



## Impact of Innovation on the Performance of Small and Medium Scale Enterprise in Gwagwalada, Abuja

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### Abstract

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The study examines the impact of innovation on the performance of small and medium scale enterprises in Gwagwalada-Abuja. The major problem is that small and medium scale enterprises in Gwagwalada-Abuja do not developed new business, new product, new market and new process to market their businesses in Gwagwalada-Abuja in order for them to achieve performance in terms of sales volume. The study sought out how innovation (marketing innovation, process innovation and product innovation) enhances performance (sales volume) of SMEs Gwagalada-Abuja. A Point in time data was collected from primary source covering a period of 5 years from 2010 to 2015. The population of this study is 2690 SMEs owners. A sample size was derived using Taro Yamane and the size was 348. Ordinary least Square method of multiple regressions with a statistical package of e-view was adopted and findings reveal that there is significant relationship between innovation and performance of SMEs in Gwagalada-Abuja. Other findings show that there is a significant relationship between product innovation, process innovation, marketing innovation and performance (sales volume) of SMEs in Gwagwalada, Abuja. The study recommends that SMEs in Gwagalada-Abuja should try to improve on their businesses or adopted new innovation practices in their businesses since it significantly contribute to the performance of SMEs in Gwagalada-Abuja. They should bring a new benefits or values to their customer, employees, or shareholders since it contributes to the performance of SMEs in Gwagwalada-Abuja.

**Keywords:** *Marketing innovation, Product Innovation, Process Innovation, and sales volume*

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### **Background to the Study**

Innovation means novelty, new things being done, or old things being done in new ways to increase performance in terms of sales, profitability and market shares in an organization. It is an application of technological, institutional, human resources and discoveries to productive processes, resulting in new practices, products, markets, institutions and organisations that need organizational improvement or performance in terms of sales, profitability and market shares. Innovation in SMEs business can be a product, process, and marketing used in order to increase performance of business in terms of sales volume. Small and Medium Scale Enterprises are considered as the engine of economic growth that drives and promote equitable development of nations which is achieved by adopting innovation principles. The role of Small and Medium Enterprises in the economic and social development of countries is well established when applying the concept of innovation on these SME firms, performance will be improve or increase drastically. The sector is a nursery of entrepreneurship, often driven by innovation.

Gwagwalada SMEs firms in Nigeria have not frequently applied the concept of innovation in their businesses. There is less new product in the market, less adoption of marketing innovation strategies, poor business innovation processes which negatively reduce the sales volume of SMEs in Gwagwalada-Abuja. The market is full with existing products which the consumers already have pre-knowledge about the quality, quantity and taste. However, Gwagwalada SMEs firms are yet to fully apply product innovation, process innovation and marketing innovation and organizational innovation in order to increase its sales volume in the sector.

The main objective of this study is to examine the impact of innovation on the performance of SMEs in Gwagwalada, Abuja. The specific objectives are: to examine the impact of product innovation on sales volume of SMEs in Gwagwalada, Abuja, to determine the impact of process innovation on sales volume of SMEs in Gwagwalada, Abuja, to evaluate the impact of marketing innovation on sales volume of SMEs in Gwagwalada, Abuja and to determine the impact of organizational innovation on sales volume of SMEs in Gwagwalada, Abuja.

Previous studies such as Mohd and Syamsuriana (2013), Masood, Sadia, Muhammad and Saman (2013), Adhiambo (2014), Adeyeyetolulope (2014) and Rukevwe (2015) study the innovation and performance of SMEs and this study contribute to the existing knowledge by examining the impact of innovation on the performance of SMEs in Gwagwalada, Abuja.

