

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

One of the critical challenges facing SMEs in Nigeria is innovation. Hosting new products and services are at the basis of economic progress and development. The capability to invent has triggered researchers to study activities leading to creative development of individuals and organizations. Small and medium-sized enterprises (SMEs) furnish a strong increase to employment and economic growth specifically due to their innovative activities which becomes a main force of explaining competitive advantage and firm performance (Williams, 2014). Accordingly, the values produced by innovations shows possible circumstances that revealed new ways of doing things or new products and processes that add aids to economic fortunes.

In both developed and developing countries of the world, SMEs companies have proofed to be bulbous in terms of employment and added standards to gross domestic product, 'yet their full potential remains untapped, (Schlogl, 2004). The provision given for the startup of SMEs, demand them to fetching important appliances for innovation and technological improvement. In 2007, The World business council for sustainable development gave an instant of the weight SMEs lend to government and individuals: SMEs that are properly overseen become means of employment prospect and affluence creation. They help in the generation of revenue and create public firmness. Bigger administrations are provided with local services and supplies and communities have access to affordable goods and services at lower costs.

Furthermore, by working closely with SMEs, large corporations can develop a new customer base that may not be available to the traditional delivery networks of these corporations. Thus, SMEs are a dependable base of supply and have understanding of the pattern of procurement. Innovation means novelty, newness, new things being done, or old things being done in new ways to increase performance in terms of sales, profitability and market shares in an organization (Kenneth & Ibadi, 2017). It is a solicitation of technological, organised human

resources and findings to creative processes, causing new practices, products, markets, institutions and organizations that need organizational upgrading or performance in terms of sales, profitability and market shares (Wilson & Odu, 2016). Innovation in SMEs business can be a product, process, and marketing used in order to increase performance of business in terms of sales bulk. Small and Medium Scale Enterprises are measured as the engine of economic development that drives and promote reasonable development of countries which is achieved by adopting innovation doctrines. The role of Small and Medium Enterprises in the economic and social development of countries is well recognised when relating the concept of innovation on these SME firms, performance will be improve or increase drastically. The sector is a nursery of free enterprise, often motivated by innovation.

The early concept of innovation in economic development and entrepreneurship was propagated by Joseph Schumpeter, a German economist. Innovation, in his view, includes the elements of creativity, research and development (R&D), new processes, new products or services and advance in technologies (Lumpkin and Dess, 2015). According to (Kuratko and Hodgetts 2015), innovation is the creation of new wealth or the alteration and enhancement of existing resources to create new wealth. Innovation is also understood as a procedure of idea creation, a development of an invention and eventually the starter of a new product, process or service to the market (Thorn hill, 2016). At present, this concept is applied in every side of social lives and activities. This makes the innovation idea become more multidimensional and complex.

(Beaver, 2016) believed that innovation is a vital part for economic growth of a country and competitiveness of an industry. Innovation plays an important role not only for large firms, but also for SMEs (Jong and Vermeulen, 2016; Anderson, 2019). (Sandvik, 2015) argued that innovation is one of the most important competitive weapons and generally seen as a firm's core value competence. Innovation is also measured as an operative way to improve firm's productivity due to the resource constraint issue facing a firm (Lumpkin and Dess, 2016). (Bakar and Ahmad, 2010) added that the capability in product and business innovation is crucial for a firm to exploit new opportunities and to gain competitive advantage.

The term product innovation according to (Polderet, Polder, Leeuwen, Mohnen and Raymond, 2018) is introducing the new products/services or bringing significant improvement in the existing products/services. To them, the product must whichever be a new product or

expressively improved with respect to its features, intended use, software, user-friendly or components and material. According to (OECD, 2015) Alteration in design that brings significant change in the intended use or characteristics of the product is also considered as product innovation. The objective of product innovation is to attract new customers (Adner & Levinthal, 2015).

Process innovation is the application of a new or meaningfully improved production or delivery method. This includes significant changes in techniques, equipment and/or software (OECD: Oslo Manual, 2014). According to (Polderet, Polder, Leeuwen, Mohnen and Raymond, 2014) process innovation is the improvement in production and logistic methods significantly or bringing important improvements in the supporting actions such as purchasing, accounting, maintenance and computing.

A marketing innovation is the application of a new marketing technique involving important changes in product design or packaging, product placement, product promotion or pricing (OECD: Oslo Manual, 2017). According to (Masood, Sadia, Muhammad, Saman, 2013) marketing innovation is the execution of new marketing method that involve significant fluctuations in the design, placement, packaging, product promotion and pricing strategy. To them, the objective of marketing innovation is to increase the sales, profit in terms of return on investment, return on capital employed, return on asset, return on equity, market share and opening new markets. According to (Chen, 2016) marketing innovation is changing ways of collecting customer's information. (Polderet, Polder, Leeuwen, Mohnen and Raymond, 2017) asserted that organizational innovation is the overview of new practices of doing business, workplace organizing methods, decision making system and new ways of managing external relations and dealing with other firms. Organizational innovation is applying new ways of organizing business practices, external relations and work place (OECD: Oslo Manual, 2015).

1.2 STATEMENT OF THE PROBLEM

It is generally accepted that Small and Medium Scale Enterprise is approximately larger than those businesses that are fundamentally a vehicle for the self-employment of their owner. Equally SMEs is unlikely to be listed on any stock exchange and is possible to be possessed by a comparatively small number of owners. Indeed, very often the majority of the shareholders

come from one prolonged family. Hence the term SME shields a very wide range of businesses.

Small And Medium Scale Enterprise are non-subsiary, autonomous firms which employ less than a given number of employees. The most frequent upper limit designating an SME is 250 employees, as in the European Union.

The approach or attitude of many business owners of Small and Medium Scale Enterprises towards innovation is lukewarm and this is seriously affecting the degree of their business expansion and profit generation capacity. However, this attitudes towards innovation may be as an effect of the fact that innovation entails doing new things or as a result of lack of information and adequate knowledge. There is less new product in Ibafo Ogun State, less acceptance of marketing innovation policies, poor business innovation processes which destructively reduce the sales volume of SMEs. The market is full with existing products which the consumers previously have pre-knowledge about the quality, quantity and taste. However, small and medium scale firms are yet to fully apply product innovation, process innovation and marketing innovation in order to escalate its sales volume in the sector. Business owners in Ibafo Ogun State has refused to adopt innovation maybe owing to lack of resources, time, machine and money, also due to illiteracy and ignorance or environmental challenges such as rules, regulations and protocols from Government. Whereas by engaging in innovation the following advantages may emerge; availability of new products for sales which will automatically boost sales volume; availability of process innovation which will increase product quality and will also bring important improvement in the secondary activities such as purchasing, accounting, maintenance and computing; lastly, availability of market innovation which will facilitate effective distribution of products to the right channel.

Overtime, past studies on SMEs have centered or focused on factors such as Growth and Development in SMEs. (Arbiana Govori, 2013) discussed extensively on the growth and development in SMEs; (Williams parott, 2014) study was on Business Finances for SMEs, the study focused on how SMEs can be financed through loans, borrowings etc. (Kayode & Ilesanmi, 2014) expatiated more on the challenges facing Small And Medium Scale Enterprise. (Fida, 2014) looked at the economic significance of SMEs. Another author (Anigbogu, 2014) studied the aspect of Roles of SMEs in Nigeria. (Hills, 2013) dealt with the threats and opportunities for SMEs. However, little or nothing has been done on innovation

relative to SMEs. It was on this basis that the study examined to fill the gap and also to find out the link between innovation and SMEs of Ibafo Ogun State.

1.3 RESEARCH OBJECTIVES

The main objective of this study is to examine the impact of innovation on the performance of SMEs in Ibafo Ogun State.

The following specific objectives are:

1. To examine the relationship between product innovation and sales volume of SMEs.
2. To determine the influence of process innovation on the quality and delivery of goods and services of SMEs.
3. To evaluate the relevance of marketing innovation on product design and packaging of SMEs products.

1.4 RESEARCH QUESTIONS

The following research questions will be addressed to fulfil the above purposes,

1. What is the relationship between product innovation and sales volume SMEs?
2. What is the influence of process innovation on the quality and delivery of goods and services of SMEs?
3. How does marketing innovation affect product design and packaging of SMEs products?

Hypothesis are regarded as tentative or guessed answers to researchable problems that can be tested by further observation. Therefore, the hypothesis will be stated below. Note that these will be gotten from research objectives and the research questions because this three must align.

