Akinlabi, Babatunde

Article

Strategic innovation and entrepreneurship development of selected SMEs competiveness in Lagos State, Nigeria

Strategic Innovation and Entrepreneurship Development of Selected SMEs Competiveness in Lagos State, Nigeria

Babatunde Akinlabi[1], Nafiu Badiru[2], Ogunkoya Olufemi A.[3]

Abstract: This paper investigates the effect of strategic innovation on entrepreneurship development of selected SMEs competitiveness. The main objective is to explore the effect of strategic innovation on entrepreneurship development of selected SMEs competitiveness in Lagos State, Nigeria. Survey research design was used for the study. The study population consists of 11,663 owners/managers of SMEs in Lagos State. The Cochran formula was used to arrive at a sample size of 742. A structured questionnaire was administered with 92.6% response rate. The instrument was validated and Cronbach's Alpha reliability coefficients for the major constructs were obtained for the construct validity test factor analysis. Findings revealed that Innovation strategy had significant effect on the profitability of SMEs competitiveness in Lagos State ($\beta = 0.314$, $t = 8.884$, $p<.05$).This study made a contribution to knowledge by submitting significant background to the various concepts of strategic innovation and entrepreneurship development. The study concluded that there is a positive and significant effect of innovation strategy on profitability of SMEs competitiveness in Lagos State, Nigeria. Therefore, the paper recommended that SMEs competitiveness in Lagos State should constantly engage in innovation to improve the competitive advantage it acquires against other organizations in the sector. They should constantly analyze and determine their services operations in an attempt to improve operations efficiency.

Keywords: Strategic Innovation; Innovation Strategy; Entrepreneur; Entrepreneurship Development; Competitiveness Pressure

JEL Classification: L26; M10; M11

1. Introduction

Small and medium-sized enterprises (SMEs) are crucial to the growth and development of the economy because they typically form a large part of economic activity and provide employment to about 75% of the labour force of any countries , in particular to the developing countries in Africa (Salavou, Baltas & Lioukas, 2017). According to Ayodeji (2015), a higher percentage of these SMEs in Africa do not survive their second year due to environmental constraints, weak strategic innovation and entrepreneurship development implementation and the competition organization face from other organization globally. These constraints include capital failure, human resources challenges, market-related challenges, adverse legal and regulatory conditions and weak institutional regimes (Olughor, 2015). In terms of liberalization and privatization, SMEs, in particular emerge and develop economies, have become economical and very vital economic tools for the seedling of entrepreneurship development and local technology that create jobs and are better positioned by major organizations to innovate (Salavou et al., 2017). However, according to Salavou et al., (2017) there are barriers to the practices of innovation in SMEs, including insufficient investment capital, infrastructural facilities, education and training systems, regulatory constraints and general gaps in technical knowledge and

[1] Lecturer, Department of Business Administration and Marketing, Babcock University, Ilisan, Ogun State, Nigeria.
[2] Scholar, Department of Business Administration and Marketing, Babcock University, Ilisan, Ogun State, Nigeria.
[3] Lecturer, Department of Business Administration, Olabisi Onabanjo University, Ago-Iwoye, Ogun State, Nigeria, E-mail: ogunkoyaoa@yahoo.com.

acquisition of skills, limited management capabilities, difficulty in using technology, resulting in low productivity.

Strategic innovation is one of the main ways by which SMEs can overcome these unfavourable business conditions to grow and develop in large business entities (Ayodeji, 2015). Strategic innovation has been an integral component of economic activity for several economies and it continues the positions of current studies, such that firms that fail to engage in strategic innovation are faced with great risk while some argue are due to the keen level of competition and reduced product life cycles of modern times, company's ability to generate strategic innovations is as well vital than ever before to allow the firms to improve performance, enhance entrepreneurial development, new product development, SMEs growth, control market share and maintain competitive advantage (Namusonge, Muturi & Olaniran, 2016). For this reason, strategic innovation has become indispensable for all SMEs in order to achieve entrepreneurial development (Namusonge et al., 2016).

Entrepreneurship development is seen as a medium that is consider as a mechanism for the growth and maintenance of the development of a nation's economic growth. Ayodeji (2015) stated that entrepreneurship development has been identified as a possible mechanism for stimulating the growth and operations of SMEs. Innovation strategy is an essential tool for the growth and profitability of organizations. He also added that the innovation strategy and the organizational structure determine the development, growth and profitability of an organization's entrepreneurship. Entrepreneurship development has increased the entrepreneur's skills and abilities to create value and is the foundation of a nation's industrialization. Fasua (2017) pointed out that entrepreneurship development is essential for achieving the Millennium Development Goals (MDGs) among the area of socio-economic growth and development of Nigeria.

Entrepreneurship culture in Nigeria started when people in the rural areas and farming communities produced more products than they needed, as such, the rural dwellers had to exchange these surpluses with those who required them within their immediate and neighbouring communities (Raimi & Towobola, 2011; Oyelola, Ajiboshi, Raimi, Raheem & Igwe, 2013). In a Dynamic environment like Nigeria, innovation strategy is regarded to be a prime strategic factor for the SMEs competitiveness, product development, customer loyalty, SMEs growth and profitability (Fasua, 2017).

