

**ENTREPRENEURIAL INNOVATION AND PERFORMANCE OF THE
FOOD, BEVERAGE AND TOBACCO INDUSTRY IN LAGOS STATE**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF MANAGEMENT AND
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This is to certify that, this research was originally carried out by **OLADIMEJI OlusolaOlanike** as a requirement for the award of Master of Science (M.Sc.) in Business Administration in the Department of Management and Accounting, Obafemi Awolowo University, Ile-Ife, under my supervision.

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DEDICATION

This thesis is dedicated to my Lord Jesus Christ, who has made it possible for me to start and finish the study successfully. I also dedicate it to my parents, Dr. and Mrs. F.A. Oladimeji and my siblings Sunkanmi, Gbolahan, Tomide and TosinOladimeji for their understanding and support throughout the course of the study.

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ABSTRACT

The study examined the entrepreneurial innovation and performance of Food, Beverage and Tobacco Industry in Lagos State. Specifically, it examined the forms of entrepreneurial innovation adopted by SMEs in food, beverage and tobacco industry in Lagos State; examined the determinants for the adoption of the entrepreneurial innovation by the SMEs in the State; investigated the challenges faced by SMEs faced in the implementation of entrepreneurial innovation and analysed the influence of entrepreneurial innovation on business performance of the SMEs in the State.

Primary data was obtained through the administration of structured questionnaire. Purposive sampling technique was used in selecting six Local Government Areas in the State in Lagos State known to have highest concentration of food, beverage and tobacco manufacturing Small and Medium Enterprises. Business owners and managers of the enterprises were purposively selected based on their capability to provide relevant information needed for the study. Proportionate sampling technique was used to select 254 respondents out of 693 enterprises purposively selected population. Two hundred and twenty copies of questionnaire administered were retrieved, giving a response rate of 87%. Data collected were analysed using descriptive and inferential statistics.

The results from the study showed that incremental innovation (70.1%) was adopted than radical innovation at (29.3%) by the respondents. The result also revealed that incremental innovation was highly adopted irrespective of age and size of the firm while radical innovation was used most by oldest firm, 31 years and above (31.7% and 30.1%) respectively. However, organizational strategy ($t=3.371$; $p<0.05$) and leadership ($t=3.309$; $p<0.05$) have positive and

significant effect on the adoption of radical innovation, while customer and competition has negative and significant effect on the adoption of incremental innovation ($t=-4.161$; $p<0.05$). Based on the results of the study inadequate funding, inadequate infrastructure, poor level of management commitment, high cost of innovation and established enterprise ranked highest among the challenges faced by the enterprises. However, in spite of these challenges, radical innovation ($\beta= 0.397$, $t=3.584$; $p<0.05$) as well as incremental innovation ($\beta= 0.341$, $t=4.079$; $p<0.05$) has contributed positively to the performance of the Enterprises. Although, Entrepreneurial innovation contributed on the overall bases, greatly to the market Share ($\beta= 0.496$, $t=3.368$; $p<0.05$) and ($\beta= 0.514$, $t=4.617$; $p<0.05$) of the Enterprises.

The study concluded that entrepreneurial innovation has significantly contributed to the performance of SMEs in Food, Beverage and Tobacco Industry in Lagos State.

CHAPTER ONE INTRODUCTION

1.1 Background to the Study

The economic importance of small and medium-sized enterprises (SMEs) and entrepreneurship has increased significantly. Indeed, scholars argue that entrepreneurial efforts are central to firms' survival and prosperity due to today's business environment dynamic nature (Ireland, Hitt, and Sirmon, 2003) the entrepreneurial activities and SMEs are seen to be increasingly indispensable to economic progress, it is important to study how small firms and entrepreneurs are performing.

In recent decades the concept of entrepreneurial orientation (EO) has attracted considerable attention in the field of entrepreneurship research. Entrepreneurial orientation is generally referred to as firm's propensity to be innovative, to be proactive and to take risks (Andersén, 2010). The Entrepreneurial orientation has its roots in the strategy making process literature (Mintzberg, 1973). Strategy making is an organization wide phenomenon that incorporates planning, analysis, decision making, and many aspects to an organization's culture, value system, and mission (Wiklund and Shepherd, 2005).

