

**EFFECT OF ENTREPRENEURIAL INNOVATION ON ORGANIZATIONAL
GROWTH OF SMALL AND MEDIUM ENTERPRISES IN THE SOUTH-
SOUTH, NIGERIA**

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ENUGU CAMPUS**

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**ENTREPRENEURIAL INNOVATION ON ORGANIZATIONAL GROWTH
OF SMALL AND MEDIUM-SCALE ENTERPRISES IN THE SOUTH-
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**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
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DECEMBER, 2017

DECLARATION

I, **WORGU, Steve** a postgraduate student of the Department of Management, Faculty of Business Administration University of Nigeria, Enugu Campus, with Registration number **PG/Ph.D/11/60563**, hereby declare that this research work was carried out by me. The work incorporated in this Thesis is original and has not been submitted in part or full for the award of any degree in this or any other University.

WORGU, Steve

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APPROVAL

This is to certify that this research work was undertaken by **WORGU, Steve** with Registration number **PG/Ph.D/11/60563** and has been prepared according to the policies and regulations governing the requirements for the award of Doctor of Philosophy Degree (Ph.D) in Management of the University of Nigeria, Enugu Campus.

Dr. E. K. AGBAEZE
(SUPERVISOR)

ASSOC. PROF. C.A. EZENWAKWELU
(HEAD OF DEPARTMENT)

DATE

DATE

DEDICATION

This research work is dedicated to the Almighty GOD for His Mercy, endless Grace, favour and protection upon my life and my entire Family.

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Abstract

Entrepreneurial innovation as innovative behavior and practices remains critical to organizational growth. It plays an important role in strategically positioning firms with a competitive edge as well as helps such firms to gain entry into new markets. This study evaluates entrepreneurial innovation and organizational growth in small and medium enterprises (SMEs) in South-South region of Nigeria. The specific objectives were to: ascertain the extent to which; new product/service introduction increase sales growth; product/service improvement affect customer base generation; initiation and improvement in production/service methods relates with new product success; new source of supply of raw material increases organizational return on investment; and adoption and modification of new technology increase the number of employees. Descriptive survey method was adopted in the study among 566 staff of registered SMEs in the six (6) South-South) States Nigeria. Structured questionnaire and interview guide were used to obtaining data. The data obtained were analyzed using descriptive statistic and the study hypotheses were tested using linear regression and correlation at 5% level of significant. The result of the study shows that introduction of new product/service significantly and positively increases sales growth ($r = .655$; $r^2 = .429$; $F = 195.383$; $T = 13.978$; $p = .000$); improvement in existing product significantly and positively affect customer base generation ($r = .855$; $r^2 = .731$; $F = 706.173$; $T = 26.574$; $p = .000$); there is a significant positive relationship between initiation and implement of new methods and increase in number of employees ($r = .569$; $p = .000 < 0.05$); new source of supply of raw material significantly and positively increases organizational return on investment($r = .703^a$; $r^2 = .429$; $F = 195.383$; $T = 13.978$; $p = .000$); and adoption and modification of new technology significantly and positively influence product success ($r = .769$; $r^2 = .591$; $F = 375.754$; $T = 19.384$; $p = .000$). It was concluded that business environment is characterized by business innovation which impact on the organization especially in the area of growth as it brings about new method of engaging in product/service delivery in an effort to meet the ever changing consumer taste and spur organizational growth. It was recommended among other things that; the management of various small and medium enterprises (SMEs) should strategically engage in new product/service development as this will create new market for the organizations which will thereby ensure rapid turnover or sales growth for such organization; the need to enhance the already existing product/services is paramount and therefore should be pursued as it will attract new customer as well as retain the already existing customers were recommended.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The past six decades have witnessed growing and mounting studies on entrepreneurship in developed and developing countries. The growth of empirical studies within the innovation framework is one of the most significant developments in expanding the frontier of knowledge in the field of entrepreneurship. Entrepreneurial innovation is the means by which the entrepreneur either creates new wealth – producing resources or endows existing business with enhanced potential for creating wealth (Romero and Martin-Roman, 2012). Entrepreneurial innovation is also the successful adoption of new ways of doing things by the entrepreneur. In other words, innovations are new things applied in the business of producing, distributing and consumption of products or services. Eselemor, (2010) affirmed this by noting that innovation is a specific function of entrepreneurship whether in an existing business or a new venture by an individual.

Page & Connells (2006) points to the fact that entrepreneurs have traditionally been perceived as innovators based on the economic development perspective by Schumpeter (1934). While Lehtimäki (1991) opine that innovation has been used to describe the behaviour of enterprises and innovation can occur in a variety of contexts. Burrone and Jaiya (2005) observe that innovation ‘is one of the most difficult tasks for the entrepreneur. It takes not only the ability to create and conceptualize but also the ability to understand all the forces at work in the environment’ and yet it is now one of the most all-embracing terms used in the business sector (Page & Connells, 2006).

Historically, entrepreneurial innovation is associated with Joseph Schumpeter, the classical Austrian Economist, whose research efforts since 1934s have continued to make significant contribution to entrepreneurship development in particular and economic development in general in developed and developing economies. His ideas and principles of organizational and national economic growth have been found to be useful guide to big and small businesses on survival and resilience. Hence Schumpeter (1934) identified five types of innovation which includes introduction of

a new goods or an improvement in the quality of an existing goods, introduction of a new method of production, opening of a new market, conquest of a new source of supply of raw-materials or half-manufactured good and creation of a new type of industrial organization

Globally, the importance of entrepreneurial innovation as innovative behavior and practices have been linked to organizational growth of SMEs in many countries of the world, which is very critical to the profitability and expansion of the SMEs sector. Available literature revealed that innovation as a key to the growth of SMEs provides firms with a competitive edge over other firms in the industry. It plays an important role in strategically positioning firms with a competitive edge as well as helps such firms to gain entry into new markets (Becheikh, Landry & Amara, 2006). Agarwal, and Ashwani (2008) opines that innovation is vital for stimulating growth in a firm. It has been established that the most innovative firms realize higher turnover of products and services introduced within a period of time. It therefore, stands to reason that for firms to grow, they have to adopt an innovative approach that will enable them gain a competitive edge in the prevailing business environment.

Lumiste, Lumiste and Kilvits (2004) posit that the high growth rate recorded by entrepreneurs in SMEs in advanced countries and the newly industrialized countries (N.I.C.) like South Korea (Hong Kong and Malaysia (The Asian Tigers), and their robust economies, is a function of many variables, including innovation. Lehtimaki (1991) observed in the context of Finnish SMEs that on average, the contribution of innovated new products was more to total sales than to profits. Lehtimaki (1991). whose study focused exclusively on product innovations in German, UK, and Irish SMEs, ascertained that the output of innovative SMEs grew significantly faster than that of non-innovators implying that innovated products contributed to the faster growth of the former. Engel (2004), similar to Roper, found that sales turnover of innovative firms grew faster than that of non-innovative firms. They detected a significant relationship between the share of innovative sales and sales turnover change of firms. Lumiste, Lumiste and Kilvits (2004) found that innovation effects were felt in terms of both product-oriented results such as: improvement in quality of goods and services, and secondly, increased range on goods and services, and

process-oriented results like increased production capacity and improved production flexibility.

Similarly, the success of the emerging BRICS (Brazil, Russia, India, China and South Africa) economies has been, among other factors, traced to the growth of the small and medium-scale enterprises, as they are perceived as the engine room of industrial and technological advancement. In contrast, entrepreneurship in SMEs sector in Nigeria is not as developed as its counterparts in the industrialized nations. Consequently, the performance of the SMEs sector in Nigeria is unfortunately and comparatively low, which have been blamed on environmental constraints and the entrepreneurs' attitude towards innovation (Funsho, 2010)). That is why Funsho (2010) asserts that business enterprises in this part of the world need to constantly innovate in order to ensure growth thus Freeman (1982) asserts that to choose to be non-innovative is to choose death to an organization.

Small and medium enterprises have been considered one of the driving forces in the economy due to their numeral contributions in terms of innovations, employment generation, and export promotion to list a few (Bala-Subrahmanya, Mathirajan, and Krishnawamy, 2010).

Burrone and Jaiya (2005) state that the ability of firms to innovate varies significantly depending on their sector, size, focus, resources and business environment in which they operate. Agarwal and Ashwani (2008) argue that globalization has affected not just the competitiveness of SMEs, but has also threatened the very survival of some of the weaker ones and forced them to modify their manufacturing and marketing strategies. They recommend that SME's need to establish intense linkages with R&D institutions (Research and Development) in order to carry out technology up grade in the long term in order to overcome the rapid technological obsolescence in the globalized economy.

In the Nigerian context, there is a growing stock of literature on entrepreneurship in SMEs, especially with regard to factors influencing its performance such as start-up capital, government policies, psychographic and demographic variables, state of infrastructures, etc as revealed in the empirical studies of Wandu (2013); Eselemor (2010); Etuk (2008); Baridam (2001); to mention but a few. As notable as most of the

empirical studies on SMEs are, the innovation dimension and its influence on the performance and growth of SMEs in Nigeria appears not to have stimulated sufficient empirical interest. Yet, innovation has been found to be an important predictor of growth in the SMEs in many countries of the world (Martins and Namusonge, 2014); Welsch, Price and Stoica, (2013); Subrahmanya et al (2010).

Generating and maintaining the conditions and environment in which creativity and innovation can flourish is a managerial responsibility and certainly one of the most urgent tasks facing SMEs in Nigeria. Many SMEs owners/managers are perceived as non-creative or have little ability to develop new ideas (Muazu, 2001). Essenam (2012), however, has observed many innovations in the SMEs in Nigeria in such areas as food processing, roofing sheets, ICT, etc., which he believes are encouraging and inspiring. It, therefore, seems that the ability and innovative capacity of SMEs varies significantly, depending on their sector, size, focus, resources, and the business environment in which they operate (Burrone and Jaiya, 2005).

So far, studies on innovation and growth have focused on large-scale organizations, especially in the developed economies, but there is limited empirical evidence of the phenomena in the SMEs in Nigeria. In the same vein, various dimensions of entrepreneurship in the SMEs sector such as funding, demographic profiles, psychographic variables, personality traits, functional role and leadership have been explored with a view to predicting entrepreneurial success and growth. However, extant literature in entrepreneurship in Nigeria did not consider the innovation-organizational growth relationship. Thus, there is the need to direct an empirical effort at this under-researched area.

1.2 Statement of the Problem

There is concern over the growth of Small and Medium Enterprises in any nation. This is because it in their growth through profit, expansion, sales growth and market share that the sector can make significant contribution to the GDP. The adoption of innovative ways of doing business ideally is meant to enhance the performance of small and medium scale businesses. When small and medium scale business innovatively changes their business process, an increase tendency of increase performance is often experience or expected. It has been argued that the level of

growth and competitiveness between successful and unsuccessful enterprises in any economy might depend on managerial attitude towards innovation, which is a function of corporate culture, firms' resources and competition.

Despite its pervasiveness and recognition as the largest source of employment, the performance of the SMEs sector in Nigeria is comparatively low compared to its counterparts in advanced countries and emerging economies such as Brazil, Russia, India, China and South Africa. SMEs in many states in Nigeria are not growing at satisfactory levels. Their growth rate has remain rather stagnant, which among other things, has been attributed to poor funding, unfavourable government policies, high operational costs and lack of managerial expertise. Consequently, the afore – mentioned unpalatable situation tends to suggest that the challenges facing the SMEs sector in Nigeria might affect their ability to create and introduce new products, adopt new technologies, device new method of doing things, develop new markets and processes, hence many have remained stagnant in a dynamic and competitive business environment.

In Nigeria, the failure of small and medium scale business within the last few decades have been on the increase especially following the recent trend of globalization. SMEs in the country found themselves in such a helpless situation due shortage of fund to adequately finance or adopt innovative ways of conducting their businesses. Faced with global competition, the SMEs are therefore left with only death sentence as majority lacks the tenacity for innovativeness. In a similar vein, many SMEs in the country today experience draw back in their performance possibly due to lack of innovativeness in terms of product. New product introduction or product improvement has remained a cardinal point of innovativeness among organizations. In today competitive business environment, organization that consistently introduce new products or commit to improving an existing product remains relevant in the business environment, but the lack technical expertise among the management of small and medium scale enterprise, it has been observed that, many at times, the SMEs cling to their old product without aligning to changes in consumer taste. This challenge encompasses the possibility of reducing the organization performance. Low performance which characterizes many SMEs in Nigeria finds expression in low sales and declining profit. Consequently, some employees are laid off (loss of employment)

and in some cases, the businesses collapse, with serious implication for the firm and the economy, (Eselemor, 2010).

Furthermore, the combined effects of technology advancements, competition from local and foreign brands as well as increasingly sophisticated and demanding customers are increasing the pressure on SMEs to innovate or risk failure. The implication is that many SMEs in Nigeria will not grow and compete favourably with their foreign counterparts such as Microsoft, Apple and Oracle in international market if they do not innovate. The business will eventually die if their owners do not innovate in order to have competitive edge.

It therefore stands to reason that what separates the successful and unsuccessful SMEs in Nigeria in terms of growth in the competitive and dynamic business arena might be their attitude towards innovation. However, there is limited knowledge regarding entrepreneurial innovation-organizational growth relationship in the SMEs sector in Nigeria, thus creating a gap in literature that needs to be bridged. Again, since innovation is the cornerstone of the modern concept of entrepreneurship, it is also reasonable to think that organizational growth in the SMEs in terms of sales growth, profit level, return on investment and number of customer base might be influenced by the extent of product, service, process and technological innovation adopted by the SMEs proprietors. However, this has not been clearly substantiated through a rigorous empirical effort. It is against this backdrop that this study is undertaken to empirically evaluate entrepreneurial innovation and organizational growth in the small and medium-scale enterprises in the South-South region of Nigeria within 2006 - 2016.

1.3 Objectives of the Study

This study is designed to empirically evaluate entrepreneurial innovation and the growth of SMEs in South-South region of Nigeria. The specific objectives of the study are to:

1. Determine the extent to which new product/service introduction increase sales growth within 2006 - 2016
2. Ascertain the effect of new product/service in improving customer base generation within 2006 - 2016

3. Assess the nature of relationship between initiation and improvement in production/service methods and new product success within 2006 - 2016
4. Ascertain the level at which new source of supply of raw material increases organizational return on investment within 2006 - 2016
5. Examine the effect of adoption of new technology on number of employees within 2006 - 2016

1.4 Research Questions

The following research questions are derived from the problem statement and objectives of the study and shall be addressed in the study.

1. To what extent does new product/service introduction enhance sales growth within 2006 - 2016?
2. To what extent does product/service improvement affect customer base generation within 2006 – 2016?
3. What is the nature of relationship between in initiation and implement new methods and increase in number of employees within 2006 – 2016?
4. To what extent does new source of supply of raw material increases organizational return on investment within 2006 – 2016?
5. To what extent does adoption of new technology influence new product success within 2006 – 2016?

1.5: Research Hypotheses

The following hypotheses are derived from the objectives, research questions and conceptual framework of the study.

1. Introduction of new product/service do significantly increases sales growth within 2006 - 2016
2. Improvement in existing product/services significantly affect customer base generation within 2006 - 2016

3. There is a positive relationship between initiation and implement of new methods and increase in number of employees within 2006 - 2016
4. New source of supply of raw material increases organizational return on investment within 2006 - 2016
5. Adoption of new technology influences product success within 2006 - 2016

1.6: Significance of the Study

This study is significant by the concern for the development of small and medium scale enterprises in Nigeria, which could be an effective poverty alleviation strategy through entrepreneurial innovation. This is because successful entrepreneurial innovation leads to growth and expansion, which find expression in increase in employment, improvement in sales level and increase in gross domestic products (GDP). And so, this study is significant in the sense that its successful completion will have assessed the level of innovation activities in SMEs in Nigeria and how it has affected growth in the sector, as well as what needs to be done aid the growth of entrepreneurship in SMEs in Nigeria.

Specifically, the small-scale entrepreneurs will find this study invaluable since the development of the small business sector will translate into better business performance for the operators in terms of profits, sales growth, expansion, market share and other indices of performance. In addition, the state government, local and federal government policy makers will benefit immensely from this study as it will provide information on how to grow the SMEs sector through innovation for rural transformation and poverty alleviation as is done in the South Asian and Latin American countries. This will help them in policy formulation.

By contributing to the stock of existing knowledge through this study, this research work would have been justified for bridging the gap in existing literature regarding the state of entrepreneurial innovation in SMEs in economic development of south-south in particular and Nigeria in general.

Finally, development experts, Government, management practitioners, students, academics and researchers will derive immense benefits from this study since it

touches areas of interest with up to-date information regarding the innovation-growth nexus in SMEs in Nigeria. Those who may wish to carry out further research will find this work a useful material.

1.7 Scope of the Study

The scope of this study consists of; content scope, organizational scope, geographical scope and time scope. The content scope assesses entrepreneurial innovation and organizational growth. The organizational scope includes SMEs operating in information and communication technology, agro based firm, manufacturing firms and service firms. Geographical scope is the South-South region of Nigeria, comprising Akwa-Ibom, Bayelsa, Cross River, Delta, Edo and Rivers States. This study restricts the scope of entrepreneurial innovation to product, service, process, technological and market innovations while organizational growth is restricted to revenue. The study focuses mainly on the small and medium- scale enterprises in the manufacturing, food processing, services, agriculture, ICT and Distribution sectors in the South-South region of Nigeria. The time scope covers 2006-2016).

1.8 Limitation of the study

In carrying out this study, certain limitations were encountered, however due to the persistence of the researcher, the research work became successful.

The first challenges encountered while carrying out the present study is paucity of material especially literatures that relates to entrepreneurial innovation in the Nigeria business environment. It took a great deal of persistence and visitation to numerous libraries across the country in order to obtain some relevant literatures used in the study.

In addition, the attitude of the participants and the attitude of Corporate Affairs Commission staff was overwhelming discouraging. First, the staff of Corporate Affairs Commission, almost decline in the provision of the list of Nigeria registered small and medium scale enterprise, it took the researcher several months of traveling to the office and meeting with some of the personnel in the ministry before such data was provided.

Also, the participants' were adamant in filling the research instrument as they perceive it as a mechanism to probe their performance and possible laden them with higher taxation. The researcher however was able to convenience the participants' by assuring and reassuring them that whatever data they provide is strictly for academic purpose.

Finally, combing official and domestic responsibility with the demand of the research work was really challenging in carrying out the present study. Many at times personal scarifies were the only alternative adopted in carrying out the present study.

1.9 Operational Definition of Terms

The following terms as used in this context study need to be defined.

Entrepreneurial Innovation: It is the development of a new product, process, service, technology and market by an entrepreneur for profitable operation in a dynamic and competitive SMEs business environment.

Organizational Growth: It is a progression or improvement in the performance of a SME in terms of sales growth, increase in customer base, and increase in employment generation and market share.

Product Innovation: Product innovativeness is defined as the

novelty of products introduced to the market in a timely fashion. (e.g number of innovative products and patents produced by each firm).

Process innovativeness: It is related to the introduction of new production methods, new process, new system, new management approaches and new techniques that can be used to improve production and managerial processes.

Market innovation: This is related to the novelty of market oriented approaches (e.g. new markets, new design, new distribution channel, new presentation way, new payment models, etc).

Technological Innovation: This is the adoption and modification of new technological information, skill, and access to technical and technology support mechanisms, rate of use of computers and ICT and technology network.

Service Innovation: It is the development of service products which are new to the supplier or an offering not previously available to a firm's customers, resulting from additions to or changes in the service concept.

1.9: Profile of the Organization

1.9.1 CCT Computers

CCT is a global IT solutions corporation having ties with International IT Giants like Microsoft, Oracle, Comptia, Cisco, Pearson VUE, Prometric and the Federal Government of Nigeria under the National Innovative /diploma program as well as offering products and services to different states with Centre's located in Benin, the Edo State Capital, Warri, in Delta state and Akure, the Ondo State capital. CCT began with the vision to provide a solution to the massive requirement for IT talents in Africa. The organization mission is to deliver IT Training to a broad spectrum of people - from students seeking a career in computers to IT professionals requiring advanced skills, from managers giving their careers an edge to school children using computers as a learning tool. Hence, CCT seeks to make IT education easily accessible to people in their own neighborhoods, and even within their own homes through the internet.

CCT is manned by highly skilled and experienced professionals who collectively parade more than twenty (20) year's experience in Computing, Communication, Electronics and Multimedia Implementations hence, CCT, Innovative offerings demonstrate the company's ability to constantly renew itself to anticipate future technology trends in the IT sector.

The key area of CCT specialty included, Computer Consultancy, Computer Assembly, Leasing, Sales, Installation and Maintenance, Corporate/Executive Training, Computer Networking, Systems Analysis and Software Development (Customized packages). Other services offered by CCT computer included, Desktop Publishing (DTP), Data Analysis, animation and Multimedia implementation. CCT computer partner with financial and non-financial institutions, hence they currently have a long list of customers cutting across Banking and Oil Industries, Governmental Agencies, Educational Institutions, Private and Public Organizations.

The Core Values of the Organization

The focus of the organization is to Advance Network solutions specifically design and implementation which includes structured cabling design installation and support of both Wide Area Network (WAN) as well as Local Area Network (LAN). Some Projects Executed by the organization included State Government Supply of Computers and Train-the-Trainers Training on the use of Computers for 450 Personnel comprising Teachers and Civil Servants. Command and Staff College Jaji, Kaduna State Full Computerization of the college laboratory and major offices, Local Area Network of the Computer Laboratory with the installation of PC projectors for effective tutoring and training. University of Benin. Full consultant- maintenance and repair of all systems in the institution. The organization also engage in their systems upgrade, supply of systems, software and peripherals, UPS, stabilizers and other accessories for proper installation and configuration. University of Benin Teaching Hospital (UBTH). Supply of Laptops and peripherals. National Population Commission, Abuja Training, Supply and installation of Computers. Nigerian Agip Oil Company - Port Harcourt, Lagos and Asaba Training of Personnel, lease of computers, maintenance services, equipment supplies and configuration of computer aided graphic.

1.9.2 AMR Microsystem

AMR Microsystem is an Information Technology and Computer Services located at 8 hospitals Road Town Calabar, Cross River State Nigeria. The organization delivers workable robust Information Technology Solutions. AMR Microsystem also provides low cost and quality computer products and accessories to its customers. The Company also defines innovative ways to help build Clients businesses at most affordable means possible. AMR Microsystem is an information Technology and computer services company that engaged in providing latest and innovative business support solutions that add value to new and existing businesses, especially at pocket-friendly rates. Established in 2007, AMR MICROSYSTEM has acquired adequate knowledge and has created a niche in the ICT industry in Nigeria. AMR MICROSYSTEM has also been hosted on popular live Radio Rivers programmes on latest ICT issues,, through which the amiable IT firm has touched lives of individuals and corporate organizations alike, across Nigeria.

AMR MICROSYSTEM is dedicated to being the leading provider of Information Technology Services and solution used for digital communication in the 21st century, to enable secure business and maximize benefits from creating, selling, distributing and using digital content. AMR MICROSYSTEM delivers 24 hours a day support to our clients across the nation. The organization has a rock solid reputation for ingenious solution finding, comprehensive technology approach, customer-orientation and blending of efficiency and cost-efficiency. AMR core solutions include VSAT/Fiber optics supplies and installations, They designs and development, Computer sales and Hardware Maintenance, IT/Computer Training, Cyber café setup, Networking, Consultancy Bulks SMS, Supply of quality laptop/desktop computers, E-payment Solutions, E-Business and consultancy. AMR Microsystem is dedicated to being the leading provider of Information Technology Services and solution used for digital communication in the 21st century, to enable secure business and maximize benefits from creating, selling, distributing and using digital content.

1.9.3 Blue Sail Computer

Blue Sail Computer Academy is an advanced computer training institute located in No. 12 Uwadiae street, by NNPC Medical center, off Giwa-Amu road, G.R.A, Benin City, Edo State, Nigeria. The computer training center was created to offer practical and industry relevant computer programs at affordable rates and convenient time frame. The mission of the organization remains to train and develop self-dependent and industry ready individuals who will contribute to the technology development of the country and the world at large. By re-thinking the education system in Nigeria, the organization has been able to achieve their mission by bridging the gap between classroom experience and the real world. Thus been committed to improving the IT industry in Nigeria, by training individuals with latest ICT concepts and technologies. The service of the organization included but not limited to web design, software development, mobile app development, computer training.