1.5 RESEARCH HYPOTHESES

H₀: There is no significant relationship between product innovation and sales volume of SMEs.

H1: There is significant relationship between product innovation and sales volume of SMEs

H0: There is no significant relationship between process innovation and the quality and delivery of goods and services SMEs

H2: There is significant relationship between process innovation and delivery of goods and services of SMEs

H0: There is no significant relationship between market innovation and product packaging in SMEs

H3: There is significant relationship between market innovation and product packaging in SMEs

1.6 SCOPE OF THIS STUDY

Theoretically, this study was restricted to finding out the impact of innovation on the performance of SMEs in Ibafo Ogun State. The study was limited to product innovation, process innovation, marketing innovation, and sales volume. The eventual findings of this research would immensely contribute to some research gap in existing literature thus aiding scholarly and informed policy directions towards bolstering SMEs' capacity to generate sales and ultimately assure the business innovation. More specifically, it is expected that the findings of this research will be of immense utility to SME managers, SMEs operators, policy makers, stakeholders, researchers and government in Ibafo Ogun State. Above all, it is hoped that this study would contribute to knowledge and be useful as reference material for scholarly discourse and further research.

1.7 SIGNIFICANCE OF THE STUDY

Innovation enables problem solving and provides creative insight that allows you to look at things from a different perspective, regardless of whether you are developing a new product, refreshing strategy or finding an original way to stay ahead of the competition. The importance of innovation makes this study unique and outstanding. Innovation brings about the introduction of new products and the refurbishment of existing product. It also creates new markets or customers and also satisfy current markets or customers' needs. Innovation also of

no doubt is a source of competitive advantage to the firm. Hence it increases competitiveness. With innovation, quality of products could be enhanced, which in turn contributes to firms performance and ultimately to a firms competitive advantage. Innovation is important to the fact that it initiates new or improved techniques, tools, devices and knowledge in making a product. Innovation also offers a potential protection to a firm from market threats and competitors. It also boosts the sales volume of firms in a rapid manner. Innovation with no doubt has a positive effect on sales growth of a firm. It nevertheless improves brand recognition and value. To crown it all it increases turnover and improves profitability.

1.8 JUSTIFICATION OF THE STUDY

Small and Medium Scale Enterprise in Ibafo Ogun State have not been applying the concept of innovation in their businesses. There is less new product in the market, less adoption of marketing innovation strategies, poor business innovation processes which negatively reduce the sales volume of SMEs. The market is full with existing products which the consumers already have pre-knowledge about the quality, quantity and taste. However, small and medium scale firms are yet to fully apply product innovation, process innovation and marketing innovation and organizational innovation in order to increase its sales volume in the sector.

However, this project work tried to justify and explain why there is need for new products in the market of Ibafo in Ogun state. The strategy of having new products in the market has helped SMEs attain business goals, such as entering new market, selling more to existing customers or winning business from competitors. A successful product development will also increase revenue and profitability. When you launch a new product for your small business, you open up new possibilities that will help your business not only to survive but also to grow.

The strategy of adopting marketing innovation will also boost sales. In today's technologically advanced global market, consumers shop until they find products that are innovative. Marketing provide the advantage of showing customers the latest and greatest a business has to offer. Companies that have taken advantage of marketing in immense ways include companies such as Apple, which is always showing off the modern and greatest new technological electronic or computer gadget to come to market. This can result in a big boon in sales. Customers are going to buy innovative products. Marketers have to work industriously to offer products that consumers want and then advertise them.

1.9 DEFINITIONS OF TERMS

Innovation

This is not just represented by introducing or implementing new ideas or methods. The definition of innovation can be defined as a process that involves multiple activities to uncover new ways to do things. It should not be disordered with creation since this can be defined as the act of making, inventing, or producing something.

Performance

This is the result or outcome of activities of a business organization or investment over a given period of time. The concept of performance is the completion, accomplishment or success of a task with the application of knowledge, skills and abilities.

Performance is believed to be the accomplishment of an obligation in a manner that issues the performer from all liabilities under the contract.

Small and Medium Scale Enterprises

The concept of Small Scale Industry (SMI) has no generally accepted definition, according to Oyefuga, et al; (2018) classification of businesses into large, medium or small scale is a subjective and qualitative judgment. He further opined that small businesses are generally quite responsive to their environment. The environment is always dynamic and this affect what constitutes a small business at a particular point in time. Oyefuga, et. al; (2018) add that definition SMI aims at is to set some limits (lower and upper) that will assist in achieving the set purpose.

CHAPTER TWO

LITERATURE REVIEW

2.0 introduction

The aim of this chapter is to bring together views of different authors and scholars on the topic, the impact of innovation on the performance of SMEs. This chapter expatiated different opinions of innovation and SMEs given by different authors.

The review was founded on the information assembled from textbooks, journals, unpublished work, internet etc. the researcher dealt on the general aspect of innovation and also looked into Small and Medium Scale Enterprise to show the real impact that innovation actually has on SMEs. Innovation, it seems like everyone is talking about it these days – and rightly so. But, unfortunately it's a term that's being overused to the point of meaninglessness. One should always be afraid when a concept becomes a business “buzzword” – and “innovation” is on the fast-track to attaining that unwelcomed title.

There are several reasons for this current state of affairs. A primary provider is the variety of definitions infusing the corporate world, popular press, occupational publications, and the research literature. This lack of a generally arranged upon definition has paid to significant confusion among those interested in the topic, thus making it challenging to pursue constructive discussions about it. The term Innovation means diverse things to different people, with common definitions relating to scientific advance and the development of high-technology products. However, the reality is that innovation is a far broader activity. Essentially, Innovation is about changing established products processes and practices. Innovation must blend with creativity, clear thinking and the ability to get things done into one process. Ultimately, the market place will judge innovation. New ideas need support, commitment and resources if they are to be effectively implemented.

Small and Medium Scale Enterprise need to think wide and big, organizations cannot remain absorbed in the past. The still organization that trusts the old ways are the best will flounder. Innovation means modification. Such changes are not normally single events, but are complex

Mixture of actions and functional activity. Note that innovation and invention are not the same, as innovation is concerned with the commercial application of ideas. SMEs must address the issue of innovation and create a culture and infrastructure to support the process. After all, organizations that continue to learn and effectively translate this learning into product offerings are the ones who will prosper.

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Concept of innovation

Overtime many authors had grappled in explaining the concept of innovation. According to American Society for Quality, innovation is the successful conversion of new concepts into new products, services, or processes that deliver new customer value in the market place. In the same vein (Scott D. Anthony, 2013) opined that innovation is something different and unique from the old ways of doing things. (Hauschildt, 2013) summarized common definitions and suggested a characterization of innovation along four dimensions by trying to answer the following questions: What is the object of novelty or, what is new? For whom is it new (objective or subjective novelty)? Where does the “new” (innovation) start and where does it end? Does new imply successful?

A short overview was presented by (Dichtel et al.2013), according to whom innovation in the thinnest sense is the very first introduction of an empirically “new” product or process to the market. It therefore constitutes the first economic effects of technological improvement on its environment. A wider perception of innovation includes the element of time and defines innovation as the process from creation to market entrance and on to market diffusion. Additional extensions of the term abandon the criteria of objective novelty, and include other aspects of business behavior such as products, processes, organizational design, development of new markets and resources. While most authors agreed on the fact, that Innovation has to do with the introduction of “new” products or processes which differ from the antecedent and

serve a certain purpose, several questions arose that result from the different perceptions of “novelty” and “product”. While the habit of a modern computer system might be common practice in large firms, it might probably be entirely “new” in smaller ones. But this is new in many of the SMEs due to lack of education and finance on the part of these business owners. Furthermore, the question of what is to be considered a product must be answered, and when taking a process related approach to innovation it must be defined where this process begins and where it ends.

