



## **BUSINESS INNOVATION AND FIRMS COMPETITIVENESS IN NIGERIA**

**Balogun K. Olalekan<sup>i</sup>**

PhD Candidate (Strategic Management),  
Department of Business Administration,  
European Global School University,  
Paris, France

### **Abstract:**

This study examines the extent to which business innovation would influence firm's competitiveness in Nigeria. The study covered South South geopolitical zone in Nigeria and 5 responds from 20 SMEs were randomly selected from Rivers, Akwa Ibom, Edo, Delta, Bayelsa and Cross River states respectively making the sample 100 respondents. Face and content validity were used in ascertaining the validity of the research instrument while Cronbach alpha was used to determine the reliability and a result of 0.7 and above was achieved for each of the constructs. Multiple regression was used in testing the null hypotheses and from our findings, both process innovation and administrative had significant effect on firms' competitiveness. Furthermore, administrative innovation had a stronger effect. The study further recommends that entrepreneurs should ensure they venture into areas where they have passion rather than just going in for the profit. It was also recommended that government create a conducive environment for SMEs to thrive.

**JEL:** L20; M10; M20

**Keywords:** business, innovation, competitiveness, SMEs, South South

### **1. Introduction**

Competitiveness is derived from the concept 'competition'. Competition can be defined, perceived, and interpreted in many ways by various schools of thought. For classical economists, a competition could mean rivalry, while for the neo-classicists could mean more of a market situation (Aiginger, 2006). In evolutionary economics, competition is perceived as a selection mechanism. It may be considered in static terms, when we determine the position of a given object concerning its peers. This diverse nature and

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<sup>i</sup> Correspondence: email [balo.olalekan@gmail.com](mailto:balo.olalekan@gmail.com)

interpretation of competition are reflected in the multidimensional concept of competitiveness. The notion of competitiveness is difficult to define, primarily due to its multi-faceted nature and multidimensionality. The competitiveness of an economy is different from the competitiveness of a region, or that of a company (Di Mauro, Dees, & McKibbin, 2008). To operationalize this concept, one must refer to the specific properties of the units to which it pertains. Even then, defining the dimensions of competitiveness can cause interpretative problems, due to the diversity and changeability of the potential and actual aims of the units under study and the analytical approaches adopted. The interpretation of competitiveness as the ability to create welfare has to include an “outcome assessment” and a “process assessment”. The definition of outcome competitiveness as the welfare of a nation correlates with per capita income, employment, distributional, social, and ecological goals.

On the other hand, innovation can be defined as “*the intentional introduction and application within a job, work team or organization of ideas, processes, products or procedures which are new to that job, work team or organization and which are designed to benefit the job, the work team or the organization*” (Chaminade, & Van-Lauridsen, 2006). Organizations that fail to bring to market innovative products that create value for their customers will quickly find that their competitors have done so and that their existence is in danger. Today, innovation is an adaptive competence that is necessary for survival in global markets.

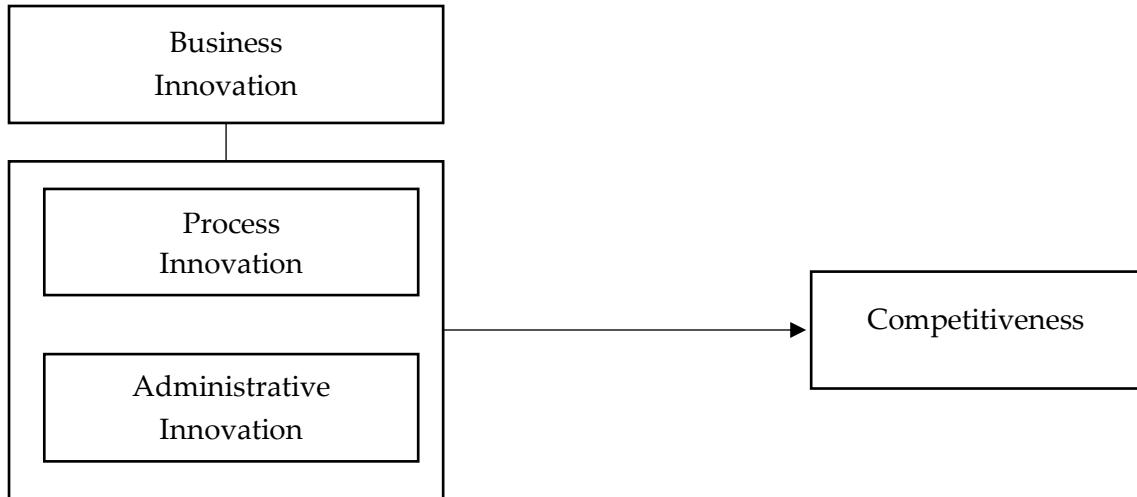
Those organizations that lack innovation will simply not last in the long run. The main requirements for successful innovation are: (i) Balanced attention to each of the constituent processes. This balance depends on the type of innovation involved and may need to change in the course of the process, (ii) a fit between the characteristics of the innovation process and the people/roles, (iii) organizational arrangements required to perform, support, and manage the process (Enyia & Nwuche, 2020). If, however, they are not met or insufficiently met, bottlenecks will occur leading to delay or even failure. Whether the requirements are met depends on:

- a) the perceived characteristics of the innovation namely relative advantage, compatibility, complexity, trialability, and observability (Rogers, 1983),
- b) the appreciation of the characteristics of the process itself,
- c) the extent to which appropriate role occupants can be found at the time they are needed, and
- d) the extent to which the appropriate organizational arrangements can be implemented at all.

## 2. Research Hypotheses

**H01:** Process Innovation does not bring about competitiveness of SMEs in South South Nigeria.

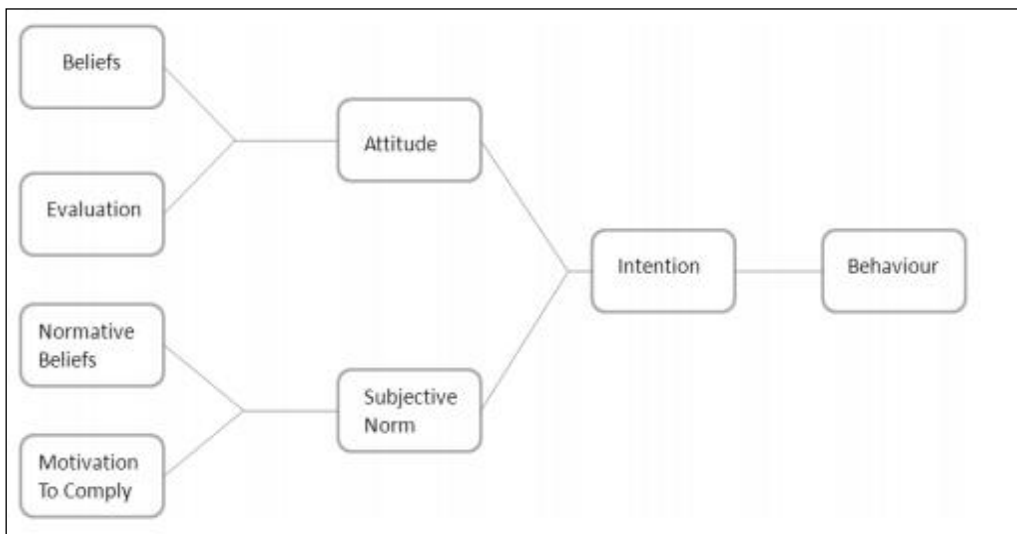
**H02:** Administrative Innovation does not bring about competitiveness of SMEs in South South Nigeria.