1.9.4 Difameg Network Nigeria Ltd

Difameg Network Nigeria is an Information Technology Solution Provider in Nigeria that provides comprehensive solutions that meets and even exceeds client's expectations. Difameg Network Nigeria is located at 14, Mini Woji Street Off Woji

Road, Woji Town, Port Harcourt, Rivers State, Nigeria. The mission of the organization is to create solutions to real life challenges through computer applications thus the Difameg Network Nigeria seek to achieve this by essentially becoming the IT support department client's businesses. The organization passion is in building solutions that solve immediate need better than anyone other organization and prepare its clients for the future with collective insight and experience that no one else has. The organization team comprises of database administrators, website application developers, software engineers, graphics designer, instructors, network engineers, etc who are experienced in both their core competences and client relationship management. The innovative portfolio of solution of the organization presents limitless opportunities for customers to engage in strategic business planning, increase efficiencies and enhance business operations and processes. Additionally, DIFAMEG offers customers the advantage of carefully designed business applications and services delivered in accordance with their exact business model requirements by using the applicable IT industry standards. The core values of the organization included;

Client Focus: The organization partner with its customers to establish a shared vision, passion and accountability for success.

Integrity: DIFAMEG is reputed for integrity, honesty and accountability as an IT solution Provider Company in Nigeria.

Partnership: DIFAMEG build long lasting, value-adding partnerships with its customers, business partners, and employees through shared vision, enthusiasm, and accountability for success.

Innovation: DIFAMEG stays ahead of the competition requires the ability to foresee, embrace and innovate in the face of change. DIFAMEG continually challenge the status quo and pride ourselves in providing the leadership and experience to help our customers evolve and transform their businesses.

1.9.5 Sirben Limited

Sirben Limited is a duly registered Nigerian Company located at 35 Imgbi Road, Yenagoa Bayelsa State, Nigeria. Sirben Limited is geared towards the provision of

Information Communication Technology Solutions and world class computer education. She has since its incorporation in 2001 grown to become the largest Independent Information Communications Technology (ICT) based Company in Bayelsa State. She also ranks as one of the top seven in the Niger-Delta Region.

Corporate Structure

Sirben's senior management team consists of seasoned executives with decades of experience in all aspects of Information and Communications Technology (ICT). Collectively, they have designed, implemented and operated in several projects in Nigeria. In addition, they have designed, implemented and operated full-service ISP and telephony (domestic and international) centers, and planned, organized and operated large instructor-led technical training programs. Sirben Limited, provide innovative, reliable and efficient ICT solutions for a wide variety of sectors within the Nigerian economy and beyond."

Vision Statement

"To grow a wide variety of ICT solutions that will serve individuals, government, military, and private establishments within and outside Nigeria."

Core Values

Our services have their core values in the acronym "FIVES" which stand for

F - Fear of God,

I - Integrity

V - Value for our Clients and Customers

E - Excellence and

S - Satisfaction

These values guide the execution of the organization daily duties especially towards esteemed customers. SIRBEN is a wholly owned subsidiary of SIRBEN Limited, which is based in Bayelsa State, and which has plans to provide similar services

throughout Nigeria and Africa. The company services included, Reliable Internet Access, Universal Wireless Access, Intercampus Connectivity, Intercom Services and H.R. Solutions. Other services included, demonstration of conferrable expertise in systems integration, data communication, local area networking (LAN), wide Area Networking (WAN), Multi-User Supply. Also the company boost itself in impeccable expertise in web development using various platforms, and in Content Management System, spicing is work with HTML5 and JavaScript.

Applause Computers

Applause Computers Limited is a private limited liability company providing computer and network support services to businesses, institutions, organisations, governmental agencies, and individuals throughout West Africa. It is located at 9 Ikot Ekpene Road, Uyo, 9 Offot Road, Abak, 3 Dominic Utuk Avenue, Uyo Akwa Ibom State, Nigeria. Applause Computers a Nigeria based IT support company offering professional IT services to organisations and businesses. Applause Computers manages all IT needs as well as provide support. Applause Computers leading provider of Technical Support, Web Development Services, IT Training, Business and Project Management, and e-Procurement Consulting. Applause Computers offer IT infrastructure and operations management services, application hosting, security assessment, systems integration, training and consulting, as well as the procurement of hardware and software for your business. Whatever the need, Applause Computers can customize a solution that will fit. Applause Computers also provide full Print Design services for standard office stationery such as business cards, letterheads or compliment slips, or for a corporate brochure or display stand, Applause Computers can build a brand image to be proud of.

Team

First line support team– most simple problems can be fixed over the phone by the first line support team.

Remote support engineers – the next tier of support, remote engineers deal with the more complex problems. Applause Computers have remote access to every machine on your network.

Onsite engineers – our team of fully qualified onsite engineers deals with all types of hardware and software related problems. Applause Computers on-site engineers can also provide cover for IT managers.

Project managers – Applause Computers team of senior technical engineers are in charge of implementing Applause Computers portfolio of custom solutions such as on-site network consultancy, server installation or office moves.

Web Development Team – professional web developers come together in a brilliant assembly of various web development skills, across different web platforms and infrastructure.

Trainers – Qualified trainers on different fields of Information Technology provide personalized training and guidance in IT career building.

Administration department – Applause Computers administration department ensures our customers are kept updated of ongoing work at all times. A sales team within the administration department sources hardware and software for our clients.

Accounts department – Applause Computers accounts department prides itself on consistent and accurate accounting.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This study reviews extant literature in innovation in the SMEs sector and its influence on organizational growth. The review establishes the basic theoretical underpinning for the study. It includes conceptual and theoretical frameworks, empirical review, and dimensions of innovation, SMEs innovation, and relevance of innovation, measures of organizational growth and the relationship between the two variables, etc. The chapter is arranged under the following sub-headings:

2.2 Conceptual Framework

2.2.1 The Concept of Entrepreneurial Innovation

Schumpeter (1964) perceives innovation as the major characteristic of entrepreneurship. In spite of various perspectives of scholars, there is a consensus that innovation is at the heart of modern concept of entrepreneurship (Newmann, 2012). The term “innovation” was used for the first time by Schumpeter at the beginning of the 20th century. His ideas and research have been developed by a number of other authors. Schumpeter defined innovations as product, process and organizational changes that do not necessarily originate from new scientific discoveries Žižlavský, (2011), but may arise from a combination of already existing technologies and their application in a new context (Žižlavský, 2011).

Schumpeter asserts that innovation is paramount for growth and profitability. He identified five areas in which innovation will lead to profit generation, namely:

- a. Innovation in commodities, either by introducing new products or improving old ones;
- b. Innovation in production techniques;
- c. Finding new fertile markets;
- d. Locating new resources and raw materials;
- e. Initiating changes in industrial organizations

Drawing from the above, innovation has been conceptualized as the effort to create purposeful, focused change in an enterprise's economic or social potential (Drucker, 1985). It is the specific function of entrepreneurship, whether in an existing business of a public product institution, or a new venture started by an individual. It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating new values.

Innovation is perceived by some scholars as being synonymous with change, which may be incremental, or radical, evolutionary or revolutionary, enabling or disruptive (Pearson, 1991). These manifestations usually have different effects on producers and users. Thus, innovation facilitates the translation of ideas into products, processes or market. It is the successful adoption of new ways of doing things or new products. Drucker (1985) asserts categorically that "innovation is the purposeful and organized search for changes and a systematic analysis for the opportunities such changes offer management for economic and social development".

Although, some people contend that creativity and innovation are synonymous, they are indeed different. Creativity refers to the generation of novel ideas while innovation refers to making money with the ideas so generated. Creativity is thus the starting point of any meaningful innovation. Innovation is the handwork that follows a conceived idea and usually involves the labour input of many people with varied, yet complementary skills. The challenge is, therefore, to transform creative ideas into tangible products or processes that will improve customer products, cut costs and/or generate new earnings for an organization (Rosenfeld, 1984; Servo, 1988). Functionally, innovation relates to some critical creative elements, which could be expressed as:

$$\text{Innovation} = \text{Conception} + \text{Invention} + \text{Exploitation}$$

Harnessing an idea and transforming its potential into reality require turning around the thinking of many people laying claim to economic resources needed to fuel an idea's growth (e.g. financing, information, human resources). Innovation essentially, usually involves a prolonged battle amongst numerous people and requires tremendous stamina and confidence on the part of the champion (Ekanem, 2002).

Daft (2006) avers that innovation is fundamentally a new way of doing things in an organization's industrial or general environment. It was also argued by Kepler (2009) to mean the "modification of product/service, production process, or technology". In the same vein, Ofoluwa (2007) posits that innovation is "a new feature, policy or practice deliberately planned and established as the terminal state of an organizational change process". It is construed to mean using new ideas or techniques to make changes for development (Hornby, 2011). Often times, problems of semantics occur in the use of the terms "motivation", "change" and "creativity". These terms have been used in a multitude of ways, sometimes with different denotations and other times interchangeably. An attempt has been made here to clarify such confusion.

Kepler (2009) in an attempt to distinguish them, put forth the following definitions "Creativity is the generation of an idea; innovation the modification of product/service, production process, or technology; and change, the alteration of organizational policy, structure or human attitudes and behaviour in order to improve performance'. He perceives creativity as a mere generation of new ideas; and innovation as the application of the creative idea to the solution of a problem. He goes further to explain that creativity applied in innovation includes the application of any idea, borrowed or original, to a situation where it has not been employed before. Innovation then, he asserts, is creativity followed up by entrepreneurial management action to the point where it has an economic impact. He concludes that the creator and the innovator may be different persons, for the creator may lack the desire or means to innovate. Thus, the three phases of innovation are:

- a. creative idea generation
- b. problem solving, and
- c. Implementation through innovation in products/service, production or process.

Kepler (2009) sees all innovations as representing a change, but not all changes are innovative. He argues that innovation is a new feature, policy, or practice that is deliberately planned whereas change could be accidental, or incidental. The discussions above could help to resolve some problems of technicality and semantics associated with the use of these terms.

Views on innovation is inexhaustible as it has also been opined as the development of a new product, the process of developing a new product, or the adoption of the new product (Gundry & Welsch, 2001), and can be investigated at various levels, such as the project level, industry sector or region (Cooper and Edgett 1999; Christensen, 1997; Holbeck, 1986). It has been described as “the successful implementation of creative ideas” (Amabile, 1996) which can lead to solutions to problems that can have a potential impact on revenues of a firm, industry sector effectiveness and the prosperity of nations (Porter, 1990; Harrison & Huntington, 2000).

The Small Business Administration defines innovation as “a process that begins with an invention, proceeds with the development of the invention, and results in the introduction of a new product, process or service to the marketplace.” (Edwards & Gordon, 1984). Innovation has been depicted as a process that occurs in stages (Lynee et al., 1997; von Braun, 1997). More simply, Hart and Oulton (1996) describes the process in two main phases: invention (initiation of idea) and implementation.

Innovation is also perceived as the ability to create new valued propositions through offering new products and services, adopting new operating practices, technological, organizational or market-oriented, or creating new skills and competencies (Schumpeter, 1938). More recently, ‘open innovation’ is a term that has been delineated from innovation itself, and is more collaborative in nature (Rahaman & Ramos, 2010). This type of innovation incorporates joint efforts from in-house functions with possible outsourcing, or perhaps combining several input paths from various sources during the product or service development stage.

This open model has been gaining support due to several factors, such as worker mobility, short product life cycles, globalization and increased competition (Rahman & Ramos, 2010). Alternatively, ‘closed innovation’ refers to the processes that restrict the use of knowledge solely within a company and make little or no use of external knowledge.

Innovation has also been studied in several forms in the entrepreneurship literature. For example, a firm’s ‘Entrepreneurial Orientation’ suggests that a combination of three basic dimensions: innovativeness, proactiveness and risk-taking create the factors closely tied to an entrepreneurial firm. In this case, innovativeness reflects a

tendency to support new ideas, novelty, experimentation and creative processes, thereby departing from established practices and technologies.

A synthesis of the various viewpoints, however, shows a consensus among the scholars that entrepreneurial innovation, generally speaking, is the adoption of an entirely new ideas, techniques, or ways by the organization in carrying out its operations. It is therefore possible to summarize that according to these definitions, innovations do not cover only technical and technological changes and improvements, but in particular practical application and particularly originates from research. The present concept of innovations is that they represent an open approach that reaches beyond the threshold of an organization and thus exploits not only inspections and changes in the internal environment, but also changes in the external environment.

The internal environment of an organization needs to have a suitably preset innovative culture, since this type of culture is characterized by the transience of organizational structures, utilization of specialists and temporary teams, mobile offices, the necessity of speedy and flexible changes responding to new opportunities, which increases the innovative potential of such organizations (Molina-Morales, Sviela and Grundic (2011)). There is no place for standardization; each project is unique. Its characteristic features include flexibility, openness to changes, searching for information and resources in the external environment, anticipation, creativity, experimenting and informal communication.

Wiisema (2009) observes that checks in organizations with this type of culture are not necessary and in order to maintain consistency between managerial practices and the content of such culture it is actually impossible – good work is associated with loyalty drawn from the engagement of employees in the fulfillment of the organization's goals and performance of their tasks (Lukášová, 2010).

Implicit in the definitions of innovation is the fact that it could be in the forms technology, product, process, service, system, organization (structure), administrative or market. However innovation is conceptualized, Yeabsley and De Raad (2002) highlight key aspects and characteristics of innovation which include the following:

Application: The key defining characteristic (widely agreed) is that innovation is about the (successful) use of ideas. So it is beyond mere invention, to successful

implementation and exploitation; Newness: There must be change involved, but whether this is organizational specific is not clear;

Degree of novelty: The changes that are introduced, must be to some extent a “step” change, but this can be as a result of many small innovative enhancements adding up to a significant difference in these areas:

Effectiveness: The change must produce a discernible difference in a measurable fact of the organization, even if only in the cost of a process, or the way things are done behind the scenes;

Objectiveness: The result must be positive in terms of the direction of furthering the declared interests of the organization.

Having presented a review of the concept of innovation, the next sub-section reviews the dimensions of entrepreneurial innovation.

2.2.2 Dimensions of Entrepreneurial Innovation in SMEs

Early research has examined the important role of innovation within entrepreneurship (Schumpeter, 1947). Many dimensions of entrepreneurial innovation have been explored in many studies. Susman, Warren and Ding (2006) argue that the attributes and environments of SMEs vary considerably and therefore influence the type of innovation they adopt. Although they perceive that innovation in products, processes, or services of varying type and degree can be appropriate for different SMEs, they argue that no one option is right for all SMEs.

Susman, et al (2006) identify five dimensions of innovation (product, service, process, technological and marketing innovations whereas Martins and Namusonge (2014) identified three dimensions of innovation, product, process and technological innovations. They are as follows:

2.2.3 Product/service Improvement

Product/service improvement otherwise known as product innovation according to Schumpeter (1934) is defines product innovation as the introduction of a new good; one in which the consumers are not yet familiar with. It is a new quality of a good. Product innovation also greatly influences businesses today. Product innovation is the introduction of new functions, enhanced performance or the addition of new features into the existing products (Susman, 2006).

Raymond (2002) defines product innovation “as all the activities involved in applying new ideas and creativity to develop new product, improvement on or modification of the existing product in a way that is perceived as new by customers or consumers, which provides strategic advantage and profit for the organization”. Begemann, (2006) captures the product innovation situation in these words; When existing products are no longer profitable or have been replaced by competitive offerings, organizations need a flow of new products to achieve long-term growth and profitability (Begemann, 2006).

The above view suggests that product innovation is necessary when old products or products no longer contribute to organizational profitability or have been overwhelmed by competitive brands. Thus from Begemann’s perspective, product innovation is informed by product decline as typified by the product life cycle, which describes the stages in the product life’s history from the introduction to the decline stages.

SME’s face unrelenting pressure from powerful customers to lower prices and accept shrinking margins on sales. SMEs are thereby seeking revenue growth from new products and services. Susman therefore recommends that companies must offer customers new products and services to allow for a more efficient and effective use of products that they currently sell. Nooteboom (1994) ascertains the fact that although only a small proportion of SMEs engage in innovative activities, those that do so appear to have a higher yield for their effort especially in number of new patents that are issued. Nooteboom further recommends that SMEs should pursue product innovation strategies in emerging markets. Woodcock, Mosey and Wood (2000) argue that SMEs often carry out New Product Development process less completely or thoroughly compared to the larger companies.

Product innovation can take from of product adaptation or development of an entirely new product. Derek (2011) states that any change in physical features (design, colour, size, package), however minor it may be, creates another product. Cooper (1999) therefore, defines product innovation as “the act of figuring out what customers want and developing an offering to meet that need”. Hambrick (1985) asserts that the development of new products is an essential part of many firms’ strategies for thriving or surviving in the dynamic and competitive business environment.

In their contribution, Susman et al (2006) opine that SMEs also can introduce product innovations into existing or new markets. They explained that product innovation can include the introduction of new functions, enhanced performance, or added features to existing products. They observe that innovation of this type is generally incremental, arguing that the underlying technology can be new to the firm, but is unlikely to be “new to the world”.

2.2.4 Service Innovation

Some definitions of service innovation taken from the research literature include: the development of service products which are new to the supplier (Johne and Storey, 1998) or an offering not previously available to a firm’s customers, resulting from additions to or changes in the service concept (Menor, 2002). Encompassing ideas, practices or objects which are new to the organization and to the relevant environment, that is to say to the reference groups of that innovator (Crawford and Benedetto, 2003).

Susman et al (2006) assert that one way that SMEs can achieve such growth is by adding services to or around their products. They identified many reasons why the addition of services can provide significant growth opportunities, greater stability, and higher profit margins to SMEs (Reinartz and Ulaga, 2006). Among these reasons are:

- a. Improving predictability of sales and cash flow, especially when many industries suffer from cyclical variations or when many product categories are becoming more saturated with tough competitors competing for market share, which results in “commoditization” of products and hence lower profitability. The authors argue that adding or substituting service revenue can mitigate against some or all of these factors.

- b. Adding services can help consolidate and protect the core product businesses of an SME and thus, differentiate a company from competitors and establish closer relationships with customers.
- c. Innovation in services typically results in increased customer satisfaction and loyalty. Both are concerned with the direct attributes of the service offering, but also with the image of the supplier, and with the unique relationship that the customer and the supplier may have.

2.2.5 Improve Method of Production/Service Provision

Improve method of production/service provision also known as process innovativeness is related to the introduction of new production methods, new management approaches and new technologies that can be used to improve production and managerial processes. SMEs can introduce process innovation to enhance the capability of their production processes or their supply chain operations (e.g., increase reliability or reduce cost). These innovations are developed for their own use; in-house engineering is used to customize them to suit specific applications (Susman et al, 2006).

For Martins and Namusonge (2014), process innovation is the introduction of a new method of production; one that is yet to be tested by experience in the branch of manufacture concerned. It is a process which can also exist in a new way of handling a commodity commercially (Schumpeter, 1934). Process innovation is an aspect crucial to the success of any business. It is an integrated concept that involves changes in the production process which is aimed at reducing the costs, wastes and lead time or at improving production efficiency. Process innovation has a direct and immediate impact on the productivity performance of SMEs (Castillejo et al, 2014) and due to their organizational simplicity; SMEs may be able to implement process innovation faster and at lower switching costs as compared to the larger firms (Buckley and Mirza, 1997). Allocating efficiency structurally stimulates production factors to move from low productivity (low value manufacturing) to high productivity (high value manufacturing) platforms. Innovations consists of the process by which firms master and implement the design and production of goods and services that are new to the user irrespective of whether they are new to their competitors, countries or the world.

Innovation works to improve many large and small areas of product design and quality productions, organization and management routines as well as marketing. It includes modifications in the production process and techniques that collectively reduce costs, increase efficiency, provide for human welfare and ensure environmental sustainability (Munani and Kamau, 2008).

2.2.6 Adoption and Modification of New Technology

This otherwise known as technological innovation relates to the adoption and modification of new technological information, skill, and access to technical and technology support mechanisms, rate of use of computers and ICT and technology network (Martins and Namusonge, 2014). Schumpeter (in Tidd et al. 2006) asserts that entrepreneurs attempt to use technological innovation – a new product or service or perhaps a new process in the course of their production – provided they thus gain a strategic competitive advantage. This creates competition that does not attack profit margins or the outputs of existing organizations, but their essence and their existence as such. With respect to the above said it is important – within the frame of innovations – that are a necessity in today's knowledge, information and innovative society – to follow large organizations that engage in innovation and set the direction for others (Zemplinerová, 2010).

Some researchers observe that increasing profit of organization is because of change in technology (Ruttan, 1997). Regarding the relevance of technological innovation to SMEs, Martins Namusonge (2014) captured it in these words:

Technology is important to support and promote SMEs development as it is responsive to local economies and results in distinctive products and services. Initiatives to support indigenous technology should therefore aim to link SMEs with technology specialists in order to generate an enabling environment that develops technology capacity. This is likely to result in a great performance of SMEs as it provides differentiated products, services and technical services in accordance with the resources available and the market needs in the context of these SMEs.

Technological innovation is a key factor in a firm's competitiveness. Technological innovation is unavoidable for firms which want to develop and maintain a competitive advantage and gain entry in to new markets (Becheikh et al. 2006). Among firms of different sizes, SMEs are generally more flexible, adapt themselves better, and are better placed to develop and implement new ideas. The flexibility of SMEs, their simple organizational structure, their low risk and receptivity are the essential features facilitating them to be innovative (Harrison and Watson 1998).

2.2.7 Marketing innovation

This includes the use of new channels of distribution and new advertising approaches for selling current or new products. SMEs can expand their revenues by selling their current products in new regional or international markets or by expanding their existing product lines into new segments of existing markets (Branzei and Vertinsky, 2006). This kind of innovation, "application innovation" involves applying existing technology for new uses in new markets (Subrahmanya, 2005).

As the review has shown, the various dimensions of innovation have been studied in the SMEs, although some have enjoyed greater attention than others, depending the peculiarities and characteristics of SMEs and the sector in which they operate. Indeed, the research literature on innovation divides strongly into two separate areas of endeavor – product innovation and service innovation. Service innovation research is heavily targeted at specific market sectors such as financial, telecommunications and transportation. Our review of this literature indicates that, although there are some results that are relevant to SMEs, much of the work is so sector specific, the value is limited. Indeed, apart from some relevant research in Finland and Holland (de Jong et al., 2003; Paloheimo et al., 2004), there is an extreme paucity of work that has focused on an integrated approach (i.e examining innovation around the dimensions of product, service, process, technology and marketing) in the SMEs sectors, which is what this study sets out to investigate in Nigerian context.

Other general observations arising from our literature review show that:

- a. Research on innovation models has grown much faster in large-scale organizations than in the SMEs sector.

- b. Research on innovation models combining all the other dimensions with product is extremely limited.

Having presented a review of the dimensions of entrepreneurial innovation in the preceding section, the next sub-heading discusses the concept of organizational growth.

2.2.8 The Meaning of Organizational Growth

Baum-Bank, (1983) cited in Ekanem (2002) states that growth is an expansion of a system in one or more dimensions without a change in its structure, and development of an innovative process leading to the structural transformation of social system.

Ekanem (2002) opines that organizational growth therefore as an increase in the size of the organization or the gravitation towards a given objective. It involves technical or administrative improvement (internally or externally) by which an organization is able to accomplish its set objectives. Comprehensively, it is construed as an increase in the quantity of output as well as a revolution in its quality and composition.

Raynold (2004) views organizational growth as an increase in firm's performance in an industry in relation to competition and industry average. Specifically, it means positive changes in a firm's sales turnover, investment, capital, expansion and market position. Thus, growth is one of the indices of corporate performance.

Quelo and Samuelson (2009) operationally define organizational growth as a progression or improvement in the performance of a SME in terms of sales growth, system, structure, employment generation, capital investment and other quantitative criteria. A more concise idea of growth, according to Ekanem (2002), is that which projects it as an increase in size of a system. He draws a distinction between simple and structural growth. The former describes an addition of objects to a group of objects already in existence (i.e people, machines, etc.) while the latter connotes an increase in the quantity or intensity of the relations of the parts.

