



PRODUCT/SERVICE INNOVATION AND VENTURE PERFORMANCE OF SMALL AND MEDIUM-SCALE VENTURES IN SOUTH-SOUTH GEO-POLITICAL ZONE, NIGERIA

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Cite this article:

Okoro S. C (2024), Product and Service Innovation and Venture Performance of Small and Medium-Scale Ventures in South-South Geo-Political Zone, Nigeria. Intercontinental Journal of Business Management and Economics Research, 2(1), 1-21.

Manuscript History

Received: 19 Jan 2024

Accepted: 17 Feb 2024

Published: 10 Apr 2024

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ABSTRACT

This study examines the impact of product/service innovation on the performance of small and medium-scale ventures (SMEs) in the South-South Geo-political zone of Nigeria. Grounded in the Resource Based Theory (RBT) and Investment Theory of Creativity, the study focuses on the relationship between innovation dimensions—product/service innovation—and venture performance indicators—financial performance, market performance, and operational performance. Utilizing a correlational research design, the study targets a population of 2,223 registered food and beverage manufacturing SMEs in the South-South zone, sampling 339 SMEs through purposive sampling and employing Taro Yamane's formula for sample size determination. Data were collected via structured questionnaires and analyzed using frequency tables, means, standard deviations, and Spearman Rank Correlation to test the hypotheses. The findings indicate a significant positive relationship between product/service innovation and financial performance, market performance, and operational performance of SMEs in the South-South zone. The study concludes that innovation is a critical driver of SME performance, emphasizing the need for continuous development of new products, enhancement of existing products, and exploration of new market opportunities. Recommendations include encouraging SMEs to adopt innovative practices to boost their performance and competitiveness in the market.

Key words: Product and service innovation, venture performance, financial performance, market performance, operational performance, financial performance, market performance, operational performance



INTRODUCTION

In both developed and developing countries of the world, SMEs companies have proved to be prominent in terms of employment and added values to gross domestic product, 'yet their full potential remains untapped' Schlogl, (2014) cited in (Menna, 2013). The support given for the startup of SMEs, necessitate them to becoming important engines for innovation and technological advancement. In 2017, The World business council for sustainable development gave a summary of the weight SMEs lend to government and individuals: SMEs that are properly supervised become means of employment prospect and affluence creation. They aid in the generation of revenue and create communal solidity. Bigger organizations 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 accessible to the traditional distribution networks of these corporations' (Menna, 2013). Thus, SMEs are a reliable source of supply and have understanding of the pattern of procurement.

Small and Medium Enterprises (SMEs) constitute around 99.7 percent of the enterprises globally (Martin & Namusonge, 2014). and this proves their significance in contributing to the economic and industrial development in most countries. In order to remain competitive, grow faster and function effectively and efficiently, SMEs need to utilize knowledge and technology efficiently. Employing advanced process technology, for example, generally leads to a better product quality and durability. Moreover, adopting a new technology results' in reduced costs by saving materials, energy or through replacement of conventional materials with cheaper alternative materials. SMEs play a major role in both developed and developing countries, encompassing more than 90 percent of business operations in Africa, and also contributing over 50 percent of GDP and employment of their economies (Martin & Namusonge, 2014).

With today's complexity in conducting business transactions, innovation can be regarded as a crucial factor to ensure the success of a business. Innovation refers to the state of mind that goes beyond just creating a business. It is a state of mind that will push an individual to find courage, use his resources and his full potential, implement all the necessary means to carry out the project he desires (Lurnpkin & Dess, 2016). It is a state of mind that will influence the way an individual will act and the quality of the product that will result. This innovation is characterized first and foremost by a dynamic approach. Innovation is a state of mind that is not fixed and rigid. It is a "state of mind of development": " The state of mind of development is based on the belief that your basic qualities are things that you can cultivate through your efforts, although people may be different from others. many ways - by their initial talents and abilities, their interests, or their temperament - everyone can change and develop through work and experience. SMEs in Nigeria have not frequently applied the concept of innovation in their businesses. There are less new products in the market, less adoption of marketing innovation strategies and poor business innovation processes. As a result, these enterprises may not likely experience growing sales volume which in turn means poor performance. The market is full of old and previously existing products which the consumers already have knowledge about their quality. However, although SMEs in Nigeria do not adopt innovation (product, process, marketing or organizational) fully and frequently, this does not mean there is a complete absence of innovation. Though in different degrees, all these innovations are present in these SMEs, and hence, their performance effect needs to be examined. The importance of being innovative cannot be overemphasized, thus, (Vankessel *et al.*, 2014) states, "Innovation has become a



mantra: Innovate or Die. A company cannot outgrow its competitors unless it can out-innovate them. Surely everyone knows that true corporate growth springs from innovation.

Product innovation has long been argued to be the engine of growth. It is important to note that it can also provide growth regardless of the condition of the larger economy. The traditional economic theory predicts that in the long run all firms will converge to their long run steady state equilibrium position and optimum size. However, the evidence from different industries suggests that firms which perform better today are more likely to perform better tomorrow as well. The main explanation for this non-transitory feature of firm behaviour is the different capabilities of firms to generate and implement new knowledge which determine their relative position in the industry. In the last few decades, a large number of studies have attempted to map the channels and mechanisms through which new knowledge is transformed into better performance. However, the evidence from the literature is inconclusive thus calling for further research (Guan, & Ma, 2013).