The scope of this study is restricted to the impact of innovation on the performance of SMEs in Gwagwalada, Abuja. The period of study is 5 years from 2011 to 2015 and this period is chosen because of the high competition in the market and SMEs firms started increasing in Gwagwalada, Abuja. The study is limited to product innovation, process innovation, marketing innovation, organizational innovation and sales volume. The copies of questionnaire were administered to 348 respondents who are the owners of SMEs in Gwagwalada, Abuja. The researcher had difficulty in meeting the owners of

SMEs but the researchers overcame this limitation with the assistance of some workers in some SMEs in Gwagwalada.

The eventual findings of this research would immensely contribute to some research gap in existing literature thus aiding scholarly and informed policy directions towards bolstering SMEs' capacity to generate sales and ultimately assure the business innovation. More specifically, it is expected that the findings of this research will be of immense utility to SME managers, SMEs operators, policy makers, stakeholders, researchers and government. Above all, it is hoped that this study would contribute to knowledge and be useful as reference material for scholarly discourse and further research.

The following hypothetical assertions are stated to form the crux of this research:

- Ho<sub>1</sub>** There is no significant relationship between product innovation and sales volume of SMEs in Gwagwalada, Abuja.
- Ho<sub>2</sub>** There is no significant relationship between process innovation and sales volume of SMEs in Gwagwalada, Abuja.
- Ho<sub>3</sub>** There is no significant relationship between marketing innovation and sales volume of SMEs in Gwagwalada, Abuja.
- Ho<sub>4</sub>** There is no significant relationship between organizational innovation and sales volume of SMEs in Gwagwalada, Abuja.

### **Concept of Innovation**

According to Damanpour and Gopkrishnan (2001) innovation is the acceptance of any idea or conduct related to a product, service, system, device, policy or program that is new to the adopting organization. Nohria and Gulati (1996) assert that innovation is the inclusion of any policy, program, structure, process or any market or product that a manager perceives to be true. Kuczmarski, Middlebrooks, and Swaddling (2000) view innovation as a new perceived benefit or value to a customer, employee, or shareholder. The new perceived benefit ranges from minimal to massive and may be functional, psychological, emotional, or financial. For example, a process innovation could bring a time-saving benefit to employees. Aliu (2010) assert that innovation is any good service or idea that is perceived by someone as new. Bessant and Tidd (2007) view innovation in the manufacturing sector as the technical, design, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product or the first commercial use of a new (or improved) process or equipment. Kuratko and Hodgetts (2004) assert that innovation is the creation of new wealth or the alteration and enhancement of existing resources to create new wealth. According to Thornhill (2006) innovation is a process of idea creation, a development of an invention and ultimately the introduction of a new product, process or service to the market. Robbins and Coulter (2006) assert that innovation is the process of taking creative ideas and turning them into useful products or work methods. However, innovation is the process of totally undergoing new business activities aside existing practices.

Wirtz (2010) indicates that innovation is the development and successful establishment of a technical, organisational, business related, institutional or social solution of a problem, which is perceived as groundbreaking and new, accepted by pertinent users and pursued by innovators in anticipation of an achievement. According to OECD Oslo Manual (2005), four different innovation types are introduced. They are product innovation, process innovation, marketing innovation and organizational innovation.

The term product innovation according to Polderet, Polder, Leeuwen, Mohnen and Raymond (2010) is introducing the new products/services or bringing significant improvement in the existing products/services. To them, 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. According to OECD (2005) Change in design that brings significant change in the intended use or characteristics of the product is also considered as product innovation. The objective of product innovation is to attract new customers (Adner & Levinthal, 2001).

Process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software (OECD: Oslo Manual, 2005). According to Polderet, Polder, Leeuwen, Mohnen and Raymond (2010) process innovation is the improvement in production and logistic methods significantly or bringing significant improvements in the supporting activities such as purchasing, accounting, maintenance and computing.

A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing (OECD: Oslo Manual, 2005). According to Masood, Sadia, Muhammad, Saman (2013) marketing innovation is the implementation of new marketing method that involve significant changes in the design, placement, packaging, product promotion and pricing strategy. To them, the objective of marketing innovation is to increase the sales, profit in terms of return on investment, return on capital employed, return on asset, return on equity, market share and opening new markets. According to Chen (2006) marketing innovation is changing ways of collecting customer's information.

