Innovation Strategy and Performance of Selected Small and Medium Scale Enterprises In Lagos State.

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Abstract
The study examined innovation strategies on the performance of selected SMEs in Lagos State. The specific objectives of the study were to examine the effect of product innovation strategy on product quality of SMEs.It also examined the effect of process innovationstrategy on sales volume of SMEs in Lagos State. The study adopted descriptive survey research design. The population of the study comprised of four hundred and sixty-one (461) selected SMEs operating in Lagos State. A sample size of two hundred and fourteen (214) was determined through Taro Yamane 1967. The respondents were selected using stratified sampling technique. With the aid of a five-point Likert scale questionnaire, the responses of the selected SMEs representatives in Lagos State were obtained and analyzed with the aid of both descriptive and inferential statistical tools. The stated hypotheses were tested using regression analyses. The study revealed that product innovation strategy has significant influence on product quality of selected representatives of SMEs in Lagos State ($R^2 = 0.602$, $F_{(1,196)} = 14,995$,p-value.<0.05); and process innovation strategy has significant influence on sales volume quality of selected representatives of SMEs in Lagos State ($R^2 = 0.159$, $p < 0.05$, $F_{(1,196)} = 9.367$, p-value<0.05). The research instrument was validated using content validity while the questionnaire was considered reliable because the Cronbach's Alpha coefficient reliability result of 0.835 is greater than 0.7. The responses of the selected SMEs representatives in Alimosho were obtained and analysed with the aid of both descriptive and inferential statistical tools of analysis. The stated hypotheses were tested using regression analysis. The study revealed that product innovation strategy significantly affects product quality of SMEs performance in Lagos State ($R^2 = 0.602$, $F_{1,196} = 14.995$, p-value < 0.05); and process innovation strategy significantly affects sales increase of SMEs performance in Lagos State ($R^2 = 0.159$, $F_{1,196} = 9.367$, p-value < 0.05). The study, recommended among others that SMEs should focus on efforts of adopting innovativeness in order to enhance quality and increase organizational sale's volume to meet customers demand
Keywords*: Strategy, Product innovation, Process innovation, Product quality, Sales volume Performance, SME.*

I.   Introduction

Performance of Small and Medium Scale Enterprises (SMEs) in Nigeria and many developing nations of the world have been hampered by many factors ranging from financial inadequacies, hostile business environment and more importantly inability to innovate very well to capture reasonable market share (Olughor, 2015).

This inadequate innovation also makes SMEs to die within five years of its inauguration For any organization to thrive and survives well in today's business world, it needs to innovate. Innovation simply is a plan to increase market share or profits through product and service innovation, when looking at innovation strategy through a job-to-be-done lens, we see that an effective strategy must correctly inform which job executor, job, and segment to target to achieve the growth, and which unmet needs to target to help customers get the job done better. An innovation strategy is about creating winning products, which means products that are in an attractive market, target a profitable customer segment, address the right unmet needs, and help customers get a job done better than any competing solution. Only after a company produces a winning product or service should it consider what activities are needed to deliver that product or service (Sola, 2017).

Therefore, there could be product innovation and process innovation, the two would enhance performance of SMEs, however, this is not in the right perspective in Nigeria SMEs. Thus to formulate an effective innovation strategy, a company must know all its customers' needs, which needs are unmet, and what segments of customers exist with different unmet needs, Innovation plays a huge role in how products are created, An innovation strategy is a plan used by a company to encourage advancements in technology or services, usually by investing money in research and development activities (Olusanya&Adegbola, 2017).An innovation strategy is essential for companies that want to gain competitive advantage. An effective innovation strategy should be inspiring and add something unique to the product or service being developed. Asa company,

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there is a need to increase the value of a current product or create something brand new that will draw the consumer in.