Thinking in the same vein (Baregheh, Rowley & Sambrook, 2017) were of the opinion that innovation is the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, contest and distinguish themselves successfully in their marketplace.” A similar approach has been engaged by (Klein, 2012) who identified an object-related dimension and a process-related dimension of innovation. While the object related point of view sees innovation as the result of a renewal process and also tried to answer the question: what is new, and for whom?, the process-related view sees innovation as the renewal process itself and tried to identify where innovation begins and where it ends. Therefore, it also comprises the element of time in its argumentation, the above definition of Dichtel et al. “Innovation represents the core renewal process in any organization. Unless it changes what it offers the world (product/service innovation) and the ways in which it creates and delivers those offerings (process innovation) it jeopardies its survival and growth prospects.” (Bessant, Lamming, Noke, & Phillips, 2013). Innovation can also be described as the development and intentional introduction of new and useful ideas by individuals, teams, and organizations” (Bledow, et al. 2015). It is the creation of a new product-market-technology-organization-combination.” (Boer & Duing, 2018). Similarly innovation is the creation and capture of new value in new ways. (LeAnna J. Carey, 2015). Innovation was opined as the process that turns an idea into value for the customer and results in sustainable profit for the enterprise. (Carlson & Wilmot, 2014). Accordingly, (Hutch Carpenter, 2017) described innovation as the change in a product offering, service, business model or operations which meaningfully improves the experience of a large number of stakeholders. Innovation is also the making or adoption, integration, and exploitation of a value-added novelty in economic and social spheres; renewal and enlargement of products, services, and markets; development of new methods of production; and establishment of new

management systems. It is both a process and an outcome (Crossan & Apaydin, 2019). However, innovation cannot be denied the fact that it is the adoption of an internally generated or acquired device, system, policy, program, process, product, or service that is new to the adopting organization.”(Damanpour, 2017).

Innovation does not only restrict itself to business enterprise, it is also imperative and expedient even to the banking sector. Bankers who read Professor Levitt’s articles “Marketing Myopia” began to realize that marketing transcends advertising and friendliness, although those are important ingredients. Banks should not narrowly be in the savings business. They should be in the business of meeting the varied and changing financial needs of customers. Banks should began to think in terms of continuous innovation of new and valued customer services, such as credit cards, Christmas savings plans, and automatic bank loans. Bank of America, for example, today offers over 350 financial products to customers.

A positive innovation provides the innovative bank with a modest lead. However, financial services are easily copied and advantages are short lived. But, if the same bank invests in unceasing innovation, it should stay ahead of the other banks in its area. What happens when all banks publicize, smile and innovate? Clearly they begin to look similar. They are forced to find a new basis for distinction. They begin to realize that no bank can be the best bank for all customers. No bank can offer all products. A bank must choose. It must examine its opportunities and take a position in the market.

According to (Philip Kotler, 2010), emphasized that innovation however is mostly related to technology, technology is the most dramatic force shaping human destiny. Technology has released such wonders as penicillin, open-heart surgery, and the birth control pill. It has released such horrors as the hydrogen bomb, nerve gas, and the sub machine gun. It has released such mixed blessings as the automobile, television sets, and white bread. Depending upon whether one is more enthralled with the wonders or the horrors determines one’s attitude towards technology. Schumpeter saw technology as a force for “creative destruction.” He opined that every enterprise must watch what is new in the environment, for this might eventually destroy it. If it has the imagination, the new might save it. However, the study would say that technology well used would not bring about creative destruction, technology

needs to be well implemented in a business organization especially SME] which was the main focus on this project work. Marketers must understand the technological environment and the nuances of technology. They must be able to envision how technology can be connected up with human needs. They must work closely with R&D people to encourage more market-oriented research. They must be alert to possible negative aspects of any innovation that might harm the users and bring about distrust and opposition.

(Victor Hugo, 2010) in his book “New-Product- Development Strategy” stated that companies cannot rely on their current products to produce the target rate of sales and profit growth. As some of the company’s products enter the decline stage, the company will have to take concrete steps to replace them. The planning gap between desired and expected sales growth can be filled by the company in only two ways; acquisition or innovation. Under modern conditions, it is becoming increasingly risky not to innovate. Consumers and industrial customers want and expect a stream of new and improved products. Competition will certainly do its best to meet these desires. A program of managed innovation seems to be a necessity.

(John E. Arnold, 2010) in his book Creative Thinking agreed on the fact there are different techniques in generating idea. He further said that good ideas come out of a combination of inspiration, perspiration, and techniques. A large number of creativity techniques have been developed over the years to help individuals and groups generate better ideas.

Attribute listing: this technique involves listing the major attribute of an existing object and then imagining ways to modify each attribute in the search for a new combination that will improve the object.

Problem analysis: The preceding creativity technique have in common an effort to imagine new products without going to the consumer for any input. Problem analysis on the other hand, starts with the consumer. Consumers are asked to name problems associated with the use of a particular product or product category. Each problem can be the source of a new idea.

Brainstorming: persons can also be stimulated to greater creativity through certain forms of organized group exercise. One well known technique is brainstorming, whose principle were developed by (Alex Osborn, 2010). A brainstorming session is held for the purpose of

producing a lot of ideas. Generally, the group size is limited to between six and ten. It is not a good idea include too many experts in the group, because they tend to have a stereotyped way of looking at a problem. The problem should be made as specific as possible, and there should be no more than one problem. The sessions should last about an hour and may be held at almost any time of the day, although the morning is often the most effective time.

A short overview was also given by (Yung Wong, 2010) “Critical Path Analysis for New Product Planning”, he said the concept of innovation refers to any good, service, or idea that is perceived by someone as new. The idea may have had a long history, but it is still an innovation to the person who sees it as being new. This can be further explained in the sense that a particular idea may have been in existence and haven’t been known, the person who identifies the idea and makes use of it will automatically see that idea as new no matter how long the idea has been in existence. However, the differences among SMEs in their response to new ideas is called their innovativeness. Specifically, innovativeness is the degree to which an individual is relatively earlier in adopting new ideas than the other members of his social system.

(Eastman Kodak, 2016), who was the dominant producer of photographic film worldwide also emphasized on the fact that SMEs can create competitive advantage for themselves if they have a distinctive competence that allows them to make, do or perform something better than their competitors. He further said that companies that want to sustain a competitive advantage must understand and protect themselves from the strategic threats of innovation. Over the long run, the best way for a company to do that is to create a stream of its own innovative ideas and products year after year. Innovative streams can however be defined as the patterns of innovation over time that can create sustainable competitive advantage.

According to (Kurt Lewin, 2017), innovation is a change. He said further that innovation is based on generational change. Generational change occurs when incremental improvements are made to a dominant technological design such that the improved version of the technology is fully backward compatible with the older version. Furthermore, he proposed that change is a function of the forces that promote change and the opposing forces that slow or resist change. Change forces lead to differences in the form, quality, or condition of an organization over

time. By contrast, resistance forces support the status quo, that is, the existing conditions in organizations. Change is difficult under any circumstances. Indeed, in a study of heart bypass patients, doctors told participants straightforwardly to change their eating and health habit or they would die. Unbelievably, a full 90 percent of participants did not change their habits at all. This fierce resistance to change applies to organizations especially SMEs. Creativity is a vital part of every organization and not just the whiz-bang, multimillion-dollar type of creativity. SMEs don't need inventible to become inspired, nor do they have to wait for their manager to develop a creative work environment before they can become creative. They can spark their own creativity and think outside the box on their own.

However, (Kotter, 1996), argued that knowing what not to do is just as important as knowing what to do when it comes to achieving successful organizational change. He further said that the most common errors that managers make when they lead change is that they try to get the people affected by change to believe that change is really needed. The first and potentially most serious error is not establishing a great enough sense of urgency. Indeed, he estimated that more than half of all change efforts fail because the people affected are not convinced that change is necessary. People will feel a greater sense of urgency if a leader in the company makes a public, candid assessment of the company's problem and weaknesses. The second error and mistake managers make is not creating a powerful enough coalition. Change often start with one or two people, but to build enough momentum to change an entire department, division, or company, change has to be supported by a critical and growing group of people. Besides top management, Kotter recommends that key employees, managers, board members, customers, and even union leaders be members of a core change coalition, which guides and supports organizational change. The third error managers make is that they use change intervention to get workers to change their behavior and work practices. Lacking a vision for change is a significant error at this point. A vision is a statement of a company's purpose or reason for existing, a vision for change makes clear where a company or department is headed and why the change is occurring. Change efforts that lack vision tend to be confused, chaotic, and contradictory. By contrast, change efforts guided by visions are clear and easy to understand and can be effectively explained in five minutes or less. The fourth error in the change phase is not systematically planning for and creating short-term wins. Most people don't have the discipline and patience to wait two years to see if the new change efforts work

or not. Change is threatening and uncomfortable, so people need to see an immediate payoff if they are to continue to support it. Kotter recommends that managers create short-term wins by actively picking people and projects that are likely to work extremely well early in the change process. The fifth error managers make in the change process is declaring success too soon, declaring victory right after the first large-scale success in the change process. Declaring success too early has the same effect draining the gasoline out of a car, rather than declaring victory, managers should use the momentum from short-term wins to push for even bigger or faster changes. The last mistake that managers make is not anchoring changes in the corporation's culture. An organization's culture is the set of key values, beliefs, and attitudes shared by organizational members that determines the accepted way of doing things in a company. In summary, Kotter described innovation as change, change from the old way of doing things to a new way of doing things that makes a company unique and exceptional from its competitors.