**Figure 1:** Conceptual Framework

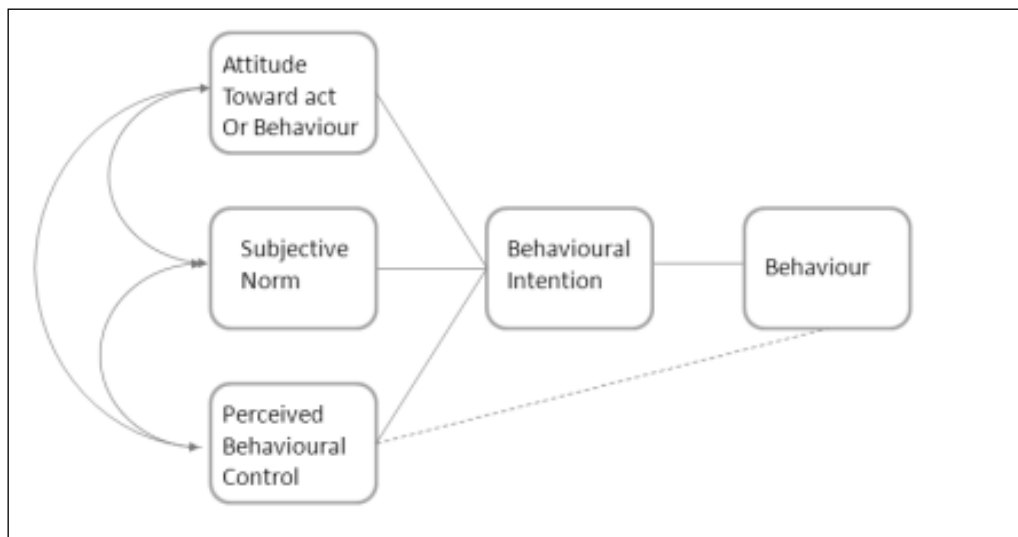
### 3. Theoretical Framework

The theoretical framework for this work would be anchored on theory of reasoned action and planned behaviour proposed by Ajzen and Fishbein (1980). These theories opine that individual actions and behaviours are preceded by a motive or intention to perform such action. The factor that could drive such motives is also preceded by the individuals' attitude towards the particular behaviour as well as how much the society accepts such behaviour also known as subjective norm. this implies that except on rare occasions, positive subjective norm towards a specific behaviour increases the chances of individuals' intention towards such behaviour while the opposite could be said for a negative subject norm (Ajzen & Fishbein, 1969). this implies that the act of business innovation within this study relies on the intention of business owners towards such innovation and how much such innovation is environmentally friendly and accepted.



**Figure 2:** Theory of reasoned action  
(Source: Ajzen & Fishbein, 1969, 1980)

The Theory of Reasoned Action/Planned Behavior provide useful information for predicting innovative behaviors and for planning and implementing business promotion programs. Subjective norms can be used to describe the behaviors of entrepreneurs, government, and other stake holders within the community. These theories have been used to guide social marketers and health counsellors in mitigating the effects of teenage pregnancy, drug abuse, juvenile delinquency, crime and violence, etc. the same theory fits into the practical aspects of innovative behaviour among firms.



**Figure 3:** Theory of planned behaviour  
(Source: Ajzen, 1987)

In the theory of planned behaviour, Ajzen (1987) introduced the concept of perceived behavioral control which reveals the extent to which individuals have control over their own behaviour. Individuals may have the behavioural intentions but may not have the necessary control to guide their intentions towards specific behaviours. This concept fits into the ideology of business owners within South South, Nigeria as it exposes the psychological processes the much-needed innovation can pass through before manifesting itself in the actual act of innovation.

#### 4. Process Innovation

Process innovation is a type of process development, which is the development of a firm's Manufacturing/service delivery processes (Frishammar, Lichtenthaler, & Richtnér, 2013), and has been defined as the creation and implementation of new concepts and methods in service/manufacturing companies (Parida, Patel, Frishammar, & Wincent, 2016). This involves a number of heterogeneous activities such as introduction of equipment, new management practices, and changes in the production process.

Process innovation is the application or introduction of a new technology or method for doing something that helps an organization remain competitive and meet customer demands. This happens when an organization solves an existing problem or performs an existing business process in a radically different way that generates

something highly beneficial to those who perform the process, those who rely on the process or both (Becheikh, Landry & Amara, 2006). For example, the introduction of a completely new sequence to an existing production process that speeds production by 100%, thereby saving the organization money and time, could be considered a process innovation. Organizations today often bring in new information technology systems or find ways to use older in new ways at the forefront of their process innovation efforts.

#### **4.1 Administrative Innovation**

Administrative innovation aims to improve an organization's capability by changing its organizational structure, and administrative or work processes. Cummings and Srivastava (1997) are of the opinion that it is the innovation of communication and exchange among people with the same goal or task, or between the environment and people (Gilpin, 2000). For instance, improving online connectivity and knowledge sharing among different departments may allow employees to easily utilize highly accumulated knowledge without hassle. Another example of this type of innovation is when a firm attempts to innovate its current operational flow by partnering with external parties. Such utilization of external resources takes place when a firm perceives that certain processes can be more efficiently handled by others. In this way, an organization can improve the efficiency of resource allocation by focusing its limited resources on its core strength (Harrison & Watson, 1998).

