Impacts of innovation on the entrepreneurial success: Evidence from Nigeria

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In the recent years, Nigeria has recorded an economic growth but with a trajectory which offers both positive and negative lessons regarding the innovation of business faced by many countries in Africa and elsewhere in the developing world. This study sought to test the relationship between innovation, the financial performance of company and firm’s competitive advantage. This was done through correlation and regression analysis. Data were analyzed using descriptive and inferential statistics. Hypotheses were tested at 0.05 significant levels with the aid of parametric student t-test. The results revealed that there is a positive relationship innovation and the financial performance of company. A clear lesson from this study is that the future must include promoting innovation and entrepreneurship; in other words, business competitiveness depends on the creativity and innovativeness of its entrepreneurship.

**Key words:** Innovation, entrepreneur, enterprises, leadership success, excellence.

**INTRODUCTION**

Today’s global business environment, innovation and creativity are key ingredients in creating and sustaining strategic advantage. Among the main reasons for this renewal are the new way of thinking managers and economists from countries with a developed market economy and a new perception of economic opportunities. However, innovation cannot be sustainable until and unless it is in aligned with triple bottom line elements that is, economic, social and environmental dimensions. In this context a sustainable environment helps to generate innovations and knowledge, it also changes the knowledge characteristics and ecosystem (Hemsley and Mason, 2013).

The entrepreneurial successes are the life blood to businesses around the world. Organizations therefore strive to meet these regulations and standards in order to remain compliant, and to increase the efficiency and credibility of the business. This is evident from the fact that every activity carried out by the businesses revolve around learning and fulfilling the needs of the customers (Ayyagari et al., 2003; Chen, 2005; Choi and Hwang, 2015).

One aspect of great importance for the existence and perpetuation of the rise or decline of Small and medium-
sized enterprises (SMEs) in the economy of any country is to their contribution to creating new value. The rhythms alerts or slower, sooner or later, all countries will realize that initiating, developing, supporting even these organizations are not only unavoidable, but will lead to detect the only alternative economically efficient creation of new jobs, maintaining permanent organizational flexibility, stimulation of innovation and creativity (Oncioiu, 2013).

Another different approach of innovation capability is “the ability to create innovations in responding to contextual changes and opportunities without organizational disruption, excessive time and costs, or loss of performance” (Buganza and Verganti, 2006). The perception of entrepreneurs is that innovation does not only improve the quality of products or process, but also has a positive economic return on the small enterprise (Tan and Nasuradin, 2011). Every firm has certain business objectives which further tunnels down to operations and purchasing sub-objectives. Therefore, every firm need to measure performance to evaluate how far it is from the set goals.

Historically, scholars view entrepreneurs in many ways, but mainly as an innovator who is responsible for the creation of new products, new methods of production and new processes, and who is also capable of identifying new markets (Schumpeter, 1949). In fact, the nature of innovative process that affects enterprise survival and economic growth revolves around the active and inactive functions of the entrepreneur (McPherson, 1996).

Literature review indicates that, in Nigeria and in other emerging countries, the subject of innovation reveals that there is a dearth of literature in the developing countries and this creates a major gap in knowledge that has to be filled (Davis et al., 1989; Hage, 1999; Biggs and Shah, 2006; Coad and Rao, 2008; George et al., 2012; Dapice, 2015; Cappa et al., 2016).

The central theme of the article is to present the impact of innovation on the business enterprises’ success in Nigeria. The research started from the idea that, at a global level, the action to find a small survival of business enterprises is as important as creating innovation activities. These measures aimed to design a permissive, favorable regulation environment, both legislatively and fiscally, and were meant to provide financial assistance for the enterprises’ support and development. They also aimed to improve competitiveness and to stimulate the development of the entrepreneurial culture. These enterprises are nowadays active contributors to the Nigerian economic development as a whole.

The following research questions have been formulated: How can the Nigerian innovative SMEs take part in the economic growth of the country? Could they be analyzed with the aid of quality indicators (economic and financial indicators) in case of time variance? Who should be responsible for implementing the development challenges based on innovative SMEs in Nigeria for a proper business functioning?