2.1.2 Concept of process innovation

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. Process innovation 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. 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. Process innovation can generate value to either internal customers, including employees or the actual organization itself, or it can create value to external customers, including business partners, end users or actual customers. Values stemming from process innovation include reducing the time it takes to produce a product or perform a service, increasing the number of products produced or services provided within a time frame, and reducing the costs per product produced or service provided. Additionally, process innovation can generate significant gains in product quality and service levels.

2.1.3 Concept of product innovation

Product innovation is the creation and subsequent introduction of a good or service that is either new, or an improved version of previous goods or services. This is broader than the normally accepted definition of innovation that includes the invention of new products which, in this context, are still considered innovative. It is the development of new products, changes in design of established products, or use of new materials or components in the manufacture of established products. Numerous examples of product innovation include introducing new products, enhanced quality and improving its overall performance. Product innovation, alongside cost-cutting innovation and process innovation, are three different classifications of innovation which aim to develop a company's production methods.

Advantages of product innovation include:

- Growth, expansion and gaining a competitive advantage: A business that is capable of differentiating their product from other businesses in the same industry to large extent will be able to reap profits. This can be applied to how smaller businesses can use product innovation to better differentiate their product from others. Product differentiation can be defined as "A marketing process that showcases the differences between products. Differentiation looks to make a product more attractive by contrasting its unique qualities with other competing products. Successful product differentiation creates a competitive advantage for the seller, as customers view these products as unique or superior. Therefore, small businesses that are able to utilize product innovation effectively will be able to expand and grow into larger businesses, while gaining a competitive advantage over its remaining competitors.
- Brand switching: Businesses that once again are able to successfully utilize product innovation will thus entice customers from rival brands to buy its product instead as it becomes more attractive to the customer. One example of successful product innovation that have led to brand switching are the introduction of the iPhone to the mobile phone industry (which has caused mobile phone users to switch from Nokia, Motorola, Sony Ericsson, etc. to the Apple iPhone).

2.1.4 Concept of marketing innovation

What does marketing have to do with innovation? Much, much more than most people can see or show in their organization. On the one hand, innovation can only be successful with marketing; on the other hand, marketing needs innovation for product success.

Innovation marketing as a discipline encompasses marketing activities in the innovation process. This includes, for example, research into customer needs, concept and prototype tests with customers and the marketing of new products. These are all key tasks in innovation management and innovation marketing plays a very important role in securing and increasing the success of innovation.

Marketing and innovation - an inseparable couple.

(Peter Drucker, 1954), already said "Business has only two functions - marketing and innovation". He considered marketing and innovation to be the important basis for the company's success. This is reason enough to take a deeper look at the purpose and role of marketing from an innovation perspective. Marketing includes tasks to increase sales. The focus is on customer and market orientation; all products, services and processes are to be aligned with the needs of customers and users. Innovation marketing covers all innovation management activities that contribute to the promotion of the market success of new products and services. If one considers that the actual task and mission of innovation is market success, it becomes clear that innovation marketing plays an extremely important role in the innovation process. Innovation marketing thus includes a very wide range of tasks, specifically all activities that are related to customer and market orientation and that enable a successful marketing of a new product or service. In the front-end of the innovation process, innovation marketing contributes to the identification of future and new market opportunities and research into customer needs:

In the course of the **product development process**, innovation marketing has the task of continuously involving customers and users in the process. The aim is to collect feedback from customers and the market on current developments. In the form of concept, prototype and beta tests, feedback on new products is obtained in order to test the future acceptance of the product

and to incorporate the experiences and ideas into the development process for further development.

Importance of innovation marketing

The mere description of the task and role of innovation marketing makes it clear how important the function in the innovation process is. Innovation marketing plays a role in all phases and thus ensures customer and market orientation, an important lever to avoid the failure of an innovation.

Innovation marketing works in the front end of the innovation process to explore market potentials and customer needs, gets feedback from the customer in the development process and markets the product at the back end of the process. Innovation marketing thus ensures that the new products and services are geared to the market and customers. This is one of the biggest success factors in innovation management to increase revenue opportunities and eliminate flops and unnecessary waste. That is why those responsible for innovation have to deal intensively with the topic of innovation marketing and work closely with marketing and sales. The top priority for all of us must be to develop a new product that customers can tear out of their hands.

2.1.5 Definition of Small and Medium Enterprise

Central Bank of Nigeria (CBN) and the Small and Medium Enterprise Equity Investment Schemes (SMEEIS) define SMEs as any enterprise with a maximum asset base of ₦200,000,000 (200 million Naira) excluding land and working capital with the number of staffs employed by the enterprise expected to be not less than 10 and not more than 300. Also, NASME defines a Small scale enterprise as a business with less than 50 people employed by the enterprise and with an annual turnover of ₦100,000,000 (500 million Naira).

Past studies affirmed that in Nigeria, SMEs also play a significant role in terms of economic development as they provide the cornerstones on which Nigeria's economic growth and stability rests. (Ojukwu, 2006, Apulu, 2012 and Apulu and Emmanuel, 2011). (Irefin, Abdul-Azzez and Tijani, 2012) also concluded that SMEs has contributed to economic growth and job creation globally, Nigeria inclusive.

2.2 THEORETICAL FRAMEWORK

2.2.1 DIFFUSION THEORY OF INNOVATION

This section examined the theoretical approach to understand the growing trend towards innovation in SMEs. The study adopted diffusion theory of innovation. Diffusion of Innovation (DOI) Theory was developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The diffusion process is the name given to the spread of a new idea or product from its source of invention or creation to its ultimate users or adopters. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product. The adoption process on the other hand, focuses on the mental process through which an individual passes from first hearing about an innovation to final adoption. Adoption itself is a decision by an individual to use an innovation regularly. Adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behavior, etc.). The key to adoption is that the person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion is possible. The scholar however proposed that there is a kind of relationship that exists between product innovation and performance of SMEs. According to his theory, he advocated that Adoption of a new idea, behavior, or product (i.e., "innovation") does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others. Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a

target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are five established adopter categories, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. When promoting an innovation, there are different strategies used to appeal to the different adopter categories.

1. Innovators - These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population.
2. Early Adopters - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change.
3. Early Majority - These people are rarely leaders, but they do adopt new ideas before the average person. That said, they typically need to see evidence that the innovation works before they are willing to adopt it. Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness.
4. Late Majority - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies to appeal to this population include information on how many other people have tried the innovation and have adopted it successfully.
5. Laggards - These people are bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups.

According to the theory, Everett (1962), explained when, where, to whom and how new product can be launched into the market.

1. When (Timing): The first decision concerns timing questions. If the new product replaces another product, the new product's introduction might be delayed until the old product's stock

is drawn down through normal sales. If the demand is highly seasonal, the new product should not be introduced until the seasonal timing is right.

2. Where (Geographical Strategy): The next decision is whether the business should launch the new product in a single locality, a region, a set of regions, the national market, or the international market.
3. To Whom (Target market): The business must target its distribution and promotion to the best prospect groups.
4. How (Marketing strategy): The final step is to develop the marketing strategy for introducing the new product in the markets. Marketing strategies such as advertising, publicity, field marketing, personal selling, sponsorship, product placement and lots more.

(Everett, 1962) assumed in his theory that the consumer-adoption process begins where the firm's innovation process leaves off. It deals with the process by which potential customers come to learn about the new product, try it, and eventually adopt or reject it. It underlines the introduction and rapid growth stages of the product life cycle. The business must understand this process so that it can bring about early market awareness and trial usage.

Relating Diffusion theory of innovation to SMEs in Ibafo Ogun State, it is logical to claim that since the business world is dynamic and competitive, innovations in the areas of product, process and marketing are essential for the survival of Small and Medium scale enterprises.