Performance is completion of a task with application of knowledge, skills and abilities (Usahawanhakit,2017). In workplace, performance or job performance means good ranking with the hypothesized conception of requirements of a task role, whereas citizenship performance means a set of individual activity/contribution that supports the organizational culture (Aremu,2018). In the performing arts, a performance generally comprises an event in which a performer or group of performers present one or more works of art to an audience. Usually, the performers participate in rehearsals beforehand

1.2] Statement of the Problem

The period firmsstart growing and expanding, they are faced with ferocious competition which may hinder their survival and accomplishment of organizational goals.Therefore, organizations are unlikely to achieve their goals of better performance due to constraintsin competition and incapacity of the organizations to effectively compete and outmaneuver its competitors in the market place which is paramountto firms so as to remain relevant amongst competitors.Thus an organization that wish to succeed should be able to compete within its market, and strive to rub shoulders with other competitors in the international frontiers.Organizations must absorb the innovative culture as it has been established in different studies(Kalay & Lynn, 2015; Aremu, 2010 ;Oke, Walumbwa, & Myers, 2015) . This enable organizations developing a futuristic plans which may help them furnish and link their innovative ideas with the organizational goals in order to meet the market demand and stakeholders' expectations (Mohammed, Aliyu, &Abimiku,2015). Consequently, innovation strategy is very important to business firms in order to keep the pace of their activities more effectively and efficiently as business organizations are often concerned about profit maximization rather than innovative thinking and activities which can help them secure the future of the company and later bring about cost minimization and profit maximization over time. The ideal situation every company wants in a competitive market is to be the one outwitting its competitors and increase its product qualityand even expanding its customer base in terms of product sales volume but it is indeed shocking that companies do not know how to do this strategically and ethically (Amabile, 2014).

Instead, they use a traditional and archaic approach and a typical traditional or less innovative method of over reliance on firm's goodwill and population strength of its target customers while believing in it old performance record coupled with its assumed good products and moderate sales as methods to achieve competitiveness. This however may work in a simple or less competitive environment or marketplace but in a highly competitive and explosive business environment as it is practiced today, where the world is a virtual place, marketing activities have become online rather than physical and the entire world markets have become one, it is only organisation with innovative thinking, ideas and spirit that can stay afloat andbuoyant in this highly competitive era with serious creation, modification and re-establishment of new products, and marketorganisations to meet the stakeholders need and global market demand. This and manyother reasons form the basis for this study.

1.3] Research Objectives

The main objective of this study is to evaluate the effects of innovation strategies on performance of SMEs in Lagos State.Whilethe specific objectives are to:
determine the effect of product innovation strategy on the product quality of SMEs in Lagos State.
examine the effect of process innovation strategy on the perceived sales volume of SMES in Lagos State.

1.4] Research Questions

The following research questions were formulated
To what extent does product innovation strategy affect product quality of SMES in Lagos State
In what way does process innovation strategyaffect perceived sales volume of SMEs in Lagos State

1.5] Research Hypotheses

Ho_1:Product innovation strategy does not significantly affect product quality of SMES in Lagos State.
Ho_2:Process innovation has no significant influence on sales volume of SMES in Lagos State.

II. Literature Review

2.1] Conceptual Review
2.1.1] Concept of Innovation

In an environment where uncertainty and turbulence are increasing on a daily basis, adjusting to change, and conditionally, being a leader for change requires innovation strategy. Innovation strategy is basically a Strategic flexibility approach and represents the firm's strategy in adjusting to current conditions and not showing the strategic gap in any case. What is the main purpose of the firm within this scope? Which

opportunities have strategic importance in reaching the main purpose? Which threats or barriers prevent reaching the main purpose? Which weakness may be overcome by which opportunities? Questions like these, when combined with market dynamism, may only be answered with innovation strategy. Innovation strategy, in its simplest terms, is choosing the most amongst possible alternatives and developing the most convenient action type possible in the current conditions. When something happens out of the plan, innovation strategy leads the activities so that the enterprise gets closer to the determined goal. Innovation strategy which frames strategic management is the activity that involves the required policies and processes, determining a new location and drawing a route that will end with the same goal (Alcrape, 2018).