The interest in product innovation spans from the firm level to the national level. It is argued that countries can achieve higher rates of growth and favourable terms of trade by specialising in knowledge intensive products containing higher added value (OECD, 2015). This is the reason why policy makers across the globe have been struggling to develop policies which would stimulate spending on Research and Development activities and increase the efficiency of the product innovation process.

The success or otherwise of any discerning organization in this world of deregulated economies and competitive market depend largely on its ability to strategically outwit her competitors. Outwitting competitors is informed by ability to deliver offering better than competitors in the market and this also depend on the ability to continually improve on the quality of goods and services being offered. Many companies in Nigeria find it difficult to compete with their foreign counterparts, partly because of their inability to innovate. While the multinationals enjoy necessary incentives that would encourage all round business growth, most local industries lack necessary ingredients such as size of firm, resources (financial, human), legal protection, innovation efficiency in the area of diversification, flexibility to respond to market changes and incentives to use existing and new technology

Innovations in workplace organisation involve the implementation of new methods for distributing responsibilities and decision making among employees for the division of work within and between firm activities (and organisational units), as well as new concepts for the structuring of activities, such as the integration of different business activities. An example of an organisational innovation in workplace organisation is the first implementation of an organisational model that gives the firm's employees greater autonomy in decision making and encourages them to contribute their ideas.

The subject of performance is greatly discussed in academics. The way performance is defined depends on the type of firm under consideration, whether it is production or service firm. Performance measurement plays a key role in developing, implementing and monitoring a strategic plan. It enables managers to evaluate whether organizational objectives have been achieved, and is further used to develop and compensate managers. It helps managers monitor whether the company is moving in the direction they want it to go (Teeratansirikool *et al.*, 2013). Again, majority of studies done on product innovation and performance have been based largely on data from business organizations within the manufacturing sector, innovation models developed there may not easily be carried over into the world of SMEs. SMEs face unique



challenges that can make product innovation endeavours more difficult. Among those challenges are the unique attributes of SMEs, such as dealing with ethical issues in serving clients, working on or with people, difficulties in establishing criteria for success and fear of media exposure of failure, inability to get clients to sign up for a product, poor public perception, unwillingness to pay claims as and when due (Jaskyte, 2019).

More so, the relationship between innovation and performance of SMEs has received scanty literature especially in developing countries like Nigeria. Hence, an initiative has been taken to examine the relationship between corporate innovativeness and performance in the SMEs in Rivers State. This study therefore filled the identified gap by empirically examining the relationship between innovation and organizational performance of SMEs in Rivers State

Statement of the Problem

Despite the economic importance of SMEs, (Franklin & Williams, 2013). revealed that nearly four out every five Nigerian SMEs do not survive beyond five years of inception because of inexperience and other wrong business practices. (Small and Medium Enterprise Development Agency of Nigeria, 2017), realized that SMEs in Nigeria continue to face numerous challenges making them perform below expectation. Infrastructure deficit and frequent changes in public policy are among the top list. In this regard, (Adebiyi & Amole, 2017). believed that "...innovation is a strategic issue ... as this will assist at reducing internal inefficiencies, improve process and enhances decision-making process positively".

Studies on innovations and SME performance have been conducted largely in developed countries (Otero-Neira *et al.*, 2019; Rosenbusch *et al.*, 2011; Terziovski 2010; Van *et al.*, 2018). Notwithstanding these studies, the subject matter is largely unexplored in developing nations such as Nigeria. However, SMEs are of critical importance to the Nigerian economy. Its size is about 73,000 and employs nearly 3 million people. However, 63.9% of SMEs are uninsured, nearly two- third (65%) have no business plan, about 92% access credit from commercial banks, and three-quarter of SMEs have less than N10 million start-up capital (Kale, 2019). This statistic implies that for SME firm to survive and perform impressively, it has to be innovative. Therefore, the study aims to examine the effect of innovation on SME firm's performance in Nigeria.

Aim and Objectives of the Study

The aim of this study was to investigate the relationship between product innovation and venture performance of small and medium-scale ventures in South-South Geo-political zone, Nigeria. In specific terms, the study sought to:

1. determine the relationship between product/service innovation and financial performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.
2. find out the relationship between product/service innovation and market performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.
3. examine the relationship between product/service innovation and operational performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.

Research questions

The following research questions will guide this study:

1. What is the relationship between product/service innovation and financial performance of small and medium-scale ventures South-South Geo-political zone, Nigeria?
2. What is the relationship between product/service innovation and market performance of small and medium-scale ventures South-South Geo-political zone, Nigeria?



3. What is the relationship between product/service innovation and operational performance of small and medium-scale ventures South-South Geo-political zone, Nigeria?

Hypotheses

The following hypotheses will guide this study

Ho₄: There is no significant relationship between product/service innovation and financial performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.

Ho₅: There is no significant relationship between product/service innovation and market performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.