New products need to be introduced regularly especially when the demand for the old products has reached decline stage of product life cycle. These new products must firstly undergo commercialization process in terms of when to introduce the products, how to introduce the product, where to introduce the products and to whom to introduce the products. All these are crucial to the growth and profit expansion of Small and Medium enterprises. Once the newly produced product meets the interest of early adopters, it will diffuse or spread to other consumers in the larger society.

Similarly, process innovation in terms of new technology adoption must be embraced by small and medium scale enterprises. This will not only hasten production of new products, it will also enhance good product quality, thereby attracting new customers and demand. This overall consequence is that profit of the organization will soar higher thereby promoting business

expansion and sales volume. Such idea will attract innovators and early adopters in the market which is prominent among pure water and table water business enterprises in Ibafo and its environs in Ogun State.

Finally, for any business enterprises, be it small or medium enterprise to establish its position properly, marketing innovation is paramount, this borders on channels of distribution of products in order to fast track products to the end users. Besides, there must be effective marketing activities in terms of research into customer's needs, product tests, sales canvassing, and adequate publicities for marketing new products. All these will accelerate rapid expansion of the business volume of the medium and small enterprises and their profit at large.

From the various analyses above, it is not out of context to infer that innovations of products, process and marketing are critical and inseparable for any business enterprise to grow. These innovations, through early adopters among the consumers will diffuse to the larger society thereby promoting the sales volume and profit of the organization.

2.3 EMPIRICAL REVIEW

Several empirical and methodological reviews of researchers suggested that a positive relationship exist between innovation and the performance of SMEs.

A recent research done by (Hajar, 2017). The effect of business strategy on innovation and firm performance in small industrial sector examined the relationship between innovation and performance of wooden furniture manufacturing SMEs in Indonesia. The study revealed that innovation has a positive effect on SMEs performance. Notwithstanding, a study on innovation and SMEs performance find that innovation culture and strategy are key drivers of performance.

Another study was also revealed by (Kuswanto, 2016). Impact of distribution channel innovation on the performance of SMEs. His study revealed that distribution channels innovation is positively related to overall SMEs performance. In his study he found

entrepreneurial orientations via innovativeness to be positively associated with SMEs performance. Consistently in Turkey context examined innovation and firm performance in automotive industry. Their results demonstrated that technological innovation (product and process innovation) has significant and positive impact on firm performance, but no evidence was found for a significant and positive relationship between non technological innovation (marketing innovation) and firm performance.

Most studies spoke of product innovation and process innovation and all these are important towards development being at country or organizational level. Product innovation is the introduction of a good or service that is new or significantly improved regarding its characteristics or intended uses; including significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics. (Rouse W.B, 2013). “The conditions of complex innovation adoption occurrence”. He contended that product innovation generally means the organization’s process for introducing new ideas, new products/commodities, new technology, workflows, new manufacturing methods, new services and new distribution and delivery. It is generally posited that the product innovation becomes the most important source of structural change in an economy because it alerts the mix of products, industry and jobs, which make up an economy.

The study of (Saunila, 2014). “Innovation Capability and measurement” reported that the determinants of innovation capability together with measurement have a moderate effect on firm performance. (Rosli, 2013), examines the relationship between innovation and performance in SMEs in Malaysia. The findings confirmed the hypotheses that product innovation and process innovation influenced firm performance significantly, the findings also affirmed that product innovation is capable of increasing sales volume of SMEs, Introducing new significant product tends to improve sales and increase profit; likewise the study confirmed that process innovation in terms of new technology adoption must be embraced by small and medium scale enterprises. This will not only hasten production of new products, it will also enhance good product quality, thereby attracting new customers and demand. This overall consequence is that profit of the organization will soar higher thereby promoting business expansion and sales volume. Corresponding the results by (Rosli and

Garcia, 2013) analyzed relation between innovation and the level of small business revenue in IBERO-America. The results showed that there is a strong influence of innovation in the level of performance of Small and Medium-Size Enterprises.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discussed the operational principles and dealt extensively with the methods used in carrying out this research work, it gave explanation and details of the procedures that was followed in arriving at any conclusion. The steps included research design, area of study, population of study, sample size, sampling techniques, method of data collection, sources of data, data analysis method, validity and reliability and ethical consideration.

3.1 Research Design

The research designs that was used for the effective investigation of this study was a survey aimed at assessing the impact of innovation on the performance of SMEs in Ibafo Ogun State. Therefore, the study entailed collection of data through questionnaire and structured interview; the questionnaire was designed in a way to capture the basic objectives of the study. Besides questions were structured and made simple for respondents to understand clearly

3.2 Area of Study

The area of study chosen for this research work was Ibafo Ogun State, this area was chosen among numerous areas as a result of the less new product in Ibafo Ogun State, less adoption of marketing innovation strategies, poor business innovation processes which negatively reduce the sales volume of SMEs. The market is full with existing products which the consumers already have pre-knowledge about the quality, quantity and taste

3.3 Population of Study

The target (total) population of the study was an aggregate of elements from which sample was actually selected. It was a group of people with a given characteristics the researcher wished to study. The total population of the study from the SMEs in Ibafo Ogun State was 520 as obtained from the secondary data, and this was where the sample was drawn. The sample represented the study population.

3.4 Sample Size

The study population which is the sample was the group that the researcher actually measured and the information from the sample was used as representative of the total population. Budgetary constraints, for example, often limit the number of SMEs a researcher can study, making the study population much smaller than the target population.

The sample must be a representative number of respondents from the defined population. If the samples are truly representative of the target population in all his parameters or characteristics, then the information from the sample can be generalized to the population. However, the major purpose of using sample in the course of a research instead of the entire population is that the population sometimes is too large that it is no feasible to study it. For example, the population consisting of all small and Medium scale enterprise in Nigeria. It is not possible to study that because the loss of time and the weight of the volume will be very prohibitive. Therefore, sampling allows the researcher to study a workable number of cases from a large group to get findings that are relevant to all members of the group. However, the sample size that was used for this study comprises of the SMEs in Ibafo Ogun State within which the questionnaires was distributed; every individual in the population had equal probability of being included in the sample. Nevertheless, sample size was determined by the popular formula Yaro Yameni.

Yaro Yameni Formula

$$n = \frac{N}{\dots}$$

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

Where n = Sample size
 I = A Constant Value
 N = Population size
 E = Error limit

In this particular case, 0.05 was an appropriate margin of error. To calculate the sample size n.

$$N = 520$$

$$1 + 520(0.05)^2$$

$$n = 226$$

3.5 Sampling Technique

In this research work, multi stage sampling technique was used in order to get sample size that would be true representative of the total population; it involved the following steps;

Stage one: Ibafo is a wide area and Small and Medium Scale Enterprise are prominent in some areas than others. In view of this, cluster sampling was initially used to divide the town into four zones of Ibafo namely Asiwaju, Oke- Cele, Pipeline and Oke-Igbala.

Stage two: purposive selection of three zones out of the four zones was the next stage. The three zones are Asiwaju, Oke- Cele, Oke-Igbala. This was due to the fact that Pipeline is an area where no or little SMEs could be found.

Stage three: in each of the three chosen zones, stratified sampling was used, that is each zone was stratified into different strata namely- stores where petty goods are sold, supermarkets, restaurants, producing companies, petty traders in the open space, consumable food processing industries etc.

Stage four: in each of the stratum, random sampling was now used to pick the elements in the sample through balloting method.

3.6 Method of Data Collections

The purpose and reason of collecting data is to solve the problem analyzed. Data can be collected in several ways including, questionnaire, field study, focus group discussion, observation, in-depth interview, structured interview and survey. Any data collection method can also be used to gather information but is advisable to use more than one method, this is because the weakness of one will be compensated by the strength of the other.

However, data collection can be classified into two

- **Quantitative data:** Quantitative data is defined as the value of data in the form of counts or numbers where each data-set has a unique numerical value associated with it. This data is any quantifiable information that can be used for mathematical calculations and statistical analysis, such that real-life decisions can be made based on these mathematical derivations. However, questionnaire was used in the cause of this research. The questionnaire that was used for this research work was administered directly to all SMEs in the area of specification or case study.
- **Qualitative data:** Qualitative data is defined as the data that approximates and characterizes. Qualitative data can be observed and recorded. This data type is non-numerical in nature. This type of data is collected through methods of observations, one-to-one interview, conducting focus groups and similar methods. Qualitative data in statistics is also known as categorical data

3.7 Sources of Data

Primary Data

According to Petir Driller (2015), primary data is the original data gathered specially for a project at hand. It refers to materials which the investigator or researcher originates for the purpose of inquiry in hand. Data which are expressly collected for a specific purpose are referred to as primary data. One of the advantages is that the exact information is obtained

because it is gotten from the researcher. They are information that are gathered fresh, they haven't been collected and used before.

