Influence of Innovation on Growth of Small and Medium Hospitality Enterprises in Nigeria

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Abstract
Small and Medium Enterprises (SME's) have been recognized as an important sector in national development in both developed and developing economies. Although SME's are seen as veritable engine of economic development of many countries, the growth and development of SME's in Nigeria have been slow and in some cases poor due to a number of challenges confronting the sector. However, one of the most disturbing challenges is the dearth of innovations by Small and Medium Enterprises. Research shows that most SMHE's in Nigeria are not innovative and this affects negatively firm's growth. Not much is document on SMHE's innovation and its influence on growth in Nigeria. The study therefore examines the relationship between innovation and growth of SMHE's. The target population was 302 small and medium hospitality enterprises operating in hotels, fast food and travel agencies. Data were collected through questionnaire and analysed using descriptive and inferential statistics, analysis of variance, ANOVA for hypothesis testing and regression to test whether there exist relationship between growth of SMHE's and innovation. The study concludes that there is a significant relationship between innovation and growth of SMHE's in Nigeria.

Keywords: *Small and Medium Enterprises, Growth Hospitality Innovation, Growth and Survival.*

Background to the Study

Small and medium enterprises (SMES) have been recognized as an important sector in national developing economies (Abrie & Doussy, 2006). This sector contributes significantly in economic & growth and development of many nations .although SME'S are seen as veritable engine of economic development and growth, the growth and development of SME's in Nigeria have been very slow and in some cases very poor due to a number of challenges confronting this sector. Some of this challenges includes access to financing, entrepreneurial, management skills limited capacity for research and development, human resources management, death of skilled personal, incessant power onstage and many more (Onugu 2005; and Ihua, 2009). However, one of the most distributing among these challenges is the paucity of innovation for research and development. Innovation is usually associated with risks and substantial challenges for SME's because of the structural disadvantage due to their smallness (Chesbrough, 2010).

Statement of the Problem

Innovation is considered in many quarters as the key to success in business. Research shows clearly that most small and medium hospitality enterprises in Nigeria are not innovative and this affects negatively their level of growth. Most of the SMHE's have not been able to develop technological competences to acquire and apply from foreign firms. However, some SMHE's adopt some degree of innovativeness. Not much is documented on small and medium hospitality enterprises innovation and its influence on firm growth in Nigeria .According to Gunday, Ulusoy, Kilic and Alpkan (2011) innovation is the best way SME's can stimulate firm growth when they attach importance to innovative activities that build reputation in the market environment. Essentially the major reason for innovativeness is the desire to have increased business performance, higher turnover of products and services and increased competitive edge.

Objective of the Study

To determine whether innovation influence the growth of small and medium hospitality enterprises (SMHE's)

Literature Review

In today's changing world, the imperative for innovation has been on the continuous increase with academic in practitioners alike interested in creativity and innovations of various types. (Forman, 2011; Dobni 2008; Gorindarajan, Trimble, 2005). Innovation is being considered as the key competitive advantage firms, need to acquire in the twenty-first century (Rujirawanich, Addison & Smallman, 2011; Dobni, 2008). Small and medium seized enterprises are the engine of European economy, they are very important in employment creation create entrepreneurial spirits and innovation in the European union and thus vital for fostering competitiveness and employment (European Commission, 2012).

SME's play and essential role in economic and technological development specifically due to their innovation activities which has becomes the driving force for competitive advantage and firm performance (Kaufmann and Todtling, 2002). However, there are

challenges to the activities of innovation in SME's (Terziovski, 2011). The restricted internal resources places constrain on access to acquire new technologies and he ability to engage in innovative effort (European Commission, 2005). SME's have been noted to lack structured internal knowledge sharing gathering and utilization (Varies and Littunen, 2010) thus making it difficult to foster an innovative culture (Terziorski, 2010). Innovation activities is SME's is further affected due to lack of sophisticated hierarchical structures (Jones and Tilley, 2003).