Ho₆: There is no significant relationship between product/service innovation and operational performance of small and medium-scale ventures South-South Geo-political zone, Nigeria

LITERATURE REVIEW

Concept of Product/Service Innovation

A wide range of vocabulary has been employed to describe and classify product development in the past. Crawford (2013) embraced two distinct activities, the old product development, which involves renewing and enhancing old products; and the development of novel products, which involves a higher level of challenge with respect to innovation. Kotler (2011) defined a product as anything that can be introduced to a market for use, acquisition, consumption, or attention and can satisfy a want or a need. Thus, a product may be a tangible (goods) or intangible (service or a set of ideas). In the context of the present study, products refer to various services that firms offer to their customers. Product innovation therefore, is the creation and subsequent introduction of a good or service that is either new or an improvement on previous goods or services (Azaze & Haji, 2015). Gopalakrishnan and Damanpour, (2015) also defined product innovation as the creation of a novel product from new materials (totally new product) or the alteration of existing products in order to enhance customer satisfaction (customized and enhanced version of existing products).

Product innovations are required by firms to cope with competitive pressures, changing tastes and preferences, short product life cycles, technological advancement (or contrarily technological obsolescence), varying demand patterns, and specialized requirements of customers.

Concept of Venture Performance

Venture performance is a composite assessment of how well an organization executes on its most important parameters, typically financial, market and shareholder performance. Performance is an extensively used concept in many areas. Usually, performance is a measure of how well a mechanism or a process accomplish its objective. Performance is claimed to be a multidimensional and complex construct that has been measured using an array of indicators (Lumpkin & Dess, 2016). In venture point of view, performance means how well the organization is managed and the value the organization delivers for customers and other stakeholders (Wu & Zhao, 2010). There is no dispute that one of the basic purposes of both entrepreneurship and strategic management theory and research is the enhancement of venture performance (Mthanti, 2012). Venkatrarnan and Rarnanujarn (2017), empirically investigated the degree of concurrence across methods of measuring business economic performance and in so



doing, established that sales growth, profit growth, and profitability were discriminate measures of different dimensions of business economic performance.

Kraus (2012), noted that performance is regularly measured in one or a combination of the following means: perceived financial, perceived non-financial and archival financial. Several studies (Dess, 2017), have used perceived performance indicators to assess firm performance. The items that were used to form the performance indicators typically were based on manager's subjective views about firm's profitability, growth, market share, in relative to its most important competitors. The overall performance measure is typically formed by merging several items measuring the different aspects of performance into one performance score or index (Lechner & Gudmundsson, 2012).

Measures of Venture Performance

Financial Performance

Financial Performance is measured to give the account of stewardship by the management team to the shareholders. The key aspect of this involves measuring the profitability, market value and growth prospect of a company. Accounting-based measures examine the nature of the relationship between some indicator of the social performance (reputation, revelation of social information, environmental behaviour etc.), with the company's firm's performance obtained from the accounting information such as the historical audited financial statements of the respective companies (Magara *et al.*, 2015). Financial performance is commonly used as an indicator of a firm's financial health over a given period. The financial performance of a firm can be defined or measured in various ways including profitability, liquidity, market share growth, return on investment, return on equity, turnover and liquidity.

Financial performance means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. According to Harward and Upton (2015), "financial performance is the 'the ability of a given investment to earn a return from its use.'" However, the term 'Financial performance' is not synonymous to the term 'Efficiency'. Financial performance is an index of efficiency; and is regarded as a measure of efficiency and management guide to greater efficiency.

Market Performance

International Value Standard defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion". Market value is the price an asset would fetch in the marketplace, or the value that the investment community gives to a particular equity or business. Market value is also commonly used to refer to the market capitalization of a publicly traded company, and is calculated by multiplying the number of its outstanding shares by the current share price. Market value is easiest to determine for exchange-traded instruments such as stocks and futures, since their market prices are widely disseminated and easily available, but is a little more challenging to ascertain for over-the-counter instruments like fixed income securities. However, the greatest difficulty in determining market value lies in estimating the value of illiquid assets like real estate and businesses, which may necessitate the use of real estate appraisers and business valuation experts respectively. A company's market value is a good indication of investors' perceptions about its business prospects. The range of market values in the marketplace is enormous, ranging from less than N1 million for the smallest



companies to hundreds of billions for the world's biggest and most successful companies. Market value is determined by the valuations or multiples accorded by investors to companies, such as price-to-sales, price-to-earnings, enterprise value-to-EBITDA, and so on. The higher the valuation, the greater the market value.

Operational Performance

Performance measures may be characterized as financial and non-financial. These ratios measure how different aspects of a company's finances are performing. The fixed-asset turnover ratio, operating cycle ratio and revenue per employee ratio each provide a different look into how a company is bringing in revenue, if the business is spending its money well and how efficiently it is using its assets and resources. Analyzing these ratios provides deeper insight into the company's finances than simply studying accounting or other financial records. The fixed-asset turnover ratio is a measure of whether the money a company spends on the equipment and buildings the company owns, often referred to as property, plant and equipment actually adds value to the company. To find the fixed-asset turnover ratio, divide the company's net revenue by the current value of the fixed assets. The operating cycle ratio shows if a company is managing its accounts payable, accounts receivable and inventory efficiently. The operating cycle ratio involves three aspects of the company's finances; the days inventory outstanding, the days sales outstanding and the days payable outstanding. A shorter operating cycle means that a company collects money from customers efficiently, has good payment terms with businesses and other entities to which it owes money and is moving inventory at a pace that keeps up with average production ability and customer demand. The revenue per employee ratio indicates how much revenue each employee is producing for the company. A high revenue per employee ratio means that employees are generating adequate sales or revenue for the company, while a low ratio is often a sign of low productivity (Treadwell, 2015).