Innovations have been studied from many different dimensions such as economics, business, technology, finance and management. The prevalent discussion among practitioners of innovation has created many approaches to conceptualize innovation. Innovation can be referred to as an act of introducing something new (process innovation); or something introduced newly (product; or object). For example, (Yeh-YunLin& Chen, 2017)described innovation as an idea, practice or object that apparent as recent by people or the adoption Unit. Organizational innovation has been a dominant factor in maintaining worldwide competitiveness. It fuels organizational growth, drives future success. There are many important competition tools that firms use to ensure competitive advantage; the factors such as product and service quality, reducing costs, creating innovation sustainability, stabilization and innovative strategies have an important part while enterprises try to ensure competitive advantage. Innovation is also a long-termed performance indicator which is integrated with concepts like change, creativity, improvement and risks taking for the firms, competition mostly shapes around the customer. There are various definitions of innovation as a process. (Wan, Ong, &Lee,2015) defined innovation as a process that involves generation, adoption and implementation of new ideas or practices within the organization. (Tidd, Bessant & Pavitt ,2016)consider innovation as a process of turning opportunity into new ideas and of putting these ideas into widely used practice.

According to Aragon-Correa, Garcia-Horales and Cordon-Pozo (2017) innovation is based on multiple and simultaneous influences of individual and collective determinants. These determinants are introduced to be Culture and leadership which are one of the relevant internal conditions of innovation. (Laforet, & Tann,2016). Smith (2018) posits that culture relates to the values and the beliefs of the organization and how the effect of the ability to manage innovation, the motivation from a leadership supporting innovation, the willingness to exchange knowledge and the targeted promotion of innovators within the firm. The ability to lead, direct, and support the creation and sustaining of innovation behaviors is important for a firm (Bessant,2017). The importance of leadership style lies on the opportunities of the leader to directly decide on how to introduce new ideas into an organization, set specific goals, and encourage innovation initiatives to employees [Harborne&Johne 2017). This is because leadership that fosters innovation enables setting task boundaries, sharing information, obtaining resources instilling a positive attitude and a leadership style that keeps the employees challenged and focused (McDonough, 2015).

Internal processes: which is the structure of a firm oriented that differs from other firms regarding decision making processes and formalization. In such, a dynamic context, companies face the challenge to find the right balance between control, flexibility and adaptability. After all, there are tasks that need to be clearly managed and controlled (Adms, Bessan& Phelps, 2016). This means providing sufficient freedom to allow the employees to explore creative possibilities, they also propose that the flexibility and openness of structures help to encourage new idea generation.

Also, an appropriate work climate is crucial for innovation. Climate creates a specific mode of beliefs, attitudes, and behaviors. (Van Hemert Nijkamp&Masurel, 2017) showed that openness towards knowledge sharing is important in reinforcing innovation. While Firms operate in a highly dynamic and rapidly changing environment where they need to regenerate in order to survive. Firms need to be tolerant of the mistakes that will occur and allow for recovery and learning from failures (Lawson& Samson, 2014) and lastly the creativity and innovation capability of (Olughor, 2015)suggest that important issues for an employee to be innovative are the belief that innovation is important, willingness to take risks, and willingness to exchange ideas. People who have creativity and intrinsic motivation (as well as skills) for their work will be favorable for creating a work environment that supports the creation of innovations.

2.2] Innovation and Firm Performance

A firm performance is related to the ability of the firm to gain profit and growth in order to achieve its general strategic objectives (Adamu, 2014) It is a consequence of the interaction between actions taken in relation to competitive forces that allow the firm to adapt to the external environment, thereby integrating competence and usefulness (Abeh,2017).Abiodun and Ibidun (2017) emphasized that the firm's innovation performance depends on the opportunities provided by their external environment. This implies that SMEs becomes very competitive in an emerging market when attention is giving to innovative product and process, that build their reputation in the market environment. Essentially, the key reason for innovativeness is the desire of firms to obtain increased business performance and increased competitive edge (Ariguzo,

Abimbola&Egwakhe, 2018). Arisi-Nwugballa, Elom, and Onyeizugbe (2016); Idowu, (2018) investigated the relationship between firms' performance and its familiarity with innovation and research. It was foundout that; the outlook of firms towards innovations has high score in the competitive environments in order to gain higher competitive lead.

