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# BUSINESS INNOVATION AND CONSUMERS' PERCEPTION IMPROVEMENT IN NIGERIA (A CASE STUDY OF SOME SELECTED SMEs IN ODEDA L.G.A, ABEOKUTA, OGUN STATE)

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***Abstract***

*The study investigated business innovation and consumers perception improvement. The study focused on some selected SMEs in Odeda Local government area in Abeokuta, Ogun state, Nigeria. Survey research design was employed for the study where 114 respondents (sample size) from the selected total estimated population of 160 SMEs for the study area and were gathered through the use of structured questionnaire. Their responses were tested using appropriate statistical tools of SPSS package using the ANOVA, the correlation and the regression too. Our study revealed that the business innovation affected the consumers perception improvement of SME positively which has allowed youths to be self-employed and created economic growth and regional development. Therefore, the study recommended that solving the consumer perception improvement can be single handedly done by the use of Online Marketing. Hypothesis one shows that $R^2$of 0.227, and value of $P > 0.05$, adjusted $R^2 = 0.220$, $R^2$ measures the percentage of variation in the dependent variable caused by variation in the independent variable the P value of $< 0.05$, which shows that the regression model was fit. Hypothesis two shows that $R^2$of 0.280,and value of $P > 0.05$, adjusted $R^2 = 0.273$, $R^2$ measures the percentage of variation in the dependent variable caused by variation in the independent variable. This study provides recommendations based on the findings and conclusions raised earlier; that, systems, both in the benefit of the organization and of the shareholders as successful innovation is strongly linked to financial performance, drive economic growth, brings wider benefits to the society and improve standard of living.*

## Background to the Study

In the recent decades the business environment has changed tremendously due to the advance of globalization and competition, changing the essentials for success. In this context, innovativeness appears to be a key ingredient to achievement and competitiveness in the new millennium. In today's business environment, innovativeness is regarded as one of the most valuable assets of organizations.

The astonishing pace of new technologies, changes in consumer demands and preferences and fierce competition requires businesses to stay innovative to survive and grow in the market (Kaplan, 2009). Innovation is defined as adding something new to an existing product or process. The key words are adding and existing. The product or process has already been created from scratch and has worked reasonably well. When it is changed so that it works better or fulfils a different need, then there is innovation on what already exists. Innovation is the successful exploitation of new ideas. Innovation is one of the intangible assets of any company and it may be a relevant factor for the achievement of a competitive sustainable advantage of companies in the market (de Benito Valencia, 2000).

There is a strong need of such kind of research in Nigeria as it is the most neglected area yet most important. Therefore, the focus of this study will be on how consumers' perception has improved about business innovativeness of SMEs in order to aid small scale business to develop their customer service, image and product range by knowing how their customers experience them.

**Statement of Problem**

The increase of the globalization economic activities, the gradual integration of markets and the continuous evolution of consumer's needs and desires have given firms new challenges to try to innovate more and more. Under this new atmosphere that features the external and internal company's environment, it becomes necessary for company to fit itself in these changes in order to maintain its market place, and to face the aggressive competition in such an open world market.

Consequently, a focus on creating innovative products and processes (especially through market and process innovation) represents a strategy to strengthen the aforementioned relationship between consumers and the firm which can be in form of brand loyalty and brand preference. Given the well-established relationship between product quality and value, as firms innovate and increase value, consumers may perceive products from highly innovative firms to be higher quality due to the importance of innovation in forming consumer perceptions.
Additionally, it is suggested that a positive relationship between the firm and consumer positively impact the consumer's level of satisfaction (Garbarino& Johnson, 1999). Consumers respond favorably to firms' efforts to invest resources into customer relationships (Wulf, Schroder, &Iacobucci, 2001).

Consumers of highly innovative firms may have a higher level of anticipated satisfaction due to interpreting innovation activities as a relationship investment on the part of the firm. Given that consumers will ultimately decide the success or failure of an innovation, one would expect the focus to be on consumers. Current innovation measures assess industry or employee perceptions, yet fail to account for consumer perceptions of firm innovativeness and to determine objectively how business innovation affects market and has been adopted by consumers. Understanding consumer perceptions of business innovation and how these perceptions influences behavior is essential and was the focus of this study.

