was considered most emphasized by the respondents. From table 4.2, the entire product innovation variables have average scores above 3.5 (i.e. had very high mean value), an indication that the respondents perceived these variables very important for SMEs' survival.

### **Descriptive Statistics of Technological Development and Working Capital.**

To give insight into technological development and working capital, respondents were requested to react to some statements with options based on the 5-point Likert scale used. The distribution of scores on perceived technological development and working capital is presented in table 3 below.

#### **Keys to variables as applied in statistical analysis**

TDWC<sub>1</sub> = What pricing strategy do you use for your new products?

TDWC<sub>2</sub> = Does technological advancement improve organizational efficiency?

TDWC<sub>3</sub> = Do you agree that product innovation increases sales volume and profitability of an organization?

TDWC<sub>4</sub> = What is the criteria you consider in choosing a new product?

TDWC<sub>5</sub> = What is your objective for introducing a new product?

TDWC<sub>6</sub> = Is the failure of most SMEs a result of poor working capital management?

TDWC<sub>7</sub> = Do SMEs maintain appropriate working capital management policy system?

TDWC<sub>8</sub> = Is effective working capital management of value to the survival and solvency of the SMEs.?

**Table 3: Descriptive Statistics of Technological Development and Working Capital.**  
**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
TDWC1	140	3.00	6.00	4.6500	.82656
TDWC2	140	3.00	6.00	4.6000	.97360
TDWC3	140	1.00	6.00	4.3500	1.28108
TDWC4	140	3.00	6.00	4.6412	.83220
TDWC5	140	2.00	6.00	5.5170	.91295
TDWC6	140	2.00	6.00	4.3400	.728491
TDWC7	140	3.00	6.00	4.2553	1.60452
TDWC8	140	1.00	6.00	4.5000	.95634
Valid N (listwise)	140				

Source: Sample Survey, 2012

Table 3 shows the descriptive statistics of perceived technological development and increase working capital from the respondents' views. All the variables have above 3.5 mean scores and were strongly perceived by the respondents. Generally, it can be seen that the most emphasized organizational efficiency was that "technological advancement improves organizational survival" with (TDWC<sub>1</sub> mean= 4.6500). Similarly, some of the respondents perceived that "product innovation increases sales volume and profitability of an organization with (TDWC<sub>4</sub>, mean= 4.6412). This implies that product innovation enhances sales volume and survival of an organization. This is followed by "what criteria do you consider in choosing a new product" (TDWC<sub>2</sub> =, mean= 4.6000). This shows that product quality is being considered by the company when developing a new product

### Test of hypotheses:

**Hypothesis One: (H<sub>1</sub>):** There is no significant relationship between product innovation and the survival of SMEs.

The literature points out that the degree to which product innovation enhances the survival of SMEs leads to extensive product development, which the research investigated through the first hypothesis. The Spearman Rank Correlation Coefficient and Z test were used to test the hypothesis at the 5% level of significance. PASW program was employed to analyze the data. The decision rule is if computed R is greater or equal to R at N=140 and  $\rho = 0.05$  which is equal to 0.140, we reject the null hypothesis. To test for the significance of R, Z test was used; the decision rule is if the computed Z falls within the critical Z value (i.e. 1.96 at 0.05), we accept the null hypothesis otherwise we reject the null hypothesis. The result is presented on table 4.

**Table 4: Spearman Rank Correlation between Perceived Technological Development and Organizational Survival. Correlations**

			MC7	BD1
Spearman's rho	MC7	Correlation Coefficient	1.000	.619
		Sig. (1-tailed)	.	.000
		N	141	140
	BD1	Correlation Coefficient	.619	1.000
		Sig. (1-tailed)	.000	.
		N	140	140

Source: PASW 18.0 for windows

Table 4 above reveals that there is a positive relationship between product innovation and the survival of SMEs. The table shows the Spearman’s Rank Correlation coefficient for perceived product innovation and the survival of SMEs variables to be 0.619 with  $p = 0.000$ , implying that perceived product innovation and the survival of SMEs are significantly related. In order to test the hypothesis, the Z ( $Z = r\sqrt{n-1}$ ) test was used. In this study, the Z test result reveals that perceived product innovation positively affected the survival of SMEs at ( $Z = 0.6100\sqrt{120-1} = 8.638$ ).

**Table 5: Test of Hypothesis**

Computed Rc	Table R* at 0.05 Confidence	Computed Z	Coefficient
0.610	0.000	8.638	+1.96

Source: Sample Survey, 2012

Since the Z computed (i.e. 8.638) was greater than the critical value (1.96), we rejected the null hypothesis ( $H_0$ ) and accepted the alternative hypothesis ( $H_1$ ), that there is a significant relationship between product innovation and the survival of SMEs. This finding conforms with the view of McCarthy and Perreault (1999) which stated that in the modern business world, product innovation stimulate patronage of the products by new and old buyers. The effect of this is to make the life of the products in the market very secured and generate more returns to the company.