Furthermore, growth is inextricably linked with development which is seen as occurring through innovations and providing the framework within which growth takes place (Moreno and Casillas, 2008). Organizational growth therefore manifests in

appreciable increase in the size of the organization or a remarkable gravitation towards a given objective (Ekanem,2002).From the foregoing, it is clear that environmental dynamics create the opportunities or new growth and as growth attains the limits imposed by the existing stage of development, further pressure will often be generated for new development. It is at this stage that new innovations are said to lead to a higher stage of development and new opportunities.

2.2.9 Measures of Organizational Growth

Researchers have used many quantitative criteria to measure organizational growth. Martins and Namusonge (2014) in their study, measured organizational growth using the criteria such as increase in customer base, number of employees, business and profitability. Subrahmanya et al (2010) quantitatively or objectively measured organizational growth in their study, in the forms of sales turnover, employment and investment.

It has been argued that organizational growth can also be measured subjectively. Welsch et al (2013) observe that researchers frequently take the performance of organizations into account when investigating business phenomena, especially with empirical investigation (Schendel & Hoefler, 1979). While most research has focused on large, publicly-held firms, accurate measurements in SMEs are very difficult to attain by survey techniques and represent a major source of measurement error due to the confidential nature of the data and the variance among participating firms (Tushman and Nadler, 1986). Thus subjective measures are a prominent measure of performance across industries. It is expected that successful firms exhibiting high performance will continue their efforts in striving for innovation. Welsch et al (2013) posit that the frequently used measures of performance criteria include profitability, ROI, number of employees, revenues.

Each measure has strengths and weaknesses (Christensen and Bower, 1996); McGee, Funnel and Hicks, 1995). The acknowledged differences between industries in the sample require that characteristics of the industry in which the venture operates be taken into consideration when measuring growth performance (Leonard-Barton and Deschamps, 1988)). Thus, some subjective growth performance measures have been utilized many studies, indicating the perceptions of performance goals with regard to

sales, growth, compared to competitors and an overall evaluation of performance. This follows the Miles and Snow (1978) typology of strategy to investigate the degree to which firms engage in strategies to grow and expand.

In applying the subjective measurement of organizational growth, a manager may also use internally reflection performance measures, for example, “We are more profitable than we were five years ago” (the measures are of objective and subjective classifications). That is, the performance measures can capture both financial measures (in this case profit) and non-financial measures (e.g. market share, sales growth, positive corporate image, industrial harmony team spirit, etc.)

Scholam, Jaworski and Kholi (2005) observe that corporate growth performance has been operationalized in many ways including:

- a. profitability
- b. market share
- c. return on assets or on investment
- d. change in market share or profitability
- e. new product success, etc.

They further added that organizational growth can be satisfactory if it high, unsatisfactory if the company’s performance is far below the industry average. These scholars also stated that growth performance measure could be classified as objective, subjective, or combination of the two. Subjective measures center on managers’ assessment of the performance of their business unit or firm, relative to expectations or competitors. In such cases, managers may account for competitive and environmental conditions when producing subjective measures. For example, managers may rate their firm’s profitability relative to major competitors. Alternatively, managers may be asked to indicate how satisfied they are with their firms’ growth, e.g. sales growth. In contrast, objective measures assess the actual growth performance of the firm on absolute scales. Thus corporate organizational growth involves both objective and subjective measures. But Jaworski and Kholi (1993) have observed that in most cases, managers do not provide objective information regarding the performance of their

firms in absolute terms. It is for this reason that scholars and researchers tend to place more confidence in the results obtained using judgmental (subjective) measures of growth performance. For this study, organizational is measured in term of sales growth and expansion.

From the foregoing, most of the scholars while acknowledging the quantitative nature of measures of most criteria of organizational growth, tend to the congruence that the differences between industries in focus, the characteristics of the industry in which the venture operates, attitude of managers towards quantitative data provision and perception of performance goals be taken into consideration when measuring organizational growth. These characteristics in their views, determines whether objective or subjective measures of organizational growth will be most appropriate

2.2.10 Organizational (Internal) and External Factors Influencing SMEs Innovation

Susman et al (2006) have observed that internal and external forces influence entrepreneurial innovation in SMEs.

a. Organizational Characteristics: Internal factors could be the firm's resources, self-motivation, technical education background, work experience, and innovative ideas of entrepreneurs (Hannel, 2011). On the other hand, external factors such as customer requirements, information given by suppliers of equipments/materials, market opportunities, availability and accessibility of institutional support, economic incentives, competition, etc. might also prompt some entrepreneurs to undertake innovation.

However, the ability and innovative capacity of SMEs varies significantly, depending on their sector, size, focus, resources, and the business environment in which they operate (Burrone and Jaiya 2005). They observed that if a firm has to technologically innovate, it should have in-house technological competence in the form of technically qualified and motivated entrepreneurs or managers with innovative ideas and technically skilled employees.

b. Market Characteristics: Susman et al (2006) opine that there must be a market demand for the innovated products in the form of an explicit customer demand or

implicit market opportunities. Of course, the relative importance of these internal as well as external factors might vary from firm to firm or from industry to industry or even from economy to economy and from time to time.

Lehtimäki (1991) attributed the emergence of new ideas for product innovations in SMEs of Finland to top management. These small firms very actively explored new product ideas and the most frequent way of achieving this included contacts with customers. Chanaron (1998) identified demand placed on business by customers/clients, close working relationships with a key customer and close analysis of competitor products as the major drivers of innovation in SMEs covered in three different countries: UK, France, and Portugal.

Reid (1993) in his coherent, integrated and nationwide profile of the UK's SME sector on technology and innovation (which covered 2028 SMEs drawn equally from manufacturing and key professional, technical, and business service sectors) found that internal technological capability is important but SMEs at the same time access technical information from a range of external sources, of which suppliers or customers are the most frequent. As Ussman et al. (2001), SMEs in Portugal do not just depend on internal sources but are also strongly influenced by the overall environment.

Hoffman et al. (1998) based on a survey of studies pertaining to UK, found that on balance, internal factors are likely to be more important core determinants of whether innovation plays a key role in success or failure than are external factors. By and large, these studies underlined the importance of both internal and external factors as the driving forces of innovation. Vonortas and Xue (1997), while studying the process innovations of small firms in the USA, observed that economic incentives, internal resources, and technical and organizational competencies that a firm has developed or accumulated over time and a firm's linkage to external sources of expertise for learning about new technological development were the major forces that influenced these firms in adopting a process innovation.

These studies strongly indicate that neither internal competence of the firm nor customer requirements alone will drive a firm to undertake innovations. Innovation

will emerge only when a technically competent firm is able to identify and respond to customer requirements by developing and/or improving products/processes.

c. Nature of Industry

SME innovation behavior varies by industry sector. Chemical and machinery industries are capital intensive, thereby making SMEs in these industries very cautious about innovations that require large capital investments. Thus, it is understandable that half of the innovation in the chemical and machinery industries is incremental (Huang and Xuelu 2002). Similarly, customers in food, textiles, and furniture tend to be conservative, thereby leading firms to be cautious about their innovation initiatives (Ulrich and Eppinger 2004). Although innovation tends to be incremental in textiles and food, it is more radical in optics, ceramics, and chemicals. Similarly, textile, lumber, wood and paper mills, printing and publishing, and construction firms rely heavily on equipment suppliers for process innovation (Pavitt, 1984).

Nature of Industry:

The type of innovation that SMEs pursue also depends on whether their industry is emerging (where radical innovation is more likely) or is mature (where incremental innovation is more likely) (Nooteboom, 1994). Apparel is highly seasonal and fashion oriented, which prompts shorter and inexpensive innovation efforts. In contrast, computers and electronics have high product obsolescence rates; which means higher and more continuous investment in incremental innovation (Ulrich and Eppinger 2004).

Wright, Gregory and Joannason (2005) suggest that the hostility of the environment influences innovativeness. Firms operating in highly competitive (hostile) markets are likely to be more successful innovators by increasing the number of new product introductions through incremental innovation in order to meet customer needs. The study suggests that the resources of firms embedded in highly competitive markets would be better spent on incremental innovations rather than radical ones because of the cut-throat nature of the environment. In contrast, Leonard-Barton and Deschamps, (1988) found that environmental hostility lessened SME innovativeness. Few of the available SME studies focus on U.S. firms, and it is likely that countries differ

significantly in institutional factors (e.g., government subsidies and support to SMEs) that will affect their approach and interest in innovation (Chaminade and Vang 2006). Government plays a much more prominent role in the economies of most European and Asian countries.

d. Type of Customers:

The type of customers that SMEs serve also influences the type of innovation they undertake. SMEs that sell consumer products generally serve a larger number of customers directly or through distributors than do SMEs that sell products or services directly to other businesses. They also must devote more time and attention to market research and advertising and generally have more difficulty getting timely and accurate feedback from their customers. SMEs that sell products to other firms, such as equipment, components, or instrumentation, generally have fewer customers than those that sell consumer products. Pavitt (1984) referred to such firms as specialized equipment suppliers. This type of firm is the main focus of this report. Their customers tend to be large, scale-intensive firms in industries such as food, metal manufacturing, shipbuilding, automobiles, glass and cement. Poor operating performance, especially downtime, is very costly for them. Thus, they may be receptive to outsourcing their in-house technical services, if convinced that a supplier can do a better job, and thereby allow them to concentrate on their core competencies (Raynold, 1990). In contrast, their SME suppliers are not scale-intensive, but rely on firm-specific technical skills in design and manufacturing that they deploy quickly to meet their customers' needs. Small customers are candidates for services too

f. Human Capital:

Human capital and creative research work are according to Zemplerová (2010) and Autant-Bernard (2001) considered the most important determinants of innovation. Adair (2004) opines that an innovative organisation should have a bucketful of ideas. For Košturiak & Chal' (2008), Skarzynski & Gibson (2008), Tidd, Bessant & Pavitt (2007) an innovative process can be divided into two essential parts. One part is inventive – associated with the generation of the original idea, thought or concept – and the second innovative, during which the invention is implemented and marketed. Wandt (2005) states that innovation is the result of employees' creativity in an

organization and must be always targeted at customers and bring added value. It is therefore necessary to realize that the inventive part is based on people's knowledge, skills and experience (Molina-Morales, Garcia-Villaverde & Parra-Requena, 2011).

The human factor is an indispensable element in the process of innovation. Based on analyses of external and internal conditions, people generate ideas that might help an organization gain a competitive advantage and thus distinguish it, at least for a certain period of time, from its competitors. Innovation capability of an organization according to Martín-de Castro, Delgado-Verde, Navas-López & Cruz-González (2013) depends closely on its intellectual and/or organizational knowledge assets and on its ability to employ these assets.

Implicit in the above review is the fact that innovation in the SMEs is not a function of one factor. Market pressure, organizational characteristics, nature of the industry and Individuals who are holders of knowledge represent a tool for the generation of innovations, due to their personal creativity, their knowledge, skills and abilities. The extent to which SMEs are enhanced or impeded by these factors determines their innovative capacities.

The Relationship between Product Innovation and Organizational Growth

With innovation, quality of products could be enhanced, which, in turn, contributes to firm performance and, ultimately, to a firm's competitive advantage (Walobwa et al., 2013). Bayus, Erickson and Jackson (2003) proved that product innovation had positive and significant link with organisational performance. Also, Coad and Rao (2008) confirmed a significantly positive impact of product innovation on firm performance. Similarly, Calestous Juma and Lee Yee-Cheong (2006) found that both product innovation dimensions (efficacy and efficiency) were strongly and positively related to firm performance. Furthermore, the introduction of a novel product was confirmed by Varis and Littunen (2010) to be positively associated with firm performance. Moreover, Walker (2005) conducted comparative research on the effects of product and process innovations on firm performance. They indicated that particular product improvements are positively associated with firm growth.

Besides, Tung (2012) stressed the importance of both continuous product innovation and innovation leadership to assure competitiveness, customer loyalty, and

organisation survival. He opined that product innovation was directly related to an organisation's performance. Also, D' Angelo (2010) used a sample of Italian firms operating in the high tech settings within the manufacturing industry (HTSMEs). After applying a 3Tyear lag time approach, and running various regression models, he concluded that product innovations and the turnover derived from innovative activities positively and significantly affects the export intensity (performance) of firms.

In addition, Atalay, Anafarta and Sarvan (2013), after conducting a survey on top level managers of 113 firms operating in the automotive supplier industry, demonstrated that product innovation has significant and positive impact on firm performance. Analysing a sample of 207 firms in Australia, Noruzy et' al (2013) concluded that both product innovation performance and product quality performance are found to positively affect business performance. Furthermore, the findings of Hall (2011) indicated a substantial positive relationship between product innovation activities and productivity. Likewise, Warren and Susman (2004) utilised factor and regression analyses procedures to provide insights into the relationships between organisational performance and the different facets of innovation, and concluded that specific innovation, such as product innovation, appears more significant on promoting organisational performance than organisational Twide innovation.

Moreover, Gibbon and Ponter (2005), using structural equation modelling with data collected from 270 managers of SMEs located in Turkish science and technology parks (STPs), found that product innovations have a strong and positive association with organisational performance. Finally, Autant-Bernard, Fadairo and Massard (2013) collected on a total of 284 from SMEs in the food and beverage, textiles and clothing, and wood Tbased subTindustries, and used hierarchical regression analysis to confirm the hypothesis that product innovation influenced firm performance significantly.

The Relationship between Process Innovation and Organizational Performance

According to Galende, and De la Fuente, (2003), incremental technological (product and process) innovations help improve company competitiveness with the ultimate aim of increasing company value. Crucial to the manufacturing industry, process

innovation should be emphasized by a firm as its primary distinctive competence for competitive advantage (Noruzy et al., 2013). More specifically, such an innovation is positively associated with firm growth (Chesbrough and Rosenbloom, 2002). Consistent with this argument, Varis and Littunen (2010) studied SMEs in Finland and found that process innovation is positively associated with firm performance. More so, using new technology as a proxy for process innovation, Blumentritt and Danis (2011) reconfirmed the positive and significant influence of process innovation on firm performance.

Additionally, using a sample of 229 Portuguese manufacturing organisations, Castillejo et al. (2014) utilised factor and regression analyses procedures to provide insights into the relationships between organisational performance and the different facets of innovation, and concluded that specific innovation, such as process innovation, appears more significant on promoting organisational performance than organisational innovation. Madrid

Martín-de Castro et al. (2013) investigated product, process and management innovation among a sample of Spanish manufacturing SMEs during the period of economic downturn and a period of economic growth. They concluded that process innovation was positively associated with firm performance during the economic expansion and recession years.

Similarly, Varis and Littunen (2010) suggested that the introduction of novel process innovations is positively associated with firms' growth. Equally, Tung (2012) investigated the innovation management practices in Iranian organisations and concluded that both appropriate innovation inputs and effective innovation processes are positively related to business performance. Likewise, Atalay, Anafarta, and Vang (2013) used hierarchical regression analysis to examine the relationship between innovation and performance of 284 Malaysian SMEs in the food and beverage, textiles and clothing as well as wood-based subindustries to confirm the hypothesis that process innovation influenced firm performance significantly.

Correspondingly, Atalay et al. (2013) demonstrated that process innovation has significant and positive impact on firm performance. In the same way, Blumentritt and Danis (2011) used structural equation modelling with data collected from 270

managers of SMEs located in Turkish science and technology parks and found that process innovations have a strong and positive association with organisational performance.

The Relationship between Marketing Innovation and Organizational Performance

Johne and Storey (1998) ensured that marketing innovations increase sales by increasing product consumption to yield additional profit to firms. They further explained that incremental market innovation is about new ways of reading and serving current markets, which ensures firms to provide appropriate offers that yields greater avenues (Johne & Storey, 1998). deBrentani (2001) discovered that market innovation has a positive effect on sales growth of a firm, whilst Varis and Littunen (2010), using an estimated model, confirmed a highly significant relationship between a market Trelated innovative activity and firm performance.

Similarly, Zhang, Chai, and Tan (2005) found strong evidence that market innovation positively influenced business performance. Equally, Atalay et al. (2013) investigated top level managers of 113 firms operating in the automotive supplier industry in Turkey and found no evidence of a significant and positive relationship between marketing innovation and firm performance.

2. 2.11 The Meaning of Small-Scale Business

The concept of small-scale business does not have a universally accepted definition, and any attempt to give an all-embracing definition may be academically futile. The reason is simple: what constitutes a small business depends upon the level of industrialization and development in a particular country. However, some definitions of the concept are necessary so as to give us an idea of the subject matter.

Subrahmanya (2005) defines small-scale business in accordance with the Federal Ministry of Industries thus: Any manufacturing, processing and servicing industries with capital investments inclusive of working capital but excluding of the cost of land not exceeding seven hundred and fifty thousand naira and with a staff strength not exceeding fifty persons. Such an establishment must be wholly Nigerian owned (Subrahmanya, 2005).

In addition, manufacturing unit exceeding the unit of investment as stated above may still be considered a small scale business, if the scale of output is relatively small compared to prevalent size of plants and technology is fairly labour-intensive. It must also be more labour-intensive than capital intensive. The character of small-sale enterprises is preponderantly of the sole proprietorship or partnership type. It could be incorporated or unincorporated.

Although there is no generally accepted defined of a small business enterprise, scholars however, agree that the small scale operation possesses certain characteristics irrespective of definition.

Awujo and Urieto (1995) highlight three basic characteristics of a small scale business. They are as follows:

- a) The managers being the owners
- b) Capital being supplied and the ownership held by an individual or a small group.
- c) The area of operation being mainly, but the market need not being, local.

2.2.12. The Concept of Medium-Scale Enterprises

Medium-sized firms have not been greatly covered in managerial studies literature. Firstly, because it is difficult to define them and researchers must have a precise definition of their subject before beginning their study (Horace, 2002). Secondly, medium-sized firms are not studied much because they have mixed characterizes, some typical of small businesses and others which make them similar to large companies. Therefore, some writers on the subject have considered that the best way to deal with them was either to position them in the category of small businesses or in that of large companies. Lastly, medium-sized firms, no matter how defined, are few in number and they like to keep a low profile. Often these firms are run by entrepreneurs who are very reserved and who do not believe that there is any advantage in either themselves, or their management models, becoming more widely known. This conservative attitude, even if it is not one of outright distrust, certainly

does not encourage researchers to engage in the pursuit of in-depth knowledge of these types of enterprises (Ariyo, 2007).

The question of defining a medium-sized firm has some sensitive aspects. While, without any reservations, Ashton, Cook Jr. and Schmitz (2003) agree that it is possible, with some factual foundation, to distinguish large enterprises from small ones, medium sized firms fall into an intermediate position which is much more difficult to define. The usual tendency is to group them together with small businesses, as is demonstrated by the many books dedicated, in fact, to small and medium sized businesses together. This grouping does not fully take into account the differences that exist between an enterprise with a few dozen employees, operating at local level, and an enterprise with some hundreds of employees which compete in international markets.

While the cautious approach of scholars, regarding rigid definitions of different sized firms, is certainly to be shared, in some cases, the definition of precise dividing lines, which enable the unequivocal identification of the firms belonging to different classes, is a necessary imposition. A typical situation is where governments are trying to formulate policies to assist enterprises of different dimensions. Furthermore, researchers, in order to be able to investigate at all, must adopt some sort of criteria for dividing enterprises into different categories. Focusing on medium-sized enterprises it can be seen that they have been defined in all sorts of ways. Some definitions by some American and European scholars only set an upper limit, such as, “annual revenues of not more than one billion dollars”. while others lay down a range size like, “those with a work force of 200 to 499 employees” “the revenue range which runs from 50 to 500 million Euro” and “we have chosen a very flexible and dynamic criterion, including those firms with revenues of a minimum of 25 million and a maximum of 500 million Euro but allowing some exceptions (Tung, 2012).

In this research the two variables, which were considered jointly, were revenues and the number of employees. The first variable gives an idea of the weight of a company, within its finished product market, and therefore its comparable competitive importance and the second gives an idea of the level of the complexity of its organizational structure. These variables also have the advantage of being easily

obtainable and they do not need complicated processing, which often leads to having final data which is not really comparable from company to company.

Apart from a definition, which is possible on the basis of the qualitative characteristics of various types of enterprises, Subrahmanya (2005) perceives medium-sized firms as those enterprises with annual revenues of between 25 au 500 million Euros and a number of employees of between 251 and 1,000.

A lot has been said and written about SMEs the world over. It has also formed the subject of discussions in so many seminars and workshops both locally and internationally. In the same token, governments at various levels (local, state and Federal levels) have in one way or the other focused on the Small and Medium Enterprises. While some governments had formulated policies aimed at facilitating and empowering the growth and development and performance of the SMEs, others had focused on assisting the SMEs to grow through soft loans and other fiscal incentives.

International agencies and organisations (World Bank, United Nations, Industrial Development Organisation (UNIDO), International Finance Corporation (IFC), United Kingdom Department For International Development (DFID), European Investment Bank (EIB) etc are not only keenly interested in making SMEs robust and vibrant in developing countries but have also heavily invested in them. Locally, the several Non-Governmental Organisations such as Fate foundation, Support and Training Entrepreneurship Programme (STEP), the Nigerian Investment Promotion Commission (NIPC), the Association of Nigerian Development Finance Institutions (ANDFI), as well as individual

Development Finance Institutions (DFIs) have been promoting the growth of SMEs in Nigeria through advocacy and capacity-building initiatives, and have continued to canvass for better support structures for operators in the SME subsector. All the massive attention and support given to SMEs relate to the widely acclaimed fact that SMEs are job and wealth creators. In justifying the introduction of SMIEIS in 2003, the then Governor of the Central Bank of Nigeria, Chief Joseph Sanusi said “With a concerted effort and renewed commitment from all stakeholders, this scheme will surely succeed and realize its intended objective of revamping the SMEs as engines of

growth in the economy and a veritable tool for the development of indigenous technology, rapid industrialization, generation of employment for our teeming youths and the pivot for sustainable economic development in Nigeria”.

Small and Medium Enterprises (SMEs) occupy a place of pride in virtually every country or state. Because of their (SMEs) significant roles in the development and growth of various economies, they (SMEs) have aptly been referred to as “the engine of growth” and “catalysts for socio-economic transformation of any country.” SMEs represent a veritable vehicle for the achievement of national economic objectives of employment generation and poverty reduction at low investment cost as well as the development of entrepreneurial capabilities including indigenous technology. Other intrinsic benefits of vibrant SMEs include access to the infrastructural facilities occasioned by the existence of such SMEs in their surroundings, the stimulation of economic activities such as suppliers of various items and distributive trades for items produced and or needed by the SMEs, stemming from rural urban migration, enhancement of standard of living of the employees of the SMEs and their dependents as well as those who are directly or indirectly associated with them.

In recognition of the enormous potential roles of SMEs, some of which have been outlined above, various special measures and programmes have been designed and policies enunciated and executed by government to encourage their (SMEs) development and hence make them more vibrant in Nigeria. The highlights of these measures include:

- i. Fiscal incentives and protective fiscal policies
- ii. Specialized financial institutions and funding schemes for the SMEs
- iii. Favourable tariff structure
- iv. The SMIEIS funding scheme
- v. Selective exemption and preferential treatment in excise duties
- vi. Establishment of Export Processing Zones

vii. Selective reservation of items for exclusive manufacture in the SME subsector

viii. Government's full weight and support for NEPAD and AGOA activities and operations

It has however been worrisome that despite the incentives, policies, programmes and support aimed at revamping the SMEs, they have performed rather below expectation in Nigeria. Different people, organisations, and operators have advanced various reasons as to why SMEs have not been able to live up to their billing. While an average operator would always hinge his failure on lack of access to finance, some others think otherwise arguing that inappropriate management skills, difficulty in accessing global market, lack of entrepreneurial skills and know how, poor infrastructure etc are largely responsible.

The Association of Nigerian Development Finance Institutions (ANDFI) in 2004 issued this statement in relation to why SMEs perform poorly in Nigeria: "Finance is usually considered as the major constraints of SMEs. While this may be true, empirical evidences have shown that finance contributes only about 25 percent to the success of SMEs. Thus, the creation of other appropriate support system and enabling environment are indispensable for the success of SMEs in Nigeria.