Despite the government's efforts to advance entrepreneurship in Nigeria, Hamilton (2008), Ijaiya (2007) and Olughor (2015) found that the rate of growth of entrepreneurship development in Nigeria has been very sluggish and that failures and even death were quite common. This situation contrasts sharply with the incredible entrepreneurial success witnessed in Europe, Asia and America (Dango, 2000). According to Agbati (2011) and Ayodeji (2015), the most fundamental and logical reason for the sluggish growth of entrepreneurship development among Nigerian SMEs is the lack of innovation in business or strategic , in turn, reduces profitability and growth relative to foreign SMEs. As established by Sharma (2016), strategic innovation is an idea applied to launch or improve a product, service or process and ensure its sustainability, even for a long time. It has been abundantly explained in the literature that most Nigerian SMEs, especially in Lagos State, collapsed due to strategic innovation, technological capability, innovation culture, and that the innovation process was not easy for the majority of SMEs due to lack of financial and human resources at their disposal, which is the fundamental key to entrepreneurship development and SME growth (Agbati 2011; Ayodeji 2015; Fasua 2017).

There are barriers to instilling innovation strategy, innovation culture, innovativeness and technological capabilities in SMEs which include lack of investment capital, poor infrastructure, education and training systems, and encumbering regulations and, in total deficiency in the acquisition of know-how and skills. Other barriers include limited management capabilities, difficulty in using technology, resulting in low productivity and a significant decline in the profitability of SMEs, growth and the idea of developing new products in Nigeria (Hussien, 2010; Oyewale, Adeyemo & Ogunleye, 2013; Ayodeji, 2015; Namusonge, Muturi & Olawoye, 2016). With the dynamism of the environment and changes in consumption pattern and policies, the small and medium enterprises innovating in products has been a challenge; hence their development and survival is not guaranteed (Ibidun, Oluwole & Ayodotun, 2014). Though resources are scarce, most SMEs in Nigeria do not employed modern techniques and processes hence they lack innovation culture in products development and they roll out the same products for time to time without innovation and product development to attract and control customers' loyalty. These attitudes serve as an impediment on the eventual growth and development of SMEs and increase customer disloyalty in Nigeria (Ibidun, Oluwole & Ayodotun, 2014).

This research study is a valuable contribution to the existing body of knowledge as it is intended to highlight the effect and relationship between strategic innovation and entrepreneurship development of SMEs across Lagos State, Nigeria and the extent to which probable solutions can be given to the identified issues that exist in their relationship.

2. Theoretical Background

2.1 Resource Based View on Resources

The resource-based view (RBV) was formulated into a comprehensive theory by Wernerfelt (1984). The theory postulates that a firm's competitive edge is based on the organizational resources and capabilities that are not only rare and valuable but non-substitutable and inimitable. RBV indicates that the firm can ensure a stable competitive advantage by facilitating the development of business-specific skills, creating complex social relationships that are incorporated into the history and culture of the business and create tacit organizational knowledge (Lee, 2016). RBV is perhaps the principal theoretical perspective in the management strategy literature (Barney and Mackey, 2005) and is an important perspective also in the field of entrepreneurship (Alvarez & Busenitz, 2001).

According to Barney (2000), RBV theory is based on three assumptions including that: businesses seek to earn above the average industry returns; secondly is that resources are distributed asymmetrically among competing companies; and lastly that difference in resources lead to differences in the characteristics of the product or services resulting in fluctuations in the performance of the firm.

The theory goes beyond the implementation of strategy and analysis of organizational processes. These two issues are the pre-occupation of most of the previous work being done on the strategic implications of the company's internal environment, which ultimately lead to strategies. Many researchers (Alvarez & Barney, 2002; Barney & Arikan, 2001; Michael, Storey & Thomas, 2002) agreed that the RBV, as a competitive advantage theory, requires four resource and capacity features as determinants of the sustainability of the firm's competitive advantage. It is durability, valuable, rare, ease of imitation, transferability and substitutability (Grant, 2001). The resource of a business is valuable in helping the company to create strategies that harness opportunities and prevent threats from the environment and competitors. This resource is also rare when it is better than similar resources belonging to competitors of the business.

2.2. Theory of Entrepreneurship Innovation

The theory of innovation in entrepreneurship was proposed by Joseph Schumpeter (1949). According to him, entrepreneurs are helping the growth process in an economy because they are people who are innovative, creative and proactive in a given society. Schumpeter (1949) went further and added that innovation occurs when the entrepreneur introduces a new product or a new process or a new production system, opens up a new market, discovers a new source of raw materials or introduces a new organization in the industry.

He also stated that entrepreneurship involves combining resources in a new way such as the introduction of new products, the new production method, the identification of new sources or sources of raw materials / inputs, and the setting of a new standard either on the market or in the industry changes the balance in the economic system. However, Schumpeter's entrepreneurs are essentially large entrepreneurs/women that are common to advanced economies. The classes of entrepreneurs who are common to developing countries such as Nigeria and Ghana are entrepreneurs who have to imitate rather than innovate to survive.

Schumpeter's theory has also been criticized for not perceiving entrepreneurial action at the microeconomic level, ignoring the individual approach to the reasoning of the single- cause, the lack of temporal dynamics and the failure to make case for contextual factors and the contingency approach with regard to its focus towards adaptation and lack of human agency (Gartner, 1988; Shaver & Scott 1991; Thornton, 1999). According to Schumpeter (1934, 1942), entrepreneurship involves combining resources in new ways, such as the introduction of new products with better sights, new ways of production, the discovery of new markets, the identification of new sources of raw materials supply and the change of existing market regulation through innovation that brings about radical changes in the market.

2.3.1. Strategic Innovation

The word "innovation" comes from the Latin word "innovare", which can be translated as "renewal". Thus, innovation shows the ability to create something new. It is customary to separate the act of innovation and the outcome of innovation. It is also common to distinguish between inventions and innovations. An invention is the non-commercialization first appearance of an idea for a new product or process and innovation is the act of its implementation and commercialization (Damanpour, 2002).