Secondary Data

Secondary data can be seen as the existing information which may be useful for the purpose of specific survey. They are information that has been collected for one purpose or the other, this may be internally and externally and they include, books, journals, publications, company records, online services, Government documents, periodicals, Government agencies, networking and newspapers. The main advantage of this data is that it might not fit or be used for some information.

3.8 Data Analysis method

Quantitative data to be obtained from the questionnaires was analyzed by using descriptive statistics such as frequency percentage and Software Package for Scientific Solutions (SPSS).

3.9 Validity and Reliability of Data

Validity: This is the ability of research instrument to measure what it is expected or what it is designed to measure. To achieve this, the research instrument was given to experts in the subject matter area to assess the appropriateness of each item of the instruments by mere looking at it. Their comments with that of my supervisor were used to obtain final items. Reliability of research instrument has to do with its ability to elicit the same information from all respondents of the same category. It is when results of research instrument are consistent overtime. However, to ensure the validity and reliability of data, pilot study was carried out before the actual data collection to ascertain the reliability of the survey instrument and clarity of items.

3.10 Ethical Consideration

The three principles of ethics in research was strictly followed namely; respect for persons, respect for justice and respect for beneficence.

Respect for person: the researcher gave absolute respect to the respondents, this is because they have the freedom and the right to participate or not to participate in the exercise. In view of this no respondent was forced to participate, it was voluntary.

Respect for Justice: there was no bias against respondents on the bases of age, sex, ethnic group, language, job, education, position etc. confidentiality was maintained in order to ensure maximum co-operation from respondents. No respondent was also held for any opinion or answer given. Respondent who felt their answers or opinion would be at risk were given the opportunity to back out.

Respect for beneficence: in order to ensure respect for beneficence, the researcher made use of voluntary informed consent based on the full information about the research, objectives of the research, full name and address of the researcher etc. To promote respect for beneficence, voluntary informed consent was given to each of the respondents that were interviewed to fill without any threat or bias.

3.11 MODEL SPECIFICATION

For the purpose of this study, the following variables were considered relevant in the specification of model in examining the relationship between innovation and the performance of Small and Medium Scale Enterprise (SMEs).

Small and medium Scale Enterprise (SMEs)

Innovation (I)

Product Innovation on sales volume (PV)

Process Innovation on the quality and delivery of goods (PG)

Marketing Innovation on product design and distribution of goods and services (MS)

The econometric Model is specified below;

$$\text{SMEs} = \beta_0 + \beta_1 I + \beta_2 PV + \beta_3 PG + \beta_4 MS + \mu$$

Where:

β_0 = constant

$\beta_1, \beta_2, \beta_3, \& \beta_4$, are coefficients of I, PV, PG and MS respectively.

μ = error term

CHAPTER FOUR

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA.

DEMOGRAPHIC ANALYSIS

Table 4.1
Gender of respondents

		Freque ncy	Perce nt	Valid Percent	Cumulativ e Percent
Val	Male	87	38.5	38.7	38.7
id	Female	138	61.1	61.3	100.0
	Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.1 showed the gender composition of the 225 respondents. 87 of the respondents were male, representing 38.7% of the sample, while 138 were female representing 61.3% of the respondents.

Table 4.2
Age of respondents

		Frequen cy	Perce nt	Valid Percent	Cumulativ e Percent
Val	21-30 years	120	53.1	53.3	53.3
id					

31-40 years	102	45.1	45.3	98.7
41 & above	3	1.3	1.3	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.2 considered the age brackets of the respondents. Age bracket 21-30 years had a total of 120 respondents amounting to 53.3% of the total respondents, 31-40 years totalled 102 amounting to 45.3% of the sample, 41 & above had only 3 respondents representing 1.3% of the sample. In essence 98.7% of the sample were under 41 years.

Table 4.3
Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	78	34.5	34.7	34.7
Married	147	65.0	65.3	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.3 analysed the marital status composition of the respondents. 78 respondents were single amounting to 34.7%, while the married respondents were 147 amounting to 65.3%. More respondents were in the married status than single.

Table 4.4

Educational status of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No schooling	10	4.4	4.4	4.4
	Primary	38	16.8	16.9	21.3
	NCE/OND	84	37.2	37.3	58.7
	HND/BSC	93	41.2	41.3	100.0
	Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.4 considered the frequencies of the educational status of the 225 respondents. 10 totalling 4.4% of the sample had no school education, 38 amounting to 16.9% had primary school education, 84 had NCE/OND amounting to 37.3% while HND/BSC category were 93 accruing to 41.3% of the sample.

Table 4.5
Business Classification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Small scale	132	58.4	58.7	58.7
	Medium Scale	93	41.2	41.3	100.0
	Total	225	99.6	100.0	
Total		226	100.0		

Source: field Survey, 2019

Table 4.5 looked at the business classification of the respondents. 132 amounting to 58.7% of the respondents were in the small scale category and 93 accruing to 41.3 % were in the medium scale.

Table 4.6
We always embrace new product and services

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	51	22.6	22.7	22.7
Disagree	36	15.9	16.0	38.7
Undecided	15	6.6	6.7	45.3
Agree	123	54.4	54.7	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.6 above showed the distribution of respondents on whether they embrace new products and services or not. While 22.7% strongly disagreed with this view, 16.0% disagreed. Similarly, 6.7% of the respondents remained undecided while 54.7% agreed with the view. As long as the largest proportion of the respondents (54.7%) agreed with this notion, it is logical to conclude that most respondents embraced new products and services.

Table 4.7
the innovative product and services added to your sales volume

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	54	23.9	24.0	24.0
Disagree	69	30.5	30.7	54.7
Undecided	57	25.2	25.3	80.0
Agree	45	19.9	20.0	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.7 above showed the distribution of respondents on whether innovative products and services added to their sales volume or not. While 24.0% strongly disagreed with this view, 30.7% disagreed. Similarly, 25.3% of the respondents remained undecided while 20.0% agreed with the view. As long as the largest proportion of the respondents (30.7%) disagreed with this notion, it is logical to conclude that most innovative products did not add to SMEs sales volume.

Table 4.8

New products and services in our company often take us up against new competitors

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	66	29.2	29.3	29.3
Disagree	54	23.9	24.0	53.3
Undecided	48	21.2	21.3	74.7
Agree	57	25.2	25.3	100.0

Total	225	99.6	100.0	
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Source: field Survey, 2019

Table 4.8 above showed the distribution of respondents on whether new products and services in their company often take them up against new competitors or not. While 29.3% strongly disagreed with this view, 24.0% disagreed. Similarly, 21.3% of the respondents remained undecided while 25.3% agreed with the view. As long as the largest proportion of the respondents (29.3%) strongly disagreed with this notion, it is logical to conclude that most new products and services in their companies often did not take them up against new competitors.

Table 4.9

We continuously improve old products and raise quality of new products

	Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	Strongly disagree	39	17.3	17.3	17.3
	Disagree	78	34.5	34.7	52.0
	Undecided	57	25.2	25.3	77.3
	Agree	48	21.2	21.3	98.7
	Strongly agree	3	1.3	1.3	100.0
	Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.9 above showed the distribution of respondents on whether they continuously improve old products and raise quality of new products or not. While 17.3% strongly disagreed with this view, 34.7% disagreed. Similarly, 25.3% of the respondents remained undecided while 21.3% agreed with the view. As long as the largest proportion of the respondents (34.7%) disagreed with this notion, it is logical to conclude that most respondents did not continuously improve old products and raise quality of new products.

Table 4.10

We manage to cope with market demands and develop new products quickly

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	48	21.2	21.3	21.3
Disagree	60	26.5	26.7	48.0
Undecided	30	13.3	13.3	61.3
Agree	84	37.2	37.3	98.7
Strongly agree	3	1.3	1.3	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

The table 4.10 above showed the distribution of respondents on whether they managed to cope with market demands and develop new products quickly or not. While 21.3% strongly disagreed with this view, 26.7% disagreed. Similarly, 13.3% of the respondents remained undecided while 37.3% agreed with the view. As long as the largest proportion of the respondents (37.3%) agreed with this notion, it is logical to conclude that most respondents managed to cope with market demands and develop new products quickly.