2.2.13. The Characteristics of Small and Medium-Scale Enterprises

The definition of SMEs has varied over time with some believing there has been a lack of homogeneity in their categorization, (McAdam, Reid and Nunrel. 2005). For the purpose of this research, reference will be made to the definition set out following the European Commission recommendation on May 6th 2003 and that took effect on January 1st 2005. Table 1 below outlines the key aspects of the new definition as recommended by the European Commission.

Table 2.1: The new thresholds implemented by the European Commission on January 1st 2005

Enterprise Category	Headcount: Staff	Annual Turnover	Annual Balance Sheet Total
Medium-Sized	250	£50 million	£43 million
Small	50	£10 million	£10 million
Micro	10	£2 million	£2 million

Source: McAdam, et al. (2005), Project Management Northern Ireland Firms

When researching the general characteristics of SMEs, comparative analysis with larger organizations helps to provide a clearer image of their standing in the market. SMEs exhibit both advantages and disadvantages when compared to larger organizations. Ghobadian and Gallear (1997) in their comparative paper examining small and large firms identified key issues surrounding the SME. Small firms have a greater potential flexibility and closeness to the customer and an edge towards customization and innovation. They seek out markets where their advantages count and they are not in direct competition with their larger counterparts.

However, they assert that despite these key advantages, SMEs lack economies of scale, scope and learning. Edwards, Deibridge and Munday (1984) outline that SMEs exhibit behavioural features that give them an innovative advantage over large firms that include the ability to respond rapidly to external threats or opportunities, have more efficient internal communications and exhibit interactive management cycles. Rothwell (1992) makes reference to SMEs in their attempts to progress by stating that, ‘SMEs are thought to lack the material and technological resources that enable large firms to ‘spread risk over a portfolio of new products’ and ‘fund longer-term R & D’. Table 2.1b highlights some of the key differences between SMEs and large organizations as suggested by (Ghobadian and Gallear 1997).

Table 2.1b Key differences between SMEs and Large organisations (adapted from Ghobadian & Gallear, 1997)

Characteristics	SMEs	Large organizations
Structure	Few or no layers of management Top management close to the point of delivery. Low degree of specialization High incidence of innovativeness.	Several layers of management Top Management far from point of delivery High degree of specialization Low incidence of innovativeness
Procedure	Low degree of standardization Low degree of formalization People dominated Idealist decision making	High degree of standardization High degree of formalization System dominated Fact-based decision making
Process	Simple Planning & Control system Informal evaluations & reporting Result oriented	Complex planning & control system Formal evaluation & reporting Control oriented
People	High degree of resistance to change Corporate mindset Modest capital & financial resources	Low degree of resistance to change Departmental mindset Abundant capital & financial resources

Source: McAdam, Reid et al. (2005), Project Management in Northern

Ireland Firms (adapted from Ghobadian & Gallear, 1997)

Determinants of Innovation in SMEs

Danneels, and Kleinschmidt (2001) investigated several antecedents of innovation in small firms. He investigated the role of educational level, age, and prior business experience of the owner on innovative capacities of the company. Somehow surprisingly there was little evidence found that the educational level of the CEO did have any influence. It was found, however, that prior experience in business did have a positive influence on organisational innovativeness of the company. Other research did indicate that there is a link between educational level of the CEO and company's innovative performance (Roper, 1997). Also various authors have already investigated the influence of diversity of management teams on their competitive attitude, and the actions undertaken to benefit from market opportunities (Hambrick, 1985).

In the study conducted by Stanley and Haruna (2013) to examine the determinants of innovation in Ghanaian microfinance banks, it had been shown that there was significant relationship between company characteristics such as frequency of board meetings, educational profile of staff, ownership structure, number of branches/outlets, years of operation, company location, and some indicators of innovation. There are many authors that have already investigated the role of investment in R & D and its influence on a company's innovative capacity. Several authors have already investigated and confirmed that R & D expenditure is positively related to company innovativeness (Rothwell, & Dodgson, 1994; Becchetti, 2000; Burrone, & Jaiya, 2005). These investments in R & D have more influence on product and process innovations than on organisational innovations, since most of the expenditures are dedicated to product and process R & D.

The influence of the use of external knowledge on innovation had been intensively investigated by various authors (Bougrain & Haudeville, 2002; Becchetti and Trovato, 2000). It is found that small firms that make use of their external networks perform significantly better. Among the external parties that can be contacted are universities, knowledge institutes, and suppliers. However, De Jong and Vermeulen (2006) noted that using the external network without investments in internal capacities does not lead to an improved performance and useful information does not only come from suppliers and knowledge institutes, but can also come from end users, the customers. Therefore, performing market research can lead to the acquisition of useful wisdom

about customers' perceptions and needs (Muazu, 2001). It has also been established that the size of the firm has a significant positive influence on its innovativeness, measured in a small firm sample. Also, it is found that large firms can be more innovative, since they can benefit from scale economies and are able to structurally spend large amounts of money to R & D (Damanpour, 1992; Muazu, 2001).

There are several research studies conducted to identify factors exert influence on SME innovativeness (Okefor, 2002; Hoffman, 1998; Ofoluwa, 2007). However, firstly, almost all of such studies measured factors of SME innovativeness in the case of developed economies, mostly concentrating on single country sample or qualitative interviews with managers (Wiisema, 2009). The followings are the innovative characteristic of small and medium scale enterprise

Firm characteristics and firm size

Internal factors refer to characteristics and policies of SME which are believed to have some impact on its innovativeness (Okefor, 2002). Relationship between firm size and innovations has been the topic of several recent researches and they mostly yield somewhat contradictory results. While firm size is pointed to be the predictor of firm innovativeness by many recent research studies, some other findings tell different stories on its effect on innovative activeness of the firm. Some researches claim that smaller firms are more innovative (Wiisema, 2009; Wand, 2005; Lehtimäki, 1991) while others point that small size broadly reduces the probability of innovation where larger size is assumed to have a key enabling condition for making innovations happen (Daft, 2006).

Most of the time, as stated by Lehtimäki (1991), contribution of small firms to innovation is considerable understated by the R&D data and other inputs; in reality they do innovate better and more in number (research was undertaken in the example of US firms). Research work done in the case of French biotechnology industry (Ariyo, 2007) yields no relationship between innovations and firm size and strongly suggests the industrial setting (such as difference between science-based and other industries) to be taken into account in measuring the relationship between these two variables. Wand (2005) finds small firms to be comparatively more innovative than bigger ones in his longitudinal research analysis in computer modem industry.

There is a third group which asserts small and large firms to be more innovative than intermediate size firms (Berkley, 1996). As a resolving point Cooper (1990) says that smaller firms are better in incremental while the bigger ones are in radical innovations.

Firm Age

Firm age effect to propensity of innovations also yields different empirical results. Researchers such as Lehtimäki, (1991) and Daft, (2006) (sample of US and Spanish firms respectively) ascertain that entrant firms tend to present higher probability of innovation while the older firms tend to show lower innovative probabilities. Bala-Subrahmanya, (2005) speaks about start-ups in high-tech industry which are highly innovative regardless of their newly-born age and small size (in the sample of Israeli manufacturing firms). In Menor, (2002) older age of firms is associated with incremental innovation

Proportion of Qualified Personnel

Highly qualified employees are considered as a knowledge base of the company, a source of ideas and inspiration for innovations (Wiisema, 2009). Similarly, having high proportion of qualified scientists and university-trained engineers is the most important determinants of innovative activity (Hoffman, et'al, 1998; Menor, 2002). Literature Wiisema, (2009) and Nooteboom, (1995) shows that high incidence of qualified personnel, along with skills and knowledge embodied with them, positively affects firm's innovative capability. Raynold (2004) by identifying small food manufacturing firms from six rural areas of the EU as non-innovators and innovators (traditionalists, followers and leaders) empirically substantiates that firms with higher number and higher proportion of qualified technical staff are more innovative.

Raymond,, (2002), in his research in case of French SMEs, runs a conclusive assumption that qualified employees are essential in SMEs both for their better ability to absorb information flow from external sources (implying higher dependence of SMEs on external sources) to innovate and also for their importance to structure firms' own innovation capacity. Lacking absorptive capacity in SMEs and firms in traditional industries has been raised as a problem (Newmann, 2012). Universities are

deemed to be hotbeds of innovation mainly because they produce a supply of highly skilled graduates who are highly important in implementing innovative products and processes in the private sector (Zemplinerová, 2010)

Educational Background of CEO

Educational background of managing director is widely believed to be a key source of firm innovative efforts (Hoffman, 1998). Because attained education level is attributed to cognitive ability, capacity for information processing, tolerance for ambiguity and propensity or receptivity to innovation; CEOs with higher educational level is found to invest more in R&D and do it more (Nooteboom, 1994; Rhaman and Ramos, 2010). Another study Raymond, (2002) finds significant R&D spending increase with firms where CEOs have advanced science related degrees. Level of education influences the receptiveness of executives to external sources and their approach to innovation problems Raymond, 2002): executives with lower level of education rely more on their own knowledge at the time when they confront a complex problem even if the problem remains unsolved or wrongly solved whereas those with higher level of education recognize the problem to be beyond (if it is) their competencies to resolve and know whom to contact to get right answer and reach appropriate solution in the end.

Higher educational levels of owners/managers (mainly technical and vocational qualifications) correspond to higher level of innovations in SMEs (Bala-Subrahmanya, 2005) and their provision of wider range of business related development courses and activities for the staff which is also essential for the development of higher absorptive capacity in the firm (Begemann Frederick, 2006). CEO education level positively associated with firm's innovation efforts (Derek, 2011). In developed countries there are policy instruments aimed at building national capacity to lead in new science-based technologies and industries through promoting science entrepreneurship where science geeks are pushed into a market place to run business activity (Raynold, 2004).

Positive effects of returnee entrepreneurs on innovation are highly discussed in China and India case (Zemplinerová, 2010; Subrahmanya, 2005). South Korean and Taiwanese innovation-driven economic success is linked with these countries' ability

to attract their students to return from developed countries, namely from the USA (Raymond, 2002). Technology is said to be diffused across regions and countries by different transmission mechanisms one of which is foreign education of students and workers (Hornby, 2011). Derek. (2011) after his studies of the habits of innovative entrepreneurs conclude that innovative entrepreneurs stand out with their “networking” features. Their “networking” skill is said to be greatly enhanced by their visit to other countries and meet different people

CEO Perception of Innovation

CEO is a core figure in the company who has an important impact on the development of organizational vision and sets proper strategies to attain it. Their attention is a critical determinant of innovation and plays a leading role in promoting innovation within firms (Ofoluwa, 2007). D' Angelo (2010) posits a concept of creative and operational leadership implying CEO characteristics and attitude towards innovation. She empirically substantiates that both types of leaders positively affects innovation quantity while creative leadership is most important for enhancing innovation novelty and quality. In explaining positive effect of significantly changed corporate strategies on innovations in SMEs,

Kepler, (2009) sees the role of top management (including CEO) to play a very influential position. In the same way, research from (Begemann, 2006) presents that owner's strategic objectives are crucial to the development and use of innovation which eventually drive the firm to compete successfully. Branzei, and Vertinsky (2006) finds the CEO to be more involved in innovative group of small manufacturing firms in developing new products, processes and ways of working compared to their less innovative counterparts and also emphasizes important role of strategic orientation in realizing innovations.

There are also some studies which have hypothesized and checked the relationship between traits of entrepreneurs towards innovation performance of the firm. One of such studies from Coad, and Ra (2008) demonstrates the importance of personality related features of entrepreneur, degree of openness to newness and predisposition to be among the firsts to adopt innovations in a specific domain, in his/her intention to adopt innovations. Entrepreneur's traits namely achievement motivation, risk taking

au, 2008 propensity and preference for innovations have been hypothesized to have some impact on SME performance by Newmann, (2012) as well. Wandt, (2013), also emphasizes that entrepreneur plays an instrumental role in realizing innovations and finally delivering these innovations into the market.

Employee Engagement in Innovation Process

There are several sources which companies use to get ideas for realizing innovations. Using the creativity of employees is one of these many sources. “Tacit knowledge” embodied in individual - company employee - (defined as a “practical man”) plays a very central role both in product and process development (Roper, 1997) particularly in low-tech firms. One relevant fact is that not all companies use the creativity of its employees: the research interest posed here is if the ones which are involving employees to innovation process are more innovative than the ones which are not.

Employee suggestion scheme with regard to innovation distinguishes the difference between more and less innovative firms (Branzei, and Vertinsky; 2006). Porter (1996) states the empowerment (involvement of employees in the innovation process) as corporate entrepreneurship in the innovation process and discusses the need of appropriate strategic approach to innovation by emphasizing the human resource as an innovative capability. Encouraging employees to try novel ways of doing things, searching for new solutions and giving them sufficient time to pursue their creative ideas all improve the climate for innovation (Newmann,, 2012). Pro innovative culture or, in some explanations, leadership culture is required to involve employees into the process of business policy formulation and innovative idea creation which in the end contribute to the increase of firm innovation capability (Martins, and Namusonge,, 2014; Castillejo, Barrachina. Llopis, and Samchis, 2014).

IT capabilities

Many researchers have found IT capabilities of small and medium sized enterprises to be linked to their increased firm performance, internalization and consequentially their innovativeness. Newmann, (2012) finds the usage of IT in SME internal communication to have positive effect on innovation activity. (Gibbon, and Ponter 2005) also states that by facilitating exchanges of opinions, information sharing and work coordination, IT can contribute to innovation. (Munani, and Kam), taking an

empirical study on Chinese export-focused SMEs, recognizes IT capability of SMEs to be the potential for enhancing effectiveness and performance in such firms. Raynold (2005) states positive effect of innovation and IT capital interaction to firms' performance.

There are also many researchers who state the contribution of IT such as email, discussion forums, online surveys and other internet-based toolkits in harnessing consumer creativity for new product development process (Skarzynski, and Gibson., 2008, Walker, 2005). Software application is associated with a significant increase in the extent and quality of product design and decrease time spent on it and more innovative group of small manufacturing firms are found to use computer-aided design (CAD) and computeraided manufacturing (CAM) processes twice/three times more respectively than their less innovative counterparts (Tidd, and Hull, 2006). Internet, an accessible knowledge sources, has been defined as one of the sources of organizational search, a search which is defined as firm's attempt to recognize the value of new external knowledge to apply it to commercial ends (Tung, 2012).

In a wider context, such as in considering innovation potential of the region or specific country, ICT (information-communication technologies which are mainly telephone, computers and Internet) is taken as the main indicator implying its role in reduced uncertainty and transaction costs, growth of information and knowledge flow, productivity and cross-border competition and finally rapid spread of innovations (Zemplinerová 2010).

Training for Managers

Thinking straightforwardly, one can assume that training has positive bearing on increasing human knowledge and awareness of different changes happening around. Since knowledge is a base for new knowledge generation that is an essential step in innovation, many researchers investigated training effect on innovative performance of firms. Most of the empirical researches yield results pointing to positive relationship between training and innovation (Raynold., 2004; Quelo and Samuelson 2009). (Wiisema absi, 2008) points to the problem of training and upgrading of senior managers as an explanation for very weak relationship of worker skills factor with innovation performance in Tunisian firms.

Analysis from Raynold, (2004) indicates that both in manufacturing and non-manufacturing firms, both product and process innovations are higher in those with higher management training. Kepler, (2009) sees training activities to be a key factor for the achievement of innovations in low and medium technology firms. Lack of training is showed to be one of the constraints to innovativeness in UK SME case (Laforet, 2006). Additionally, significance of learning orientation in organizations in enhancing innovativeness has also been extensively researched and has been agreed by many that learning orientation has great effect on firm innovativeness (Lukášová, 2010; Menor, 2002). Organizations prioritizing learning is said to enhance its innovation capability in three ways: because of their higher commitment to innovation, their fastness in catching market opportunities owing to their knowledge and ability to understand the market and their greater innovation capabilities compared to their competitors due to their inherent characteristics of monitoring them (Menor, 2002).

Learning by doing, learning by training and learning by interacting has been defined to have the highest impact on novelty of innovation in SMEs (Ofoluwa, 2008). Raynold, (2004) investigating the bearing of training on innovation in Northern England SMEs finds innovations to be highly linked to firm-level training intensity. His research confirms that the most innovative firms train more staff. Growth-oriented SMEs provide more formal training and experiential learning activities which is accounted to be important to the development of a firm's absorptive capacity (Reinartz and Ulaga, 2006). Investment in knowledge, measured through training expenditures is positively and significantly linked to innovativeness (Raynold, 2004). Therefore, improvement and training programs are advised for executive and employees

Types of SMES

No doubt, the future of economic prosperity of Nigeria lies in the structuring and eventual growth of medium and small scale

enterprises. This situation has been confirmed by the Nigeria institute of social and Economic Research (NISER), THE National Association of small scale Industry (NASSI), and the German based Frederick Elbert Foundation. It is the existence of

this kind of scenario that had given impetus to the growth of some small scale industries like the ones that constitute the objects of the study. Their very existence also confirms Rosenfeld, (1984) categorizing of small scale industries as those which include, weaving, carpentry, pottery, ceramics, farming, fishing, piggery animal husbandry, poultry, wood and metal works, brick and block making and a host of others, operating under registered names and depending largely on local raw materials

2.2.14 Relevance of SMEs

Small scale and medium enterprises have been recognized the world over as the engine room of industrial and technological development. The giant strides recorded in the fields of SMEs innovation manufacturing, ICT, service delivery and agriculture, etc in the Western industrialized economies, Japan and Asian tigers countries of South Korea, Hong Kong, Malaysia and Singapore derived largely from the contribution of the small scale business sector (Raynold, 2004).

In the light of importance SMEs innovation to the socio-economic and technological development of any society, the small/medium-scale sub-sector has continued to stimulate interest among scholars, researchers, government and institutions in developed and developing countries.

Osuagwu (2001) observes that the small/medium business sector is one of the areas which many empirical efforts have been directed. Similarly, it is one of the areas that have attracted discussions at national and international economic development forum or when poverty reduction strategies are contemplated.

As in the other part of world, the small business sector in Nigeria has tremendous contribution to the economy. A study done by Federal Office of Statistics in 2007 shows that the small and medium enterprise sector provided 50 % of Nigeria's employment and 50% of its industrial output (Ariyo 2007). Comparatively speaking this contribution is lower than that of the SMES sector in the developed and developing countries. Economists and development professionals attribute the difference in the level of development of small business sector in different countries to the degree of importance attached to the sector by the governments of each country and perceived role they play in national economic, development. While government in other part of the world have provided a conducive environment for the

development and growth of the small scale business sector through effective policies, the Nigerian government does not appear to be committed to the growth of the sector.

In any case, it has been established that the small/medium-scale enterprises contribute significantly to the economic growth of any nation. As Nwokoye rightly stated:

The issue of definition is of minor concern to us; what is to be emphasized is the overall importance of small businesses in the Nigerian economy. Even in the industrialized countries of the world, the small businesses by their sheer numbers may constitute as high as 95 percent of all registered businesses. In Nigeria, where the list of medium scale businesses and they account for a considerable proportion of the gross domestic product (Nwokoye, quoted in Chanaron, 1998)

Writing on the importance of small and medium scale business operations to the economic and industrial development of the United States of America, Pavitt (1984), stated that this sub-sector collectively generates more than half of all business receipts. Small-scale enterprises also contributed immensely to the growth and industrialization of the developed countries like Japan, Germany,

Osuagwu (2001) asserts that small and medium-scale business enterprises in Nigeria account for substantial part of the total industrial employment, production, and value-added in Nigeria business concerns. Okongwu (2001) asserts that small business enterprises generate the industrial wealth of Nigeria in addition to being a major agent in the economic, technological social and political growth and development of Nigeria not minding the presence of multinational and other large firms in Nigeria. Such as Shell, Mobil, NNPC, NITEL, NPA, NEPA, Lever Brothers, among many others. As small business entrepreneurship is concerned with business innovations and exploitation of business opportunities in addition to the starting and efficient and effective running of business by individuals, its Nigerian economy, undoubtedly, is characterized by many economic ills among which is high unemployment rate. Entrepreneurship assists in the reduction of high unemployment rate in Nigeria.

Through small business entrepreneurship, therefore, jobs are created not just for the entrepreneurs themselves but also for other people in the Nigeria economy. The aftermath of the creation of jobs is reduction in dependence on government to provide everybody with jobs. Furthermore, this creation of jobs in the Nigeria economy by entrepreneurs will to a large extent reduce government expenditure. Improve the standard of living of Nigerians, reduce social ills in the society, and assist in creating a balanced budget for the economy. Entrepreneurship also provides convenience in goods and services that big multi-national companies cannot conveniently provide at very low cost to the economy, but which small businesses entrepreneurs can provide conveniently and cheaply to Nigerians.

Another key reason for emphasizing entrepreneurship in contemporary Nigerian economy is the need for wealth creation, which invariably leads to higher Gross Domestic Products (GDP). Some Nigerian entrepreneurs possess technical knowledge and skill to produce new knowledge to improve on existing products and services and substantial value to Nigerians and the Nigerian economy.

Nigerian entrepreneurs, through the services and products they offer, raise the standard of living of Nigerians. Osuagwu (2001) further states that the meaningful contributions of small business entrepreneurs are not peculiar to the Nigerian economy; for example, in the USA, Japan, and Germany, among others, small business entrepreneurs form the bedrock on which the US economy is built. Also, a closer look at the economies of the new industrialized nations of South East Asia, such as Taiwan, Singapore, South Korea and Malaysia (otherwise known as the Asian Tigers) reveals that entrepreneurship is the economic spin of these economics. Therefore, for Nigeria to be reckoned with in the comity of nations economically there is the important and urgent need to encourage entrepreneurship in small business enterprise in the country.

D' Angelo (2010) avers that it should be a managerial and governmental policy to note always that entrepreneurship is needed in the Nigerian economy to create jobs: reduce unemployment rate, crime rates, and government's expenditure. Poverty, social unrest; create wealth; raise productivity level of the economy; provide certain services conveniently; and raise the standard of living of Nigerians. Therefore, for the Nigerian economy to be strong and stable in the relevant sectors there is the need

to emphasize and practice entrepreneurship in small business enterprises through the enactment of relevant policies, efficient and effective management practices, and provision of the enabling environment in Nigeria (Osuagwu, 2001).

Interest in SMEs is primarily concerned with their role in stimulating economic growth. However, SMEs face common problems that restrict their performance and by nature, generally have limited resources (Roper, 1997). While research in the area of business failure is debated, research suggests that failure rates are generally high (Crawford and Benedetto, 2003).

Small- and medium-sized businesses differ from big businesses on several different levels. SMEs owner/managers make most of the major decisions and often tend to be more concerned with survival rather than growth (deBrentani, 2001); and are classified as time deprived and tend to focus on day-to-day activities (Engel, Rothgang, & Trettin, 2004). However, while SMEs are the dominant type of firm in many countries, they may not be acting in an innovative manner. On the other hand, they may be viewed as the fountainhead of innovation. Entrepreneurship is considered a major driver of competitiveness as new companies in the form of small, young firms create most new jobs (Susman, Warren & Min, 2006).

New innovations can improve quality of life through beneficial or improved products and services. In search of innovation, large firms are increasingly outsourcing a wide range of business activities, which can create new opportunities for SMEs. Larger firms rely on smaller firms for new ideas and technologies, may acquire small companies with promising growth histories and/or partner to develop new products. Larger companies recognize the ability of smaller firms to capture innovation and will often tap the creativity of small growth-oriented firms to remain competitive. While many large firms that have survived and prospered over the long term, most have acknowledged that fostering innovation is very effective via linking to smaller entrepreneurial firms. For example, P&G's 'open innovation' program encourages managers to seek new innovations outside, as well as within the company (Tidd, Bessant, & Pavitt, 2007).

The size and flexibility SMEs are often viewed as the source of innovative activity. That is why it is viewed as a desired goal. Increasingly, innovation in new

products/services and the implementation of key processes are becoming vital sources for firm competitive advantage (Tushman, & Nadler, 1986; Quelo and Samuelson, 2009). Research suggests that SMEs that engage in developing innovative products and services are positioned to compete more successfully (Cooper, & Edgett, 1999). The ability to develop new products and processes before competitors is an increasingly important factor in first-mover advantage, increasing market share, ROI and overall firm success (Page & Connells, 2006).