The innovation implies to find a new and better way to do things. It is about exploiting new ideas that create a new product, process, service, new business system or new management method that have a substantial impact on productivity and growth. According to Drucker (2006), innovation is a change that creates a new dimension of performance. As a result, it may involve technological transformations and even restructuring of the management team. It may mean that exploiting new technology and developing serious creative thoughts offer new value. From Drucker's point of view, systematic innovation consisted of deliberate and organized search for change and the systematic analysis of the opportunities that these changes could bring for economic or social innovation.

Mckeown (2008) considers innovation as the tool or instrument used by entrepreneurs to exploit change as an opportunity. He claimed that innovation, as a discipline, is capable of being acquired through learning and practicing. Schumpeter (1939) considers innovation as a means of progress in the market economy. This view is supported by the current changing and competitive environment faced in Nigeria. An organization that refuses, deliberately or not, to be creative and innovative will not survive on the market. As such, real entrepreneurs and businesses are constantly creative and innovative to stay connected with customers, which is the primary purpose of each business.

In order to gain a competitive edge, such that it is maintained for a long time, it is clear that companies should constantly be creating new products, services and a business model (Markides, 2010). The creation and subsequent implementation of new business models which transform radically conventional products and services, such that, it outsources existing business rules have brought about a significant strategic change in the historical flow of traditional large companies.

2.3.2. Innovation Strategy (IS)

Innovation is defined as the means of implementing internal or external generated devices, systems, strategies, programs, processes, products or services that are new to the implementing organization (Damanpour, 2002). The term innovation embodies the idea originated in other to endeavour the improvement of organizational performance (Camisón-Zornoza, Lapiedra-Alcamí, Segarra-Ciprés & Boronat-Navarro, 2004). According to Kiragu (2016) and Damanpour and Gopalakrishnan (2001), innovation is the implementing of idea or behaviour concerning a product, service, device, system, policy or program that is new to the implementing organization. This definition covers a wide range of possible innovative activities such as embarking on research and development, the introduction of fresh products or the filing of copyrights and the sustaining of creative culture in organizations (Greve, 2003, Katlia & Ahuja, 2000, O'brien, 2003).

Letangule and Letting (2012) found that innovation strategy is a prerequisite for the growth and profitability of organizations. Porter (1996) state that the strategy consists of a set of activities that will allow the organization to separate itself from its rivals and retain its competitive place. In general, research findings show that organizations with an innovation strategy are more accomplishing successful than organizations that are not (O'Regan, Ghobadian & Gallear, 2005). Innovation strategy is a guide that encourages organizations to understand the reason for innovating before making an effort to innovate. Innovation strategy consists of economic goals and developed areas for newly product or service; these are general measure that provides a set of sifts through which the concepts of strategic functions and a new goods or service must go through, thus defining the strategic task of the new goods or services.

Innovation strategy is vital for the form of strategies, the approach to objectives and means of improving and enhancing the organization's innovative potential (Lendel & Varmus, 2011). The innovation strategy allows top organization to monitor the activities of its rivals, to gain insight with customer market information, to efficiently use corporate resources and to invest effectively in research and development (Oke, Walumbwa & Myers, 2012). These activities have been found to have a significant impact on business innovation performance (Verhees & Meulenberg, 2004). The general view of the literature is that innovation strategy has a significant effect on innovation quality and organization's performance in terms of innovation (Wu & Lin, 2011). Innovation capability is increasingly seen as the most important factor in the development and support of the competitive advantage (Letangule & Letting, 2012, Tidd, 2001). According to Davila, the Epstein and Shelton (2009) innovation strategy is an indispensable component for constant success and is an essential part of the business model that improves business performance.

2.3.3. Entrepreneurship Development

Most economists today affirm that entrepreneurship is an essential ingredient for encouraging economic growth and job opportunities around the world. In most developed countries, successful small businesses are the main drivers of not only job creation and income growth but also poverty reduction. Therefore, the support of government for entrepreneurship is considered critical strategy for economic growth (Osemeke, 2012). Entrepreneurs play a key role in the acceleration of a nation's socio-economic development. Entrepreneurs are considered as nation-builders and creators of wealth. They are also the agents of change that start economic activities for the creation of wealth. They take up the business initiative, employ themselves in this business and open up jobs for others. Consequently, the positive role of the entrepreneur is mostly vital for a country especially where the parallel problems of poverty and unemployment co-exist (Osemeke, 2012).

Entrepreneurship development may refer to the process of improving entrepreneurial skills and knowledge through structural training and institutional development programs. The development of entrepreneurship aims at broadening the entrepreneurs' base in order to accelerate the pace of start-ups. This speeds-up the generation of employment and economic growth. Entrepreneurial development focuses on the person who wants to start or expand a business idea or venture. In addition, the development of entrepreneurship focuses more on growth potential and innovation (Osemeke, 2012). According to Ayodeji (2015), entrepreneurial development is any action or effort made in relation to entrepreneurship for its progress, maturity and efficiency.

Esuh (2011) opined, to add to the body of knowledge that the positive impact of entrepreneurial development has extensively been expected and has been recognized worldwide in various countries around the world. Mitchelmore and Rowley (2010) specified that entrepreneurship development activities also comprise those that are creating the field of entrepreneurship to be attractive to the non-entrepreneurs so as to increase their interests, skills and abilities to engage them in entrepreneurial activities. Thus, considering the economy in Nigeria, Osemeke (2012) clarifies that the development of entrepreneurship has been perceived by succeeding governments since the program of activities aimed at improving the managerial knowledge, skills and attitudes of peoples and groups to play the function of entrepreneurs.

2.3.4. Types of Entrepreneurs

According to Ayodeji (2015) the types of entrepreneurs are;

Innovative Entrepreneurs: These are entrepreneurs that introduce new innovations to the economy and the market or use new production techniques. This Innovation has never existed anywhere.