**Literature Review**

**Innovation**

Innovation is the process that transforms new ideas into new value-turning an idea into value. You cannot innovate without creativity. Innovation is the process that combines ideas and knowledge into new value. Without innovation an enterprise and what it provides quickly become obsolete. The dictionary defines innovation as the introduction of something new or different. Innovation is the implementation of creative inspiration. The National Innovation Initiative (NII) defines innovation as “the inter-section of invention and insight, leading to the creative of social and economic value” Innovation is “value” – the creation of value adding value to customer’s satisfaction- “delighting the customers”.

Innovation is the basis of all competition advantages, the means of anticipating and meeting customer’s needs and the method of utilization of technology. Innovation is fostered by information gathered from new connections; from insights gained by journeys into other disciplines or places; from active, collegial networks and fluid open boundaries. Innovation arises from organizing circles of exchange, where information is not just accumulated or stored, but created. Knowledge is generated a new from connections that were not there before.

**Product Innovation**

Product innovation means introducing the new products/services or brining significant improvement in the existing products/services (Polder et al, 2010). For product innovation, the product must either be a new product or significantly improved with respect to its features, intended use, software, user-friendly or components and material. The first digital camera and microprocessors are the examples of the product innovation. Change in design that brings significant change in the intended use or characteristics of the product is also considered as product innovation (OECD, 2005).

The product innovation has many dimensions. First, from the perspective of the customer, product is new to the customers. Second, from the perspective of the firm, the product is new to the firm. Third, product modification means brining product variation in the existing products of the firm (Atuahene-Gima 1996). Firms bring product innovation to bring efficiency in the business (Polder et al. 2010). In highly competitive environment of today, firms have to develop new products according to customer’s needs. (Olson et al. 1995). In the competitive environment firms bring product innovation to compete in the market.

**Process Innovation**

Process innovation means improving the production and logistic methods significantly or bringing significant improvements in the supporting activities such as purchasing, accounting, maintenance and computing (Polder et al., 2010). OECD (2005) defined process innovation as implementation of the production or delivery method that is new or significantly improved. Process innovation includes bringing significant improvement in the equipment, technology and software of the production or delivery method.

Firms bring novelties in the production and delivery method to bring efficiency in the business, to produce innovative products and amendments are also brought in firms processes to produce the new products (Adner&Levinthal, 2001). To decrease the production cost, firms go for bringing process innovation. The process innovation is reflected by the cost of the product (Olson et al. 1995). The historical case studies showed that bringing automation in the production methods has increased the efficiency and productivity of the organizations (Ettlie& Reza, 1992).

**Organizational Innovation**

Organizational innovation is defined as introduction of new practices of doing business, workplace organizing methods, decision making system and new ways of managing external relations (Polder et al., 2010). OECD (2005) defined the organizational innovation as implementing new ways of organizing business practices, external relations and work place. Organizational innovation is new ways of organizing routine activities. For organizational innovation firms change the method of organizing that firm has not implemented before. Organizational innovation can increase the performance of the organization by decreasing the transaction cost and administrative cost.

Firms bring organizational innovation to bring efficiency in the business. The new organizational method must be at least new to the organization and new method can be developed by the firm itself or with the help of third party (Polder et al., 2010). Organizations bring changes in their organizational setup. They change the ways of organizing things to compete with their competitors and satisfy the customers (Ettlie& Reza 1992).

**The Concept of Perception**

According to the Webster's Revised Unabridged Dictionary (1913) perception is the quality, state, or capability, of being affected by something external; sensation; sensibility. Another definition is that is the process by which an organism attains awareness or understanding of its environment by organizing and interpreting sensory information. Perception means the adaption of reality.

The process of selection is processing and interpretation of input data from the environment to make them purposeful (Stávková et al, 2008). In general, perception is gathering information through our senses, which are seeing, hearing, touching, tasting, smelling and sensing. Through these senses we can perceive things, events or relations. But as there are so many different stimuli only a small portion of them are noticed and an even smaller amount can really reach our attention. And that's where it is necessary to talk about the difference between Sensation and perception. Although the distinction between sensation and perception is not that easy as it was believed in former times, a rough distinction can be made.

Sensation is the immediate response of our sensory receptors to such basic stimuli as light, color, etc. Perception is the process by which these stimuli are selected, organized and interpreted. For example, one of these stimuli, color can serve as an important cue in consumer's perceptions.