A synthesis of the review is that SMEs are the fountainheads of innovation in many developed nations, which underscores their importance in the socio-economic development in the society. The review tends to suggest that the innovative capacity of SMEs in any economy depends on the operating environment, government policies, firms resources and market pressure. The Nigerian situation shall be assessed in this study.

Small and Medium Scale in Nigeria

Small businesses In Nigeria, the gross under-performance of small businesses have undermined their contributions to the nation's economic growth and development. Before the advent of the colonial administration, majority of Nigerians are predominantly small business owners who engaged themselves in one form of small business or the other, majorly agriculture. During this period, agricultural produce, like cocoa from the south-west, rubber and palm oil plantations from the east and groundnut pyramid from the core north were the main sources of wealth. Thus, small businesses through which the country's wealth was generated were accorded due attention and unwavering support (Ariyo, 2007).

However, the post-independence period witnessed a massive transformational change. The governance of the Nigeria states and its economy seized to be in the hands of the British government, and Nigeria discovered hidden oil treasures in some part of the country. The eventual discovery of oil in Nigeria is widely consented, most especially among the lower class majority who dominated the small business in agricultural sector, as bad occurrence. This is because the sector was totally neglected and hence paralysed hundreds of thousands of small businesses both in the rural and urban area (see Organisation for Economic Co-operation and Development (OECD), 2009).

Successive Nigerian government since then right up to 2008 have focused on the oil generated revenue with very little or no attention given to the small businesses at the grass root level. In 2008, the economic downturn hit so many small businesses hard that many of them went into oblivion. By the turn of the century, however, all these had combined to produce a chorus of complaint from small business owners and stakeholders at all levels across the country.

Furthermore, several studies have indicated that thousands of small businesses start up every year but significant numbers of them fail before or by the first year of their operation while majority shut down before their second year (Freeman, 1982, Raynold, 2004). This assertion is also supported by Ekanem (2002) who succinctly puts it thus: *Of every 100 start-ups only 50 firms survive the first three years*. The rate of small businesses dissolution is alarming that researchers have enjoined authorities to come to their aid in order to reduce unemployment and boost the gross domestic product output. Consequently, Walker (2005) and Marlow and Patton (2005) also argue that venturing into small business is very risky and that the rate of small businesses failure in developing countries such as Nigeria is very high. However, the topmost priority in this study is to fill the research gap in the literature by making a significant contribution towards advancing our understanding of the realities of small businesses in Nigeria.

Characteristics of Small Scale Business in Nigeria

In recent time in Nigeria the growing rate of small businesses is characterized with high rate of unemployment and the increasing rate of graduates from different institutions without correspondent employment opportunities and consequently, the society is gradually getting to the stage where the average graduate is willing and ready to go into business (Subrahmanya, 2005). Small scale enterprise is usually managed in by the owners or relatives of the business. Most of the ownership structure being sole proprietorship and partnership. The sources of fund are majorly from the owners' savings, borrowing from friends, relatives and banks (Gallouj, & Weinstein, 1997). In Nigeria, government also provides soft loans to the small scale businesses.

However, the definition of small scale business in Nigeria by the central bank does not reflect the typical characteristics of Nigerian small-scale enterprises in terms of their capital base and number of employees (Gallouj, & Weinstein, 1997). Whereas the Central Bank of Nigeria defined small-scale enterprises as having an annual turnover not exceeding 500,000 naira but many small businesses in Nigeria had a capital base of less than 100,000 naira. This was contained in its Monetary Policy Circular No. 22 of 1988, but a typical small business in Nigeria has less capital investment. There is, therefore, the need to redefine small business in Nigeria. The originator of the business according to Newmann (2012) often plays the double role of owner as well as responsibility for planning, directing, coordinating the activities that lead to the creation or production of business value.

Another major characteristic of small-scale enterprises in Nigeria is the difficulty they experience in raising adequate capital for their businesses (Newmann, 2012). External sources are difficult to be assessed from finance houses and banks. Even where the banks agree to provide fund for these businesses, the conditions or collateral for these loans are always difficult to be met by the business owners. Small enterprises with a small capital base tend to use the informal financial institutions. Ofoluwa (2007) pointed out that about 80% of small enterprises are not thriving as a result of poor financing and other problems associated with it. Therefore, small businesses are often found in certain areas of the sector particularly due to their financial ability, and human resource capabilities and opportunities presented by the economy and not necessarily because of their passion or expertise (Newmann, 2012). Most of the businesses were engaged in service-related activities. According to the survey carried out by Wise, & Baumgartner (1999), few of the small business owners had tertiary education (16 per cent) while the majority had primary and secondary education (84 per cent). Many of them had no previous experience in business before embarking on their current business activity.

Many of the small businesses in Nigeria find it difficult to survive because the death of the owner might lead to the death of the business. According to Kamau, and Munandi (2008) transfer of ownership is very important to the continuity and success of small business. The inability of small business owners to transfer the business successfully to another person may lead to the closure of the business. Moreover,

small businesses are affected by limited financing, poor management skills, infrastructure and regulatory issues. These factors affecting small business owners may have negative impact on the small business growth

Challenges of Small and Medium Scale in Nigeria

Most SMEs die within their first five years of existence. Another smaller percentage goes into extinction between the sixth and tenth year thus only about five to ten percent of young companies survive, thrive and grow to maturity.

Many factors have been identified as to the possible causes or contributing factors to the premature death. Key among this include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right calibre staff, planlessness, cut-throat competition, lack of official patronage of locally produced goods and services, dumping of foreign goods and overconcentration of decision making on one (key) person, usually the owner.

Other challenges which SMEs face in Nigeria include irregular power supply and other infrastructural inadequacies (water, roads etc) unfavourable fiscal policies, multiple taxes, levies and rates, fuel crises or shortages, policy inconsistencies, reversals and shocks, uneasy access to funding, poor policy implementation, restricted market access, raw materials sourcing problems, competition with cheaper imported products, problems of inter-sectoral linkages given that most large scale firms source some of their raw material outside instead of sub-contracting to SMEs, insecurity of people and property, fragile ownership base, lack of requisite skill and experience, thin management, unfavourable monetary policies, lack of preservation, processing and storage technology and facilities, lack of entrepreneurial spirit, poor capital structuring as well as poor management of financial, human and other resources.

Their characteristics and the attendant challenges notwithstanding, it is the consensus that SMEs, which globally are regarded as the strategic and essential fulcrum for any nation's economic development and growth have performed rather poorly in Nigeria. The reason for this all-important sector's dismal performance have been varied and

convoluted depending on who is commenting or whose view is being sought. For sure it has nothing to do with government's appreciation of the vital central role of the sector as evidenced by how well SMEs have been acknowledged and orchestrated in various government's budget, with the imperativeness of SMEs as the bulwark for employment generation, poverty reduction and technological development being highlighted. While many attribute the relatively poor performance of SMEs in Nigeria when compared with the significant roles which SMEs have played in developed economies such as the United Kingdom,

Germany and the United States and even developing countries of the world like India to the challenges outlined above, some others hinge the reasons on the fair share of neglect on the sector by the government. The latter group argues that government's appreciation of the SMEs in capacity building has always been restricted to the pages of the budget presentations and submissions at various fora.

Essentially, they argue that poor budget implementations over the years account for the unsavoury impacts of SMEs on the Nigerian economy, which has had a record sluggish growth and declining future as measured by the population of Nigerians becoming literate, having more access to better health care, shelter, food, and other necessities of life such as access to more and better paying jobs as well as declining per capita income. Other parameters usually used to measure the performance of SMEs include percentage of working population employed by the SMEs in a given country or economy, the percentage contribution to the country's GDP, managerial and technical capacity building, percentage of revenue internally generated or percentage of total PAYE accruing to the government from the SMEs employees, years increases in average household income, etc.

Financial Problems: Problem of funding is one of the five major themes discovered in this study. Despite the widely acclaimed beneficial effects of small businesses on economy development, improvement of local technology and development of indigenous entrepreneurship and among others (Funsho and Adebisi, 2013), small businesses in Nigeria have recorded a gross under performance over the years and this has undermined its contribution to economic growth and development. Small business owners across the country attributed this situation to poor funding of small businesses and charged the government to address the problem without further delay. The issue with funding small businesses in Nigeria is twofold; (a) problem of securing adequate fund to start-up the business, (b) lack of funding to sustain and upgrade small

businesses. During the interview, participants shared their experiences in relation to securing funding to start, maintain and improve their businesses.

About 80% of Small and medium enterprises are stifled because of poor financing and other associated problems (Tung, 2012). The problem of financing SMEs is not so much the sources of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit information and cost of accessing funds (Okeafor, 2002). Holbeck (1986) believes that the capital shortage problem in the small firm sector is partly one, which stems from the uneconomic deployment of available resources by the owner-managers. This view was shared by deBrentani (2000) who claimed to have seen businessmen take loan for expansion projects only to turnaround to marry new wives, acquire chieftaincy titles or buy houses abroad.

Hambrick (1985) in a study of SMEs in Asia observed that financing working capital needs was the most frequently mentioned problem. Hart and Paris (1996) expressed the view that the funding problem of SMEs is primarily due to the behavior of banks and imperfection of the capital markets. In their study, Funsho and Adebisi (2013) echo the financial difficulties confronting entrepreneurs in the developing nations. They further argued that most entrepreneurs' business ideas are aborted at conception due to lack of funding. More so, an impressive body of research have argued that lack of access to funding is connected with very rigid financial policies and bank practices which place collateral as the major requirement for securing bank loans, thus making small businesses suffer what is called *financial illusion* (Ekanem, 2002; Hamel, and Green, 2007; Funsho and Adebisi, 2013).

Moreover, appropriate credit facility mechanism which weighs and evaluates individual credit status for loan purpose does not exist in Nigeria, potential loan seekers need to provide creditable collateral to secure bank loans. According to Osuagwu (2004), several government schemes and financial institutions initiatives to address the issue of funding for small businesses in Nigeria have yielded no positive result over the years. Clearly, lack of funding occasioned by rigid lending practices pose many problems which tend to impede the starting and sustaining small businesses in Nigeria.

Management Problems: Formal education is one way of acquiring management skills. However, it was discovered that most small business owners in Nigeria have formal education below first degree. Inyama, and Iheagwam (2000) argued that

essential factors to the growth and success of small business are an educated and skilled labour force. These will also assist businesses to gain some competitive advantages in the industry.

Lack of trained manpower and management skills also constitute a major challenge to the survival of SMEs in Nigeria. According to Essien (1995), people related skills are crucial in small business because small business interact directly with their customers. These skills include problem-solving, interpersonal communication, decision-making, assertive conduct, conflict resolution and negotiation. Lack of these skills is responsible for loss of customers. Business owners have personalized management style

According to Romero and Martine-Roman (2012), 90% of all these business failures result from lack of experience and competence. Baridam, (2002) also added that inefficiency in overall business management and poor record keeping is also a major feature of most SMEs; technical problems/competence and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making.

Inadequate Basic Infrastructure: Another challenge confronting small business operations in Nigeria is lack of infrastructural facilities. Provision of Infrastructural facility, according to Burrone and Jaiya (2005) can make or break entrepreneurs. This means, in other words, that availability of infrastructural facilities can determine the success and/or the failure of small businesses. In Nigeria, these problems have been around for decades and still linger on. Crucial facilities such as uninterrupted electric supply, good road network, good water supply, sewers and efficient waste disposal facilities, and other essential infrastructures needed to support society and business operations are lacking (Ekanem, 2002; Hornby, 2011).

Most small businesses operations require facilitating resources and services. These facilities may be either the responsibility of the government or the owner of the business to provide. The facilities are expected to enhance the growth of the business. Over the years, inadequate or lack of infrastructural facilities has been identified as one of the major challenges facing small businesses in Nigeria, a phenomenon that continue to hamper the growth of Nigeria economy at a desirable pace (Wandi, 2013). One of the outstanding of decay infrastructures in Nigeria is the epileptic power supply and erratic supply. This negatively affects the operation and provision of services that require stable power supply.

Government has not done enough to create the best conducive environment for the striving of SMEs, the problem of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management. Nigeria's underdeveloped physical and social infrastructures create a binding constraint to SMEs growth, since; they heavily rely on the inefficiently provided state infrastructures and cannot afford the cost of developing alternatives.

Socio-Cultural Problems: Most Nigerian Entrepreneurs do not have the investment culture of ploughing back profits. Ekanem (2002) stressed that the attitude of a typical Nigerian entrepreneur is to invest today and reap tomorrow. Also, the socio-political ambitions of some entrepreneurs may lead to the diversion of valuable funds and energy from business to social waste. The problem of bias against made in Nigeria goods is significant. Most Nigerians have developed a high propensity for the consumption of foreign goods as against their locally made substitutes.

Strategic Planning Problems: SMEs often do not carry out proper strategic planning in their operations. Muazu (2001) stated that one problem of SMEs is lack of strategic planning. Sound planning is a necessary input to a sound decision-making.

Location/Economic Problems: Market stores are dominated by absentee landlords who charge exorbitant rates. The ownership of market stores by politicians is crowding real small-scale operators out of the market. The high rents charged by store owners on good locations have forced real small-scale operators into the streets or at best into accessible places. Also, domestic economic problems of deregulation and removal of protection as well as the global financial crisis have been detrimental to SMEs.

Poor Accounting System: The accounting system of most SMEs lack standards hence, no proper assessment of their performances. This creates opportunity for mismanagement and eventually leads to the downfall of the establishment. Poor record keeping and lack of information management are very pronounced among Nigerian small businesses. These phenomena, undoubtedly pose many challenges to the success of small business in Nigeria. The overwhelming majority of small business owners interviewed do not prioritise record keeping, and very few that keep records do not do it professionally. Aside from the fact that a vast majority of small businesses in Nigeria do not have proper accounting system which is threatening their business performance and survival inability to distinguish working capital from money meant for personal use is another problem staring at small businesses in Nigeria. The overwhelming majority of companies have suffered set back, in some cases closure because of this

problem. Many small business owners do not have separate account for their businesses; they keep only one account for both the business and personal use (Funsho 2010).

Multiple taxation: This has become a major problem especially given the role of tax consultants and agents hired by local governments. They are often crude in their operation, excessive in their assessment and destructive in their relationship with the production process. They tax everything in their bid to generate revenue without considering the net effect to household incomes and employment.

Unstable policy environment: Instability in government policies have caused some SMEs to collapse. One of such policies is that of the 1980s when government specified that cocoa should not be exported in raw or unprocessed form after a specified deadline. Many SMEs had to import machineries only for government to reverse this policy. This negatively affected so many SMEs in the cocoa industry.

The present high mortality rate of SMEs in Nigeria is awful to contemplate and constitute danger to the entire economic system. It represents serious financial pressure on the nation's economy as well as a waste of valuable resources. The business owner should always consider challenging situations and be prepared to meet them with preplanned strategies (1996). The survival of SMEs is only possible through a systematic analysis of the problems they are facing and mapping out appropriate strategies of overcoming them, through a proper understanding of the business environment (1991). For a business to survive in unfriendly environmental conditions it should adopt a strategy that utilizes its strengths to exploit opportunities while avoiding its weaknesses

Funsho (2010) argued that strategic changes might take place in a firm without initial formulations, such decision could be informed by expansion strategy, preference to cash sales policy, innovation strategy, and change in production techniques, local sourcing or use of alternative materials, backward integration and merger. Thus, any entrepreneur who wants to succeed must identify business opportunities, be creative, visionary, daring, risk taking, courageous and sensitive to changes in the business environment.

Inability to produce under economy of scale: Economies of scale is a concept in economics that describes a situation where the marginal cost of making a certain product falls as a company makes more of the product. In other words, when

economies of scale exist, the cost of producing a certain product is lower per unit if the product is produced in large quantities. A small scale business production is usually limited because they produce for a limited market. For example, the cost per unit of making cars might be lower for a manufacturer that produces 100 cars a day than a manufacturer that produces one or two cars a day. Large scale businesses allow manufacturers to employ systems such as assembly lines that can increase productivity and reduce costs. Small businesses may have difficulty competing with large scale businesses that are able to mass produce products inexpensively (Page and Connells, 2006).

Difficulty in attracting customers: Small scale business enterprise typically has a more difficult time attracting customers than larger business enterprise. They have smaller marketing and advertising budgets. Also, some potential customers are reluctant to do business with small businesses especially new businesses without loyal followers, since they believe that these businesses may not be around for a long time or that they will not be able to provide the appropriate level of service. A challenge for small scale businesses is to make sure that they provide excellent customer service and instill confidence in their customers (Tung, 2012).

2.2.15 Importance of Entrepreneurial Innovation

All products are mortal and will eventually be withdrawn from the market. New products therefore must be dynamically planned to replace obsolete ones and as the only hope for long run existence for the organizations (Zemplinerová, 2010). He identified several benefits of SMEs innovation. The benefits of innovation may include:

a. Stabilize Company Sales: SMEs that depend on cyclical/seasonal sales may introduce new products for sale during off seasons. Also as time and people change over time, new products are used to match current consumer tastes so as to stabilize its sales and costs throughout the year.

b. Increase Profits: Some New Products may be used to replace obsolete ones to sustain company's profits. Others may enable the firm to gain control over price, leading to large profits for the firm. Some special products tend to reduce competition as well.

c. Reduce risk of dependence on one Product: SMEs develop new products so as to diversify their offerings and reduce the risk of their dependence on one product or one product line.

d. Maximize use of distribution System: Okefor (2002) asserts that SMEs may introduce new products, which are consistent with existing products so as to maximize its use of established distribution system. This will enable it to spread its sales, advertisements, and distribution costs among several products. Such new products will help the company to obtain dealer support in the channel as well as to preclude competition from entering the distribution network.

e. Enhance Company Image: New products tend to enhance a firm's image in terms of quality and product assessments. They inspire confidence among buyers and investors and overall image of the company.

Okefor (2002) adds that new product development requires a company's systematic research and planning effort to match changing new product opportunities with company resources, consumer tastes a competition. It improves public perception of the firm's responsibility to its social responsibility.

The research problem of the study suggests the following key variables:

Entrepreneurial Innovation (EI) and Organizational Growth (OG). These variables, their dimensions, measures and how they relate give rise to the thesis of this study, which is:

Organizational growth is a function of Entrepreneurial Innovation, given organizational and external factors.

These variables and the relationships implied by the study constitute the conceptual framework of the study as shown in figures 2.1.

Three major variables are involved in this work: the independent variable is Entrepreneurial Innovation (EI) while the dependent is organizational growth (OG). The independent variable (Entrepreneurial Innovation) is operationalized along the dimensions of new product/service introduction, service inn product/service

improvement, production/service methods improvement, new source of supply of raw material and new technology adoption/modification. The dependent variable: organizational growth (OG) is measured in terms of sales growth (SG), customer base generation, new product success, organizational return on investment and increase in number of employees. The moderating variables are firm's resources. The conceptual framework showing the relationship between entrepreneurial innovation (EI) and organizational growth (OG) is shown in the diagram below.

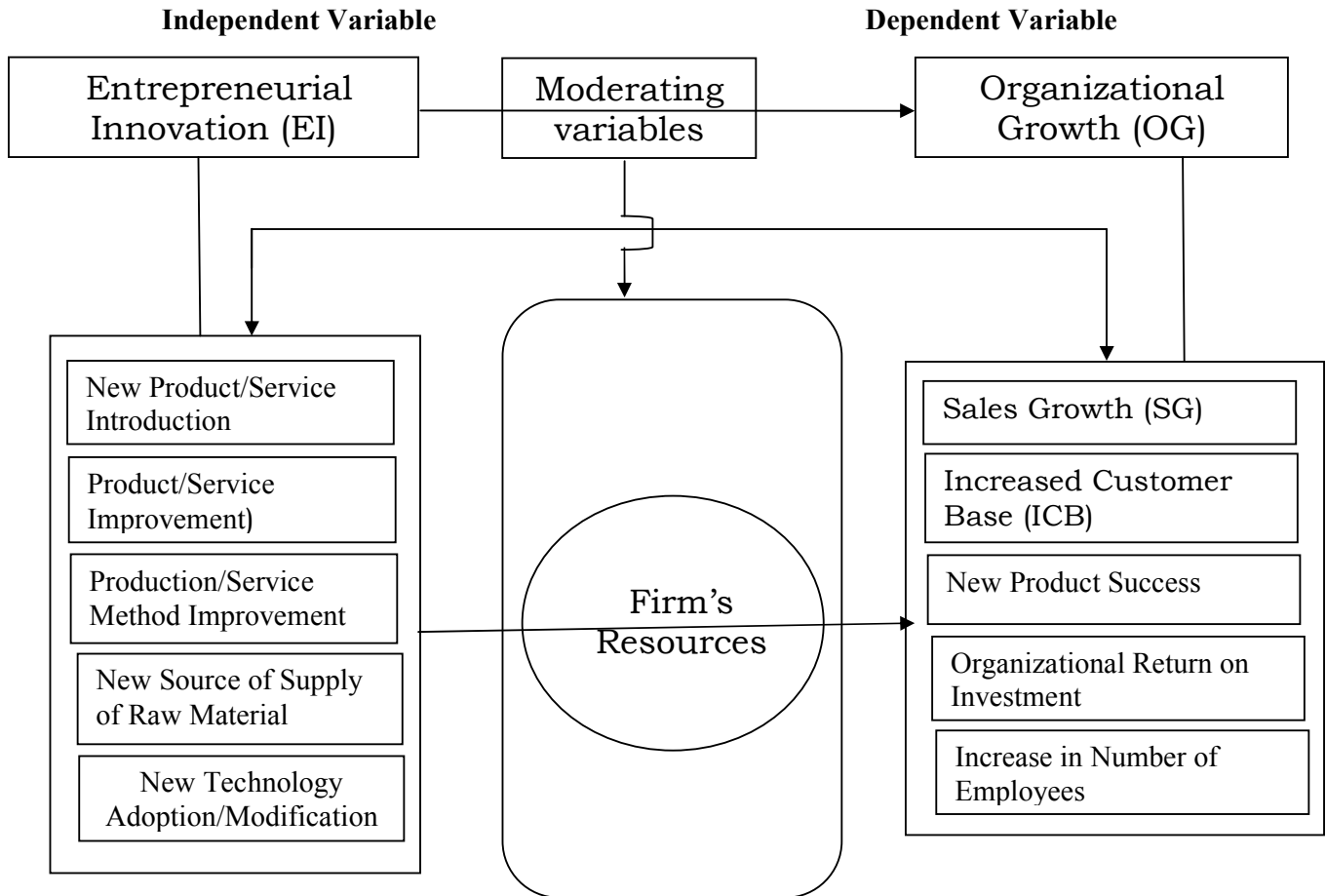


Fig 2.1: Conceptual framework showing the link between Entrepreneurial Innovation (EI) and Organizational Growth (OG).

Source: Developed by the researcher as gleaned from Martins and Namusonge (2014); Bala-Subrahmanya, Mathirajan and Krishnaswamy (2010); Susman, Warren and Ding (2006)

The conceptual framework for the study is based on the construct as depicted in figures 2.1. The direction of the arrow suggest linkage between the major independent and criterion variables as well as the relationship between the dimensions of entrepreneurial innovation and measures of organizational growth from which the hypotheses of the study are formulated.

2.3 Theoretical Framework

Theoretical framework is sometimes referred to as the theory upon which the study is anchored. Other terms such as ‘baseline study’, ‘theoretical underpinning’, ‘theoretical root’ and theoretical groundwork are synonymous with theoretical framework. The underlying theories appropriate to this study in respect of the independent variable (entrepreneurial innovation) and the dependent variable (organizational growth) are many. In the other words, there are several theoretical frameworks one can draw upon to study entrepreneurial innovation. Marlow and Patton (2005) have identified five different theoretical frameworks to innovations study. They include: Extension Theory, Bounded Rationality, Diffusion Theory, the Theory of Reasoned Action and Consumer Behaviour Theory. This study, however, adopts the Schumpeter Innovation Theory and diffusion theory to explain entrepreneurial innovation.