According to Schumpeter innovation is defined as creation of new combination which involves introduction of new goods or new method of production, the opening of new markets, the conquest of new sources of supply of new material and lastly the carrying out of the new organization of the industry (Bigliardic Colacino and Domoi, 2011). The OECD Oslo manual (2005) also defines innovation as the implementation of a new or significantly improved product (goods or service) or process or a new marketing method or a new organization method in business practice, work organization or external relation. (OECD, 2005)

According to Bigliardi and Dormio (2009) and Oslo (2005) innovation can be categorized into four phases (i) product innovation (ii) process innovation (iii) organizational innovation (iv) market innovation. Product innovation refers to creation of new products/services for this intended usage. This may include the technical specification, component or materials incorporated software (Oslo, 2005). Organizational innovation, the introduction of a new method in firms business practices in work place and organization. (Oslo 2005). Market innovation this involves new marketing method which has significance in its product design or packaging, product placement, product promotion or pricing with the intent to meet costumers need or to position the forms product or market with the objective of increasing the firm's sales (Oslo, 2005).

The hospitality industry is important to the development of many countries of the world. Raghubalan and Raghabualan (2011) defined hospitality as the cordial and generous reception and entertainment of guest or stranger either socially or commercially. Hospitality basically refers to a friendly and generous behaviour toward visitor and guest intended to make them feel welcomed; foods drinks, and entertainment given to a customer or organization (Gambo and Jakanda 2013). The hospitality industry is a major service sector in the world (Ceserani and Kinton, 2007).   The industry can be entertainment areas like clubs and bars and accommodation take the form of public houses, resorts, in compound hotels, hostel serviced apartment and motel. The clubs are bars category include restaurants, fast food firms and night clubs. Secondly the industry also includes tourism support commercial activities like airline, cabin staff and travel agents (http;//www.economywatch.com/world).
The study specifically focused on hotels enterprises, food restaurant and travel services, because they are all part of the hospitality industry.

Research Hypothesis

H_0; Innovation has no significant influence on growth on small and medium hospitality enterprises (SMHE's)

H_1; Innovation has significant influence on growth of small and medium hospitality enterprises (SMHE's)

Research Methodology

The study used 302 small and medium hospitality enterprises in hotels fast food and travel agencies which are located in Lagos and Kano representing South and North geographical areas of the countries as the target population. The study used stratified random sampling to select subjects from each stratum and a sample size was determined. A sample size of 120 SMHE's was selected at random from which data was collected. Structured questionnaire was used for data collection. Kothari (2004) define a questionnaire as a document that comprises of a number of questions printed or typed in a defined order in a form. Cooper and Schindler (2008) also pointed out that a question is basically the collection of question that focuses on opinion attitudes beliefs and other relevant information.

The study relied on questionnaire for the purpose of data collection. Total number of three hundred and sixty (360) questionnaires were distributed randomly to hotels, fast foods and travel agencies. Two hundred and fifty-two (252) duly completed questionnaires which represent 70% of the total numbers of questionnaires distributed were collected and used for analysis of data. Data was analysed using descriptive and inferential statistic, analysis of variance, ANOVA for hypotheses testing and regression analysis to test whether or not there exist relationship between growth of small and medium hospitality enterprises and innovation.

Result and Discussion

Table 4.1 and figure 4.1 present the findings which shows that 78% of respondents stated that the introduction of new product and services to their customers enhanced firm growth positively through increase in sales growth as well as increase in productivity and the level of patronage while 22% of the respondent did not indicate whether the introduction of the new products/service influence firm growth.

Table 4.1: Introduction of new products/service to customers

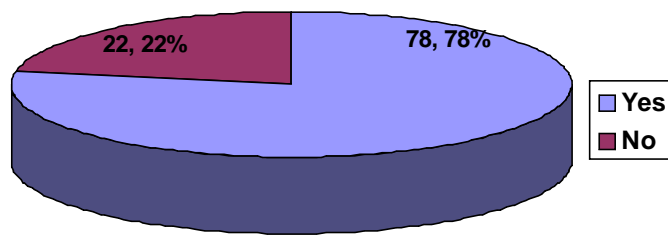| Question	Responses	Frequency	Percent
Do introduction of new product/service influence	Yes	197	78
the growth of your form?	No	55	22
Total		252	100

Figure 4: Introduction of New Product/Service to Customers

The findings of the study concurred with Schumpeter (1934) who viewed entrepreneur as a force of creative destruction; the entrepreneur established ways of doing business are destroyed by the creation of new and better ways to do them. The findings are consistent with conclusion by Charan and Lafley (2008) that innovation does not only enhanced growth but also stimulate a variety of capabilities that in improve market penetration and attract customers.