Theoretical Framework

Investment Theory of Creativity

The investment theory of creativity, proposed by Sternberg and Lubart (2011), holds that creativity is in large part a decision. In particular, it is a decision to buy low and sell high in the world of ideas. Creative people, like good investors, generate ideas that, at the time are viewed as novel and perhaps slightly ridiculous. The creative individuals are metaphorically 'buying low'. Then, once their ideas have gained some acceptance, the creative individuals 'sell high,' reaping the profits of their good idea and moving on to the next unpopular idea. Creative individuals, by their nature, tend to defy the crowd. They resist merely thinking or doing what others are thinking or doing. Rather, they tend to go off in their own direction, seeking to propose ideas that are both novel and useful in some way. The greatest obstacle to creativity, therefore, often is not exactly strictures from others, but rather the limitations one places on one's own thinking. Such limitations, however, may derive from processes of enculturation and socialization, so that it often is not clear whether restrictions on creativity are internal or, down the line, externally imposed. Creativity is a decision in the same way investing is. People are not born creative or uncreative. Rather, they develop a set of attitudes toward life that characterize those who are willing to go their own way. Examples of such attitudes toward life are willingness to (a) redefine problems in novel ways, (b) take sensible risks, (c) "sell" ideas that others might not initially accept, (d) persevere in the face of obstacles, and (e) examine whether their own preconceptions are interfering with their creative process. Such attitudes are teachable and can be



ingrained in students through instruction that encourages students to think for themselves. Creativity comprises several different aspects: (a) abilities, (b) knowledge, (c) styles of thinking, (d) personality attributes, (e) motivation, and especially intrinsic motivation, and (f) environment. A person can have the creative ability that would allow for creativity, for example, but without a willingness to take sensible risks or an environment that provides at least minimal support for creativity, that individual's potential creativity may be suppressed. It is thus crucially important, especially in schools, to provide an environment that allows creativity to flourish—not just in word, but also in deed. At the same time, an individual can have a creative attitude but without the skills of creativity—such as looking for reconciliation of opposing ideas and dialectical thinking—may not reach his or her full creative potential.

Empirical Review

Dararat, (2021), examined the effect of strategic innovation on organization development, organizational effectiveness, and firm performance of companies in the Industrial Estate of Thailand. The results of this study show that strategic innovation has a positive direct effect on organization development, organizational effectiveness, and firm performance. Organizational development has no significant relationship with organizational effectiveness and firm performance, and organizational effectiveness has no significant relationship with firm performance. Strategic innovation has a strong direct positive effect on the company's performance. It indicated that strategic innovation is essential for organizations to drive business growth, generate value for the company and its customers, and create a competitive advantage.

Carol and Mavis (2017) studied the relationship between innovation and organizational performance of Taiwanese SMEs in the manufacturing and services sector. Company performance was measured in terms of company sales. Empirical data were collected through a telephone survey from a population consisting of companies with a total employee number less than 201 located in the Northern Part of Taiwan. The research found that eighty per cent of the surveyed companies conducted some sort of innovation. However, administrative innovation was found to be more important in explaining the company performance compared to technological innovation.

The study by Van Auken, Madrid-Guijarro and García-Pérez-de-Lema (2018) investigated the relationship between the degree of innovation (measured as innovation in products, processes and administration systems) and performance among a sample of 1,091 Spanish manufacturing SMEs. Findings of the study provide evidence that innovation positively impacts SMEs performance in low and high technology industries. The study also found that innovation is more important to achieving a competitive advantage to high technology firms than low technology firms. These results support the proposition that innovation is crucial to firm's sustainable competitive advantage.

Calantone, Cavusgil and Zhao (2012) combined both qualitative and quantitative methodologies to study the relationship between learning orientation, firm innovation and firm performance in US firms measured as both objective (ROA, ROI and ROS) and subjective (profitability) measures. Results from their path analysis support the author's hypothesis that learning orientation is critical for innovation and performance.

Garrido and Camarero (2010) examined the relationship between learning orientation, innovativeness and performance for the case of 386 British, French and Spanish museums. Findings of the study show that learning orientation significantly influences both



innovativeness and performance. The study also provides evidence that technological and organizational innovations are related to economic performance while product innovations have a greater impact on social performance.

Methodology

The study adopted a correlational research design. The population of this study consisted of all the registered food and beverage manufacturing small and medium-scale enterprises in South-South Nigeria. According to 2017 National Survey conducted jointly by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Bureau of Statistics (NBS), there are 2,223 food and beverage manufacturing small and medium-scale enterprises in the South-South Geopolitical Zone of Nigeria. This represents 23.4% of the 9,502 registered small and medium-scale enterprises in the South-South Zone. The 2,223 registered food and beverage manufacturing SMEs are spread across the six (6) states in the South-South Zone. The population distribution is shown in table 3.1 below:

Table 1: Population Distribution

S/No.	States in South-South Geopolitical Zone	Food and Beverage Manufacturing SMEs
1.	Akwa Ibom State	442
2.	Bayelsa State	70
3.	Cross River State	340
4.	Delta State	357
5.	Edo State	626
6.	Rivers State	388
	Total	2,223

Source: Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Bureau of Statistics (NBS), (2017)

The sample size was determined using the Taro Yamene’s formula:

Table 2: Sample Distribution

States in South-South Geopolitical Zone	Population	Sample	Workings
Akwa Ibom State	442	67	$442/2,223 \times 339/1 = 67$
Bayelsa State	70	11	$70/2,223 \times 339/1 = 11$
Cross River State	340	52	$340/2,223 \times 339/1 = 52$
Delta State	357	54	$357/2,223 \times 339/1 = 54$
Edo State	626	96	$626/2,223 \times 339/1 = 96$
Rivers State	388	59	$388/2,223 \times 339/1 = 59$
Total	2,223	339	

This study used purposive sampling technique on all entrepreneurs of small and medium-scale enterprises in South-South Nigeria. The sources of data for the study were from both primary and secondary sources. To validate the instrument, the face and content validity was determined by the expert judgment of the researcher’s supervisor and two other experts in the field of Measurement and Evaluation, Ignatius Ajuru University of Education. The suggestions in regards to the scope, comprehensive, face and logical validity was used to draw the final instrument. Test-retest method was adopted to establish the reliability of the instrument. The Cronbach Alpha coefficient to determine the reliability of the instrument. The result for the items



gave 0.95. The data collected for the study were analysed using descriptive statistics and Spearman rank Correlation. The hypotheses was tested using the Spearman rank Correlation at 0.05 significant level.

DATA PRESENTATION AND DISCUSSION OF FINDINGS

Demographic Analysis

Table 3 Gender Distribution

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	181	60	60
	Male	121	40	40
	Total	302	100	100

Source: SPSS Output, 2022.

The gender distribution presented above shows that 181 representing 60% of the total respondents are female employees, while 121 representing 40% of the total respondents are male employees in the understudied small and medium-scale ventures in South-South Geo-political zone, Nigeria.

Table. 4 Age Distribution

Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-29	157	52	52
	30-45	103	34	86
	46 & Above	42	14	100
	Total	302	100.0	100.0

Source: SPSS Output, 2022.

The age distribution data presented above shows that 157 representing 52% of the respondents fall under the age group of 18-29years. 103 representing 34% of the respondents fall under the age group of 30-45years, while 42 representing 14% of the respondents fall under the age group of 46years and above in the understudied small and medium-scale ventures in South-South Geo-political zone, Nigeria.

Table: 5 Marital Distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	187	62	62
	Married	85	28	90
	Others	30	10	100.0
	Total	302	100.0	100.0

Source: SPSS Output, 2022

The marital status distribution presented above shows that 187 respondents representing 62% are single; 85 representing 28% of the respondents are married. While 30 respondents representing 10% fall in others among small and medium-scale ventures in South-South Geo-political zone, Nigeria.



Table: 6 Educational Qualification Distributions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSCE	57	19	19	19
	OND/NCE	94	31	31	83
	B.SC/B.ED/B.TECH/B.A/HND	100	33	33	52
	M.SC/MBA/M.ED/M.A	36	12	12	95
	PHD/Others	15	5	5	100.0
	Total	302	100.0	100.0	

Source: SPSS Output, 2022.

The educational distribution presented above shows that 24 respondents representing 19% work with SSCE educational qualification, 41 respondents representing 33% work with OND/NCE educational qualification, 38 respondents representing 31% work with B.SC/B.ED/B.TECH/B.A/HND educational qualification, 15 respondents representing 12% work with M.SC/MBA/M.ED/M.A educational qualification, while 6 respondents representing 5% work with PHD/Others educational qualification in the understudied small and medium-scale ventures in South-South Geo-political zone, Nigeria.

Table: 7 Length of Service Distributions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-4years	82	27	27	27
	5-9years	136	45	45	72
	10-14years	51	17	17	89
	15years & Above	33	11	11	100.0
	Total	302	100.0	100.0	

Source: SPSS Output, 2022

The length of service distribution presented above shows that 82 respondents representing 27% have worked in commercial banks between 0-4years, 136 respondents representing 45% have worked for the understudied small and medium-scale ventures in South-South Geo-political zone, Nigeria between 5-9years, 51 respondents representing 17% have worked for the understudied small and medium-scale ventures in South-South Geo-political zone, Nigeria between 10-14years, while 33 respondents representing 11% have worked for the understudied small and medium-scale ventures in South-South Geo-political zone, Nigeria between 15years and above.

Univariate Analysis

Table 8: Items and Scores on Product/Service Innovation

S/N	Items	SA	A	D	SD	TOTAL
		4	3	2	1	
1.	My organization, has introduced more innovation products and services during the past five years.	114	88	39	51	302
2.	Our services are targeted at new markets or market segments	134	74	73	21	302



3.	My organization’s new products and services are often perceived as original by customers.	82	74	73	73	302
4.	Our reformed products are user friendly to our esteemed customer’s thereby increasing patronage	128	64	71	39	302
5	As part of the implementation process of new innovations, my organization strategizes on new services that provide improved performance	82	74	73	73	302

Source: Fieldwork, 2022

Table 8 above shows the number of responses recorded in each of the response options. For instance, on measurement item 1, respondents were required to indicate their view that their organization, has introduced more innovation products and services during the past five years. Majority (114) of the respondent strongly agreed to it, 88 respondents agreed to it, 39 respondents disagreed to it, while 51 respondents strongly disagreed to it. This response shows that management of small and medium-scale ventures in South-South Geo-political zone, Nigeria consider Product/Service Innovation as important towards organizational performance. The