Imitation Entrepreneurs: This is the immediate opposite of the first entrepreneur, as they emulate innovations coming from innovative entrepreneurs. They are mostly suited to developing countries that are unable to undertake costly research and production.

Fabian Entrepreneurs: It's a bit close to imitation entrepreneurs, as they are very careful and sceptical about implementing any change; they choose to do the same thing in similar way forever, despite the challenges and innovations.

Drone Entrepreneurs*:* This is the kind of entrepreneur that is the worst kind because they tend to be sluggish and traditional; they may portend as hurdles in economic development. They usually struggle to exist and probably not to grow.

2.3.5. SMEs Profitability

Profitability has been given considerable significance in finance and accounting literature. It is another significant measure of return that should be considered unlikely that stable growth can be maintained without profits being available for re-investment in the business. There are some criteria used to assess the performance of SMEs and other organizations for long-term survival in the event of globalization and competition. The key indicators used to measure organizational performance include, among others, profitability, management performance, liquidity, market share, innovation, productivity, quality of goods and services, human resource management (Bala & Mukhtar, 2014, Ringim, 2012). The performance of SMEs is to determine the company's financial capability, such as profit, profit as a percentage of sales, profit as a percentage of the investment, and sales and profits growth (Kamyabi & Devi, 2012).

Guda (2013) defines profitability as an economic promote when the amount of revenue earned from a business action exceeds the costs, expenses and taxes required to maintain the business. Profitability is the success of a business Profitability is a measure of the overall efficiency of the business (Guda, 2013). Efficiency can be exact by correlating production as a percentage of inputs or output with the results of other enterprises in the same industry or with the results achieved in the various operating seasons. The profitability of a business can be estimated by comparing the amount of capital used, i.e. the inflow with earned income, i.e Production. This is recognized as return on investment or return on capital employed. Businesses are generally made to earn profits. The amount of earned income measures the effectiveness of a business. The more the volume of profit, the greater will be effect. A Business's profit can be measured and analyzed by studying the return on investment achieved by the business. Thus, profitability can be considered as a relative term measurable in terms of profit and its relation to other items that can directly affect profit (Barad, 2010).

2.3.6. Competitive Pressure

The pressure on competitiveness implies all the actions, activities and approaches that an enterprise has to attract more buyers survive a competitive edge from industry and develop its market share (Sifuna, 2014). Sifuna (2014) identified competitive pressure as a tool for businesses in a particular industry. According to Grant (2002), the long-term strategy must stem from the organization's desire to seek and maintain a competitive advantage based on one of the three general strategies: cost leadership, differentiation and focus strategies.

Pressure on competitiveness concerns the tools that organizations use in a particular field and the strategies adopted should improve their performance. According to Porter (1996), there are three categories of business competitiveness strategies: cost leadership strategy, product diversification strategy, focused market strategy. A cost leadership strategy is the ability of the business to succeed and maintain its low cost position in manufacturing processes in the business sector. The diversification strategy refers to an organization that is trying to create a unique product on the market for many customer groups. Focus strategy is a marketing strategy in which an organization pools its resources to enter a tight market or develop. It is generally used when the organization knows its domain and offers products / services that allow it to meet its needs in a competitive way. Competitive strategies depend on diversification strategy, cost-orientation strategy and focus strategy to attract more customers, increase sales, increase market share and increase profitability (Ireland, Hoskisson & Hilt, 2014). This shows that an organization lacking adequate and robust competitiveness strategies cannot take advantage of market opportunities and that such an enterprise will automatically be consumed by its competitors in the industry.

3. Research Objective and Methodology

The main objective of this study is to examine the effect of strategic innovation on entrepreneurship development of selected SMEs in Lagos State, Nigeria. The specific objective is to examine the effect of innovation strategy on profitability of selected SMEs in Lagos State.

In view of the research objective stated above, the research question addressed in this study is how does innovation strategy affect profitability of selected SMEs in Lagos State?

Research design is a structured investigation designed by a researcher in an attempt to gather data and provide answers to research questions and hypotheses. This study adopted survey research design. The survey design was used to obtain information from the study population concerning the current status of the phenomena through primary data collection. Survey research is useful in the description of "what exists" in relation to variables or conditions under investigation. The variables here are strategic innovation as independent variable and entrepreneurship development as dependent variable with related sub variables.

The study population consists of owner/managers of selected SMEs in Lagos State that is registered with SMEDAN in Lagos State. Lagos State is classified into five divisions; Ikorodu (783), Epe (593), Ikeja (4,446), Badagry (468) and Lagos Island (5373). The total population is 11,663 (SMEDAN, 2016). Lagos State is so chosen because it is the hub city and commercial nerve Centre of Nigeria. Lagos State is cosmopolitan and metropolitan in nature that houses the largest SMEs that operate in Nigeria (SMEDAN, 2016).

The determination of appropriate size that will represent the total population was the focus of this section. Cochran formula was used to derive the sample size. This was determined by applying the Cochran (1997) formula as is standard method of randomization and identify the limits of errors considered as the most essential items in the survey. This help the researcher obtained the sample and used the results to make sampling decisions based on the data.

The formula is:

$$n = \frac{NZ^2pq}{d^2(N-1) + Z^2pq}$$

Where:

n = sample size

N = Total number of registered SMEs in Lagos State (N=11,663)

Z = 95% Confidence Interval (Z = 1.96),

p = 0.5

q = 1 p

d = degree of accuracy or estimation (d = 0.04)

Therefore;

$$n = \frac{11{,}663\ (1.96)^2 (0.5)\ (0.5)}{(0.04)^2\ (11{,}663 - 1) + (1.96)^2\ (0.5)\ (0.5)} = 571$$

However, to compensate for the non–response and for wrong filling of questionnaires, the sample size was increased by 171 which is 30% of the total sample. This is as recommended by researchers (Zikmund, 2000).