Polderet, Polder, Leeuwen, Mohnen and Raymond (2010) assert that organizational innovation is the introduction of new practices of doing business, workplace organizing methods, decision making system and new ways of managing external relations and dealing with other firms. Organizational innovation is implementing new ways of organizing business practices, external relations and work place (OECD: Oslo Manual, 2005).

### **Concept of Performance**

Performance is the outcomes achieved in meeting internal and external goals of a firm (Lin et al., 2008). Performance has several names, including growth (Wolff & Pett, 2006), Owen (2006) believes that organisational performance encompasses three specific areas of firm outcome: (a) financial performance (profits, return on assets, return on investment etc), (b)

product market performance (sales, market share etc) and (c) shareholders returns (total shareholders return, economic value added etc. Performance is either financial or non financial. The financial performance are return on asset, return on investment, return on equity, return on capital employed, net profit margin, cross profit margin, profit after tax, profit before tax and market share.

### **Sales Volume**

Tianyu (2013), it is the [quantity or number of goods sold or services sold in the normal operations of a company in a specified period. It is the quantity or number of products sold or services provided by a company in a particular period of time \(Cambridge dictionary, 2012\).](#)

### **Concept of Small and Medium Scale**

Onugu (2005) assert that small and medium enterprises as defined by the National Council of Industries in Nigeria refers to business enterprises whose total costs; excluding land, is not more than two hundred million naira (N200, 000,000.00). In Britain according to Bakare and Babatunde (2014) small scale business is conceived as that industry with annual turnover of 2 million pound or less with fewer than 200 paid employees. According to Darren (2009) they are the businesses that employ up to 9 employees in UK while in Australia; they employ fewer than 5 employees including non-employing businesses. U.S. Census Bureau which tends to categorize business micro business as SOHO (meaning small office- home office), non-employer business and non-employee business (including business less than 5 employees). In Nigeria, the National Council of Industry (2003) and Etuk, Etuk and Baghebo (2014) listed enterprises based on three criteria such as micro with size of 1-10 and less than N1 Million capital, small with a size of 11-35 and N1 Million – less than N40 Million capital, Medium with a size of 36-100 and N40 Million – less than N200 Million.

### **Empirical Findings**

Mohd and Syamsuriana (2013) evaluate the impact of various innovation dimensions on the performance of SMEs. A total of 284 samples were collected from SMEs in the food and beverage, textiles and clothing and wood-based sub-industries throughout Malaysia. The data were analysed using a hierarchical regression analysis. The findings confirmed the hypotheses that product innovation and process innovation influenced firm performance significantly, where the impact of the former was stronger than the latter. Besides consolidating the existing theory on the importance of innovation for explaining a variation in firm performance, the findings also inform SMEs and policy makers that innovation is a critical factor in today's entrepreneurial activities. Further studies should look into how SMEs could calculate cost-benefit ratio of innovation and how they could opt for internal or external sources of innovation before actual innovation is undertaken.

The study did not indicate the population of the study but when to indicate the total of 284 sample of SMEs in food and beverage, textiles and clothing and wood-based sub-industries throughout Malaysia. The study did not adopt SPSS or e-view statistical software package to analysis the data.



Adeyeyetolulope (2014) investigate the impact of technological innovation on organizational performance and the study employed survey research. Primary data was used with questionnaire as research instrument. The subjects were 137 employees of Nestle Foods Nigeria Plc. The four hypotheses formulated for this study were tested using correlation, regression analysis, Pearson's Correlation and Analysis of Variance (ANOVA), with the aid of Statistical Package for Social Sciences (SPSS). The findings from the study revealed that there is positive relationship between technological innovation and organizational performance of the selected companies.