Through, an integrated innovation-performance analysis carried out by (Duru, Ehidiamhen, and chyole, 2018)on 184 manufacturing firms operating in Turkey, the effect of organizational, product, process and marketing innovation was explored on different aspects of firm performance-innovation, production, market and financial. The results showed an evidence of a positive relationship of innovations on firms' performance. The study of 'the relationship between learning orientation, firm innovation and firm performance' in US firms found that learning orientation is significant for innovation and performance. According to Audrey and Jarji(2016) considered innovation practices and its effects on performance of SMEs in Australians. with an investigated 600 firms in the manufacturing sector, the study results showed that, innovation strategy is a key driver to performance of SMEs, which do not appear implement innovation culture in a strategic and structured manner, The conclusion of the study was that SMEs performance is likely to improve as they increase the degree to which they realized that innovation culture and strategy are closely aligned throughout the innovation process. The study of 320 SMEs operating in the ICT industry in Malaysia was investigated by (Carel, & Marvis, 2017). The investigation revealed that organizational learning contributes to innovation capability and in turn innovation is positively related to firm. In the work of (Salim&Sulaiman, ,2011) where 1,091 samples of SMEs in Spanish manufacturing firms was studied, the finding showed innovation (product, process and administration system) was related to performance

2.2.1] *Product Innovation*
Extensive proof from past research has shown that innovation in the product influenced firm efficiency. Companies with a competitive advantage over their rivals based on products for example, in terms of innovation, quality of the product, new product packaging, new product design have been demonstrated to achieve better performance(Balceir&Hammed(2010) and Kaleka& Morgan (2019) Thus, companies in a vibrant company setting generally strive on an ongoing basis to come up with a new product concept that can satisfy their target customers ' needs in order to attain their goals and maintain themselves over time. SMEs will not survive without quality and enhanced product. Product improvement approach is one of the key elements that help firms to take a competitive edge. Performance of SMEs is connected with SMEs capability to invent an innovative product that can meet customers' specification and wants.

Osei et al, (2016) asserted that innovation is the key mechanisms of development strategies for entering fresh markets, entering the current profit-enhancing market and giving SMEs a competitive advantage. Innovative companies can have greater rates of yields since their new goods generate fresh markets or offer such specific advantages over current products in established markets that they can command a price premium, producing higher-margin sales development.

One consequence of this recent focus on innovation is that it is believed marketing innovation leads to positive tangible business outcomes. One of the price reductions in the manufacturing system is the vital impact of the innovation process. That is why firms are continually seeking to get rid of their traditional method of developing fresh processes to decrease costs, enhance production quality, decrease lead times or boost client value (Eze, Worimegbe&Kolawole, 2016). In these same light, (Foroudi,Jin, Gupta, Melewar, &Foroudi, 2016) reported that, innovation significantly add value to firm performance.

Similarly, Ayob and Dana, (2017) undertake research on product strategies on export ventures in developing nations. Researchers sampled about four firms in Malaysia. Hierarchical ordinal least square was employed as a tool of analyses. Findings revealed a product that has a differential, Specialization is intended for export or both. Results further disclosed that some SMEs remained reluctant to export in the international market. AlBatainey (2018) determine the influence of innovation on SMEs efficiency where 142 firms were selected as a case study in Hassan industrial city. Results confirmed that product innovation positively impacts on firm' performance.