Therefore 30% of 571 = 171

Then the appropriate sample size is given as n = 571 + 171 = 742

n = 742

The study employed multistage sampling method, which are stratified sampling technique and random sampling technique. The stratified sampling technique was applied by grouping the SMEs in Lagos state into five strata i.e. Badagary, Epe, Ikeja, Ikorodu and Lagos Island divisions out of which proportionate sample selection was done. Each stratum engages in business ranging from textile, household products, bakery, food and beverages among others. The adoption of the multi-stage approach gave a fair representation of the SMEs since these SMEs operate in different locations across Lagos. The simple random sampling adopted gave each element an equal opportunity of being selected.

Table 1. The Five Divisions of Lagos State with Employees and Proportionate Numbers

<table>
<tr><th>S/N</th><th>Five Division in Lagos State</th><th>Population Size Per division</th><th>Total Population</th><th>Sample Size</th><th>Proportionate Sample Size</th><th>Percent %</th></tr>
<tr><td></td><td>Ikorodu</td><td>783</td><td rowspan="4">11,663</td><td rowspan="4">742</td><td>50</td><td>6.74</td></tr>
<tr><td>2</td><td>Epe</td><td>593</td><td>38</td><td>5.12</td></tr>
<tr><td>3</td><td>Ikeja</td><td>4,446</td><td>283</td><td>38.14</td></tr>
<tr><td>4</td><td>Badagry</td><td>468</td><td>30</td><td>4.04</td></tr>
<tr><td>5</td><td>Lagos Island</td><td>5,373</td><td></td><td></td><td>341</td><td>45.96</td></tr>
<tr><td colspan="2">Total</td><td>11,663</td><td></td><td></td><td></td><td>100</td></tr>
</table>

Source: Researcher's Computation (2018)

The data used for this study was primary data being a cross-sectional study in nature. The use of well-structured questionnaire was adopted to gather data on the effect of strategic innovation on entrepreneurship development of selected SMEs in Lagos State. The researcher proceeded to the field to collect data for the study. This involves going to the selected SMEs to personally administer the questionnaire. This was done with the help of research assistants that was successfully trained on the process to follow in the course of the field work. Once the copies of questionnaire were returned, employees were assumed to have given permission to take part in the study. The questionnaires were distributed and returned within a 5-month period. However, the identity of such employees participating in the study was treated as confidential.

The research instrument is a tool used by a researcher to obtain both quantitative and qualitative data necessary to arrive at findings and conclusions. A structured survey questionnaire was used to gather data from the respondents. Six points modified scale format was adopted in designing the questionnaire and response to specific items ranging from Strongly Agree (SA) = 6, Agree (A) =5, Fairly Agree (FA) =4, Fairly Disagree (FD) =3, Disagree (D) =2, Strongly Disagree (SA) =1.for each of the closed question this scale is expected to increase the reliability of the responses.

Content and construct validity were implored by the researcher to evaluate the extent to which operationalization of a construct actually measures what it says it will measure and nothing else (Polit & Beck, 2012). To ensure content validity, the questionnaire was subjected to thorough examination by two randomly selected experts in the field of strategic entrepreneurship and with the help of researcher's supervisor.

Pre-test reliability was used as questionnaires were administered to test the internal consistency reliability. The test was done to assess the internal consistency or homogeneity among the research instrument items. Cronbach's Alpha co-efficient was used through SPSS

For this study, the analytical techniques employed in analysing the data collected, using the Statistical Package for Social Sciences (SPPS 21.0), were the Simple Percentage Analysis, the Product Moment Correlation Coefficient and the Regression Analysis (ANOVA). The descriptive statistics of the data is shown

Table 2. Descriptive Statistics

Department	***CEO***	***Planning Officers***	***Finance Officers***	***Others***		
	0.1%	48.6%	38.9%	12.4%		
Gender	***Male***	***Female***				
	65.1%	34.9%				
Age of Respondents	***18-28yrs***	***29-39yrs***	***40-49 yrs***	***50yrs& above***		
	11.9%	27.2%	51.1%	9.8%		
Marital Status	Single	Married	Others			
	10.2%	69.9%	19.9%			
Education	***WAEC***	***B.Sc***	***M.Sc***	***Ph.D***		
	2.5%	42.8%	42.8%	12.4%		
Position	***Top Management***	***Middle Management***	***Others***			
	27.5%	47.9%	24.6%			
Length of Service	***0-5yrs***	***6-10 yrs***	***11-15 yrs***	***16-20 yrs***	***21-25yrs***	***26-30yrs***
	12.2%	22.4%	33.9%	20.7%	3.9%	5.1%

Source: Field Survey (2018)

3.1. Testing of Hypothesis

H_1: Innovation strategy has significant effect on the profitability of SMEs in Lagos State.

Table 3. Summary of Regression Results for the Effect of Innovation Strategy on Profitability of SMEs in Lagos State

(a) Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.321[a]	.103	.102	5.299

a. Predictors: (Constant), Profitability of SMEs

*Source: Field Survey (2018)***(b)ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2216.572	1	2216.572	78.932	.000[b]
	Residual	19236.182	685	28.082		
	Total	21452.754	686			

a. Dependent Variable: Profitability of SMEs
b. Predictors: (Constant), Innovation Strategy

Source: Field Survey (2018)

(c)Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.049	1.299		23.900	.000
	Innovation Strategy	.314	.035	.321	8.884	.001
a. Dependent Variable: Profitability of SMEs						

Source: Researcher's Result (2018)