The study adopted many statistical tools such as Pearson Correlation which indicate the degree of the relationship between the dependent variable and independent variable and regression which shows the cause and effect relationship between the dependent variable and independent variable. The study also used ANOVA which is included in regression analysis and represented as F-statistic. However, the author could have use regression analysis to find out effect relationship between the variables.

Rukevwe (2015) investigate how innovation affects business performance in small and medium-sized enterprises (SMEs) in an up-and-coming market, like Nigeria. The study uses a survey design method. Innovation was measured with sub variables of product and process, market and administrative innovations. Firms' performance was measured with sub scale of production, market and financial performance. A sample of 200 SMEs operating in the Lagos and Ibadan metropolitan area were selected using convenient sampling techniques. The questionnaires used in the study were in three parts: five point Likert scale was used to measure innovation and performance. Demographic data use for personal background, included gender and age of respondents. A validity and reliability test of the constructs was conducted. The Cronbach's alpha of each construct is innovation, 0.82 and firms' performance is 0.86. Data was analysed through qualitative and quantitative approaches. Descriptive statistics was used to analyze quantitative data with the use of Statistical Package for Social Sciences (SPSS) and the subsequent data analyses was undertaken using ANOVA (Analysis of variance). The study demonstrated that there is a high correlation among factors used to measure innovation. And secondly, innovation was found to influence business performance.

The author could have used regression and improve on the statistical software by adopting e-view instead of SPSS at the he conduct the study. The ANOVA does not indicate the effect relationship between the variables instead it only shows the average mean of two or more independent variables.

Adhiambo (2014) examine the product innovation and its effects on financial performance of commercial banks in Kenya. The study adopted explanatory research design in which a population sample of 106 senior and branch managers from nine commercial banks was taken using the census method. Data was collected using research questionnaires and face-to-face interviews and secondary data was obtained from 2013 audited annual financial statements of commercial banks. Analyses were conducted through descriptive statistics and Ordinary Least Square technique to estimate a multiple regression equation.

Findings suggested that 6.5 percent ( $R^2=0.065$ ) of the variance in financial performance may be explained by core product innovation, formal product innovation and augmented product innovation. The regression results indicated that core product innovation and augmented product innovation do not have any relationship with the financial performance of banks. However, the results revealed a negative relationship between formal product innovation and the financial performance of commercial banks in Kenya with  $\beta$  value of -4.758 and a t value of -2.022 implying a statistical significance at 5 percent level.

The study was conducted in Kenya in 2014 and concentrated in Banks. However, there is a need to conduct this type of study in Nigeria in 2016 using a different organization. The researcher could have used survey research design instead of descriptive research design and the reason is that the study is a point in time study.

Masood, Sadia, Muhammad and Saman (2013) explore the effects of innovation types including product, process, marketing and organizational innovation on different aspects of firm performance such as innovative, production, marketing and financial performance in Pakistani manufacturing companies. Data were collected through survey questionnaires from 150 respondents mainly from production, R&D and marketing departments of manufacturing companies. With the help of SPSS, data were analyzed by factor, reliability, correlation, and regression analysis. The results reveal the positive effects of innovation types on firm performance.

The above study could have used e-view statistical software package that is current and researchers could have used only one statistical tool to analyze the data. The researchers could have used regression to analyze the data. The population of the study was not well defined and sample was just assumed to be 150 without indicating the technique that was used to derive the sample size.

**Diffusion theory of Innovation:** This theory explained how, why, and at what rate new ideas and technology spread. The theory was developed by Everett Rogers in 1962, and is now in its fifth edition (2003). He argues that diffusion is the process by which an innovation is communicated over time among the participants in a social system. The origins of the diffusion of innovations theory are varied and span multiple disciplines. Rogers proposes that four main elements influence the spread of a new idea: the innovation itself, communication channels, time, and a social system. This process relies heavily on human capital. The innovation must be widely adopted in order to self-sustain. Within the rate of adoption, there is a point at which an innovation reaches critical mass.