Schumpeter’ Theory of Innovation

The concepts of innovation and entrepreneurship are probably Schumpeter’s most distinctive contributions to economics (Hamel and Green, 2007) role of innovation (“new combinations”) and entrepreneurship in economic growth. Schumpeter highlighted the function of entrepreneurs who is carrying out new combinations. He viewed the occurrence of discontinuous and “revolutionary” change as the core of “economic development” which breaks the economy out of its static mode (“circular flow”) and sets it on a dynamic path of fits and starts. According to him, consumer preferences are already given and do not undergo spontaneously. It means that they cannot be cause of the economic change. Moreover, consumers in the process of economic development play a passive role.

In Theory of economic development and further work. Schumpeter described development as historical process of structural changes, substantially driven by innovation which was divided by him into five types; launch of a new product or a new species of already known product; application of new methods of production or sales of a product (not yet proven in the industry); opening of a new market (the market for which a branch of the industry was not yet represented); acquiring of new sources of supply of raw material or semi-finished goods and new industry structure such as the creation or destruction of a monopoly position.

Schumpeter argued that anyone seeking profits must innovate. That will cause the different employment of economic system's existing supplies of productive means. Schumpeter believed that innovation is considered as an essential driver of competitiveness (Wise and Baumgartner, 1999) and economic dynamics (Hamel, and Green, 2007). According to Schumpeter innovation is a "process of industrial mutation, that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one". He divided the innovation process into four dimensions: invention, innovation, diffusion and imitation. Then he puts the dynamic entrepreneur in the middle of his analysis. In Schumpeter's theory, the possibility and activity of the entrepreneurs, drawing upon the discoveries of scientists and inventors, create completely new opportunities for investment, growth and employment. In Schumpeter's analysis, the invention phase or the basic innovation have less of an impact, while the diffusion and imitation process have a much greater influence on the state of an economy.

The macroeconomic effects of any basic innovation are hardly noticeable in the first few years (and often even longer). What matters in terms of economic growth, investment and employment, is not the discovery of basic innovation, but rather the diffusion of basic innovation, which is the period when imitators begin to realize the profitable potential of the new product or process and start to invest heavily in that technology (Freeman, 1982). According to Schumpeter, invention is not the cause: discovery and execution are "two entirely different things. The pure new idea is not adequate by itself to lead to implementation. It must be taken up by a strong character (entrepreneur) and implemented through his influence. It is not the power of ideas but the power that gets things done.

According to Schumpeter, innovations are essential to explaining economic growth, and the "entrepreneur" is the central innovator. As Schumpeter described in *The Theory of Economic Development* the entrepreneur's main function is to allocate existing resources to "new uses and new combinations". One of Schumpeter's most lasting contributions was his insistence that entrepreneurship is at once a unique factor of production and the rare social input that makes economic history. In other words innovation is the "creative destruction" that develops the economy while the entrepreneur performs the function of the change creator hence entrepreneurship is innovation and the actualization of innovation.

Diffusion Theory

Yates (2001) observes that the work of Ryan and Gross (1943) in rural sociology is cited as the beginning of diffusion research. They used interviews as their main method of data collection. This has been a trend in diffusion research since.

The diffusion theory literature overview of Nutley et al (2002) shows how evidence and ideas from a wide range of underpinning disciplines are drawn together. These disciplines include anthropology, education, geography and sociology. These underpinning disciplines provide a range of perspectives on the diffusion of innovations (Nutley and Davies, 2000). Although different, the perspectives and emphases of many of these research traditions are said to complement one another: 'the unexplained residue of one is often a major preoccupation *of another*' (Kelly and Kranzberg, 1978, cited by Nutley and Davies 2000).

Rogers (1995) states that diffusion theories have their origins in the explanation of the adoption of technological change by farmers. The first edition of Roger's influential text on the diffusion of innovations was published in 1962. Since then the scope of diffusion theories and associated empirical research has broadened. While diffusion literature largely covers innovations in industrial and service settings, a good deal of attention has now also been paid to public service and public policy innovations, with considerable emphasis on the diffusion of innovations in other fields (Nutley & Davies, 2000).

Rogers (1995) points out that diffusion is not a single, all-encompassing theory. It is several theoretical perspectives that relate to the overall concept of diffusion; it is a meta-theory (Yates, 2001). There are four factors that influence adoption of an innovation (Rogers, 1995) including: the innovation itself, the communication channels used to spread information about the innovation, time and the nature of the society to whom it is introduced. Rogers (1995) explains that there are four major theories that deal with the diffusion of innovations. These are the innovation-decision process theory, the individual innovativeness theory, the rate of adoption theory, and the theory of perceived attributes. The innovation-decision process theory is based on time and five distinct stages (Nutley et al (2002). The first stage is knowledge. Potential adopters must first learn about the innovation. Second, they must be

persuaded as to the merits of the innovation. Third, they must decide to adopt the innovation. Fourth, once they adopt the innovation, they must implement it. Fifth, they must confirm that their decision to adopt was the appropriate decision. Diffusion results once these stages are achieved Rogers (1995)

Nutley et al (2002) say the individual innovativeness theory is based on who adopts the innovation and when. A bell-shaped curve is often used to illustrate the percentage of individuals that adopt an innovation. Rogers (1995) also pointed out that as well as the determinants of adoption at the individual level, there are a variety of external or social conditions that may accelerate or slow the diffusion process such as:

1. Whether the decision is made collectively, by individuals, or by a central authority.
2. The communication channels used to acquire information about an innovation, whether mass media or interpersonal.
3. The nature of the social system in which the potential adopters are embedded, its norms, and the degree of interconnectedness.
4. The extent of change agents' (advertisers, development agencies, etc.) promotion efforts.

Of importance is communication, or rather the process where information is both created and shared in order to reach a mutual level of understanding between individuals. This provides the means by which information is transmitted between individuals and social systems creating the communication channel (Rogers & Scott, 1997). The theory of rate of adoption suggests that the adoption of innovations is best represented by an s-curve on a graph (Nutley et al (2002). The theory holds that adoption of an innovation grows slowly and gradually in the beginning. It will then have a period of rapid growth that will taper off and become stable and eventually decline (Rogers (1995). The Bass model suggests other representations (Robert-Ribes & Wing, 2004).

Another aspect of importance is time. Innovations are seen to be communicated across space and through time. Time has been identified as being significant in the

diffusion of innovations in three main ways (Rogers & Scott, 1997). Firstly, the adoption of an innovation is viewed as a mental process that evolves over time starting and initial awareness and initial knowledge about an innovation which evolves into an attitude towards that innovation. This influences the decision of whether to adopt or reject the innovation.

Secondly, the rate of adoption amongst individuals differs throughout the social system. This starts off slowly with only a minority of people adopting the innovation increasing over time eventually reaching the rate where enough individuals have adopted the innovation and the rate of adoption becomes self-sustaining. Thirdly, time is involved in the rate of adoption or rather the relative speed that members of a social system adopt innovations. This is often measured as the number of members of the system that adopt the innovation in a given time period.

The theory of perceived attributes is based on the notion that individuals will adopt an innovation if they perceive that the innovation has the following attributes (Nutley et al (2002). First, the innovation must have some relative advantage over an existing innovation or the status quo. Second, it is important the innovation be compatible with existing values and practices. Third, the innovation cannot be too complex. Fourth, the innovation must have trainability. This means the innovation can be tested for a limited time without adoption. Fifth, the innovation must offer observable results (Rogers (1995). Weise, Nash, and Panfilov (2011) argues that any of the above-mentioned strand of the diffusion study can provide a theoretical groundwork any innovation study. This is why the present study considers the diffusion theory an appropriate theoretical framework for study.

2.4: Empirical Review

2.4.1 Relationship between Innovation and Organizational Growth

Despite the arrays of studies on innovation in the developed and developing economies, something remains lacking with regard to a rigorously integrated empirical study on entrepreneurial innovation and its influence on organizational growth within the small and medium-scale enterprises of the Nigerian business environment. This section presents empirical review on the relationship between entrepreneurial innovation and organizational growth.

Many researchers and scholars have tried to link entrepreneurial innovation to organizational growth in terms of increase in profit, customer base, and appreciable market share Martins and Mamusonge (2014) using the survey method and questionnaire ascertained the influence of innovation on business growth of 203 SME in Kenyan SMEs in the garment manufacturing sector. They found from the managers that innovative SMEs had realized increase in sales, customer base, change in location and profits in a monetary sense. Their study also revealed that innovation had continued to influence businesses in the garment-making industry in many ways, as most of the innovations were adoptions of products, processes and technologies developed outside the country, although some firms were to come up with their own new designs, software for simple accounting and production.

The growth performance of SMEs and its relationship to innovation have been studied and analyzed in terms of sales turnover, investment, and employment. Welsch et al.(2013) in their field study of SMEs innovation sought to analyze the growth performance for all the 1120 SMEs of economic sectors—for innovative and non-innovative SMEs separately and within the innovative group of SMEs. Their study revealed that Innovative SMEs were those involved in new product and process developments *vis-à-vis* those engaged in improvement of products and processes. For measuring growth, the researchers clubbed all the SMEs together in each sector and did not separately identify growing ones from the rest. Furthermore, when they looked at innovative and non-innovative SMEs, they measured growth for the respective group of SMEs together, without segregating growing ones from the rest. The same holds good for further analysis in terms of (i) innovative SMEs, which have claimed to have developed new products/processes and (ii) innovative SMEs, which have claimed to have only improved products/processes.).

Subramanian and Nilakanta, (1996), conducted a study on Organizational innovativeness: Exploring the relationship between organizational determinants of innovation, types of innovations, and measures of organizational performance. Questionnaire was utilized in the study among 589 SMEs in India. The results of the study shows that substantive relationships do exist between organizational factors, organizational innovativeness, and organizational performance. These relationships, however, are complex, and can only be detected if innovativeness is measured as a

multidimensional construct. Each of the organizational factors examined in this study showed significantly different effects on each dimension of two types of organizational innovativeness — technical and administrative innovativeness. Further, the results show that innovativeness does improve organizational performance. However, each dimension of the two types of innovativeness affects different aspects of organizational performance.

Two empirical studies on Indian SMEs conducted by Bala Subrahmanya et al. (2010) in this decade have significant relevance here. The first one was confined to Karnataka state in India, which covered 648 micro enterprises on a sample basis and 1358 small scale enterprises on a census basis across all industries in the manufacturing sector. The study found that 258 (about 40 per cent) micro enterprises and 716 (about 53 per cent) small scale enterprises had undertaken technological innovations primarily due to external factors such as competition, technological change, customer requirements, and internal factor of self -motivation. They were involved in both product and process innovations though emphasis was relatively more on product innovations than on process innovations. The major achievements of their innovations comprised competitiveness enhancement in the form of improved quality, reduced rejection, improved product designs, increased output, etc. A higher proportion of innovative firms have penetrated the export market relative to non-innovative firms.

A study on role of innovation on organizational growth: Evidences from Pakistan conducted by Nadeem, Naveed, Muhammad and Komal (2013) statistical population of this research study covers employees of Al-ghazi Tractor Factory Ltd (AGTL) D. G. Khan. 100 employees were selected randomly as sample group. Data was collect by standard questionnaire. For data analysis, correlation coefficient is used through SPSS. There are two determinants of innovation which are empowerment and proper training. Results show there is Positive relationship between empowerment and organization growth and also there is Positive relationship between employee's proper training and organization growth.

In addition, Oeij, Dhondt, Karolus, Robert, Frank, (2012) study on workplace innovation and its relations with organizational performance and employee commitment Using data from a large-scale survey among companies in the

Netherlands the result demonstrated that there indeed is a positive relationship between workplace innovation on the one hand, and quantitative and qualitative organizational performance and commitment of employees on the other. No relation was shown between workplace innovation and the risk of work stress as reported by the employer. A relatively large flexible buffer was positively related to performance, but not to employee commitment.

Subsequently, Murat, Anafarta, and Fulya (2013) in a study carried out on the relationship between innovation and firm performance: An empirical evidence from Turkish automotive supplier industry. The survey of this study is conducted on top level managers of 113 firms operating in the automotive supplier industry which is one of the most innovative industries in Turkey, as of the year 2011. The obtained data from the questionnaires are analyzed through the SPSS statistical package program. Analysis 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 (organizational and marketing innovation) and firm performance.

Concurrently Maâlej, Hanène and Habib (2015) revealed in a study carried out on the relationship between organizational innovations, internal sources of knowledge and organizational performance utilizing a sample of 200 Tunisian companies operating in different sectors. Quantitative method involving the use of questionnaire was used as part of a hypothetical-deductive approach and the mode of administration is self-administered survey and e-mail survey. The empirical verification of the assumptions of this research has led to the confirmation that the relationship between internal and external sources of knowledge with organizational innovation and organizational performance and to infirm the relationship between organizational innovation and organizational performance.

Also Bukhamsim, (2015) in a study on Investigating the Relationship between organizational innovation capability and firm Performance with Irish SMEs using small- and medium-sized enterprises (SMEs) in Ireland; the data was collected from both managers and employees through a web-based questionnaire. The survey covered around 650 managers and employees in Irish SMEs that employ from 10 to

249 people and have revenue ranging from €2m to €50m; a total of 107 responses were used for this study. The approach of the study was quantitative; the data was analyzed by linear regression analysis using SPSS software. The findings show that two important aspects of innovation capability, innovation process and leadership management, are directly and positively associated with overall firm financial and operational performance.

Price, Stoica, and Boncella (2013) carried a study on the relationship between innovation, knowledge, and performance in family and non-family firms: an analysis of SMEs. Data from 430 small and medium sized enterprises through the use of questionnaire were analyzed through hierarchical regression analysis, and innovation was found to be a significant factor in both family and non-family samples. However, knowledge in family firms was also found to be significant with innovation.

A more recent survey-based study (NKC 2007) on innovation in India in a survey covered 79 SMEs in both manufacturing and service sectors across the country. The objective of the study was to identify the major types of innovation carried out by SMEs. The study revealed that the innovation strategies were new products, new processes, and new services, new methods of production, and new ways of organizing administration. More than half of the increase in market share, competitiveness, profitability, and reduction in costs due to innovation occurred due to three types of innovation: new products, new processes, and new services.

The above empirical review has shown that many SMEs in many countries of the world (developed economies) have adopted innovation as a strategy for organizational growth and competitive advantage, The review also shows that innovative SMEs are more successful than their non-innovative counterparts, However, innovative behavior and capacities of SMEs vary depending on the quality and adequacy of firms' resources as well as other organizational and external characteristics of their environments. Furthermore, the review tends to suggest that no empirical study has explicitly probed the relationship between innovation and firm growth in the Nigerian context. Thus, the review has revealed a gap in extant literature which justifies the relevance and significance of this study in Nigeria.

2.5 Summary of Reviewed Literature

This study has reviewed extensively extant literature on innovation and organizational growth in SMEs, most of which focused on the situations in the developed economies, and sector specific. In any case, innovation is recognized as vital for organizational success in the dynamic business environment and germane for growth of entrepreneurship in SMEs. Table below is the list of empirical studies reviewed in the studies

Table 2.2: Summary of Reviewed Literature

Author(s)	Year	Title	Methodology	Findings
Martins and Mamusonge	2014	the influence of innovation on business growth of 203 SME in Kenyan SMEs in the garment manufacturing sector	Survey method and questionnaire	Innovation increases sales, customer base, change in location and profits. own new
Welsch et al.	2010	Analysis of the growth performance among 1120 SMEs in economic sectors—for innovative and non-innovative SMEs separately and within the innovative group of SMEs	Descriptive survey and questionnaire were used in the study	Innovative SMEs were those involved in new product and process developments <i>vis-à-vis</i> those engaged in improvement of products and processes
Subramanian and Nilakanta	2003	Organizational innovativeness: Exploring the relationship between organizational determinants of innovation, types of innovations, and measures of organizational performance	Questionnaire was utilized in the study among 589 SMEs in India	Substantive relationships do exist between organizational factors, organizational innovativeness, and organizational performance
Nadeem, Naveed, Muhammad and Komal	2013	The role of innovation on organizational growth: Evidences from Pakistan	standard questionnaire was used for data collection	There is Positive relationship between empowerment and organization growth and also there is Positive relationship between

				employee's proper training and organization growth
Karolus	2016	Workplace innovation and its relations with organizational performance and employee commitment	Data from a large-scale survey among companies in the Netherlands was used	There is a positive relationship between workplace innovation, quantitative and qualitative organisational performance and commitment of employees.
Murat and Fulya	2013	The relationship between innovation and firm performance: An empirical evidence from Turkish automotive supplier industry	113 firms operating in the automotive supplier industry were adopted utilizing descriptive research design and questionnaire	Technological innovation (product and process innovation) has significant and positive impact on firm performance
Maâlej, Hanène and Habib	2015	The relationship between organizational innovations, internal sources of knowledge and organizational performance among 200 Tunisian companies	Questionnaire was used as part of a hypothetical-deductive approach for data collection	There exist a relationship between internal and external sources of knowledge with organizational innovation and organizational performance
Maryam	2015	Investigating the Relationship between organizational innovation capability y and firm Performance with Irish SMEs using small- and medium-sized enterprises (SMEs) in Ireland	The approach of the study was quantitative. Data was collected from both managers and employees through a web-based questionnaire	The important aspect of innovation which included innovation capability, innovation process and leadership management, are directly and positively associated with overall firm financial and operational performance
David, Michael and Robert	2013	The relationship between innovation, knowledge, and performance in family and non-family firms: an analysis of SMEs.	The descriptive study utilized questionnaire in collecting data among 430 small and medium sized enterprises	Innovation influences family and non-family samples

Source: Researcher, 2016

Gap in Knowledge

Small and medium scale enterprise remains a vital part of the nation economy and anything that affects it, definitely will lead to a down time in the organization. Despite this fact, studies currently available on the influence of technological innovation on organizational performance and growth has continued to utilize dominant the arena of multinationals, with little attention been paid to the small and medium scale enterprise. Even those that have attempted to examine this effect on small and medium scale enterprise have continued to focus on only sales volume and profitability without giving adequate attention to the innovativeness in terms of products, supplies of raw material and improvement in production process. In Nigeria particularly, only very few literatures have attempted examine the effect and such study were not under taken within the current area of this study. Considering that geographical location also known as business environment has its own impact on business, it is therefore imperative to examine the influences of technological innovation on the growth of small and medium scale enterprise in Nigeria with focus on the small and medium scales enterprise in the South South Nigeria.

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CHAPTER THREE

METHODOLOGY

3.1 Introduction

The research methodology for this study describes the various techniques and procedures was used in carrying out this study. It is adopted in order to help the researcher select a sample of respondents based on his knowledge of the population, and also the type of research design, sources of data, population of the study, sample size determination, sampling techniques, Instrument for data collection, validity of instruments, reliability of instruments and method of data analysis.

3.2 Research Design

This study adopts a descriptive survey method to generate primary data through the questionnaire and interview. The survey method involves the investigation of the phenomenon in many SMEs in different sectors through the administration of questionnaire and personal interview on the respondents (managers/owners).

3.3 Sources of Data

Two types of data are involved in this study, namely primary and secondary. Primary data was obtained from the respondents through questionnaires and personal interviews. On the other hand, secondary data was generated for the study from research journals, scholarly publications in magazines, textbooks and the Internet resource and the financial statement of the organizations under study.

3.4 Population of the Study

The target research population of this study consists of the staff of registered small and medium- scale enterprises dealing on information and technology related services and products within the six states that make up the South-South geo-political zone of Nigeria (Akwa-Ibom, Bayelsa, Cross River, Delta, Edo and Rivers). The small and medium scale technology and information service provider must have been in business for at least 5 years in the above-mentioned sector in those States, with a capital base of not less than N1million and not more than N10million. making a total

population of 5,784 obtained from Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) Business Directory, 2016 in those States.

The population of the study therefore comprise the staff six selected SMEs in the South-South is as shown below:

State	Firm	Staff/Owners
Akwalbom	Applause Computers Limited	133
Bayelsa	Sirben Limited	126
Cross River	AMR Microsystem	92
Delta	CCT Computers	74
Edo	BlueSail Computer	59
Rivers	Difameg Network Nigeria Ltd	82
Total	6	566

Thus, a total of 566SMEs in the six South-South states constitute the population of the study.

3.5 Sample Size Determination

The researcher adopted the entire population of the study as the sample of the study, hence no sample size was computed. Thus, the total sample size for the study consists of SMEs. Consequently, 566 staff of selected SMEsstaff constitutes the respondents of the study.

3.6 Sampling Techniques

Sampling technique is a method of delineating a sample from the population of the study (Hannell, 2011). The research adopted judgmental sampling techniques in selecting the small and medium scale enterprises from the six States in South South Nigeria. The choice of this method is based on criteria of size, number of employees, years of experience, scope of operation and capital base. This method is also acceptable in the social and administrative research (Seiman and Henish, 1999).

3.7 Instrument for Data Collection

The major instrument used in generating primary data for the study is the entrepreneurial innovation and growth (EIG) questionnaire developed by the researcher. It is a collection of items of questions simply designed to elicit valuable information from respondents. The research instrument is designed in likert scale format. It is divided in two (2) part in order to capture the respondents' background information, five dimensions of entrepreneurial innovation as used in the context of this study which has been operationalized.

In order to enrich observation from the questionnaire and to obtain detailed information on salient issues of the study, the face-to-face interview as well as secondary data were collected also be used to generate primary data for the study. The interview technique is necessary so as to objectively appraise the situation deeply in such a way that may not be possible with the questionnaire technique since the interview method tends to establish a rapport between the researcher and the respondents which makes primary data collection easy.

3.8 Validity of the Instrument

Validity describes the extent to which a research instrument measures what is supposed to be measured. In other words, it is concerned with the relevance or the applicability of the instrument (the questionnaire) of the study (Young and Harrison, 2006). The researcher established content and face validity of the instrument by submitting the instrument to his supervisor, experts in entrepreneurship innovative and organizational growth in well-established business organizations for their assessment, criticisms and contributions, all geared towards improving content and facial validity of the instrument. All corrections were effected before the final copy of the questionnaire was administered.

3.9 Reliability of the Instrument

Reliability of the instrument describes the extent to which a test instrument is consistent, accurate and precise in measuring what it measures (Young and Harrison, 2006). To ascertain the reliability of the research instrument, a test-re-test method was adopted in which 30 copies of the questionnaire were distributed to the SMEs in

various states understudy; five (5) copies each to the five managers of difference SMEs in the various states. These were collected afterwards and re-distributed for the second time. In carrying out the reliability of the research instrument, the Cronbach's Alpha was used. Cronbach's alpha (α) is an estimate of reliability, specifically the internal consistency, of test or scale. When the internal consistency is present in a test, it is interpretable (Cronbach, 1951) Cronbach's alpha seeks to measure how loosely test items are related to one another and thus measuring the same construct. In order to measure internal consistency of the instrument, Cronbach alpha was applied, which gave a reliability coefficient of $\alpha = 0.882$ which indicate that the instrument s 88.2% reliable.

3.10 Method of Data Analysis

Data collected from the questionnaire administrated was checked severally and edited for eligibility, accuracy, completeness and in uniformity with the purpose of the study. Due to the nature of this research, statistical package for social sciences (SPSS version 24) was used in data analysis. The result of the study was presented in tables. Various hypotheses formulated in chapter were tested using inferential statistic of linear regression and correlation. Specifically, hypotheses one, two, four and five. are tested using linear regression while hypothesis threewas tested using Pearson product momentcorrelation at 5% level of significant.

Decision Rule

Reject the null hypothesis (H_0) if $p < 0.05$. Do not reject if otherwise.

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CHAPTER FOUR

PRESENTATION AND ANALYSES OF DATA

4.1 Introduction

The focus of this chapter is on the presentation and analysis of data generated through a set of interviews and questionnaires administered to the respondents. Tables, simple percentage and other common statistical tools such as Pearson product moment correlation coefficient and Simple linear regression were used in presenting and analyzing the data generated. Furthermore, brief explanatory discussions were attached to tables for clarity purposes.