Table 9: Descriptive Statistics on Product/Service Innovation

	N	Min.	Max.	Mean	Std. Deviation
PR/SR 1	302	1.00	4.00	2.9112	1.3233
PR/SR 2	302	1.00	4.00	3.1774	1.4442
PR/SR 3	302	1.00	4.00	2.5483	1.1583
PR/SR 4	302	1.00	4.00	3.0	1.4285
PR/SR 5	302	1.00	4.00	2.5483	1.1583
Valid N (likewise)	302				

responses are summarized in the SPSS table shows below:

Source: SPSS Output, 2022

Table 9 above reveals mean scores above 2.5 point across all the response items. Item 1 with a mean score of 2.9112 indicates that respondents agreed that their organization, has introduced more innovation products and services during the past five years. Item 2 with a mean score of 3.1774 indicates that respondents agreed that their services are targeted at new markets or market segments. Item 3 with a mean score of 2.5483 indicates that respondents agreed that their organization’s new products and services are often perceived as original by customers. Item 4 with a mean score of 3 indicates that respondents agreed that their reformed products are user friendly to our esteemed customer’s thereby increasing patronage. Finally, item 5 with a mean score of 2.5483 indicates that respondents agreed that as part of the implementation process of new innovations, my organization strategizes on new services that provide improved performance

Table 10: Items and Scores on Financial Performance

S/N	Items	SA	A	D	SD	TOTAL
		4	3	2	1	
1.	Our organization adopts new product and service innovation practices that will help to	152	48	49	53	302



	stimulate our profitability.					
2.	My organization utilizes new technologies in her operations to increase liquidity in our firm	98	74	73	57	302
3.	Our organizations adopt standard procedure for operations that increases profitability	96	72	67	67	302
4.	Product innovations in general is responsible for the increase in our turn-over rate	190	50	39	23	302
5.	By focusing on meeting our customer needs, our organization have been able to enhance financial performance	94	78	71	59	302

Source: Fieldwork, 2022

Table 10 above shows the number of responses recorded in each of the response options. For instance, on measurement item 1, respondents were required to indicate their view their organization adopts new product and service innovation practices that will help to stimulate our profitability. Majority (152) of the respondent strongly agreed to it, 48 respondents agreed to it, 49 respondents disagreed to it, while 53 respondents strongly disagreed to it. This response shows that employees of small and medium-scale ventures in South-South Geo-political zone, Nigeria consent that innovation enhances of organizational innovation. The responses are summarized in the SPSS table shows below:

Table 11: Descriptive Statistics on Financial Performance

	N	Min.	Max.	Mean	Std. Deviation
FP 1	302	1.00	4.00	3.0887	1.4039
FP 2	302	1.00	4.00	3.0377	1.3807
FP 3	302	1.00	4.00	2.6774	1.2170
FP 4	302	1.00	4.00	3.5241	1.7012
FP 5	302	1.00	4.00	2.5402	1.1101
Valid N (likewise)	302				

Source: SPSS Output, 2022

Table 11 above reveals mean score of above 2.6 cut across the items. However, item 1 with a mean score of 3.0887 indicates that respondents agreed that their organization adopts new product and service innovation practices that will help to stimulate our profitability. Item 2 with a mean score of 3.0377 indicates that respondents agreed that their organization utilizes new technologies in her operations to increase liquidity in our firm. Item 3 with a mean score of 2.6774 indicates that respondents agreed that their organizations adopt standard procedure for operations that increases profitability. Item 4 with a mean score of 3.5241 indicates that respondents agreed that product innovations in general is responsible for the increase in our turn-over rate. Finally, item 5 with a mean score of 2.5402 indicates that the respondents agreed that by focusing on meeting our customer needs, our organization have been able to enhance financial performance.

Table 12: Items and Scores on Market Performance

S/N	Items	SA	A	D	SD	TOTAL
		4	3	2	1	
1.	Product innovations in general is responsible	114	68	67	53	302



	for the improvement in our sales growth					
2.	My organization utilizes new technologies in her operations to enhance customer loyalty	40	74	73	115	302
3.	Our organizations adopt standard procedure for operations so as to increase our market share	148	72	51	31	302
4.	Our organization adopts new product and service innovation practices to stimulate our sales growth	114	68	67	53	302
5.	By focusing on meeting our customer needs, our organization have been able to enhance customer loyalty	148	72	51	31	302

Source: Fieldwork, 2022

Table 12 above shows the number of responses recorded in each of the response options. For instance, on measurement item 1, respondents were required to indicate their view if their product innovations in general is responsible for the improvement in our sales growth. Majority (114) of the respondent strongly agreed to it, 68 respondents agreed to it, 67 respondents disagreed to it, while 53 respondents strongly disagreed to it. This response shows that employees accept that organizational innovation influence organizational performance of small and medium-scale ventures in South-South Geo-political zone, Nigeria. The responses are summarized in the SPSS table shows below:

Table 13: Descriptive Statistics on Market Performance

	N	Min.	Max.	Mean	Std. Deviation
MP 1	302	1.00	4.00	2.8629	1.3013
MP 2	302	1.00	4.00	2.0403	0.9274
MP 3	302	1.00	4.00	3.2419	1.4736
MP 4	302	1.00	4.00	2.7645	0.7450
MP 5	302	1.00	4.00	3.0919	1.0436
Valid N (likewise)	302				