The findings also resonate with the studies by Hult, Hurley and Knight (2004) and Fouda (2007) on the significance contribution of innovation to business performance. The scholars further posited that the introduction of new products and diversification of its product range gives a firm edge over its competitors. The findings also aligned with the views expressed by Coutland (2007) who studied the Australian industry and concluded that innovation has a positive impact on firm's survival and growth particularly the trend varies across different industries that were surveyed. The findings also agreed with the observation by Iffi (2007) that innovation has a positive influence on business performance among 182 SME's investigated in the manufacturing sector in Malaysia.
The conclusion of this findings shows that innovation is critical to the growth of any organization particularly as SMHE's adopted innovative and/better ways of doing things.

Model Summary for Innovation
This was performed to establish whether the independent variable innovation can be used in explaining the change in the dependant variable, the growth of small and medium hospitality enterprises.

Table 4.2: Model Summary for Innovation

Model	R	R square	Adjusted R2	Std error of the Estimated
1.	.680	.462	.215	1.60801

a)   predictors (constant) innovation

Table 4.2 indicate that there is a strong positive correlation between growth of small and medium hospitality enterprise and innovation with a value of 0.68. This indicates that

innovation was able to explain about 46.2% of change in the growth of SMHE's in Nigeria.

Testing of Hypotheses
ANOVA for Innovation
The researcher further analyzed the variations that are inherent using ANOVA. ANOVA test for a linear relationship between innovation and the growth of small and medium hospitality enterprises.

Table 4.3: ANOVA for Innovation

Model	Sum of square	Df	Mean square	f
Regression	14.376	1	14.376	5.413
Residual	10.624	4	2.656	
Total	25.000	5		

a)   dependant variable (growth of SMHEs)
b)   prediction (constant) innovation

The result indicate that: N
H_0; the model is not statistically significant
H_1; the model is statistically significant

Decision: reject Ho; if   = 0.05 is greater than sig (p-value) and it can be concluded that the model is significant because H_0 is rejected.

Regression Coefficient for Innovation
The linear regression analysis which shows the relationship between innovation and the growth of small and medium hospitality enterprises is used. A table of coefficient was then generated and given in table 4.3

Table 4.4: Coefficient of Innovation

Model	Unstandardized Coefficients	Standardized Coefficients		t	Sig
	B	Std Error	Beta		
Constant	4.537	3.582		1.465	.003
Access to Finance	1.178	.521	.168	.341	.002

Dependent Variable: Growth of SMHE's

Table 4.4 shows a linear regression model of the from y = 4.537 + 1.178x in equation 1. If innovation is increased by 1 unit it will cause an increase of 1.178 in the growth of small and medium hospitality enterprises.

General equation, y = + x = (coefficients) since 0.003 + 0.002 are less than 0.05 it can be concluded that the model is suitable for prediction.

Conclusion and Recommendation

SME's are known to account for a substantial share of every nation's economy. The performance of small and medium hospitality enterprises depend on the degree of innovations. The result of the data obtained from the questionnaire has assisted the researcher to make certain conclusion on the formulated hypothesis. The result supports the hypothesis that innovation influences the growth of small and medium hospitality enterprises (SMHEs).

The conclusion of the study was that SMHE's performance is likely to improve as they realized that innovation contribute significantly to firm's decision to expand and innovative activities has a far reaching effects. Innovation is critical to the growth of an organization as it improves business performance and gives a firm competitive advantage in the business environment. It is recommended that further study be carried out to establish whether innovation influences growth in other sectors of the economy.

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