Table 4.1 Questionnaire Distribution

Categories	Frequency	Percentage
Distributed	566	100%
Returned	551	97.3%
Not Returned	15	2.7%

Source: Fieldwork 2016

In the table above, shows that 566 copies of questionnaire were distributed and 551 were properly filled and returned, while 15 of them were not properly filled, thereby rendering them invalid for the study and others not returned. Thus given 97.3% of return

Descriptive Analysis

This section deals with the presentation of results obtained from the field study. The results were presented based on the objectives of the study.

Table 4.2: Extent to which New Product/Service Introduction Increases Sales Growth

Options	SA Freq(%)	A Freq(%)	U Freq(%)	D Freq(%)	SD Freq(%)	Mean	Std
New product/service introduced in the organization annually is high.	47(8.2)	16(2.8)	48(8.4)	182(31.9)	278(48.7)	4.09	1.19
The management ensures that the organization introduces at least one product annually.	285(49.9)	201(35.2)	53(9.3)	15(2.6)	17(3.0)	4.26	.95
The organization service/product have been the same in the last six months.	258(45.2)	201(35.2)	20(3.5)	67(11.7)	25(4.4)	1.94	1.16
Due to different customer tailored product/service, there have been increase in the organization sales.	264(46.2)	168(29.4)	27(4.7)	32(5.6)	80(14.0)	3.88	1.41
Annually, the organization records high product/service patronage from different customers	126(22.1)	173(30.3)	103(18.0)	87(15.2)	82(14.4)	2.69	1.35
The organization product/service patronage curve dwindles due to inconsistent sales volume.	164(28.7)	166(29.1)	86(15.1)	79(13.8)	76(13.3)	2.53	1.38
New product and services success depends on the management ability to initiate and improve production/service method.	177(31.0)	141(24.7)	78(13.7)	82(14.4)	93(16.3)	3.39	1.46

Source: Field survey, 2016

Table 4.2 shows the participants responses towards the extent to which new product/service introduction increases sales growth. The result revealed that 47(8.2%) of the participants strongly agree that new product/service introduced in the organization annually is high. 16(2.8%) agreed while 48(8.4%) are undecided. However, 182(31.9%) disagreed and 278(48.7%) strongly disagree. New product/service introduced in the organization annually is high is therefore rejected with a mean and std 4.09 ± 1.19 . Also 285(49.9%) strongly agreed that the management ensure that the organization introduces at least one product annually and 201(35.2%) agreed meanwhile 53(9.3%) of the participants are undecided. Few 15(2.6%) of the respondents and 17(3.0%) disagreed and strongly disagreed respectively. The management ensure that the organization introduces at least one product annually is accepted with a mean and Std score of $4.26 \pm .946$. Similarly, 258(45.2%) of the participants and 201(35.2%) strongly agreed and agreed respectively that the organization service/product have been the same in the last six months while only 20(3.5%) were undecided. 67(11.7%) of the respondents and 25(4.4%) disagreed and strongly disagreed that the organization service/product have been the same in the last six months.

With a mean and standard deviation score of 1.95 ± 1.16 , the assertion that organization service/product have been the same in the past six months is accepted, thus the organization service/product have been the same in the last six months. In same vein, the result of the study identified that 264(46.2%) strongly agreed that due to different customer tailored product/service, there have been increase in the organization sales while 168(29.4%) agreed meanwhile 27(4.7%) are undecided. However, 32(5.6%) of the participants disagreed and 80(14.0%) strongly disagreed. It therefore implies that due to different customer tailored product/service, there have been increase in the organization sales. The study also shows that 126(22.1%) of the respondents strongly agreed that annually, the organization records high product/service patronage from different customers while 173(30.3%) agreed while 103(18.0%) are undecided. On the contrary, 87(15.2%) and 82(14.4%) of the study group disagreed and strongly disagreed. With a mean and Std 2.69 ± 1.35 , the findings show that annually, the organization records high product/service patronage from different customers.

In addition, the result indicates that the organization product/service patronage curve dwindles due to inconsistent sales volume with a mean and Std of 2.54 ± 1.37 . this is due to 164(28.7%) and 166(29.1%) who agreed and strongly agreed and 86(15.1%) are undecided while 79(13.8%) and 76(13.3%) disagreed and strongly disagreed.

Table 4.3 Extent to which Product/Service Improvement Affect Customer Base Generation

Options	SA	A	U	D	SD	Mean	Std
	Freq(%)	Freq(%)	Freq(%)	Freq(%)	Freq(%)		
The management of the organization encourages innovative ideas that improve the quality of product/services rendered in this organization.	172(30.1)	158(27.7)	92(16.1)	75(13.1)	74(13.0)	3.49	1.38
The product/service rendered by the organization considerable have been worked upon to enhance customer satisfaction.	279(48.90)	170(29.8)	57(10.0)	28(4.9)	37(6.5)	4.09	1.17
Product/services provided by the organization have over the years been improved by consistent research.	261(45.7)	48(8.4)	230(40.3)	15(2.6)	17(3.0)	3.91	1.11
The customers of the organization have been increasing due to satisfactory product/service delivery.	276(48.3)	187(32.7)	55(9.6)	22(3.9)	31(5.4)	4.15	1.10
New customers are attracted consistently to the organization as an improved product/service delivery.	303(53.1)	184(32.2)	33(5.8)	24(4.2)	27(4.7)	4.25	1.06
Management encourages novel ideas that increase the organization customer base.	230(40.3)	187(32.7)	70(12.3)	38(6.7)	46(8.1)	3.91	1.23

Source: Field survey, 2016

Table 4.3 shows the respondents responses on extent to which product/service improvement affect customer base generation. Less than average 172(30.1%) of the respondents strongly agreed that the management of the organization encourages innovative ideas, improves the quality of product/services rendered in this organization. While 158(27.7%) agreed. However 92(16.1%) are undecided meanwhile 75(13.1%) of the respondents and 74(13.0%) disagreed and strongly disagreed. The result of the study shows that the management various organizations encourage innovative ideas that improves the quality of product/services rendered in this organization with a mean score of 3.49 ± 1.37 . The study also shows that 279(48.90%) and 170(29.8%) strongly agreed and agreed that the product/service in rendered by the organization considerable have been worked upon to enhance customer satisfaction. While 57(10.0%) are undecided. On the contrary, 28(4.9%) and 37(6.5) respondents disagreed as well as strongly disagreed respectively. This result indicates that the product/service in rendered by the organization considerable have been worked upon to enhance customer satisfaction with a mean and Std 4.09 ± 1.16 .

In addition, the result of the study identified that 261(45.7%) strongly agreed and 48(8.4) agree that product/services provided by the organization have over the years been improved by consistent research. Less than average 230(40.3%) of the respondents are undecided meanwhile 15(2.6%) and 17(3.0%) disagreed as well as strongly disagreed. With the mean and Std score of 3.91 ± 1.11 , it implies that the product/services provided by the organization have over the years been improved by consistent research. Similarly, the mean and Std 4.15 ± 1.09 revealed that the customers of the organization have been increasing due to satisfactory product/service delivered. The result is evident in 276(48.3%) and 187(32.7%) respondents that strongly agreed and agreed that the customers of the organization have been increasing due to satisfactory product/service delivered while 22(3.9%) and 31(5.4%) disagreeing and strongly disagreeing with 55(9.6%) been undecided.

Subsequently the result of the study shows that 303(53.1%) of the respondents strongly agree that new customers are attracted consistently to the organization as an improved product/service delivery while 184(32.2%) agreed with 33(5.8%) been undecided. Few 24(4.2%) of the respondents disagreed and 27(4.7%) strongly disagreed. With the mean and Std 4.25 ± 1.05 , the result shows that new customers

are attracted consistently to the organization as an improved product/service delivery. Conclusively, 230(40.3%) of the respondents strongly agreed that management encourages novel ideas that increases the organization customer base while 187(32.7%) agreed with 27(11.8%) been undecided.

Table 4.4 Nature of Relationship between in Initiation and Improvement in Production/Service Methods and New Product Success

Options	SA Freq(%)	A Freq(%)	U Freq(%)	D Freq(%)	SD Freq(%)	Mean	Std
New machine are often introduced in the organization to ensure introduction of new products/services.	33(5.8)	22(3.9)	81(14.2)	179(31.3)	256(44.8)	4.06	1.12
The organization always looks out for new sources product/services that add extra value to the present organization product/services.	265(46.4)	166(29.1)	28(4.9)	42(7.4)	70(12.3)	3.90	1.38
Employees often times are encouraged to initiate and take action that foster new or improved production method.	179(31.3)	183(32.0)	45(7.9)	73(12.8)	91(15.9)	3.50	1.45
Added value to a product or services ensures its success in the market place.	232(40.6)	235(41.2)	19(3.3)	43(7.5)	42(7.4)	4.00	1.19
The organization products/services are always successful in the market due to high patronage.	325(56.9)	94(16.5)	28(4.9)	53(9.3)	71(12.4)	3.96	1.45

Source: Field survey, 2016

Table 4.4 shows the participants responses towards the nature of relationship between initiation and improvement in production/service methods and new product/service success. About 33(5.8%) of the participants strongly agreed that new machine are often introduced in the organization to ensure introduction of new products/services while 22(3.9%) agreed and 81(14.2%) are undecided. Meanwhile 179(31.3%) disagreed and 256(44.8%) strongly disagreed. This findings, implies that new machine are not often introduced in the organization to ensure introduction of new products/services (1.9 ± 1.12). Also, the result shows that 265(46.4%) strongly agreed that the organization always look out for new sources product/services that add extra value to the present organization product/services while 166(29.1%) agreed while 28(4.9%) of the participants are undecided with 42(7.4%) disagreeing and 70(12.3%) strongly disagreeing. Going by the findings, organization always look out for new sources product/services that add extra value to the present organization product/services (2.09 ± 1.37).

In addition, the study revealed that 179(31.3%) of the respondents strongly agreed that employees often times are encouraged to initiate and take action that foster new or improved production method. Also 183(32.0%) agreed and 45(7.9%) are undecided. The result also identified that 73(12.8%) of the participants disagreed and 91(15.9%) strongly disagreed. With a mean and Std 2.49 +1.45, it therefore implies that Employees often times are encouraged to initiate and take action that foster new or improved production methods. About 232(40.6%) of the participants strongly agreed that added value to a product or services ensure its success in the market place while 235(41.2%) agreed and 19(3.3%) are undecided. Only 43(7.5%) of the participants disagreed and 42(7.4%) strongly disagreed. The result shows that added value to a product or services ensure its success in the market place (1.99 ± 1.18).

Finally. The study identified that more than average 325(56.9%) strongly agreed that the organizations product/service are always successful in the market due to high patronage while 94(16.5%) agreed and only 28(4.9%) are undecided. Few have contrarily opinion with 53(9.3%) and 71(12.4%) disagreeing and strongly disagreeing respectively. With the mean of 2.03 + 1.45, the result indicates that the organizations product/service are always successful in the market due to high patronage.

Table 4.5: Extent to which New Source of Supply of Raw Material Increases Organizational Return on Investment

Options	SA Freq(%)	A Freq(%)	U Freq(%)	D Freq(%)	SD Freq(%)	Mean	Std
The organization regularly develops new market for sourcing raw material.	193(33.8)	159(27.8)	36(6.3)	79(13.8)	104(18.2)	3.45	1.52
Whenever the suppliers of the organization raw material become inconsistent, the organization chantsnew sources.	116(20.3)	165(28.9)	110(19.3)	116(20.3)	64(11.2)	3.27	1.30
The management changes supplier of raw materials regularly in order to obtain the best deal.	76(13.3)	79(13.8)	86(15.1)	166(29.1)	164(28.7)	2.54	1.38
Ensuring adequate returns on invested capital is a priority in sourcing for raw material.	177(31.0)	141(24.7)	78(13.7)	82(14.4)	93(16.3)	3.40	1.46
Management ensures that supply granting high return on invested capital is consistently maintained.	172(30.1)	158(27.7)	92(16.1)	75(13.1)	74(13.0)	3.49	1.38
The source of raw material used in the organization influences the rate of return on the organization investment.	279(48.9)	170(29.8)	57(10.0)	28(4.9)	37(6.5)	4.10	1.17

Source: Field survey, 2016

Table 4.5 shows the participants responses towards the extent to which new source of supply of raw material increases organizational return on investment. The study result shows that 193(33.8%) of the participants strongly agreed that the organizations regularly develop new market for sourcing raw material while 159(27.8%) agreed with 36(6.3%) been undecided. On the contrarily, 79(13.8%) disagreed and 104(18.2%) strongly disagreed. With the mean and Std 3.45 ± 1.51 , it means that the organization regularly develop new market for sourcing raw material. Also the result of the study shows that 116(20.3%) of the participants strongly agreed that whenever the suppliers of the organizations raw material becomes inconsistent, the organization chant a new sources. About 165(28.9%) agreed and 110(19.3%) are undecided. Meanwhile, up to 116(20.3%) disagreed and 64(11.2%) strongly disagreed. The

findings implies that whenever the suppliers of the organizations raw material becomes inconsistent, the organization change a new sources.

In addition, the result revealed that the management does not change supplier of raw materials regularly in order to obtain the best deal with a mean and Std (2.54 ± 1.37). This finding is in line with only 76(13.3%) who strongly agreed that the management changes supplier of raw materials regularly in order to obtain the best deal and 79(13.8%) that agreed with 86(15.1%) who are undecided. Meanwhile more than average 166(29.1%) and 164(28.7%) disagreed and strongly disagreed respectively. Further findings identified that 177(31.0%) strongly agreed that ensuring adequate returns on invested capital is a priority in sourcing for raw material and 141(24.7%) agreed while 78(13.7%) are undecided. Meanwhile 82(14.4%) disagreed and 93(16.3%) strongly disagreed. The mean and Std 3.39 ± 1.45 , the result indicates ensuring an adequate return on invested capital is a priority in sourcing for raw material.

Also, 172(30.1%) participants strongly agreed that management ensures that supply granting high return on invested capital are consistently maintained while 158(27.7%) agreed and 92(10.0%) are undecided. However, 75(13.1%) participants disagreed and 74(13.0) strongly disagreed. Going by the result of the study, management in various organizations ensures that supply granting high return on invested capital is consistently maintained (3.4 ± 1.37). Conclusively, 279(48.9%) strongly agreed that the source of raw material used in the organization influences the rate of return on the organization investment while 170(29.8%) agreed and 57(10.0%) are undecided. In addition, 28(4.9%) disagreed and 37(6.5%) strongly disagreed.

Table 4.6: Effect of Adoption and Modification of New Technology on Increase in Number of Employees

Options	SA Freq(%)	A Freq(%)	U Freq(%)	D Freq(%)	SD Freq(%)	Mean	Std
In the recent years, the organization have experience a considerable level of product/service modification	89(15.6)	304(53.2)	178(31.2)	-	-	2.16	0.67
The organization often time engage in the adoption of products/services which makes the organization distinct in its services and product delivery.	137(24.0)	137(24.0)	97(17.0)	105(18.4)	95(16.6)	3.20	1.42
In view of various modifications been embark over the years by the company, there have continued to be increase in the number of employees engaged	270(47.3)	182(31.9)	45(7.9)	36(6.3)	38(6.7)	1.93	1.18
The organization works in collaboration with other companies in modification of product/service which invariably increases its workforce	280(49.0)	186(32.6)	53(9.3)	21(3.7)	31(5.4)	1.84	1.09

Source: Field survey, 2016

Table 4.5 shows the participants responses towards the effect of adoption and modification of new technology on increase in number of employees. The study result shows that 89(15.6%) of the participants strongly agreed that in the recent years, the organization have experience a considerable level of product/service modification while 304(53.2%) agreed with 178(31.2%) been undecided. With the mean and Std $2.15 \pm .67$, it therefore implies that in the recent years, the organization have experience a considerable level of product/service modification. Also the result of the study shows that 137(24.0%) of the participants strongly agreed that the organization often time engage in the adoption of products/services which makes the organization distinct in its services and product delivery. About 137(24.0%) agreed and 97(17.0%) are undecided. Meanwhile, up to 105(18.4%) disagreed and 95(16.6%) disagreed. Going by the mean and Std of 3.20 ± 1.42 , it means that the organization often time engage in the adoption of products/services which makes the organization distinct in its services and product delivery.

In addition, the result revealed that due to various modifications been embark upon over the years by the company, there have continued to be increase in the number of employees engaged with the mean and Std (1.93 ± 1.18). This finding is due to 270(47.3%) who strongly agreed that in view of various modifications been embark over the years by the company, there have continued to be increase in the number of employees engaged and 182(31.9%) that agreed with 45(7.9%) who are undecided. Only about 36(6.3%) and 38(6.7%) disagreed and strongly disagreed respectively. Subsequently the study indicate that the organization works in collaboration with other companies in modification of product/service which invariably increases its workforce with a mean and Std (1.84 ± 1.10). In view of this, 280(49.0%) strongly agreed the organization works in collaboration with other companies in modification of product/service which invariably increases its workforce and 186(32.6%) agreed while 53(9.3%) are undecided. Meanwhile 21(3.7%) disagreed and 31(5.4%) strongly disagreed.

Finally, the result of the study shows that 116(50.9%) participants strongly agreed that the organization management have been active in ensuring a rebranding of the product and services rendered in the organization. while 71(31.1%) agreed and 21(9.2%) are undecided. However, 6(2.6%) participants disagreed and 14(6.1%) strongly disagreed. Going by the result of the study, the various organization management have been active in ensuring a rebranding of the product and services rendered in the organizations.

4.2 TEST OF HYPOTHESES ONE TO FIVE

The five hypotheses postulated in chapter one were tested with various test statistics aided by computer through the application of Statistical Package for Social Sciences (SPSS 20 version). Specifically, hypotheses one, two, four and five were tested using linear regression analysis while hypotheses three was tested using Pearson product moment correlation coefficient.

Hypothesis one

Ho: Introduction of new product/service do not significantly increases sales growth

Hi: Introduction of new product/service significantly increase sales growth

Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.655 ^a	.429	.427	.82731	.305

a. Predictors: (Constant), Introduction of New Product/Service

b. Dependent Variable: Sales Growth.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133.727	1	133.727	195.383	.000 ^b
	Residual	177.953	260	.684		
	Total	311.679	261			

a. Dependent Variable: Sales Growth.

b. Predictors: (Constant), Introduction of New Product/Service.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.082	.133		.614	.540
	Introduction of New Product/Service	.503	.036	.655	13.978	.000

a. Dependent Variable: Introduction of New Product/Service.

Result Summary

R = .655

R² = .429

F = 195.383

T = 13.978

DW = .305

Interpretation of the Result

Table 4.12 shows the descriptive statistics of the introduction of new product/service and sales growth. The result shows that introduction of new product/service have a mean and SD responses of 3.16 ± 1.39 while sales growth has a mean and SD responses of 2.97 ± 1.15 . The standard deviation values, shows that there is less difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent (sales growth) and independent variables (introduction of new product/service).

A linear regression analysis conducted to determine the extent to which new product/service introduction increases sales growth (table 4.13- 4.15) shows that there is strong positive relationship between introduction of new product/service and sales growth (R- coefficient = .655). The R square, the coefficient of determination, shows that only 42.7% of the variation in sales growth can be explained by introduction of new product/service with no autocorrelation as Durbbin-Watson (.305) is less than 2. With the linear regression model, the error of estimate is low, with a value of about .82731. The regression sum of the square 133.727 is less than the residual sum of the square 177.953 indicating that the variation is due to chance. The F-statistics = 195.383 shows that the model is significant.

Decision Rule

Reject null hypothesis (Ho) if P-Value < 0.05 and do not reject Ho if otherwise

Decision

Since the P-Value 000 < 0.05, we reject the null hypothesis (Ho) and then conclude that introduction of new products/services significantly increase sales growth

Hypothesis Two

Ho: Improvement in existing product/services does not significantly affect customer base generation

Hi: Improvement in existing product/services significantly affect customer base generation

Results

Descriptive Statistics

	Mean	Std. Deviation	N
Improvement in Existing Product/Services	2.5878	1.37504	228
Customer Base Generation	3.5763	1.37294	228

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.855 ^a	.731	.730	.71467	.380

a. Predictors: (Constant), Improvement in Existing Product/Services.

b. Dependent Variable: Customer Base Generation.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	360.684	1	360.684	706.173	.000 ^b
	Residual	132.797	260	.511		
	Total	493.481	261			

a. Dependent Variable: Customer Base Generation.

b. Predictors: (Constant), Improvement in Existing Product/Services.

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.474	.123		-3.844	.000
Improvement in Existing Product/Services.	.856	.032	.855	26.574	.000

a. Dependent Variable: Customer Base Generation.

Result Summary

R = .855
 R² = .731
 F = 706.17
 T = 26.574
 DW = .380

Interpretation of the Result

Table 4.12 shows the descriptive statistics of the improvement in existing product/services and customer base generation. The result shows that improvement in existing product/services have a mean and SD responses of 2.59 ± 1.38 while customer base generation have a mean and SD responses of 3.58 ± 1.37 . The standard deviation values, shows that there is less difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent (customer base generation) and independent variables (improvement in existing product/services).

A linear regression analysis conducted to ascertain the extent to which product/service improvement affect customer base generation (table 4.13- 4.15) shows that there is strong positive relationship between improvement in existing product/services and customer base generation (R- coefficient = .855). The R square, the coefficient of determination, shows that only 73.1% of the variation in customer base generation can be explained by improvement in existing product/services with no autocorrelation as Durbbin-Watson (.380) is less than 2. With the linear regression model, the error of

estimate is low, with a value of about .71467. The regression sum of the square 360.684 is less than the residual sum of the square 132.797 indicating that the variation is not due to chance. The F-statistics = 706.173 shows that the model is significant.

Decision Rule

Reject null hypothesis (H_0) if P-Value < 0.05 and do not reject H_0 if otherwise

Decision

Since the P-Value $0.000 < 0.05$, we reject the null hypothesis (H_0) and then conclude that improvement in existing products/services significantly affect customer base generation

Hypothesis Three

Ho: There is no positive relationship between initiation and implement of new methods and increase in number of employees

Hi: There is a positive relationship between initiation and implement of new methods and increase in number of employees

Results

Descriptive Statistics

	Mean	Std. Deviation	N
Initiation and Implement of New Methods	3.6145	1.38141	262
Increase in Number of Employees	3.2710	1.48525	262

Correlations

		Initiation and Implement of New Methods	Increase in Number of Employees.
Initiation and Implement of New Methods	Pearson Correlation	1	.890**
	Sig. (2-tailed)		.000
	N	262	262
Increase in Number of Employees	Pearson Correlation	.890**	1
	Sig. (2-tailed)	.000	
	N	262	262

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

($r = .569$; $p = .000 < 0.05$)

Interpretation of the Result

Table 4.20 shows the descriptive statistics of the between initiation and improvement introduction/service methods and new product success. The result shows that in initiation and improvement in production/service methods have a mean and SD responses of 3.6145 ± 1.38 while new product success have a mean and SD responses of 3.271 ± 1.49 . The standard deviation values, shows that there is less difference in terms of the standard deviation scores. This implies that there is about the same

variability of data points between the dependent (initiation and improvement introduction/service methods) and independent variables (new product success).

The Pearson correlation coefficient in table 4.21 shows the nature of relationship between initiation and improvement in production/service methods and new product success. The correlation coefficient .890 shows that there is strong positive relationship between initiation and improvement in production/service methods and new product success. This is significant as $p = .000 < 0, 05$ (2tailed).

Decision Rule

Reject null hypothesis (H_0) if P-Value < 0.05 and do not reject H_0 if otherwise

Decision

Since the P-Value $.000 < 0.05$, we reject the null hypothesis (H_0) and then conclude that there is a positive relationship between initiation and implement of new methods and increase in number of employees.

Hypothesis Four

Ho: New source of supply of raw material does not significantly increases organizational return on investment

Hi: New source of supply of raw material significantly increases organizational return on investment

Descriptive Statistics

	Mean	Std. Deviation	N
New source of Supply of Raw Material	3.4160	1.42185	262
Organizational Return On Investment	2.4542	1.48162	262

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.703 ^a	.494	.492	1.01326	.177

a. Predictors: (Constant), New source of Supply of Raw Material.

b. Dependent Variable: Organizational Return On Investment.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	260.714	1	260.714	253.938	.000 ^b
	Residual	266.938	260	1.027		
	Total	527.653	261			

a. Dependent Variable: Organizational Return On Investment.

b. Predictors: (Constant), New source of Supply of Raw Material.