Source: SPSS Output, 2022

Table 13 above reveals mean scores above 2.5 cut across all the items. However, item 1 with a mean score of 2.8629 indicates that respondents agreed that Product innovations in general is responsible for the improvement in our sales growth. Item 2 with a mean score of 2.0403 indicates that respondents disagreed that their organization utilizes new technologies in her operations to enhance customer loyalty. Item 3 with a mean score of 3.2419 indicates that respondents agreed that their organizations adopt standard procedure for operations so as to increase our market share. Item 4 with a mean score of 2.7645 indicates that respondents agreed that their organization adopts new product and service innovation practices to stimulate our sales growth and finally, item 5 with mean score of 3.0919 denotes that the respondents agreed that by focusing on meeting our customer needs, our organization have been able to enhance customer loyalty in small and medium-scale ventures in South-South Geo-political zone, Nigeria.

Table 14: Items and Scores on Operational Performance

S/N	Items	SA	A	D	SD	TOTAL
		4	3	2	1	
1.	We implement new product and service	88	80	67	67	302



	innovation practices in our organization to improve our product quality					
2.	We utilize new technologies in our operations to increase product and service efficiency	94	64	73	71	302
3.	We adopt standard procedure for operations to increase our general operation efficiency	124	80	57	41	302
4.	Product innovations in general is responsible for the increase in our product availability	96	82	49	75	302
5.	Focusing on our product quality has made it possible for us to meet our customer needs.	124	80	57	41	302

Source: Fieldwork, 2022

Table 14 above shows the number of responses recorded in each of the response options. For instance, on measurement item 1, respondents were required to indicate their view if their organization implement new product and service innovation practices in our organization to improve our product quality. Majority (88) of the respondent strongly agreed to it, 80 respondents agreed to it, 67 respondents disagreed to it, while 67 respondents strongly disagreed to it. This response shows that the respondents agreed that operational performance influence organizational performance of small and medium-scale ventures in South-South Geo-political zone, Nigeria. The responses are summarized in the SPSS table shows below:

Table 15: Descriptive Statistics on Operational Performance

	N	Min.	Max.	Mean	Std. Deviation
OP 1	302	1.00	4.00	2.6451	1.2023
OP 2	302	1.00	4.00	2.6129	1.1876
OP 3	302	1.00	4.00	3.0403	1.3819
OP 4	302	1.00	4.00	2.5838	1.0675
OP 5	302	1.00	4.00	3.0403	1.3819
Valid N (likewise)	302				

Source: SPSS Output, 2022.

Table 15 above reveals mean scores 2.5 and above cut across all items. However, item 1 with a mean score of 2.6451 indicates that respondents agreed that their organisation implement new product and service innovation practices in our organization to improve our product quality. Item 2 with a mean score of 2.6129 indicates that respondents agreed that their organisation utilize new technologies in our operations to increase product and service efficiency. Item 3 with a mean score of 3.0403 indicates that respondents agreed that their organization adopt standard procedure for operations to increase our general operation efficiency. Item 4 with a mean score of 2.5838 indicates that respondents agreed product innovations in general is responsible for the increase in our product availability. Finally, item 5 with a mean score of 3.0403 indicates that respondents agreed that focusing on our product quality has made it possible for us to meet our customer needs.



Bivariate Analysis

Decision Rule

Decision: If sig = p > 0.05 the hypothesis is rejected

If sig = p ≤ 0.05 the hypothesis is accepted

Product/Service Innovation and Venture Performance

Ho₁: There is no significant relationship between product/service innovation and financial performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.

Ho₂: There is no significant relationship between product/service innovation and market performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.

Ho₃: There is no significant relationship between product/service innovation and operational performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.

Table 16: Relationship between Product/Service Innovation and Venture Performance

		Product/Service Innovation	Financial Performance	Market Performance	Operational Performance
Spearman's rho	Product/Service Innovation	Correlation	1.000	.777**	.603**
		Coefficient			
		Sig. (2-tailed)	.000	.000	.000
		N	302	302	302
	Financial Performance	Correlation	.777**	1.000	.457**
		Coefficient			
		Sig. (2-tailed)	.000	.000	.000
		N	302	302	302
	Market Performance	Correlation	.603**	.457**	1.000
		Coefficient			
		Sig. (2-tailed)	.000	.000	.000
		N	302	302	302
Operational Performance	Correlation	.551**	.224**	.430**	1.000
	Coefficient				
	Sig. (2-tailed)	.000	.000	.000	.000
	N	302	302	302	302

** Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output, 2022

Column two of table 16 above shows r value of 0.777 at a significance level of 0.00 which is less than the chosen alpha level of 0.05 for the hypothesis relating product/service innovation and financial performance. Since the level of significance is not above the alpha degree of 0.05, the null hypothesis (Ho₄) which states that there is no significant relationship between product/service innovation and financial performance of small and medium-scale ventures South-South Geo-political zone, Nigeria is rejected and the alternate hypothesis accepted. This suggests that there is a exist a strong relationship between product/service innovation and financial performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.



Column three of table 16 above shows r value of 0.603 at a significance level of 0.00 which is less than the chosen alpha level of 0.05 for the hypothesis relating product/service innovation and market performance. Since the level of significance is not above the alpha degree of 0.05, the null hypothesis (H_05) which states that there is no significant relationship between product/service innovation and market performance of small and medium-scale ventures South-South Geo-political zone, Nigeria is rejected and the alternate hypothesis accepted. This suggests that there is a exist a strong relationship between product/service innovation and market performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.