4. Results and Discussion

The result shows linear regression analysis between innovation strategy and profitability of selected of SMEs in Lagos State. The results in Table 3 show that Innovation Strategy has a significant effect on profitability of selected of SMEs in Lagos State ($\beta = 0.314$, $t = 8.884$, $p<.05$). The goodness of fit model presented in table 3 (a) shows that there is a positive significant relationship between Innovation Strategy and Profitability of selected SMEs in Lagos State ($R = 0.321$, $p<0.05$). This is supported by coefficient of determination (R square) of .103 which implies that Innovation Strategy explains 10.3% of the variations in the Profitability of selected SMEs which is statistically significant. However, the model did not explain 89.7% of the variation in Profitability of selected SMEs, implying that there are other strategic innovation factors associated with Profitability of selected SMEs, but which were not captured in the current model. In order words, if the SMEs increase a unit of spending on innovation, it will translate to a 10.3% positive in profitability. As a result for every one naira addition to the cost of innovation, there would be a corresponding increase in profitability by N10.30. The standard error of estimate (5.299) shows the average deviation of Innovation Strategy from the line of best fit. The model was considered to have a good explanatory power in explaining changes in Profitability of selected SMEs. The regression ANOVA (Table 3b) was significant at 0.000 with a value of 78.932. This shows fitness and overall significance of the regression model. It implies that Innovation Strategy is a good predictor of Profitability of selected SMEs. Using the unstandardized coefficients on the line of best fit the regression equations was obtained as follows;

PR = 31.049+0.314INS eq. (1)

Where:

PR = Profitability of Selected SMEs

INS = Innovation Strategy

The regression equation above shows that when the value of innovation strategy is constant at zero, profitability of selected SMEs takes the value of 31.049 implying that without Innovation Strategy, profitability of selected SMEs in Lagos was31.049. The regression coefficient of Innovation Strategy was 0.314, implying that a unit increase in Innovation Strategy will leads to a 0.314 unit increase in profitability of selected SMEs in Lagos State. This indicates that Innovation Strategy has a significant effect on profitability of selected SMEs in Lagos State (p-value = 0.001). Therefore, the null hypothesis one (H_{01}) which states that innovation strategy has no significant effect on the profitability of SMEs in Lagos State was rejected.

5. Conclusions

The aversion to risk taking, according to the submission of Adegbite and Abereijo (2007), the lack of innovation, as well as, the pro-activeness by the respondents were critical factors necessary for the development growth of small enterprises which were equally high. Oscar (2013) held that innovation as a specific tool is the means by which entrepreneurs exploit change as an opportunity in different business or a diverse service. The scholars further believe that innovation is better practiced in phases.

The study therefore, concludes that effect of innovation strategy on profitability of SMEs competitiveness in Lagos State, Nigeria is positive and significant. The study reaffirmed that innovation strategy has significant effect on the profitability of SMEs competitiveness in Lagos State. Also, there is a positive but significant effect of innovation strategy on profitability of SMEs competitiveness in Lagos State. The study further concludes that the firm often creates products with totally new performance

Based on the findings and conclusions of this research, the researcher recommended that SMEs competitiveness in Lagos State should uninterruptedly engage in innovation to improve the competitive advantage it enjoys against other organizations in the sector. They should consistently analyze and measure their services processes and operation in an effort to improve operations efficiency. In addition, SMEs should adopt strategies that focus on the vision and mission of the organization. Similarly, they should develop strategies that attract customers, such as service positioning and innovation. Managers need to know that adopting or putting into practice growth strategies has the potential to grow the business and even wake up those that are declining.

This study made a contribution to knowledge by submitting significant background to the various concepts of strategic innovation and entrepreneurship development. The study accessed entrepreneurship development indicators such as SMEs profitability, new product development, customer retention and SMEs growth.

References

Abiodun, E. A. (2014). The role of SME firm performance in Nigeria. *Arabian Journal of Business and Management Review, 3*(12), 33-47.

Adegbite, S.A., Ilori, M.O., Irefin, I.A., Abereijo, I. O. & Aderemi, H.O.S. (2007). Evaluation of the impact of entrepreneurial characteristics on the performance of small scale manufacturing industries in Nigeria. *Journal of Asia Entrepreneurship and sustainability*, *3*(1), 1.

Agbati, D. (2011). Impact of new product development on growth of entrepreneurship in Switzerland. http://www.*bellanet.orga/ent/performance; Downloaded on 13th August 2017*.

Ahmed, A. (2013). *Pukhtun Economy and Society (Routledge Revivals): Traditional Structure and Economic Development in a Tribal Society*. Routledge.

Ahmed, N. & Wang, S. (2013). The impact of capital structure on performance: An empirical study of non-financial listed firms in Pakistan. *International Journal of Commerce and Management*, *23*(4), 354-368.

Aloulou, W. & Fayolle, A. (2005). A conceptual approach of entrepreneurial orientation with small business context. *Journal of Enterprising Culture, 13*(1), 21-45.

Altenburg, T. & Eckhardt, U. (2006). *Productivity enhancement and equitable development: challenges for SME development.* Vienna: UNIDO.

Alvarez, L. & Busenitz, W. (2001). The entrepreneurship of resource-based theory. *Journal of Management*, 27, 755–775.

Alvarez, S. A. & Barney, J. B. (2002). *Resource-based theory and the entrepreneurial firm*. Oxford: Blackwell Publisher.

Aremu, M. A. & Adeyemi, S. L. (2011). Small and medium scale enterprise as a strategy for employment generation in Nigeria. *Journal of sustainable Development, 4*(1), 46-58.

Ayodeji, B. I. (2016). Innovations and innovation capability in palm kernel processing industry in south-western Nigeria. *International Journal of Innovation Science, 9*(1), 102-114.