#### **4.2 Competitiveness**

Competitiveness as a concept has attracted so many research interests from various scholars. factors can drive competitiveness in various sectors ranging from individual, organizational or environmental factors (Porter, 1990). McGahan (1999) is of the opinion that environmental factors, especially from the external environment has a lot to do with the competitiveness of SMEs in any society or nation. This also implies that in a simplified term, both micro and macro-economic variables can be a catalyst for firm's competition. Such macro-economic factors could be rule of law, fiscal policy, legal, religious and social factors. However, micro economic factors could be found in the firm's human and material resources which covers the types and competency of employees and management, the quality of technology of technology in its production/operation process, its capital structure and customer base. There is need for firms to be conscious in the area of competitiveness because it is in this realm that they are swept away from the business radar if strategic efforts are not applied. Therefore, competitiveness of firms especially SMEs remains and would always remain a yardstick to which it is would be measured by its customers and rivals.

#### **4.3 The effect of Business Innovation on Competitiveness of SMEs in Nigeria**

SMEs are known to account for a substantial share of every country's economy. The relative importance of this segment of the economy needs an examination of their enterprises' performance and competitiveness. Therefore, the fact that the SMEs performance strongly relies on their innovativeness attracts active importance to the

analysis of innovation activities and their effects. The aim of innovation is to improve business performance and firms' competitiveness. Innovation is a vital factor in firms' competitiveness and it is inevitable for firms that want to develop and maintain a competitive advantage in gaining entry into new markets (Becheikh, et al., 2006). It is said to have the potential or capability to stimulate growth both at the micro and macro level. Therefore, innovation is the heart of economic change and the ultimate source of productivity and growth. It is the only proven path for economies to consistently get ahead (Solow, 1987).

Many SMEs across industries and economies have the unrealized innovation potential (Chaminade and Van-Lauridsen, 2006). This is primarily as a result of their essential characteristics such as flexibility, better adaptability and receptivity, effective internal communication, simple organizational structure, quick decision making, etc. which are not properly harmonized to attain a desirable result or goal (Harrison and Watson, 1998).

## 5. Methodology

This study adopted a cross sectional survey which is a branch of quasi experimental research design because the research in people focused, their perceptions and actions towards innovation which is expected to bring about the much-needed competitiveness. The target population for this study was narrowed down to SMEs in South South Nigeria which includes Rivers, Akwa Ibom, Edo, Delta, Bayelsa and Cross River states respectively. Non-probabilistic simple random sampling was used in selecting twenty firms within Hospitality, Manufacturing and agriculture industries from the six geopolitical zone. These firms fall within the category of SMEs and five employees each were given copies of questionnaire which made it a sample of 100 respondents. Multiple regression was used in testing the stated null hypotheses because the researcher's concern is domiciled on the cause-effect relationship amongst variables. This was done with the aid of Statistical Package for Social Sciences (SPSS) VERSION 21.

### 5.1 Data Analyses and Findings

**Table 1:** Respondents' Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid MALE	60	60.0	60.0	60.0
FEMALE	40	40.0	40.0	100.0
Total	100	100.0	100.0	

From the output in Table 1, we realized that 60% of respondents for this study were male while 40% were female this indicates more male than female participants for the study.

**Table 2: Age Distribution of Respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-25yrs	34	34.0	34.0	34.0
26-35yrs	66	66.0	66.0	100.0
Total	100	100.0	100.0	

Here we realized that 66 of our respondents were between the age of 26-35 years while 34 respondents were within the age of 18-25 years. This indicates the presence of youths within the coverage of this study.

**Table 3: Respondents Marital Status**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SINGLE	38	38.0	38.0	38.0
MARRIED	58	58.0	58.0	96.0
DIVORCED	2	2.0	2.0	98.0
WIDOWED	2	2.0	2.0	100.0
Total	100	100.0	100.0	

The distribution of respondents' marital status are as follows; married respondents made up 58% of respondents, single respondents made up 38% of the study while respondents who are divorced and widowed respondents made 2% each for the study. This indicate a high presence of married respondents followed by single respondents.