**Research Method**

This study adopted quantitative data analysis for this study; the survey research design was employed. The scope of the study covers some selected SMEs in Odeda Local government area in Abeokuta, Ogun state, Nigeria. The respondents who are owners of businesses in the areas were purposively randomly selected in order to accomplish the objective of the study. Primary method of data collection was used for this study through a field survey of firms with the aid of purposive well-structured questionnaires. The questionnaires instrument was designed using five (5) likert's scale, as well as through an in-depth personal interview guided by the questions raised in the questionnaire which proved to be most effective due to the fact that most respondents could not fill in their responses or due to time constraints. A sample of 114 respondents was identified from a population of one hundred and sixty (160) of small and medium enterprises within the study area using random sampling method based on reports of the number of small and medium businesses in the study area and approximately 98.25% of the administered questionnaires were retrieved.

Each of the dependent and independent variables of the research construct were measured by two (2) items each validated by different authors found in extant literature. Pre-test was also constructed through a pilot study which was carried out for the research instrument's validity. Split half method of reliability test results on the split halves 0.734 and 0.864 respectively show that research instrument is reliable (Garson, 2009).

**Interpretation of Results**

Linear regression analysis was used to test the research hypotheses and analyse the dependent and independent variables.

Scatter diagram was used to study the relationship between two variables. It shows what happens to one variable when the other variable changes.

**Hypothesis 1:** There is no significant relationship between product innovation and purchase intention.

Table 4.3.1 Model Summary of Product Innovation and Purchase Intention

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .476[a] | .227 | .220 | .46825 |

Predictors: (Constant), Product Innovation

Table 4.3.2 ANOVA[a] of Product Innovation Purchase Int

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 7.069 | 1 | 7.069 | 32.242 | .000[b] |
| | Residual | 24.118 | 110 | .219 | | |
| | Total | 31.187 | 111 | | | |

Dependent Variable: Purchase Intention

Predictors: (Constant), Product Innovation

**Interpretation of results**

The result from the model summary table revealed the extent to which the variance, purchase intention can be explained by product innovation is 22.7% (R Square = 0.227). The ANOVA table shows the Fcal 32.242 at 0.000 significant levels. The table shows that there is a significant relationship between product Innovation and purchase Intention among SMEs in odeda LGA, Abeokuta, Ogun State

## Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.757 | .431 | | 4.081 | .000 |

| | | | | | |
|---|---|---|---|---|---|
| | Product Innovation | .567 | .100 | .476 | 5.678 | .000 |

Dependent Variable: Purchase Intention
Independent Variable: Product Innovation

The coefficient table shows that the simple model that expresses how there is a significant relationship between product innovations and purchase intention among SMEs in odeda LGA, Abeokuta, Ogun State. The model is shown mathematically as follows:

Y=a+bX

***where***

Y is purchase intention and x is product innovation, a is a constant factor and b is the value of coefficient. From this table therefore, purchase intention is =1.757 + 0.567product innovation. Therefore, a unit increase in product innovation will lead to 0.567 increases in purchase intention.

**Decision**

The above result implies that there is a significant relationship between product Innovation and purchase Intention among SMEs in odeda LGA, Abeokuta, Ogun State i.e. since our P value (0.000) is LESS than 0.05. Thus, the decision would be to reject null hypothesis ($H_o$) and accept alternative hypothesis ($H_1$), i.e. there is a significant relationship between product Innovation and purchase Intention among SMEs in odeda LGA, Abeokuta, Ogun State.

**Hypothesis 2:** Organizational innovation does not significantly affect customer satisfaction.

Model Summary of Organizational Innovation and Customer Satisfa

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .529[a] | .280 | .273 | .45973 |

Predictors: (Constant), Organizational Innovation
Dependent Variable: Customer Satisfaction

ANOVA[a] of Organizational Innovation and Customer Satisfaction

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 9.026 | 1 | 9.026 | 42.704 | .000[b] |
| | Residual | 23.249 | 110 | .211 | | |
| | Total | 32.274 | 111 | | | |

Dependent Variable: Customer Satisfaction
Predictors: (Constant), Organizational Innovation

**Interpretation of results**

The result from the model summary table revealed the extent to which the variance, customer satisfaction can be explained by organizational innovation is 28% (R Square = 0.280). The ANOVA table shows the Fcal 42.704 at 0.000 significant levels.