Babajide, A. A., Adegboye, F. B. & Omankhanlen, A.E. (2015). Financial inclusion and economic growth in Nigeria. *International Journal of Economics and Financial, 5*(3), 1-15.

Bala, A. K. & Mukhtar, S. A. (2014). The relationship between some determinants of SME performance In Nigeria: A qualitative approach. *European Journal of Business and Management, 6*(2), 107-114.

Barad, M. (2010). *Analysis of Receivable Management.* Retrieved September 18, 2017 from http.//www.shodganga.inflibnet.ac.ic/bif stream.

Barney, J. (2000). Firm resources and sustained competitive advantage, in Joel A.C. Baum, Frank Dobbin (ed.) *Economics Meets Sociology in Strategic Management (Advances in Strategic Management, Volume 17).* Emerald Group Publishing Limited, pp. 203 – 227.

Barney, J. B. & Arikan, A.M. (2001). *The resource-based view: Origins and implications*. In M. A. Hitt, Freeman, F.E & Harrison, J.S (Eds.). *The Blackwell Handbook of Strategic Management*. Oxford: Blackwell Publisher.

Barney, J. B. & Mackey, T. B. (2005). Testing resource-based theory. *Research Methodology in Strategy and Management, 2,* 1–12.

Camisón-Zornoza, C., Lapiedra-Alcamí, R., Segarra-Ciprés, M. & Boronat-Navarro, M. (2004). A meta-analysis of innovation and organizational size. *Organization Studies*, *25*(3), 331-361.

Cochran, L. (1997). *Career counselling: A narrative approach*. Sage Publications.

Damanpour, F. & Gopalakrishnan, S. (2001). The dynamics of the adoption of product and process innovations in organizations. *Journal of Management Studies, 38*(1), 45-66.

Damanpour, F. (2009). Innovation effectiveness, adoption and organizational performance. *Journal of Management Studies, 46*(4), 650-675.

Dango, M. (2000). A comparative study of entrepreneurial practice in Africa, Europe, Asia and America. *Journal of Global Business. 8* (1), 44-57.

Davila, T., Epstein, M. & Shelton, R. (2006). *Making innovation work: How to manage it, measure it, and profit from It.* Upper Saddle River: Wharton School Publishing.

Drucker, P. (2006). *Innovation and entrepreneurship*. Harper Business.

Esuh, O. L. (2011. Nurturing Entrepreneurship Development in the 21st Century: The Practical Approaches. *International Journal of Humanities and Social Science, 1*(9), 73-87.

Fasua, A. (2007). Entrepreneurial development and the millennium development goals in Nigeria. *Organizational Dynamics, 33*(1), 66-74.

Gartner, W. B. (1988). “Who is an entrepreneur?” is the wrong question. *American Journal of Small Business*, *12*(4), 11-32.

Gbandi, E. C. & Amissah, G. (2014). Financing Options for Small and Medium Enterprises (SMEs) in Nigeria. *European Scientific Journal*, *10,* 21-39.

Grant, R. M. (1996). Prospering in dynamically-competitive environments: Organizational capability as knowledge integration. *Organization Science, 7*(4), 375-387.

Greve, C. (2003). Public sector reform in Denmark: Organizational transformation and evaluation. *Public Organization Review,* 3(3), 269–280.

Guda, D.O. (2013). The relationship between cash flow and profitability of small and medium enterprises in Nairobi County. *A Master Thesis Submitted to Department Of Business Administration, University Of Nairobi.*

Hamilton, D.I. (2008). Dynamics of corporate innovation in small and medium scale enterprises. *Journal of African Contemporary Research, 1*(1), 43-52.

Hifza, M. & Malik, H. (2011). Determinants of insurance companies' profitability: An analysis of insurance sector of Pakistan. *Academic Research International, 1*(3), 315-321.

Hussien, A. (2010). Enhance the competitiveness of the Arab SMEs in the knowledge economy. *http://mpra.ub.uni-muenchen.de/21742/.*

Ijaiya, M. (2007). *Problems of entrepreneurship in Nigeria*. Ibadan, Heinnema Publishing.

Ismail, W. K. & Abdmajid, R. (2007). Framework of the culture of innovation: a revisit. *Journal Kemanusiaan*, 5 (1).

Janssen, F. (2009). The conceptualization of growth: are employment and turnover interchangeable criteria? *Journal of Entrepreneurship*, 18(1), 162-170.

Jończyk, J. (2011). The Relationship between Organizational Culture and Innovation in the Opinion of the Medical Staff of Public Hospitals.*Hyperion International Journal of Econophysics & New Economy*.

Kamyabi, Y. & Devi, S. (2012). The impact of advisory services on Iranian SME performance: An empirical investigation of the role of professional accountants. *African Journal of Business Management, 43*(2), 61-72.

Katlia, J. & Ahuja, C. (2000). Strategic Innovation in the new economy. *Journal of Business Strategy, 21*(3), 25-29.

Kiragu, D. N. (2016). *Influence of financial innovations on financial performance of savings and credit co-operative societies in Nyeri County, Kenya*. Nairobi: University of Nairobi.

Langdon, M. (2012). The innovation master plan: The CEO's guide to innovation. *Innovation Academy.* www.innovationmanagement.se.

lbidunni, A. & Ogundana, O. (2014). Antecedents of business level strategies in Nigerian agro-based firms. *Journal of Competitiveness, 6*(3), 63-76.

Lendel, V. & Varmus, M. (2011). Creation and implementation of the innovation strategy in the enterprise. *Journal of Economics and Management. 16,* 819-825.

Letangule, S. & Letting, N. (2012). Effects of performance contract on organization performance. The case of Kenya's ministry of education. *International Journal of Management and Business Studies, 2*(3), 29- 39.