**Table 4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.924 <sup>a</sup>	.854	.850	.73399

a. Predictors: (Constant), Administrative\_Innovation, Process\_Innovation

For the model summary of this data, we realized that a regression coefficient of 0.924 was achieved which was very strong alongside a coefficient of determinant (R square) of 0.854 which indicates that the influence of innovation is over 85.4 percent of the outcome of competitiveness.

**Table 5: Analyses of Variance (ANOVA)**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	304.493	2	152.246	282.599	.000 <sup>b</sup>
	Residual	52.257	97	.539		
	Total	356.750	99			

a. Dependent Variable: Competitiveness  
 b. Predictors: (Constant), Administrative\_Innovation, Process\_Innovation

From our ANOVA table, we realized a p-value of 0.000 which indicates acceptance to the model summary above and this implies the outcomes are within the expectations of the data.

**Table 6: Reliability Test**

Construct	Cronbach alpha	Decision
Process innovation	0.76	Reliable
Administrative innovation	0.81	Reliable
Competitiveness	0.77	Reliable

The table above reveals that for each of the constructs, the Cronbach alpha were above 0.7 and they were all accepted as being reliable.

**Table 7: Test of Hypotheses**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.367	.644		2.123	.036
	Process_Innovation	.107	.045	.108	2.383	.019
	Administrative_Innovation	.488	.026	.864	19.115	.000

a. Dependent Variable: Competitiveness

**H01:** Process Innovation does not bring about competitiveness of SMEs in South South Nigeria.

Our first test of hypothesis shows a significant effect of process innovation on firms' competitiveness with a regression coefficient of 0.108 which is quite small, but a p-value of 0.019 which is quite significant. For this reason, the null hypothesis is rejected and the alternative accepted.

**H02:** Administrative Innovation does not bring about competitiveness of SMEs in South South Nigeria.

Our second hypothesis reveals that administrative innovation has a very strong effect on firms' competitiveness with a regression coefficient of 0.864 and a p-value of 0.000. With this also, the null hypothesis is rejected and the alternate accepted.



## 5.2 Summary of Findings

From our findings above, we realized that that the research respondents were made up of more males than females within South South region, we also realized that more respondents were within the age of 26-35 years which also indicates the presence of young people in SMEs within this region. Also, over 58% of respondents were married which also indicates the presence of those who have households to take care of. The model summary also had a strong coefficient of determinant of 85.4% which is very reassuring and from the regression coefficients and p-values, one can strongly affirm that business innovation is a very strong influence in achieving competitiveness. Innovation as we have seen could come in diverse forms. For this study, we see that process innovation had very little contribution independently (as indicated in the regression coefficient) however, it had a p-value of 0.019 which was far below the threshold of 0.05. again, this is an indication that innovation contributes strongly to the business of firms' competitiveness.

## 6. Conclusion

In conclusion, no firm is an island of its own. There is a need to ensure that strategic activities are carried out to scan the external environment so that production and service lines would not be obsolete. This means gathering new information and analysing these data to ensure that their methodology of services fits into the modern trend. Theses modern trend often makes delivery very efficient and effective. A lot is required from entrepreneurs as they ought to develop passion for the line of business, they choose to enter so that they would be aware of better ideas within that area when it arrives. There is a saying that 'you can't do things the same way and expect a different result'. This could mean a lot to business owners and entrepreneurs within Nigeria. The process innovation parameters shows a weak signal in terms of coefficient and this indicates that only little efforts have been given to that area within the scope of our study respondents and this has a lot effect on the future of such businesses. However, one would agree that innovation has done better to businesses than harm, the only factor which is quite missing is the government effort towards the innovation climate.

### 6.1 Recommendations

In view of the findings, the following recommendations are made;

- a) Entrepreneurs should ensure they venture into areas where they have passion so that it would lighten the burden of innovation and make them rely less on external parties and consultants for all its innovation needs.
- b) Government should create an enabling climate for businesses to compete with less tax so that SMEs can survive the competitive environment.
- c) Necessary infrastructure ought to be in place for innovation to take place such as power, ICT, etc. these are required for entrepreneurs to network with their counterparts all over the world and it would also give them access to lectures online and communicate effectively.

- d) Business innovation should be a culture taught from secondary schools so that graduates wouldn't wait for employment letters from white collar jobs before they make a living.

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