**Hypothesis Two: ( $H_2$ ):** Changes in taste and preference of consumer do not necessitate product innovation.

The Spearman Rank Correlation Coefficient and Z test were also employed to test the hypothesis at the 5% level of significance. PASW program was employed to analyze the data. The decision rule is if computed R is greater or equal to R at  $N=110$  and  $\rho = 0.05$ , we reject the null hypothesis. To test for the significance of R, Z test was used; the decision rule is if the computed Z falls within the critical Z value (i.e. 1.96 at 0.05), we accept the null hypothesis otherwise we reject the null hypothesis. The result is presented in table 6 below:

**Table 6: Spearman Rank Correlation between Preference of Consumer and Product Innovation Correlations**

		MC7	BA1
Spearman's rho	MC7	Correlation Coefficient	1.000
		Sig. (1-tailed)	.346**
		N	.000
	BA1	Correlation Coefficient	1.000
		Sig. (1-tailed)	.346**
		N	.000

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Source: PASW 18.0 for windows

Table 6 above clearly shows that there is a positive relationship between changes in taste and preference of consumer, and product innovation. Table 6 shows the Spearman’s Rank Correlation coefficient for preference of consumer and product innovation variables to be 0.346 with  $p = 0.000$ , implying that taste and preference of consumer, and product innovation variables are statistically significantly related. In order to test the hypothesis, the Z ( $Z = r\sqrt{n-1}$ ) test was used. In this study, the Z test result revealed that changes in taste and preference of consumer positively affected product innovation ( $Z = 0.346 \sqrt{120-1} = 6.702$ ). The submission of Gronhaug and Kaufmann, (1998) corroborated this finding, that innovation provides organizations with a means of adapting to the changing environment and often is critical for firm survival. Firms with greater innovativeness will be more successful in responding to changing environments.

**Table 7: Test of Hypothesis**

Computed Rc	Table R* at 0.05 Confidence	Computed Z	Coefficient
0.346	0.000	6.702	+1.96

Source: Sample Survey, 2012

Since the Z computed (i.e. 5.392) is greater than the critical value (1.96), we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ) that says changes in taste and preference of consumer necessitate product innovation.

**Hypothesis Three: ( $H_3$ ):** Product innovation does not increase sales volume of SMEs.

The Spearman Rank Correlation Coefficient and Z test were also employed to test the hypothesis at the 5% level of significance. PASW program was employed to analyze the data. The decision rule is if computed R is greater or equal to R at  $N=140$  and  $\rho = 0.05$ , we reject the null hypothesis. To test for the significance of R, Z test was used; the decision rule is if the computed Z falls within the critical Z value (i.e. 1.96 at 0.05),

we accept the null hypothesis otherwise we reject the null hypothesis. The result is presented on table 8 below:

**Table 8: Spearman Rank Correlation between Sales Volume and Profitability. Correlations**

			MC7	BP1
Spearman's rho	MC7	Correlation Coefficient	1.000	.480
		Sig. (1-tailed)	.	.002
		N	141	140
	BP1	Correlation Coefficient	.480	1.000
		Sig. (1-tailed)	.002	.
		N	140	140

**Source: PASW 18.0 for Windows**

Table 8 shows that there is a positive relationship between perceived sales volumes and innovation by SMEs. The result of Spearman’s Rank Correlation coefficient on Table 8 reveals sales volume of SMEs to be 0.480 with  $p = 0.002$ . This implies that sales volume is statistically significant and positively related to product innovation amongst SMEs. In order to test the hypothesis, the Z ( $Z = r\sqrt{n-1}$ ) test was used. In this study, the Z test result revealed that innovation of product positively affected the sales volume of SMEs ( $Z = 0.480 \sqrt{120-1} = 8.230$ ).

**Table 9: Test of Hypothesis**

Computed Rc	Table R* at 0.05 Confidence	Computed Z	Coefficient
0.480	0.002	8.230	+1.96

**Source: Sample Survey, 2012**

Since the Z computed (i.e. 8.230) is greater than the critical value (1.96), we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ) that product innovation increases sales volume of SMEs. This implies that increase in sales volume and profitability enhances the survival of SMEs. This falls in line with the work of Kotler, (2004) who opined that to develop successful new products; a company must understand its consumers, markets, and competitors and develop products that deliver superior value to customers. It must carry out strong new-product planning and set up a systematic, customer-driven new-product development process for finding and growing new products.

**Conclusions and Implications of the Findings:**

The evidence from the findings suggested that;

- i) There is a significant relationship between product innovation and the survival of SMEs.

- ii) Changes in taste and preference of consumers necessitate product innovation.
- iii) That product innovation increases sales volume of SMEs.

Hence, entrepreneurs in food industry and management of Prodcos Foods Nigeria Limited should through consistent market survey, identify the needs and expectations of the existing and potential consumers, who are the live wires of any business; because without consumers, their businesses will cease to exist.

### **Recommendations:**

- i) Management of small and medium scale enterprises in Nigeria needs to acquire, from time to time, modern skills in management and marketing.
- ii) The Nigerian Government and Financial Institutions should do more in creating conducive business environment for small businesses to grow and prosper, build inadequate infrastructural facilities, develop public policy framework to encourage, support and fund their establishments.
- iii) Lastly, researchers and scholars still need to delve into all sectors of the economy, explore how the natural resources will be tapped and utilized for the growth of the Nigerian economy.

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