By addressing the aforementioned questions this study seeks to test the relationship between innovation, the financial performance of company and firm’s competitive advantage. In spite of the fact that innovation has been viewed as a means of understanding the impact on the financial performance, the existing research literature does not provide any empirical evidence, particularly in Nigerian SMEs, investigating the balance between economic objectives and the entrepreneurial success.

LITERATURE REVIEW

There are several approaches to ‘innovation’ in the economic literature from Joseph Schumpeter’s definition. Henrik (2007) sees innovation as the successful implementation of a creation and this innovation seems to foster growth, profits and success.

In defining innovation, there is a need to distinguish the subtle difference between an “invention” and “innovation.” Traditionally, innovation recognizes development as generalized economic growth. In contrast, inclusive innovation views development as active inclusion of people excluded from the mainstream development. The difference refers to the inclusion involving some aspect of innovation for/by the marginalized groups (Foster and Heeks, 2013).

Paunov (2013) reports heterogeneous terminology used in practice and literature for inclusive innovation. For example, terms like “frugal innovation” “pro-poor innovation” and “innovation for the bottom of the pyramid” have been used to depict inclusive innovation. Such innovations are considered inclusive and can possibly provide solutions for reducing negative lessons regarding the innovation of business faced by many countries in Africa and elsewhere in the developing world.

Combining various views, Zaltman et al. (1973) defined innovation as any idea, practice or material artefact perceived to be new by the relevant unit of adoption. In other words, organizational innovation has been consistently defined as the adoption of an idea or behavior that is new to the organization (Lin, 2007; Wang and Wang, 2012).

On the other hand, prior studies assume that employees’ satisfaction has positively impact on innovation behavior and the non-financial performance of service innovation has a positive effect on the financial performance of service innovation (Hsieh, 2016). Other approaches to the measurement of innovation success include the maintenance of an appropriate balance between economic and social objectives which it provides an organization with benefits that have the potential of sustaining its viability in a global economy (Cegarra-Navarro et al., 2016).

The innovation can either be a new product, new technology, new service or new administrative practice...
(Hage, 1999). Many companies today are innovative, bringing about new ideas and modifying existing ones into their offerings because of the competitive nature of the market. Innovation is however different from invention. Some researchers suggest that while innovations are concerned with the launch or introduction of new products, services and processes, inventions are not necessarily introduced into the market (Hauschildt, 2004).

On a final note regarding innovation, according to Oman (2008), the newness that innovation portrays in the improvement of products, services or process can be described in two ways, technical innovation and administrative innovation. The technical innovation has to do with technology, products and services. The administrative innovation deals with improved procedures, policies and organizational forms.

But then, Hui and Chuan (2002) point out the possible critical aspects of organizational excellence, as following: establishing a strong vision and mission, forming policies and strategies, commitment to excellence, managing values and ethics, human development, empowerment and innovation, ensuring people’s well-being, using new technologies, suppliers and business partnerships, providing customer care, service and satisfaction.

More generally, Brem and Voigt (2007) consider better access to such external resources to be a vital policy instrument to support the innovative capacity of the business sector, especially to achieve entrepreneur knowledge development and an inclination to innovation.

Moreover, innovation management is the beginning, development and, as the case may be, implementation of technical and socio-technical initiatives of management business. In addition, several studies (Hauschildt, 2004; Nybak and Jenssen, 2012) show that innovation management comprises the decisions about innovation and the innovation processes.

**MATERIALS AND METHODS**

Against this background, the research was conducted between July 2016 and October 2016, and its methodology is based on 216 Nigerian SMEs, while the sectors involved in the survey were agriculture, manufacturing, and construction.

The instrument used for this study was a combination between an email questionnaire survey and research interviews. We also used the Likert Scale (1 = almost always, 2 = to a considerable degree, 3 = occasionally, 4 = seldom and 5 = never). The questionnaire is divided into two parts, and the questions focusing on the following hypothesis:

H1: Innovation can stimulate growth and the financial performance of SMEs.

H2: Innovation positively influences the firm’s competitive advantage.

For the final survey, a total of 160 questionnaires were collected, containing information regarding the entrepreneur’s attitude towards innovation and the firm-level financial performance using innovation. Evidence on barriers to innovation has revealed an important aspect that should be taken into account when dealing with data on perceived obstacles to innovation activities.