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.761	.121		14.515	.000
1 New source of Supply of Raw Material	.675	.042	.703	15.935	.000

a. Dependent Variable: Organizational Return On Investment.

Result Summary

R = .703

R² = .494

F = 253.938

T = 15.935

DW = .177

Interpretation of the Result

Table 4.12 shows the descriptive statistics of the new source of supply of raw material and organizational return on investment. The result shows that new source of supply of raw material have a mean and SD responses of 3.4160 ± 1.43 while organizational return on investment have a mean and SD responses of 2.4542 ± 1.48162 . The standard deviation values, shows that there is less difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent (new source of supply of raw material) and independent variables (organizational return on investment).

A linear regression analysis was conducted to ascertain the extent to which new source of supply of raw material increases organizational return on investment (table 4.13- 4.15). The result of the regression indicates that there is strong positive relationship between source of supply of raw material and organizational return on investment (R- coefficient = .703a). The R square, the coefficient of determination, shows that only 49.4% of the variation in organizational return on investment can be explained by new source of supply of raw material with no autocorrelation as Durbbin-Watson (.177) is less than 2. With the linear regression model, the error of

estimate is low, with a value of about 1.01326. The regression sum of the square 260.714 is less than the residual sum of the square 266.938 indicating that the variation is due to chance with $F\text{-statistics} = 253.938$ showing that the model is significant.

Decision Rule

Reject null hypothesis (H_0) if $P\text{-Value} < 0.05$ and do not reject H_0 if otherwise

Decision

Since the $P\text{-Value} 0.000 < 0.05$, we reject the null hypothesis (H_0) and then conclude that new source of supply of raw materials significantly increases organizational return on investment

Hypothesis Five

Ho: Adoption and modification of new technology does not significantly influences product success

Hi: Adoption and modification of new technology significantly influences product success

Descriptive Statistics

	Mean	Std. Deviation	N
Adoption and Modification of New Technology	3.2710	1.48525	262
Product Success	2.1985	1.26806	262

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.769 ^a	.591	.589	.95165	.225

a. Predictors: (Constant), Adoption and Modification of New Technology

b. Dependent Variable: Product Success

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	340.295	1	340.295	375.754	.000 ^b
	Residual	235.465	260	.906		
	Total	575.760	261			

a. Dependent Variable: Product Success

b. Predictors: (Constant), Adoption and Modification of New Technology.

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.291	.118		10.958	.000
Adoption and Modification of New Technology	.900	.046	.769	19.384	.000

a. Dependent Variable: Product Success

Result Summary

R = .769

R² = .591

F = 375.754

T = 19.384

DW = .225

Interpretation of the Result

Table 4.12 shows the descriptive statistics of the adoption and modification of new technology and new product success. The result shows that adoption and modification of new technology have a mean and SD responses of 3.27 ± 1.485 while new product success have a mean and SD responses of 2.199 ± 1.268 . The standard deviation values, shows that there is less difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent (adoption and modification of new technology) and independent variables (new product success).

A linear regression analysis was conducted to examine the effect of adoption and modification of new technology on increase in number of employees (table 4.13-4.15). The result of the regression indicates that there is strong positive relationship between adoption and modification of new technology and increase in number of employees (R- coefficient = .769). The R square, the coefficient of determination, shows that only 59.1% of the variation in increase in number of employees can be explained by adoption and modification of new technology with no autocorrelation as Durbbin-Watson (.225) is less than 2. With the linear regression model, the error of

estimate is low, with a value of about .952. The regression sum of the square 340.295 is greater than the residual sum of the square 235.465 indicating that the variation is not due to chance with F-statistics = 375.754 showing that the model is significant.

Decision Rule

Reject null hypothesis (H_0) if P-Value < 0.05 and do not reject H_0 if otherwise

Decision

Since the P-Value $0.000 < 0.05$, we reject the null hypothesis (H_0) and then conclude that adoption and modification of new technology significantly influences product success

Discussion of the Result

The result indicates that introduction of new product/service significantly increases sales ($r = .655$; $r^2 = .429$; $F = 195.383$; $T = 13.978$; $p = .000$). The introduction of new product and services as revealed by this study have a positive effect on the sales of organization. With the recent advances in technology and subsequent adoption within organization, organizations continued to experience increase new production introduction. As evidence from the present study findings, the management of various SMEs under study over the time have experience increase introduction of new services. Prior to the adoption of innovative system in form of advanced technology, the organization (1, 2 and 3) maintained only one line of services, window XP, Microsoft 2003 as well as introduction to internet. However, from the information obtained in the within 2012 and 2016, the organizations especially CCT Computers CCT Computers and AMR Microsystem have migrated its service portfolio from the three mentioned services to include application development, system networking and organizational comprehensive system training including peach tree accounting and many others. This new services have improved the profitability of the organization to over 1200% within the last five years which in part is due to increase in patronage (sales) as the organization recorded increase services/product patronage. This finding agrees with O'Leary, (2006:197) who captured it this well in his report that when existing products are no longer profitable or have been replaced by competitive offerings, and organizations need a flow of new products to achieve long-term growth and profitability.

In a similar term, Hambrick (1985) supported the study findings by asserting that the development of new products is an essential part of many firms' strategies for thriving or surviving in the dynamic and competitive business environment. The above views which correspond to this study findings expresses the vital role which new product plays in ensuring that organization achieve its sale growth. In other words, introduction of new product/services is paramount to SMEs in achieving sales growth which invariable translates to organizational growth. Also scholars have tried linking innovation to organizational growth. In a study by Artins and Mamusonge (2014) on influence of innovation on business growth of 203 SME in Kenyan SMEs in the

garment manufacturing sector reported that increase in sales. This study agrees with the present study.

In addition, the study identified that improvement in existing product/services significantly affect customer base generation ($r = .855$; $r^2 = .731$; $F = 706.173$; $T = 26.574$; $p = .000$). In today's highly competitive business environment, influenced by consistent technological advancement and globalization, the place of product/service improvement has become inevitable. Thus organization could increase its customer base by ensuring that their product/services match up with the changing consumers taste. This, which could be achieved by consistent improvement in product/services in form of design, colour, size and packaging.

Evidence from the study secondary data obtained from the organization, there have been continuous improvement in their service offering. Over time, the organization have continued improve the ways to which it offer it services. From the interview with the management, computer training offered by most of the organization was done via individual on each computer. However, the organizations have advanced to the use of projector and projector screen in tutoring its customers while maintaining personal computer. The organizations have improved in the service offering to include the a well refined learning environment, fully conditioned with air condition, a standby generating set as well as provision of snacks during the training period for the executive classes. This indeed agrees with Susman et al (2006) report that SMEs could engage in product innovation by introduction of new functions, enhanced performance, or added features to existing products. They observe that innovation of this type is generally incremental, arguing that the underlying technology can be new to the firm, but is unlikely to be "new to the world. In agreement, Menor et al., (2002) mentioned that service innovation entails offering not previously available to a firm's customers, resulting from additions to or changes in the service concept. Martins and Mamusonge (2014) highlight that innovative SMEs had realized to increase customer base further highlight the role of improvement in organizational product/services in customer generation.

Furthermore, the study identified that there is a positive relationship between initiation and implement of new methods and increase in number of employees ($r = .569$; $p = .000 < 0.05$). This study findings agrees with previous studies. In a study by Subramanian and Nilakanta (n. d) exploring the relationship between organizational

determinants of innovation, types of innovations, and measures of organizational performance among 589 SMEs in India. The study revealed that substantive relationships do exist between organizational factors, organizational innovativeness, and organizational performance. This study also agreed with Karolus (2016) result that demonstrate that there are indeed is a positive relationship between workplace innovation on the one hand, and quantitative and qualitative organizational performance and commitment of employees on the other.

In organization that desire high profitability with keen effort in ensuring that it controls a significant portion of the market share, the place of creative implementation of new production method is paramount. This necessity therefore implies that a set of employees who are acquainted to such new method will be engage. This could be argued in terms of the use of computer. Organization that have traditional been utilized manual method of production or rendering services, when such organization initiate and implement a new method of production, such organization will thereby require the service of professionals who are knowledge in terms of such computers or machines. Greenan and Guellec (2000) reported that process innovators experienced significantly higher employment growth rates is in agreement with the present study findings. The study even found evidence that process innovations, compared to product innovations, are of greater importance to create new employment at the firm level.

Although employment relationship are likely to differ according to the type of innovation. This however might lead to decreased number of employees engaged in the long run as certain activities that could be performed by human being will be eventually be taken by computers and machines. Pfeiffer (1999) found evidence that the introduction of new production technologies led to a reduction in employment in manufacturing firms in Western Germany in the mid-nineties – the effect being more pronounced in larger firms. As Falk (1999) pointed out, this effect depends on the novelty degree. Using German CIS 2 manufacturing data covering the period 1994–1996, he showed that firms launching market novelties expected an increase in labour demand.

Contrarily, no significant employment effects were found in enterprises which had solely launched imitative products that are new to their own firm, but not to the market. In manufacturing sector, the impact of process innovations on employment growth is variable. Bettina (2005) study revealed that manufacturing firms,

displacement effects outweigh compensation effects, resulting in a negative employment effect. This effect however contrast findings Peters (2004) by which reported that not all process innovations are associated with employment reduction as jobs are merely significantly deteriorated through rationalization innovations, but not as a consequence of other process innovations, hence process innovations are not responsible for a significant reduction in labour demand in service firms in the period 1998–2000.

Similar to other study on innovation, this study finding shows that new source of supply of raw material significantly increases organizational return on investment ($r = .703^a$; $r^2 = .429$; $F = 195.383$; $T = 13.978$; $p = .000$). Factors related to source of raw material for sometimes now have been a great discuss among scholars, the important of source of raw material is paramount to organization as such could enable them achieve higher profitability which implies a higher return on the investment. Finally, the study findings shows that adoption and modification of new technology significantly influences product success ($r = .769$; $r^2 = .591$; $F = 375.754$; $T = 19.384$; $p = .000$). The use of new technology in enhance product/service have assumed a great position in the last few centuries. Adopting and possible modification of technology adds added value to products which makes possible to achieve higher patronage.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

1. Introduction of new product/service significantly increases sales growth ($r = .655$; $r^2 = .429$; $F = 195.383$; $T = 13.978$; $p = .000$).
2. Improvement in existing product/ significantly affect customer base generation $r = .855$; $r^2 = .731$; $F = 706.173$; $T = 26.574$; $p = .000$).
3. There is a positive relationship between initiation and implement of new methods and increase in number of employees ($r = .569$; $p = .000 < 0.05$)
4. New source of supply of raw material increases organizational return on investment($r = .703^a$; $r^2 = .429$; $F = 195.383$; $T = 13.978$; $p = .000$).
- 5 Adoption and modification of new technology influences product success ($r = .769$; $r^2 = .591$; $F = 375.754$; $T = 19.384$; $p = .000$).

5.2 Conclusion

This study concludes that business environment is characterized by business innovation which impact on the organization especially in the area of growth. Innovation in the business world brings about new method of engaging in product/service delivery in an effort to meet the ever changing consumer taste. Today, entrepreneurs have to adopt new ways of doing things in producing, distributing and consumption of products and services, therefore, for an organization to survival in the current business world, the important of innovation cannot be over emphasized. Customers today are highly informed and more demanding than before. Responsiveness to customer needs and changing market conditions has become more important for the success of firms and calls for the introduction of new products and services together with innovation capacity for a firm. Customer personality and perception significantly impacts on new product/services development, adoption and improvement hence concerted effort should be directed at improving company product/service brand that are consistent with consumer taste and personality since

they contribute highest and are also significant to the sales growth and product success.

The important of entrepreneurship innovations could be linked to the organization ability to grow, generate customers, ensure product success, and enhance organizational return as well as increased in number of employees. Organization growth a paramount to SMEs sustainability could be achieve by adopting innovative ways in product/service creation, improvement in product/service, initiation and improvement in production/service method, adopting new source of raw materials and adoption and modification of new technology. Entrepreneurship innovation as a key to the growth of SMEs provides firms with a competitive edge over other firms in the industry. It plays an important role in strategically positioning firms with a competitive edge as well as helps firms gain entry into new markets through creation of new products/services or product/service improvement, hence entrepreneurship innovation is vital for stimulating growth in a firm.

Firms who develop innovatively by adopting new source of raw material realize higher turnover of products and services introduced within a period of time. In other words, return on organizational investment is most likely to be achieved through adopting an innovative approach that will enable SMEs gain a competitive edge in the prevailing business environment. In addition, with the advent of various technology, the likelihood of organizations engaging the service of highly competent staff who are knowledge in the area of utilizing the vast technology at the disposal of the organization is high. This however, have the possibility of leading to retrenchment of employees/staff in the long run as the various adopted or modified technology could effectively handle the responsibility ought to have been taken by other staff.

Similarly, the output of innovative SMEs can grow significantly faster than that of non-innovators, implying that innovated method of production which bring about enhanced product contributes to a faster growth of the innovative SMEs. Likewise sales turnover of innovative firms can grow faster than that of non-innovative firms. This study detect a significant relationship between initiation and improvement inproduction/service methods and new product success.

The challenge confronting SMEs therefore is their ability to innovatively harness the various potential associated with business innovations. This challenges seems to affect their ability to create and introduce new products, adopt new technologies, device new method of things, develop new markets and processes, hence many SMES have remained stagnant in a dynamic and competitive business environment. It is therefore panacea for the management/founders of the various SMEs in the area under study to responsibly grow the SMEs by adopting innovative ways of rendering services. Furthermore, the combined effects of technology advancements, competition from local and foreign brands as well as increasingly sophisticated and demanding customers are increasing the pressure on SMEs to innovate or risk failure.

The implication is that many SMEs in Nigeria will not grow and compete favourably with their foreign counterparts in international market if they do not innovate. The business will eventually die if their owners do not innovate in order to have competitive edge.

That is, an increase in the success of product innovations (measured in terms of sales growth due to new products) by one per cent lead to an increase in gross employment. At the same time, new products can displace existing ones within the innovating firm to a considerable extent which leads to downsizing. But, the decomposition of employment growth provides evidence that the net effect is positive and that product innovations have been the major driver of employment growth.. In addition, the results indicate that new jobs are not only created in firms launching market novelties, but also in firms which successfully pursue product innovation strategies.

5.3 Recommendations

Based on the findings, the following recommendations were made

- 1 The management of various SMEs should strategically engage in new product/service development as this will create new market for the organizations which will thereby ensure rapid turnover or sales growth for such organization.
- 2 The need to enhance the already existing product/services is paramount and therefore should be pursued as it will attract new customer as well as retain the already existing customers.

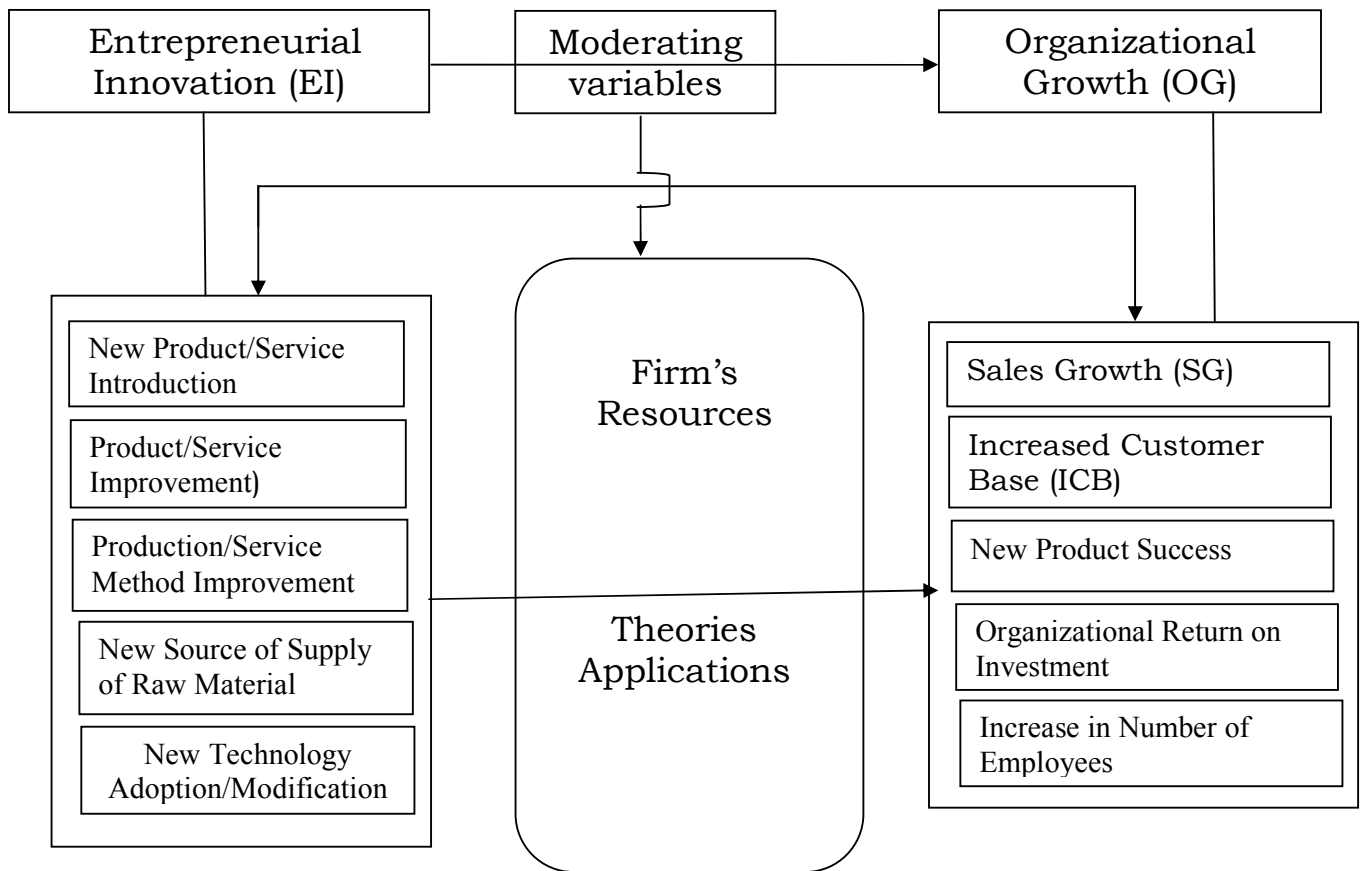
- 3 The management of SMEs should consistently sources for new method of engaging in the production of their product as well as enhanced ways of rendering their services.
- 4 SME's need to establish intense linkages with R&D institutions (Research and Development) in order to carry out technology up grade in the long term in order to overcome the rapid technological obsolescence in the globalized economy.
- 5 An expansion in public research, which can support business sector research, should be initiated by the government as the will enable the SMEs to better understand the challenging trend in consumer taste.
- 6 In order to improve profitability, create value for the share holders/shareholders of SMEs, the management of various SMEs especially those within the area of study should seek out innovatively alternatives sources of raw material that could improve return on investment.
- 7 Concerted effort should be directed at improving company product/service brand and image that are consistent with consumer taste since they contribute highest and are also significant to the growth and success of SMEs

5.4 Suggested Areas for Future Research

Effect of entrepreneurial innovation and organizational growth in SMEs in South-Eastern region of Nigeria.

Impact of New production/service improvement on organizational growth in SMEs in Western region of Nigeria

5.5 Contribution to Knowledge



The fig above is the researcher contribution to knowledge. This contribution was born from the study findings. It shows that the ability of organizations to adopt new products/services utilizing the organization resources such as capital influences the growth of the organization in terms of sales volume. Also, organization ability to improve their product and services, engage new raw material suppliers, and adopt new technology utilizing the organization resources such as the human capital, and financial resources leads to increased customer base, new product success as well as organizational return on investment and increase in number of employees.

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Appendix

Post Graduate School,
Management Department,
Faculty of Business Administration
University of Nigeria
Nsukka(Enugu Campus),
Enugu State.
26thSept, 2015

Dear Sir/Madam,

A Request to respond to the questionnaire

I am a doctoral student of the above – named institution conducting a study on **“Assessing Entrepreneurial Innovation and Organizational Growth in the Small and Medium-Scale Industries in the South-South States, Nigeria”** This study will be useful to your firm in the competitive Nigerian business environment, as it will provide information on how innovative activities can provide strategic advantage and enhanced corporate performance and growth to your firm. This is purely an academic exercise, and any information provided will be utilized solely for that purpose.

Having included your firm in the sample of this study, I am, therefore, appealing to you to help complete the attached questionnaire with honest and objective information to enable me to successfully complete the study. Anonymity and confidentiality of information is assured.

Thanks for your co-operation and understanding.

Yours faithfully,
Worgu Steve
(Researcher)

ENTREPRENEURIAL INNOVATION AND ORGANIZATIONAL GROWTH QUESTIONNAIRE

Objective one: To determine the extent to which new product/service introduction increases sales growth

Items	SA	A	U	D	SD
New product/service introduced in the organization annually is high					
The management ensure that the organization introduces at least one product annually					
The organization service/product have been the same in the last one year					
Due to different customer tailored product/service, there have been increase in the organization sales					
Annually, the organization records high product/service patronage from different customers					
The organization product/service patronage curve dwindles due to inconsistent sales volume					
New product and services success depends on the management ability to initiate and improve production/service method					

Objective Two: To ascertain the extent to which product/service improvement affect customer base generation

Items	SA	A	U	D	SD
The management of the organization encourages innovative ideas improves the quality of product/services rendered in this organization					
The product/service in rendered by the organization considerable have been worked upon to enhance customer satisfaction					
Product/services provided by the organization have over the years been improved by consistent research					
The customers of the organization have been increasing due to satisfactory product/service delivery					
New customers are attracted consistently to the organization as a improved product/service delivery					
Management encourages novel ideas that increases the organization customer base.					

Objective Three: To determine the nature of relationship between in initiation and improvement in production/service methods and new product success

Items	SA	A	U	D	SD
New machine are often introduced in the organization to ensure introduction of new products/services					
The organization always look out for new sources product/services that add extra value to the present organization product/services					
Employees are often times encouraged to initiate and take action that foster new or improved production method					
Added value to a product or services ensure its success in the market place					
The organization product/service are always success in the market due to high patronage					

Objective Four: To ascertain the extent to which new source of supply of raw material increases organizational return on investment

Items	SA	A	U	D	SD
The organization regularly develop new market for sourcing raw material					
Whenever the suppliers of the organization raw material becomes inconsistent, the organization chant a new sources					
The management changes supplier of raw materials regularly in order to obtain the best deal					
Ensuring adequate returns on invested capital is a priority in sourcing for raw material					
Management ensures that profit granting high return on invested capital are consistently maintained.					

Objective Five: To examine the effect of adoption and modification of new technology on, increase in number of employees

Items	SA	A	U	D	SD
In the recent years, the organization have experience a considerable level of product/service modification					
The organization often time engage in the adoption of products/services which makes the organization distinct in its services and product delivery.					
In view of various modifications been emback over the years by the company, there have continued to be increase in the number of employees engaged					
The organization works in collaboration with other companies in adopting a product which invariably increases its workforce					
The organization management have been active in ensuring a rebranding of the product and services rendered in this organization.					

INTERVIEW SCHEDULE ON INFLUENCE OF ENTREPRENEURIAL INNOVATION ON ORGANIZATIONAL GROWTH

1. How do you perceive your market performance in terms of sales and number of customer base in the SME sector you operate in the past five years?
2. How important is innovation for organization in terms of sales and number of customer base?
3. What are the new or improved products/services that your organization has introduced into the market in the past five years?
4. How many of them have been successful? Please name them!
5. How many have been unsuccessful?
6. How do you organize for innovation?
7. When do you think is the most appropriate time to introduce innovation?
8. What are the impulses that influence your innovative behavior?
9. How does the application of innovation depend on the size of your firm?
10. Please describe to us how the adoption and application of innovation in your firm enhances increase in your sales level and number of customer base?
11. How do you link the sales growth and number of customer base in the SME sector to the level of adoption of innovation in their operation?
12. What do you think are the reasons some SMEs owners/managers are not innovative?