### **Research Methodology**

The study employed a survey research design and used an analytical model such as regression to analyze data. The reason for using a survey research design is that data needed for this study is a point in time data and for using regression is to ascertain the cause and effect relationship between the dependent variable and independent variable.

The population size is a total of 2690 SMES in Gwagwalada according to SAMDAN report (2013) and the sample size of the study is 348 and was obtained using a Taro Yamanes formula and it's stated below:

$$n = \frac{N}{1 + N(e)^2}$$

Where N is the population size  
e is the margin error (assume 5%)

1= constant

e = 0.05

$$n = \frac{2690}{1 + 2690(0.05)^2}$$

$$n = \frac{2690}{1 + 2690(0.0025)}$$

$$n = \frac{2690}{1 + 6.725}$$

$$n = \frac{2690}{7.725}$$

$$n = 348$$

Data collected were from primary source and the primary source was questionnaire administered to the respondents who are the managers of different SMEs in Gwagwalada. Based on the estimated sample size, 348 SMEs owners being the estimated sample size forms the base sample and augmented by 20% to ensure a useable returned sample of 348. This was done by calculating the percentage fraction of the sample size SMEs to the entire population of the study and the total number of administered questionnaire is 417. A questionnaire was designed in five point likert scale such as strongly agreed (5), agreed (4), undecided (3), strongly disagreed (2), disagreed (1). The copies of questionnaire were administered by the researchers and information obtained is authentic and reflect the position of the respondents regarding innovation and SMEs performance in Gwagwalada. However, only 211 copies of questionnaire was return by the respondents. A Multiple regression model is used as indicated below.

$$SV = \alpha + \beta_1 PN + \beta_2 MI + \beta_3 PSI + OI + \pi \dots \dots \dots 1$$

Where: SV = Sales Volume (Performance measured) independent variables measures  
PN= product innovation, MI=marketing innovation, PSI=process innovation, OI= organizational innovation,  $\beta_1$  = coefficient and  $\pi$  = Constant



## Data Presentation

**Table 1: The Analysis of Return Rate**

Respondents (Employees of SMEs)	No of Questionnaires Administered	No of Questionnaires not Returned	No of Questionnaire Returned/used	Percentage (%)
Male	246	104	142	67.29
Female	171	102	69	32.70
Total	417	42	211	100

**Source:** Field Survey, (2016)

The table above shows that, 67.29% of the respondents are male who are the owners of small and medium scale enterprises in Gwagwalada Area Council and 32.70% of the respondents are female who are the owners' of small and medium scale enterprise in Gwagwalada Area Council.

**Table 2: Nature of SMEs in Gwagwalada, Abuja**

Respondents	Frequency	Percent (%)
Manufacturing	11	5.21
Minning and quarrying	17	8.05
Accommodation & Food Serv.	7	3.31
Agriculture	22	10.42
Wholesale/Retail Trade	9	4.26
Construction	1	0.47
Transport and Storage	14	6.63
Information and Communication	8	3.79
Education	9	4.26
Administrative activities	3	1.42
Arts, Entertainment & Recreation	4	1.89
Others services activities	65	30.80
Water supply, Sewerage, waste management	19	9.00
Remediation activities	22	10.42
Total	211	100

**Source:** Field Survey, (2016)

The table indicates that 5.21% of the respondents said that they had a manufacturing SMEs firm in Gwagwalada Area Council, 8.05% of the respondents said that they had minning and quarrying SMEs firm in Gwagwalada Area Council, 3.31% of the respondents said that they had Accommodation & Food Services SMEs firm in Gwagwalada Area Council, 10.42% of the respondents said that they had Agricultural SMEs firm in Gwagwalada Area Council, 4.26% of the respondents said that they had wholesale/retail trade SMEs firm in Gwagwalada Area Council, 0.47% of the respondents said that they had construction SMEs firm in Gwagwalada Area Council, 6.63% of the respondents said that they had