Furthermore, in a recent study by (Kaleka& Morgan, 2019) outcomes demonstrated that marketing capabilities play a significant role in future strategic targets in the export market. Hence, product innovation capability found to have direct relationship with firms' efficiency.Extensive prove from past studies have shown that product modernization approach has a substantial effect on firm efficiency and that helped most of the firms who have adopted in gaining a competitive advantage over their rivals. Thus, most of the previous studies focused on big companies in communication, agribusiness, automobile and finance sector etc. therefore this current study focused on marketing innovation specifically product, pricing, promotion and distribution innovation strategy on wood furniture SMEs' performance in Yobe State, Nigeria

2.2.3]   Process innovation
This can be defined as changes in the ways of producing or developing products, including new logistics, new raw material, new production lines, new production processes/methods, and new. technology. This type of innovation does not stand on its own. In many cases, process innovation may be the consequence of product innovation or/and organizational innovation. New processes basically rest on the use of new technologies to increase the efficiency and quality of production. This view on innovation was reflected by the first and second edition of the "Oslo Manual" the OECD's handbook for innovation surveys (OECD, 2017). Process innovation entails the implementation of new or improved production process or adoption of new tools, technology, or knowledge in producing a product (Langley *et al*., 2005; Oke*et al*., 2007).
Process Innovation is very essential in the manufacturing process of a firm as it gives a firm an advantage over its competitors. Interestingly, studies have revealed that process innovation is positively related to performance of firms (Vivero, 2017 Mohd and Syamsuriana, 2013). Also,Lanrewaju and Olaleye (2015) in his study noted that there is a relationship between new technology (used as a proxy for process innovation) and performance of a firm. Recent evidence by Njoku (2014) reaffirmed that process innovation is significantly correlated to innovative performance.

2.2.4]   Product quality
Generally, it can be said that product is of satisfactory quality, if it meet the consumers/usernneds or require wants. The consumer will buy a product or service only if it suits his requirements. Therefore, consumers' requirements are first assessed by marketing department and then the quality decision is taken on the basis of the information collected. According to (Lewis,2017) quality is an asset which may be offered to the potential consumer of a product or service. A product is known as a quality product only when it satisfies various criteria for its functioning for the consumer (Sola, 2017). In addition to the physical criteria, there is also a service and time factor to quality. The same quality of physical performance should be available over a reasonable length of time. Hence time is also unnecessary aspect of quality.
Thus, quality decision is based on various marketing considerations production constraints, manpower constraints and equipment or technology constraints (Aremu, 2010). In this way, the decision concerning quality are not in the hands of one functional manager, since this involves overall strategic decision for the running business of SMEs. Once such a strategic policy regarding the quality is followed, it becomes the job of all functional managers such as the Production and Operationsmanager, to see that such strategic aims/objectives and goals are achieved. In this case, all departments such as purchasing, production; warehousing and transport have made contribution so as to achieve the quality of products. Therefore, quality implementation is also a 'total organization effort.

2.2.5]   Perceived Sales volume
Sales increase is regarded as the increase in a company's sales over a particular period of time, usually given as a percentage: achieve/expect/produce sales growth. good/healthy/strong sales growth. overall/total sales growth. In order to boost sales, you'll need a solid sales strategy, or plan, highlighting milestones you need to hit to increase your sales. This strategy is the set of actions that organization you plan to carry out so as to promote the sale of product or service. Your plan should be based on the specific needs of your customers.
A plan for increasing sales is the cornerstone of every successful business. After developing your strategy and putting it into motion, you can look at your sales numbers and adjust your approach if sales are not increasing.

2.3]   Theoretical Review
2.3.1]   Innovation Diffusion theory (IDT)
Innovation Diffusion theory was fine-tuned by Rogers (1995). This theory focuses on understanding how, why and at what rate innovative ideas and technologies spread in a social system (Rogers, 1962). In terms of the theories of change, Innovation Diffusion theory takes a contrary approach to study changes. Instead of focusing on persuading individuals to change, it sees change as being primarily about the evolution or "reinvention" of products and behaviors so they become better fits for the needs of individuals and groups. In diffusion of innovations, it is not people who change, but the innovations themselves (Mohammed, 2018). On the other hand, diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system (Haborne, &Johne 2017). Mcdonogh (2015) denies diffusion as the process by which a technology spreads across a population of organizations. The concept of diffusion innovations again usually refers to the spread of ideas from one society to another or from a focus or institution within a society to other parts of that society (Bessant, 2017) This theory helps SMEs firm to understand how a buyer adopts and engages with new product or technology over time. Company uses it when launching a new product or services adapting it or introducing an existing product into a new market.