Column four of table 16 above shows r value of 0.551 at a significance level of 0.00 which is less than the chosen alpha level of 0.05 for the hypothesis relating product/service innovation and operational performance. Since the level of significance is not above the alpha degree of 0.05, the null hypothesis (H_06) which states that there is no significant relationship between in product/service innovation and operational performance of small and medium-scale ventures South-South Geo-political zone, Nigeria is rejected and the alternate hypothesis accepted. This suggests that there is a exist a strong relationship between product/service innovation and operational performance of small and medium-scale ventures South-South Geo-political zone, Nigeria.

Discussion of Findings

To determine the relationship between product/service innovation and financial performance of small and medium-scale ventures South-South Geo-political zone, Nigeria:

The findings of this study revealed that there is significant relationship between product/service innovation and financial performance of small and medium-scale ventures South-South Geo-political zone, Nigeria ($R = 0.777$, $P = 0.000 < 0.05$). This finding is consistent with the previous findings of Udegbe (2013) who designed a study to investigate the relationship between product development by innovation and organizational performance. The findings show that the impact of product development on organizational performance was higher in Nigeria when consumers perceive product innovation as stronger, more favorable and more unique. Creativity/quality of the innovation process exert a positive influence on product development and organizational performance. Another study by Kassimu *et al.*, (2020), assessed the influence of innovation orientation dimensions on the performance of manufacturing small- and medium-sized enterprises (SMEs) in Ghana. The result showed that market innovation significantly predicted SMEs' performance. Conversely, non-significant positive nexus was established between process innovation and SMEs' performance as well as product innovation and SMEs' performance. Based on the outcome, the stakeholders in the SME sector should aim at improving their market, products and process innovations.

To find out the relationship between product/service innovation and market performance of small and medium-scale ventures South-South Geo-political zone, Nigeria:

The findings of this study revealed that there is significant relationship between product/service innovation and market performance of small and medium-scale ventures South-South Geo-political zone, Nigeria ($R = 0.603$, $P = 0.000 < 0.05$). The findings of this study are consistent with the previous findings of Van Auken, Madrid-Guijarro and García-Pérez-de-Lema (2018) who investigated the relationship between the degree of innovation (measured as innovation in products, processes and administration systems) and performance among a sample of 1,091 Spanish manufacturing SMEs. Findings of the study provide evidence that innovation positively



impacts SMEs performance in low and high technology industries. The study also found that innovation is more important to achieving a competitive advantage to high technology firms than low technology firms. These results support the proposition that innovation is crucial to firm's sustainable competitive advantage. Also, Collins *et al.*, (2018), examined service innovation, pricing capability and firm performance of SMEs auto services. The results showed that firm performance is influenced by both service innovation and pricing capability and that pricing capability mediates the relationship.

To examine the relationship between product/service innovation and operational performance of small and medium-scale ventures South-South Geo-political zone, Nigeria:

The findings of this study revealed that there is significant relationship between transparency and organizational identification in commercial banks in Nigeria ($R = 0.551$, $P = 0.000 < 0.05$). The findings of this investigation agree with previous findings of Kiptoo and Koech (2019), examined the effect of strategic innovations on organizational performance of manufacturing firms in Kwale County. The study findings established that it has a positive and insignificant relationship with the performance of manufacturing firms. Therefore, this implied that a unit increase in technological innovation would lead to an increase in organizational performance. On product innovation, regression test indicated a positive and significant effect on the organizational performance. Further, it was observed that marketing innovation had a positive and significant effect on organizational performance. Also, Bayus (2013) succeeded in proving that product innovation has a significant positive link with organizational performance.

Conclusion

This study has underscored the critical role of product and service innovation in enhancing the performance of small and medium-scale ventures (SMEs) in the South-South Geo-political zone of Nigeria. Empirical evidence from the research reveals a significant positive relationship between innovation and various performance metrics, including financial, market, and operational performance.

The findings indicate that SMEs that embrace innovation not only improve their profitability but also enhance market share and operational efficiency. This correlation suggests that innovation is a vital strategic tool for SMEs to gain a competitive edge, especially in the challenging economic environment of Nigeria. The study aligns with previous research, reaffirming that innovation-driven approaches are essential for the sustainable growth and success of SMEs.

By adopting innovative practices, SMEs in Nigeria can overcome many of the challenges they face, such as infrastructure deficits and frequent policy changes. Thus, fostering a culture of innovation is imperative for SMEs aiming to thrive and contribute significantly to the economic development of the region. This research contributes to the existing literature by providing insights into the specific context of Nigerian SMEs, emphasizing the necessity for continuous innovation to ensure long-term performance and competitiveness.

Recommendations

Based on the findings of this study, the following recommendations were made;

1. The study recommends that small and medium-scale ventures should have a feedback channel that captures customer complaints and effectively use the complaints to improve service and products.



2. Furthermore, the study recommends that the small and medium-scale ventures should design a marketing strategy that makes customers feel a part of the company through social responsibility and promotions.
3. It is recommended that small and medium-scale ventures should invest in automating routine tasks so as to improve efficiency in the production process. The small and medium-scale ventures should restructure organizational structures to enhance inter-functional team working as it will provide smooth environment for innovations

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