**RESULTS AND DISCUSSION**

In the internal consistency reliability, Cronbach’s α coefficient is used. This study makes the message number as independent variables and innovation as the dependent variable. Data was analysed using one-way analysis of variance (ANOVA).

Table 1 shows the results of ANOVA with participants overall shift to inspect H1. It is shown that there are the significant differences between innovation and stimulate financial performance of SMEs (p<0.001) and further analysis of the mean value of SMEs’ financial performance. The results support this study predictions of H1. This data was analysed using one-way ANOVA with participants overall shift to inspect H2. The result shown in Table 2 indicates that innovation can significantly affect a small and medium firm’s competitive advantage (p<0.001).

In the first hypothesis tested, the research finding revealed that the existing relationship between innovation and financial performance of SMEs is positive. The MS value of 3.243 shows that the average response of the respondents. Since p-value of .000 is less than 0.05, then the t test value is significant. This means that innovation is positively related to product quality. The reason is that the average customer will appreciate innovative and quality product.

In the second hypothesis, the MS value of 33.207 shows the average response which indicates that the respondents agree that innovation is related to competitive advantage. Similarly, the F-Value is 62.736 and the degree of freedom is 70. Since p-value of .000 is less than 0.05, then the t test value is significant. Hence there is a significant relationship between innovation and competitive advantage of selected agriculture, manufacturing and construction firms. Thus, the null hypothesis two was rejected.

**Conclusions**

This research work examined the impact of innovation on the entrepreneurial success in business enterprises in Nigeria. The study has proven that innovation has a significant and positive relationship with product quality and corporate image.

The different variables under the study have shown a valuable relationship which is the pointer for an enhanced performance in the selected business enterprises. Innovation was found to improve product quality and corporate image and these have subsequently enhanced entrepreneurial success and performance. Therefore, based on the ideas mentioned above, we can conclude that engaging in innovative activities will achieve bumper success in many entrepreneurial ventures.

For all that, very few firms have been able to sustain an
innovation culture over an extended period of time. During adverse times the tendency has been for companies to deliberately focus on opportunities that promise short-term returns. Hence, the entrepreneurs and decision makers should face a higher hurdle and held responsible for the harms that their organizations predictably create, with or without intentionality or awareness due to unethical decision making approach. However, the success stories are few and most firms fail because they do not measure the innovative green procurement performance. Firms must focus both on green purchasing effectiveness and green purchasing efficiency which will ultimately lead to the final outcome i.e. enhanced innovative green purchasing performance.

There are a few limitations of this study: firstly, due to the lack of resources and time constraints, the study has collected data from a smaller number of product/service firms, but in the future, a larger sample size can further validate the accuracy of results. Secondly, the indicators refer to a specific type of business, generally local limited liability companies operating in the largest business city. To eliminate these limitations author proposes to use longitudinal data using large sample size and considering different country and sector to validate the results.

This study provides essential insights into excellence operational innovation. The results and conclusions must be put into the context of the potential limitations and directions for future research. In brief, this study was conducted with the small enterprises sector only in one of the emerging markets. Also, the clarification of the connection between innovation to other strategic variables and ultimately growth remains available for further researches.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

| Table 1. | Innovation can stimulate growth and the financial performance of SMEs. |
|----------|----------------------------------------------------------------------------------|
| Variable | SS      | DF | MS   | F-Value | P-value |
| Between  | 3.243   | 1  | 3.243| 7.41*   | 0.002   |
| Within   | 61.054  | 159| 0.447| 29.74   | -       |
| Sum      | 64.297  | 160|  -   | -       | -       |

Notes: *p<0.05 · **p<0.01 · ***p<0.001.

| Table 2. | Innovation positively influences the firm’s competitive advantage. |
|----------|----------------------------------------------------------------------------|
| Variable | SS      | DF | MS   | F-Value | P-value |
| Between  | 33.207  | 1  | 33.207| 62.736**| 0.000   |
| Within   | 48.606  | 159| 0.456| -       | -       |
| Sum      | 81.813  | 160|  -   | -       | -       |

Notes: *p<0.05 · **p<0.01 · ***p<0.001.

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