The diffusion of innovation theory helps marketers understand how trends occur, and helps firms in assessing the likelihood of success or failure of their new introduction. in conclusion, diffusion innovationtheory is relevant theory that suggest that innovations that have a clear, unambiguous advantage over the previous approach will be more easily adopted and implemented.

2.4]   Empirical Review

Olughor (2015) investigated how innovation affects business performance in small and medium-sized enterprises (SMEs) in an up-and-coming market, like Nigeria. Data was collected from 200 respondents of six SMEs companies based in Nigeria. Innovation was measured using the OECD Oslo scale (2005). The study demonstrated that there is a high correlation among factors used to measure innovation. And secondly, innovation was found to influence business performance.

Kalay and Lynn (2015) investigated the impact of innovation strategy, organizational structure, innovation culture, technological capability and customer and supplier relationships, which appear in the literature as strategic innovation management practices in business enterprises, on firm innovation performance. In this context, data collected from 132 managers at 66 firms operating in the manufacturing sector in the TRB2zone of Turkey were analyzed. The partial least squares structural equation modeling (PLS-SEM) method was used to test hypotheses of study. The analyses revealed that innovation strategy, organisational structure Cheng et al (2014) investigate inter-relationships among three types of eco-innovation (process, product, organizational) and their relative impact on business performance. Using structural equation modeling with 121 samples collected from Taiwan Environmental Management Association, the result finds out that eco organizational innovation has the strongest effect on business performance. Additionally, eco-process and eco product innovations partially mediate the effects of eco-organisational innovation, and eco-product innovation mediates eco-process innovations' effects on business performance. Business performance is directly and indirectly affected by eco-organisational, eco-process, and eco-product innovations. The finding suggests that, in order to develop effective eco-innovation programs, managers must understand the interdependence and co-evolutionary relationships between different types of eco-innovation. Overall, this study extends the discussion of innovation to the area of environmental innovation or eco-innovation (Karabultu, 2015).

Hervas-Oliver et al (2014) contributed to the study of process innovation as a growth strategy for

SMEs, enriching and complementing the well-researched debate about product innovation. Thus, under researched process innovation strategies are analyzed, and their antecedents and innovative

Performance implications explored. The results show that process innovation strategy is mainly shaped by the Acquisition of embodied knowledge, which acts as a key mechanism for countering firms' weak internal capabilities. As process innovation is mainly production oriented, performance consequences are measured using the production process indicators of cost reduction, flexibility and capacity improvement, avoid in traditional misguided measures based on sales, which are more product oriented. Drawing on information for 2, 412 firms taken from Spanish CIS data, our result suggest that R&D efforts are not positively related to production process performance, but that the latter is improved by the synchronous co-adoption of organizational and technological innovation. SMEs conducting a process innovation strategy rely heavily on the acquisition of external sources of knowledge in order to complement their weak internal innovative capabilities and their pattern of innovation shows clear-cut differences from traditional R&D-based product innovation strategies. The article uses a resource-based view framework to generate hypotheses (Olughor,2015).

III.   Research Methods

3.1]   Research Design and Methods

This study adopted descriptive survey research design and was conducted with data gathered from the business owners /managers where every respondents were asked to give data on their business and insightful information on product innovation and process innovation as it relates to performance (Adekoya and Adetoro, 2017).

3.2]   Study Area

The study was limited to western senatorial district in Lagos state with highest concentration of SMES (SMEDAN, 2022)

3.3]   Population

The target population for this study are the registered SMEs in the service sector at Alimosho Local Government which includes automotive, barbing saloons, beauty salons and spa, cleaning services, computer services, financial services, food services, health services, home and living , hotels, lounge and bars, real estate, sports and fitness and transportation. (SMEDAN, 2022). The total numbers of the registered SMEs are 461

Table1 Sample element of Registered SMES in LagosState

S/N	SMES	NO OF SMES
1	Automotive	74
2	Barbing Saloon	38
3	Beauty Salons & Spa	66
4	Cleaning Services	16
5	Computer Services	38
6	Financial services (POS)	42
7	Food Services	48
8	Health Services Pharmacy	20
9	Hotels / Bars / Lounge	51
10	Real Estate Agents	58
11	Sports & Fitness Centers	10
	TOTAL	461

Source: Researcher Survey (2023)

3.4] Sample size and sampling procedure

The sample size of two hundred and fourteen (214) SMES was determined using Yamane (1964) formular, For sampling technique, stratified sampling technique was used to determine the number of respondents.