transport and storage SMEs firm in Gwagwalada Area Council, 3.79% of the respondents said that they had information and communication firm in Gwagwalada Area Council, 7.00% of the respondents said that they had education firm in Gwagwalada Area Council, 4.26% of the respondents said that they had education firm in Gwagwalada Area Council, 1.42% of the respondents said that they had administrative activities such consulting firm in Gwagwalada Area Council, 1.89% of the respondents said that they had Arts, Entertainment & Recreation firm in Gwagwalada Area Council, 30.80% of the respondents said that they had Others services activities firm in Gwagwalada Area Council, 9.00% of the respondents said that they had Water supply, Sewerage, waste management firm in Gwagwalada Area Council and 10.42% of the respondents said that they had Remediation activities firm in Gwagwalada Area Council.

**Table 2: Research Questions**

Questions	SA (5)	A(4)	Un (3)	SD	D
There is new products/services or significant improvement in the existing products/services in Gwagwalada.	23(10.90)	11(5.21)	21(9.95)	49(23.22)	107(50.71)
There is significant changes in techniques, equipment and/or software development in Gwagwalada, Abuja (process innovation)	42(19.90)	39(18.48)	12(5.68)	51(24.17)	67(31.75)
There is the implementation of new marketing method that involve significant changes in the design, placement, packaging, product promotion and pricing strategy in Gwagwalada among SMEs owners (marketing innovation)	22(10.42)	33(15.63)	19(9.00)	79(37.44)	58(27.48)
There is an introduction of new practices of doing business, workplace organizing methods, decision making system and new ways of managing external relations in SMEs firms (organizational innovation)	33(15.63)	44(20.85)	14(6.63)	66(31.27)	54(25.59)
The sales volume of SMEs in Gwagwalada have increase drastically during these months	54(25.59)	59(27.96)	13(6.16)	43(20.37)	42(19.90)

**Source:** Field Survey, (2016)

**Hypotheses Testing**

**Regression Result using**

**E-view Statistical software Package**

$$SV = \alpha + \beta_1 PN + \beta_2 PSI + \beta_3 MI + \beta_3 OI$$

Dependent Variable: SV

Method: Least Squares

Date: 10/25/16 Time: 12:35

Sample: 1 211

Included observations: 211

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.675908	0.097748	6.914813	0.0000
PI	-0.183674	0.089324	-2.056276	0.0410
PSI	0.589538	0.123133	4.787811	0.0000
MI	0.315245	0.119250	2.643558	0.0088
OI	0.198428	0.145772	1.361229	0.1749
R-squared	0.828750	Mean dependent var	3.189573	
Adjusted R-squared	0.825424	S.D. dependent var	1.509363	
S.E. of regression	0.630646	Akaike info criterion	1.939267	
Sum squared resid	81.92911	Schwarz criterion	2.018695	
Log likelihood	-199.5926	Hannan-Quinn criter.	1.971373	
F-statistic	249.2292	Durbin-Watson stat	1.074213	
Prob(F-statistic)	0.000000			

**Source:** Data output using e-view statistical package, 2016

Decision rule: 1% level of significance, 5% level of significance and 10% level of significance

From the regression result, innovation coefficient for product innovation (PI) is negative and insignificant in achieving SMEs performance in terms of sales volume in Gawgwalada, Abuja. The  $SV = 0.61 - 18PI$  which indicates that sales volume will decrease by 18% for every 1% increase in product innovation (PI). The p-value of 0.04 is greater than the t-statistic value of (2.05) and the standard error value of 0.08 is greater than the t-statistic value. This implies that there is a significant relationship between product innovation and sales volume of SMEs in Gawgwalada, Abuja.

Innovation coefficient for process innovation (PSI) is positive and significant in achieving SMEs performance in terms of sales volume in Gawgwalada, Abuja. The  $SV = 0.61 + 0.54PSI$  which indicates that sales volume will increase by 54% for every 1% increase in process innovation (PSI). The p-value of 0.00 is less than the t-statistic value of 4.78 and the standard error value of 0.12 is less than the t-statistic value. This implies that there is a significant relationship between process innovation and sales volume of SMEs in Gawgwalada, Abuja.