The table shows that organizational innovation has a significant effect on customer satisfaction among SMEs in odeda LGA, Abeokuta, Ogun State.

**Coefficients of Organizational Innovation and Customer Satisfaction**

**Coefficients[a]**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 1.947 | .356 | | 5.467 | .000 |
| Organizational Innovation | .549 | .084 | .529 | 6.535 | .000 |

Dependent Variable: Customer Satisfaction
Independent Variable: Organizational Innovation

The coefficient table shows that the simple model that expresses how organizational innovation has a significant effect on customer satisfaction among SMEs in odeda LGA, Abeokuta, OgunState.The model is shown mathematically as follows:
Y=a+bX

***Where***

y is customer satisfaction and x is organizational innovation, a is a constant factor and b is the value of coefficient. From this table therefore, customer satisfaction = 1.947 + 0.549organizational innovation. Therefore, a unit increase in organizational innovation will lead to 0.549 increases in customer satisfaction.

**Decision**

The above result implies that organizational innovation has a significant effect on customer satisfaction among SMEs in odeda LGA, Abeokuta, Ogun State i.e. since our P value (0.000) is LESS than 0.05. Thus, the decision would be to reject null hypothesis ($H_O$) and accept alternative hypothesis ($H_1$), i.e. organizational innovation has a significant effect on customer satisfaction among SMEs in odeda LGA, Abeokuta, Ogun State.

**Conclusion**

Innovation is a key driver of economic growth; it is linked to positive financial performance and also brings wider benefits for society. Ideas and discoveries improve our standard of living. Innovation can also lead to better standards of safety, better health care, better quality products, and products and services that are better for the environment. Innovation has increased our productivity far beyond that of previous generations and has fundamentally changed the way we live and all aspects of our lives.This study focused on business innovation and consumers' perception improvement among selected SMEs in Odeda, Abeokuta, Ogun state and made mention of some construct that determines the improvement in the perception of consumers about innovation.

This study was able to identity product innovation, process innovation, market innovation and organizational innovation as well as their effect on consumers' perception among SMEs in Odeda, Abeokuta. Market innovation had the strongest impact on consumers perception followed by product innovation which was sequentially followed by organizational innovation and then process innovation having the least impact on consumers' perception among selected SMEs in Odeda, Abeokuta. Hence, it is paramount to make good use of this practices and techniques effectively and efficiently in order to improve how consumers view and perceive innovation among SMEs in Odeda, Abeokuta. Successful implementation of innovation needs to be arrived at for the benefit of both the enterprise and its stakeholders.

**Recommendation**

Following the findings and conclusions, the study made the following recommendations:

1. Managers should continuously make knowledge and ideas into new products, process and systems, both in the benefit of the organization and of the shareholders as successful innovation is strongly linked to financial performance, drive economic growth, brings wider benefits to the society and improve standard of living.
2. Innovation varies in scope, time for completion and organizational and societal impact. Therefore, mangers must take into consideration the kind of innovation to adopt based on the current circumstances of the enterprise and the area where the innovation is desired to achieve business success as innovation could actually occur in products, process, technologies methods or business models.
3. Product innovation facilitates efficiency in business operation significantly in competition in the market and increasing market share and performance of business. Since customers are the major provider of profit for an organization, business firms must introduce or improve product and services to attract and satisfy customers as it positively affect both the organization and its stakeholders.
4. Mangers should adopt and implement new or significantly improved equipment, technology and software for the production or delivery method in their firms as it pertains to process innovation in order to increase productivity and satisfy their customers.
5. Mangers needs to develop and implement new techniques, methods and tools for marketing such as new or significantly improved changes in packaging, designing, placement and product promotion and pricing strategy for efficient trading, increase in sales and market share and open new markets.
6. In order to satisfy customers better, achieve competitive advantage and meet societal needs, firms should introduce new ways of organizing business practices, external relations and work place for example novelty in corporate social responsibility(CSR) to meet societal needs and build good corporate image.
7. The variables utilized for measuring how consumers' perception has improved about innovation is reliable and valid. The researcher suggests that SMEs in Abeokuta can adopt this model to enhance their innovative capacity. The researcher suggests other researchers to study the business innovation from different view point as stated in the suggestion for further studies.

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