Table 2 The table shows the Number of Copies ofQuestionnaireAdministered

S/N	SMES	NO OF SMES	No of Copies of Questionnaire Administered	No of Copies of questionnaire retrieved
1	Automotive	74	34	31
2	Barbing Saloon	38	18	17
3	Beauty Salons & Spa	66	31	29
4	Cleaning Services	16	07	0.6
5	Computer Services	38	17	16
6	Financial services (POS)	42	19	18
7	Food Services	48	22	20
8	Health Services Pharmacy	20	10	09
9	Hotels / Bars / Lounge	51	24	22
10	Real Estate Agents	58	27	25
11	Sports & Fitness Centers	10	05	5
	TOTAL	461	214	198

Source: Researcher (2023)

3.5] Research Instrument

Questionnaire was the main instrument used for the purpose of data collection for this study. The items generated on the questionnaire are in line with the variables identified on the research questions and the hypotheses after the review of relevant concepts and other personal observations. The instrument has five sections. The first section dealt with the respondent bio-data information, while the remaining four sections for each indicator.

3.6] Validity of the Instrument

The research instrument was validated using face and content validities. This was achieved through a discussion with the experts in the field regarding the contents, format employed and its general suitability to the respondents as well as their appropriateness for the purpose of the research.

3.7] Reliability of the Instrument

In order to establish the degree of reliability, consistency, stability and accuracy of the instrument, a pilot study was conducted. It was to ensure consistency and reliability of the test scores. The pilot study was carried out on some selected SMEs. Twenty-four (24) participants on salons and spa were randomly selected for the pilot study, while the actual study was conducted on 198 SMEs.

The research instrument used for this study is perceived to be reliable because the Cronbach Alpha coefficient reliability result for the pilot study and actual study are 0.835 and 0.784 respectively which are greater than 0.7. The reliability statistics result is shown below in Table 3.3

Table 3: Reliability Statistics

	Cronbach's Alpha	N of Items
Pilot study	0.835	12
Actual study	0.794	12

3.8]   Method of Data Administration
The questionnaire was administered to the sample units using convenient sampling technique. Out of the two hundred and fourteen (214) copies of questionnaire distributed, a total of one-hundred and ninety-six (196) copies of questionnaire were properly filled representing a response rate of 92.5 percent.

IV.   Results and Discussion

Table 4: Analysis of Respondents' Demographic Information

Variables	Categories	Frequency	Percentage
Sex	Male	105	53.03%
	Female	93	46.97%
Marital Status	Married	158	79.80%
	Single	33	16.67%
	Divorced	7	3.54%
Age Group	Less than 25 years	24	12.12%
	25-35 years	41	20.71%
	36-45years	78	39.39%
	46 and above	55	27.78%
Level of Education	SSCE	15	7.58%
	OND/Diploma	58	29.29%
	B.Sc/HND	88	44.44%
	Masters	31	15.66%
	Other qualifications	6	3.03%

Source: Field survey, 2023

Table 4 above shows that there are more male owned registered *SMEs in service sector* (53.03%) than female owned (46.97%) in Alimosho Local Government, Lagos State. Majority of the SME owners are married (79.8%) followed by single members (16.67%) with only 3.54% of them Divorced. A typical SME owner in Alimosho Local Government, Lagos State is 25 years old and above (87.77 % in all). Lastly, the educational qualifications of the SME owners are quite impressive, 29.29% are OND/Diploma graduates, 44.44% have B.Sc. / HND certifications, while 15.66% are Master's degree holders. These findings suggests that the respondents are enlightened and as such have good understanding of the subject matter.