Innovation coefficient for marketing innovation (MI) is positive and significant in achieving SMEs performance in terms of sales volume in Gawgwalada, Abuja. The  $SV = 0.61 + 0.31MI$  which indicates that sales volume will increase by 31% for every 1% increase in marketing innovation (MI). The p-value of 0.00 is less than the t-statistic value

of 2.64 and the standard error value of 0.14 is less than the t-statistic value. This implies that there is a significant relationship between marketing innovation and sales volume of SMEs in Gawgwalada, Abuja.

Innovation coefficient for organizational innovation (OI) is positive and significant in achieving SMEs performance in terms of sales volume in Gawgwalada, Abuja. The  $SV=0.61+0.19OI$  which indicates that sales volume will increase by 19% for every 1% increase in organizational innovation (MI). The p-value of 0.17 is less than the t-statistic value of 1.34 and the standard error value of 0.14 is less than the t-statistic value. This implies that there is insignificant relationship between organizational innovation and sales volume of SMEs in Gawgwalada, Abuja.

The coefficient of determination ( $r^2$ ) of 0.87 indicates that 82% of variation in SMEs performance (sales volume) can be explained by innovation (product, process, marketing and organizational innovation) in Gwagwalada, Abuja. The remaining %18 can be explained by other related factors not noted in the regression model. The f-statistic value of 249.2292 is significant at p-value of 0.00 and Durbin Watson is 1.07 which indicates that there is a present of auto correlation between the dependent and independent variable. Also, this implies that there is an evidence of existence of linear relationship between SMEs performance (sales volume) and innovation (product, process, marketing and organizational innovation) in Gwagwalada, Abuja. Therefore, we accept the alternative hypothesis that there is a significant relationship between innovation (product, process, marketing and organizational innovation) and SMEs performance (sales volume) in Gwagwalada, Abuja.

### **Discussion of Findings**

From the above analysis, the impact of innovation on the performance of SMEs in Gwagwalada is statistical significant. These indicate that innovation (product, process, marketing and organizational innovation) significantly contributes to the performance of SMEs in terms of sales volume. The finding is in tandem with the finding of Masood, Sadia, Muhammad and Saman (2013) who found that there is a significant relationship between innovation and performance. The study is also in line with innovation diffusion theory which is widely adopted in order to self-sustain an organization. Within the rate of adoption, there is a point at which an innovation reaches critical mass in achieving sales volume in an organization.

### **Conclusions**

The study therefore concludes that innovation significantly contributes to SMEs performance in terms of sales volume in Gwagwalada, Abuja. The study also concluded that product innovation contributes to sales volume of SMEs in Gawgwalada, Abuja, process innovation significantly leads to sales volume of SMEs in Gawgwalada, Abuja. Organizational innovation insignificantly leads to sales volume of SMEs in Gawgwalada, Abuja and there is a significant relationship between marketing innovation and sales volume of SMEs in Gawgwalada, Abuja.

## Recommendations

The study therefore recommends that SMEs firms in Gwagwalada, Abuja should adopt innovation practices since it significantly contributes to SMEs performance in terms of sales volume in Gwagwalada, Abuja. They should improve in product innovation since it contributes to sales volume of SMEs in Gwagwalada, Abuja. They should encourage process innovation in their organization since it significantly leads to sales volume of SMEs in Gwagwalada, Abuja. They should improve much on organizational innovation though it has an insignificant effect on sales volume of SMEs in Gwagwalada, Abuja. However, they should try to adopt new practices of innovation in doing their businesses, workplace organizing methods, decision making system and new ways of managing external relations and marketing innovation since it contribute to sales volume of SMEs in Gwagwalada, Abuja.

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