Madsen, E. L. (2007). The significance of sustained entrepreneurial orientation on performance of firms - A longitudinal analysis. *Entrepreneurship & Regional Development. 19*(2), 185-204.

Majid, N. A.(2007). Innovation culture from an organizational perspective. Global Journal of Management Studies and Researches. *Global Journal of Management Studies and Researches 1*(1), 142-154.

Markides, C. (1998). Strategic innovation in established companies. *MIT Sloan Management Review, 39*(3), 31.

Martín-de Castro, G., Delgado-Verde, M. Navas-López, J. E. & Cruz-González, J. (2013). The moderating role of innovation culture in the relationship between knowledge assets and product innovation. *Technological Forecasting and Social Change*, 80(2), 351-363.

McKeown, M. (2008). *The Truth about Innovation.* India: Pearson Education.

Michael, S., Storey, D.& Thomas, H. (2002). *Discovery and coordination in strategic management and entrepreneurship*. Oxford: Blackwell Publishers.

Mitchelmore, S. & Rowley, J. (2010). Entrepreneurial competencies: a literature review and development agenda. *International Journal of Entrepreneurial Behaviour & Research, 16*(2), 92-111.

Namusonge, G. S., Muturi, W. & Olaniran, O. (2016). The role of innovation on performance of firms on Nigerian stock exchange. *European Journal of Research and Reflection in Management Sciences, 4*(1), 40-51.

O'Brien, J. P. (2003). The capital structure implications of pursuing a strategy of innovation. *Strategic Management Journal,* 24, 415-31.

O'Regan, N., Ghobadian, A. & Gallear, G. (2005). In search of the drivers of high growth in manufacturing SMEs. *Technovation,* 26(1), 30-41.

Oke, A., Walumbwa, F.O. & Myers, A. (2012). Innovation strategy, human resource policy, and firm's revenue growth: The roles of environmental uncertainty and innovation performance. *Decision Sciences, 43*(2), 273–302.

Okibo, B. W. & Shikanda, E.W. (2015). Effects of Organizational Culture on Innovation in Services Industry: A Case Study of Postal Corporation of Kenya. *European Journal of Business and Management, 3*(3), 66-84.

Olughor, R. J. (2015). Effect of Innovation on the performance of SMEs Organizations in Nigeria. *Management 5*(3), 90-95.

Oscar, T. P. (2013). Initial contamination of chicken parts with Salmonella at retail and cross-contamination of cooked chicken with Salmonella from raw chicken during meal preparation. *Journal of Food Protection*, *76*(1), 33-39.

Osemeke, M. (2012). Entrepreneurial development and interventionist agencies in Nigeria. *International Journal of Business and Social Science, 3*(8), 255 -265.

Oyelola, O. T., Ajiboshin, I. O., Raimi, L., Raheem, S. & Igwe, C. N. (2013). Entrepreneurship for sustainable economic growth in Nigeria. *Journal of Sustainable Development Studies*, *2*(2), 197-215.

Oyewale, I. O., Adeyemo, S. A. & Ogunleye, P. O. (2013). Technological innovation: An imperative tool for entrepreneurship development in Nigeria. *Australian Journal of Business and Management Research. 3*(8), 41-47.

Polit, D. F. & Beck, C. T. (2012). *Nursing research: Generating and assessing evidence for nursing practice* (9th Edition). Lippincott, Williams & Wilkins, Philadelphia.

Porter, M.E. (1996). What is strategic? *Harvard Business Review,* 4, 61-78.

Raimi, L. & Towobola, W. L. (2011). Open distance learning (ODL): A catalyst for educational and entrepreneurship development in Nigeria. *Continental Journal of Education Research 4*(3), 1 –11.

Ringim, K. J. (2012). Effect of the business process reengineering factors on information and technology capabilities on organizational performance. *Unpublished Doctoral Thesis, University Utara Malaysia.*

Salavou, H., Baltas G. & Lioukas, S. (2017). Organisational innovation in SMEs: The important of strategic orientation and competitive structure, *European Journal of Marketing,* 38(9-10) 1091-1112.

Schumpeter, J. A. (1934). Change and the Entrepreneur. *Essays of JA Schumpeter*.

Schumpeter, J. A. (1942). *Socialism, capitalism and democracy*. Harper and Brothers.

Schumpeter, J. A. (1939). *Business Cycles.* New York: McGraw-Hill.

Sharma, D. (2016). Enhancing customer experience using technological innovations: A study of the Indian hotel industry. *Worldwide Hospitality and Tourism Themes, 8* (4), 469-480.

Shaver, K. G. & Scott, L. R. (1991). Person, process, choice: The psychology of new venture creation. *Entrepreneurship Theory and Practice, 16*(2), 23-46.

***(2016). *2016 Annual Report.* SMEDAN, Abuja.

Thornton, P. H. (1999). The sociology of entrepreneurship. *Annual Review of Sociology, 25*, 19-46.

Tidd, J. (2001). Innovation management in context: environment, organization and performance. *International Journal of Management Review*, 3(3), 169–83.

Verhees, F. J. & Meulenberg, M. T. (2004). Market orientation, innovativeness, product innovation and performance in small firms. *Journal of Small Business Management, 42*(2), 134-154.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, *5*(2), 171-180.

Wiklund, J. & Shepherd, D. (2005). Entrepreneurial orientation and small business performance: A configurational approach. *Journal of Business Venturing*, *20*(1), 71-91.

Wood, M. T., Gadd, K. & Falkenburg, D. (2004). Entrepreneurship for engineers: Education that works. *Proceedings of the NCIIA 8th Annual Meeting,* San Diego, CA, USA, March 18-20, 131-135.

Zikmund, W. G. (2000). *Business Research Methods*. (6th edu) Dryden Press, Fort Worth, TX.