Table 4.11

New machinery, technology, process, methods are being used in our company often

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	69	30.5	30.7	30.7
Disagree	27	11.9	12.0	42.7
Undecided	42	18.6	18.7	61.3
Agree	84	37.2	37.3	98.7
Strongly agree	3	1.3	1.3	100.0

Total	225	99.6	100.0	
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Source: field survey 2019

Table 4.11 above showed the distribution of respondents on whether new machinery, technology, process, methods are being used in their company or not. While 30.7% strongly disagreed with this view, 12.0% disagreed. Similarly, 18.7% of the respondents remained undecided while 37.3% agreed with the view. As long as the largest proportion of the respondents (37.3%) agreed with this notion, it is logical to conclude that most respondents used new machinery, technology, process and methods in their companies.

Table 4.12

The firm rewards employees in terms of their productivity

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	69	30.5	30.7	30.7
Disagree	54	23.9	24.0	54.7
Undecided	6	2.7	2.7	57.3
Agree	96	42.5	42.7	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.12 above showed the distribution of respondents on whether the firms rewards employees in terms of their productivity or not. While 30.7% strongly disagreed with this view, 24.0% disagreed. Similarly, 2.7% of the respondents remained undecided while 42.7% agreed with the view. As long as the largest proportion of the respondents (42.7%) agreed with this notion, it is logical to conclude that most firms reward employees in terms of their productivity.

Table 4.13

The firm conducts internal training for employees upon introduction of new products

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	36	15.9	16.0	16.0
Disagree	99	43.8	44.0	60.0
Undecided	3	1.3	1.3	61.3
Agree	87	38.5	38.7	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.13 above showed the distribution of respondents on whether the firms conduct internal training for employees upon introduction of new products or not. While 16.0% strongly disagreed with this view, 44.0% disagreed. Similarly, 1.3% of the respondents remained undecided while 38.7% agreed with the view. As long as the largest proportion of the respondents (44.0%) disagreed with this notion, it is logical to conclude that most firms did not conduct internal training for employees upon introduction of new products.

Table 4.14

Employees attend seminar, workshops, conferences with intention to acquire or improve their skills

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	48	21.2	21.3	21.3
Disagree	93	41.2	41.3	62.7
Undecided	12	5.3	5.3	68.0
Agree	72	31.9	32.0	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.14 above showed the distribution of respondents on whether employees attend seminars, workshops, conferences with intention to acquire or improve their skills or not. While 21.3% strongly disagreed with this view, 41.3% disagreed. Similarly, 5.3% of the respondents remained undecided while 32.0% agreed with the view. As long as the largest proportion of the respondents (41.3%) disagreed with this notion, it is logical to conclude that most employees do not attend seminars, workshops, conferences to acquire or improve their skills.

Table 4.15

The new machinery, technology, process and methods has improved or increased sales

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	36	15.9	16.0	16.0
Disagree	33	14.6	14.7	30.7
Undecided	21	9.3	9.3	40.0
Agree	135	59.7	60.0	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.15 above showed the distribution of respondents on whether new machinery, technology, process and methods has improved or increased sales or not. While 16.0% strongly disagreed with this view, 14.7% disagreed. Similarly, 9.3% of the respondents remained undecided while 60.0% agreed with the view. As long as the largest proportion of the respondents (60.0%) agreed with this notion, it is logical to conclude that new machinery, technology, process and methods has improved or increased sales.

Table 4.16

In marketing innovations (entering new markets, new pricing methods, new distribution methods etc.), our company is better than competitors

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	63	27.9	28.0	28.0
Disagree	3	1.3	1.3	29.3
Undecided	3	1.3	1.3	30.7
Agree	156	69.0	69.3	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.16 above showed the distribution of respondents on whether or not their companies is better than competitors in marketing innovations (entering new markets, new pricing methods, new distribution methods etc.) they embrace new products and services or not. While 28.0% strongly disagreed with this view, 1.3% disagreed. Similarly, 1.3% of the respondents remained undecided while 69.3% agreed with the view. As long as the largest proportion of the respondents (69.3%) agreed with this notion, it is logical to conclude that most companies were better than competitors in marketing innovation.

Table 4.17**We deal with customers complaints, suggestions with utmost care**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	51	22.6	22.7	22.7
Disagree	45	19.9	20.0	42.7
Undecided	3	1.3	1.3	44.0
Agree	126	55.8	56.0	100.0
Total	225	99.6	100.0	

Table 4.17 above showed the distribution of respondents on whether they deal with customers complaints, suggestions with utmost care or not. While 22.7% strongly disagreed with this view, 22.0% disagreed. Similarly, 1.3% of the respondents remained undecided while 56.0% agreed with the view. As long as the largest proportion of the respondents (56.0%) agreed with this notion, it is logical to conclude that most respondents dealt with customer's complaints, suggestions with utmost care.

Table 4.18**We advertise our products to create much awareness**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	63	27.9	28.0	28.0
Disagree	48	21.2	21.3	49.3
Undecided	12	5.3	5.3	54.7
Agree	102	45.1	45.3	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.20

Our firm delivers products flexibly according to customers order Table 4.18

above showed the distribution of respondents on whether they advertise their products to create much awareness embrace or not. While 28.0% strongly disagreed with this view, 21.3% disagreed. Similarly, 5.3% of the respondents remained undecided while 45.3% agreed with the view. As long as the largest proportion of the respondents (45.3%) agreed with this notion, it is logical to conclude that most respondents advertised their products to create much awareness.

Table 4.19

We embrace online marketing, E-business and internet services

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	33	14.6	14.7	14.7
Disagree	63	27.9	28.0	42.7
Undecided	9	4.0	4.0	46.7
Agree	120	53.1	53.3	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.19 above showed the distribution of respondents on whether they embrace online marketing, E-Business and internet services or not. While 14.7% strongly disagreed with this view, 28.0% disagreed. Similarly, 4.0% of the respondents remained undecided while 53.3% agreed with the view. As long as the largest proportion of the respondents (53.3%) agreed with this notion, it is logical to conclude that most respondents embraced online marketing, E-Business and internet services.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	42	18.6	18.7	18.7
Disagree	75	33.2	33.3	52.0
Undecided	12	5.3	5.3	57.3
Agree	96	42.5	42.7	100.0
Total	225	99.6	100.0	

Source: field survey 2019

Table 4.20 above showed the distribution of respondents on whether firms delivered products according to customer order or not. While 18.7% strongly disagreed with this view, 33.3% disagreed. Similarly, 5.3% of the respondents remained undecided while 42.7% agreed with the view. As long as the largest proportion of the respondents (42.7%) agreed with this notion, it is logical to conclude that most firm delivered product flexibly according to customers order.

Table 4.21

We embrace sales promotion tools during the period of low sales

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	48	21.2	21.3	21.3
Disagree	93	41.2	41.3	62.7
Undecided	6	2.7	2.7	65.3
Agree	75	33.2	33.3	98.7
Strongly agree	3	1.3	1.3	100.0
Total	225	99.6	100.0	

Source: field Survey, 2019

Table 4.21 above showed the distribution of respondents on whether they embrace sales promotion tools during the period of low sales or not. While 21.3% strongly disagreed with this view, 41.3% disagreed. Similarly, 2.7% of the respondents remained undecided while 33.3% agreed with the view. As long as the largest proportion of the respondents (41.3%) disagreed with this notion, it is logical to conclude that most respondents did not embrace sales promotion tools during the period of low sales.

TEST OF HYPOTHESES

HYPOTHESIS 1

OBJECTIVE:

H₀:

H₁:

Table 4.22: Correlations

	Product and Service Innovation	Sales Volume
Product and Service Innovation	1	.111
Pearson Correlation		.111
Sig. (2-tailed)		.098
N	225	225
Sales Volume	.111	1
Pearson Correlation	.111	
Sig. (2-tailed)	.098	
N	225	225

Source: field Survey, 2019

Table 4.22 show the result of the correlation between product service innovation and sales volume.

The result suggests a positive relationship between product/service innovation and sales volume. The correlation coefficient is 0.111 (11.1%). The 2 tailed significance result showed an insignificant positive relationship. The p- value is 0.098 which is more than 0.05 (5%) significance level. This signify the acceptance of H₁ and the rejection of H₀.