The conception of entrepreneurship as enterprise behaviour has been a major development in the entrepreneurial literature according to (Coulthard, 2007). In terms of the entrepreneurial context that enterprise behaviour occurs within. According to Callaghan (2009) the relative importance of the triggering factors of entrepreneurship depend upon contextual circumstances. Entrepreneurial orientation is multidimensional; the dimensions are: innovativeness, autonomy, proactiveness, competitive aggressiveness and risk taking propensity

(Lumpkin and Dess, 1996). In this research, entrepreneurial innovation dimension of entrepreneurial orientation was focused on.

Innovativeness captures the firm-level orientation toward innovation (Hurley and Hult, 1998). In other word, innovativeness measures an organization's inclination to engage in innovative behaviour. Hence, entrepreneurial innovation has become a pre-requisite for a firm's competitive advantage and survival. By implication, failure to innovate is likely to result in reduced competitiveness. The importance of innovation as one of the primary means by which a firm can achieve sustainable growth (Senge and Carstedt, 2001) as well as addressing the key issues facing firms in today's competitive environment. The key reason for entrepreneurial innovation is the desire of firms to obtain increased business performance and increased competitive edge. In a highly competitive environment, organizations need to create sustainable positions in the market to enable them grow over time. Within this framework, an organisation needs to develop an internal culture that is supportive of innovation. However, an organisation's culture is dependent on the management and their capacity to provide leadership and encourage innovation (Brunner, 2001). There is evidence that the adoption of innovations varies widely across firms (Danneels, 2002).

Brunner (2001) identified forms of entrepreneurial innovation as incremental and radical innovations. These forms of entrepreneurial innovation are based on level of novelty. Radical innovation refers to innovations that lead to fundamental changes in the activity of an organisation resulting to the departure of expiating practices, while incremental innovation refers to innovations causing shift in existing rules, norms and practices. The forms of entrepreneurial innovation are been influenced by some determinants. These determinants are internal factors and external factors. The internal factors can be referred to as organisational determinates

(organisational structure, strategy, leadership, knowledge management) while the external factors could be referred to as environmental factors (consumers and competitors, government policy). It is appropriate to say that in this fast paced age of globalization and hyper competition, innovation is the way forward for the entrepreneurs who want their businesses not only to survive but also to exhibit sustained growth in its performance.

SMEs face different challenges when implementing entrepreneurial innovation adopted. These challenges are; inadequate funding, unperceived cost and time consumption, level of organisational readiness, inadequate expert supervision, and lack of access to sufficient information regarding innovation (Halila, 2007), a high level of uncertainty about future government regulations, managerial challenges and tight product specification of consumer (Halila, 2007). These challenges hinder rate at which entrepreneurs implement their entrepreneurial innovation which then affect the performance of the business.

The performance of a business is a fundamental feature for SME survival and sustainability (Covin and Slevin, 1991). Business performance is the outcomes achieved in meeting internal and external goals of a firm (Lin, Peng, and Kao, 2008). As a multidimensional construct, performance has several names, including growth (Rosli and Sidek, 2007), survival, success and competitiveness. There is no consensus among the researchers on the appropriate measures of business performance indicators. The business performance can be measured using the objective or subjective measure. Performance can be measured using financial and non financial measuring scale. Non-financial scale includes goals satisfaction and success ratings made by owners or business managers; financial scale includes assessments of factors such as profitability and market share (Soininen and Puumalainen, 2011). Therefore, it is advantageous to integrate various financial and non financial measuring scale of performance for accurate

measurement of performance (Lumpkin and Dess, 1996). Outsiders normally evaluate a firm's ability based on its performance (Rosli and Sidek, 2007). This implies why performance is like a mirror to a firm. The level of goal accomplishment generally defines a firm's performance (Achrol and Etzel, 2003).

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