Hypotheses Testing
Hypothesis one
H0: Product innovation strategy does not affect product quality of SMEs performance in Alimosho local government.
Independent Variable = Product Innovation Strategy
Dependent Variable = Product Quality
Regression Analysis was used to test this hypothesis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.776	.602	.042	.52477	14.995	.028

The model summary above shows the extent to which Product innovation strategy affects product quality of SMES performance in Alimosho local government. The coefficient of determination ($R^2 = 0.602$, p-value < 0.05) shows that 60.2% of the variation observed in the product quality of SMEs performance in Lagos State is accounted for by product innovation strategy. This result is statistically significant because the calculated F ratio of 14.995 is greater than the tabulated F ratio value of 3.00 ($F_{1,196}= 3.00$). Also, the result is statistically significant because the p-value for the result (0.028) is less than the level of significant (0.05) used for the study.
Null hypothesis is rejected, while alternate hypothesis is accepted. This implies that product innovation strategy significantly affects product quality of SMEs performance in Alimosho local government.

Hypothesis two
H0: Process innovation has no significant influence on sales increase of SMEs performance in Alimosho local government.
Independent Variable = Process Innovation
Dependent Variable = Sales Increase
Regression Analysis was also used to test this hypothesis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.399[a]	.159	.110	.50580	3.251	.010[a]

The model summary above shows the extent to which process innovation influences the sales increase of SMEs performance in Lagos State. The coefficient of determination (R^2 = 0.159, p-value < 0.05) shows that 15.9% of the variation observed in sales increase is accounted for by process innovation. This result is statistically significant because the calculated F ratio of 9.367 isgreater than the tabulated F ratio value of 3.00 ($F_{1,196}$ = 3.00). Also, the result is statistically significant because the p-value for the result (0.010) is less than the level of significant (0.05) used for the study.

Null hypothesis is rejected, while alternate hypothesis is accepted. This implies that process innovation has significant influence on sales increase of SMES performance in Alimosho local government.

4.2]   Discussion of findings
The finding exhibited that product and process innovation strategy significantly influence both product quality and sales volume of SMEs inLagos Statewhich aligned with the work of Jomadi (2017). The study enlightened SMEs managers the need to demonstrate, practice and sustain the ability to innovate, to be proactive in their strategic actions and to be willing totake significantrisks that have significant impact on the success of the business.
The findings of this study also provide a clear indication that the implementation and development of innovation process call for SMEs to be more persistent, consistent, and creative in their effort to allocate resources to invest in their services. These managerial dispositions must be the practice of SMEs managers which must be transferred to each employee of the organization to optimize the firm performance. This result also collaborated with the study of Oke et al (2014).

V.   Conclusions

SMEs are known to account for a substantial share of every country's economy. Hence, the relative importance of this segment of the economy needs an examination of their enterprises' performance. The fact that the SMEs performance strongly relies on their innovativeness attracts active importance attached to the analysis of innovation activities and their effects.
In the study, the link between innovation and firm performance was examined and data was collected from small and medium enterprises operating in Nigeria using Lagos State as a pilot study. The study provided support to the hypothesis proposed thus laying importance on the role of organisational innovation capability on firm performance. The ultimate goal of innovation is to improve business performance. Given that the business environment is continually changing, innovation becomes a competitive advantage when it is based on the understanding of customers' needs to guarantee high quality of life of the people and harness a dynamic sector to make sure that expansions are solid based and beneficial than ever

Recommendations
1.   Public and organizational policies should be designed in ways that addresses horizontal concerns and which generates better and viable inducement for innovation activities on product differentiation among the companies
2.   SMEs should ensure that changes in the innovation must be addressed proactively through creative thinking and innovative behavior by finding new ideas, and implements same effectively and efficiently.
3.   It is also necessary for SMEs to have ability to acquire, absorb, and exploit knowledge effectively so that they can increase their innovative capability on a sustainable basis.
4.   SMEs mangers should focus efforts on adopting innovation in order to realize the potential values of their target markets.

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