HYPOTHESIS TWO

OBJECTIVE:

H₀:

H₁:

Table 4.23: Correlations

	Process Innovation	Quality and delivery of goods and Services
Process Innovation	1	-.094
	Pearson Correlation	.161
	Sig. (2-tailed)	
	N	225
Quality and distribution of goods and Services	-.094	1
	Pearson Correlation	.161
	Sig. (2-tailed)	
	N	225

Source: field Survey, 2019

Table 4.23 revealed a negative relationship between process innovation and quality of goods and services. The negative relationship is not significant as it has a 2-tailed p-value of 0.161 a value more than 0.05 (5%) significance level. H₀ of no significant relationship is accepted while H₁ significant relationship rejected.

HYPOTHESIS THREE

OBJECTIVE

H₀:

H₁:

Table 4.24: Correlations

		Marketing Innovation	Product design and distribution
Marketing Innovation	Pearson Correlation	1	.052
	Sig. (2-tailed)		.438
	N	225	225
Product design and marketing	Pearson Correlation	.052	1
	Sig. (2-tailed)	.438	
	N	225	225

Source: field Survey, 2019

Table 4.24 showed a low (5.2%) positive correlation between marketing innovation and product design and distribution of goods and services. The correlation is not significant as the 2 tailed significance value of 0.438 is more than 0.05 (5%) significance level. This signify the acceptance of H₀ and the rejection of H₁.

In summary, innovation measurements had impact on the performance of small and medium scale enterprise

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF THE FINDINGS

It was discovered from the findings in respect to objective one, product/service innovation that majority of the respondents 54.7% disagreed that innovation product and services added to their sales volume. More so, 34.7% of the respondents did not agree with the view that there was improvement of old products and the need to raise quality of new ones.

In respect of the second objective, process innovation, majority of the respondents 37.3% respondents that new machinery, technology, process, methods were being used in the companies often. Moreover, 44.0% of the respondents did not agree with the view that their firms conducted internal training for employees upon introduction of new products.

Likewise in the third objective, marketing innovation, majority of the respondents 69.3% agreed that their companies is better than competitors in terms of entering new markets, new pricing methods, new distribution methods etc. Also, 45.3% of the respondents agreed as well that they advertised their products to create much awareness.

However, the first hypothesis measured the rate of product innovation and revealed that there was positive relationship between product innovation and sales volume. Also, the second hypothesis measured the rate of process innovation and revealed that there was a negative relationship between process innovation and quality, delivery of goods and services, that is, there was no significant relationship between process innovation and quality of goods and services Moreover, the third hypothesis measured the rate of marketing and discovered that there was a positive relationship between marketing innovation and product design, distribution of goods and services.

5.2 CONCLUSION

The significance of innovation on the performance of Small and Medium Scale Enterprise cannot be overemphasized. Innovation remains the yardstick to which sales, quality and distribution of

goods and services can be improved. It has been confirmed from the findings that innovation has impact on the performance of Small and Medium Scale Enterprises. It is necessary for SMEs to imbibe the culture of applying innovation on how goods are being purchased and sold.

On a note of conclusion, the position occupied by SMEs in Nigeria business environment cannot be over emphasized. They facilitate self-employment to many individuals and they provide income to workers, employers and the Government. For them to keep on existing in view of the challenges posed by big business or marketing organizations, SMEs need product innovation. It is a clear manifestation of their dynamism in business world and is ploy to keep them expanding for them to make more profit. However, such products must be of the right and best quality in terms of packaging, labelling and designs so as to capture consumer's interest and loyalty. Marketing innovation is also fundamental to the success of SMEs in terms of the state of the art and technology needed to produce their products and service for consumer's satisfaction.

The technology will shape the character of product quality design, value, packaging, durability and sales warranty. In addition, process innovation must not also be treated with levity of SMEs are to make lead way. This stems from the fact that products and services cannot be consumed and appreciated until they are safely delivered to the end users. This is where marketing innovation can be discerned. Right channels of distribution must be created, supported by timely delivery of products to the end users. All in all, products to the end users. All in all, product, process and marketing innovations are indivisible entities needed by all SMEs for them to forge ahead in the contemporary competitive business world.

5.3 POLICY RECOMMENDATION

Government through appropriate legislations and policies should encourage SMEs to flourish in Nigeria by creating business climate favourable for their survival. Such legislations or policies will encourage many individuals to venture in SMEs thereby promoting business activities nationally and internationally because some of the products of these SMEs can be exported to other countries to generate income to the Government.

Robust subventions must be given to the diligent and hardworking SMEs owners in order to establish their base financially with sound working capital, products of the best quality can be produced and sold. Besides, the quality and delivery of goods and services will be attractive.

Likewise, the product qualities will be of the best standard that can withstand foreign products. A case in point is the Trader Money introduced by federal Government last year in Nigeria.

Nigeria market is flooded with fake and adulterated products that are daily posing challenge to our locality made products. As a matter of urgency, Government must compel security agencies in our borders to be up and doing to prevent smuggling of fake products from abroad that are compelling with SMEs products in Nigeria. By so doing, SMEs will record high sales volume and they will expand to capture more market.

Government should encourage the Association of SMEs in Nigeria. There should be legal backing for their existence recognised by laws of the federal republic of Nigeria. By so doing they can form a common voice through meetings, seminars and conferences to tackle some of the challenges facing them to establish their pride of place in the business world.

Tax holidays can be granted to many of these SMEs boost their financial base and to enable them make enough profit in order to grow very well. Such tax holidays may be extended to six years in order to give them privilege and relief to operate with reduced cost for quite a number of years.

All these will promote product, process and marketing innovations

Government should organise regular training programmes, workshops and seminars for the owners of SMEs in Nigeria for them to understand the meaning, benefit and dimension of products, process and marketing innovations.

Through this means, they will be equipped with knowledge, skills and attitudes on various forms and innovations and how to get the best value from all of them

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APPENDIX

IMPACT OF INNOVATION ON THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISE- A CASE STUDY OF IBAFO OGUN STATE.

DEPARTMENT OF BUSINESS ADMINISTRATION

MOUNTAIN TOP UNIVERSITY.

QUESTIONNAIRE

Dear Respondent,

LETTER OF INTRODUCTION

I am a student of the above named institution involved in research work as an important part of requirements for award of Bachelor of Science in Business Administration (BSc). This study intends to investigate the impact of innovation on the performance of small and medium scale enterprise.

In view of this, you are required to assist in supplying responses to questions below to the best of your ability. You are rest assured that any information supplied which is purely for academic purpose will be treated with strict confidence.

Yours faithfully,

ONI, Oluwatosin Esther

SECTION A

SOCIAL- DEMOGRAPHIC DATA

Please tick the appropriate answers below,

1. What is your sex? (a) Male (b) Female
2. What is your age? (a) 1-5 (b) 6-10 (c) 11-15 (d) 16& above.
3. What is your marital status? (a) Single (b) Married (c) Divorced (d) Others specify
4. What is your educational qualification (a) No schooling (b) Primary (c) Secondary
(d) NCE/OND (e) HND/BSC (f) other
5. How would you classify your business enterprise? (a) Small scale (b) Medium Scale

SECTION B

PRODUCT/ SERVICE INNOVATION

Please tick one choice for each of the following statements.

SD = strongly disagree, D= disagree, SA= strongly agree, A= agree, X= undecided

	SD	D	X	A	SA
We always embrace introduction of new product and services					
The innovative product and services added to your sales volume					
New products and services in our company often take us up against New competitors					
We continuously improve old products and raise quality of new products					
We manage to cope with market demands and develop new products quickly					
In comparison with competitors, our company has introduced more innovative products and services during past years					

SECTION C

PROCESS INNOVATION

Please tick one choice for each of the following statements.

	SD	D	X	A	SA
New machinery, technology, process, methods are being used in our company often					
The firm rewards employees in terms of their productivity					
The firm conducts internal training for employees upon introduction of new machinery and technology					
Employees attend seminars, workshops, conferences with intention to acquire or improve their skills					
The new machinery, technology, process and methods has improved or increased sales					

SD = strongly disagree, D= disagree, SA= strongly agree, A= agree, X= undecided

SECTION D

MARKETING INNOVATION.

Please tick one choice for each of the following statements.

SD = strongly disagree, D= disagree, SA= strongly agree, A= agree, X= do not know

	SD	D	X	A	SA
In marketing innovations (entering new markets, new pricing methods, new distribution methods, etc.), our company is better than competitors					
We deal with customers complains, suggestions with utmost care					
We advertise our products to create much awareness					
We embrace online marketing, E-business and internet services					
Our firm delivers products flexibly according to customers order					
We embrace sales promotion tools during the period of low sales					