

INNOVATION MANAGEMENT CAPABILITY AND PERFORMANCE OF DISTRIBUTION BUSINESSES IN KANO, NIGERIA

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Abstract

The performance of distribution enterprises in Kano, Nigeria was studied in relation to the effects of innovation management capabilities structure and network, market, innovation culture, and project management process). Data was gathered from the respondents utilising a questionnaire and regression analysis on SPSS version 20 using a sample size of 50 distributors. The study's findings showed that the performance of Kano's distribution companies could be significantly predicted by factors such as network, strategy, and structure. Furthermore, the performance of distribution enterprises was not significantly explained by the market, innovation culture, or project management procedure. Thus, this study comes to the conclusion that, while market, innovation culture, and project management process were not relevant in explaining the performance of distribution firms in Kano State, strategy, structure, and network were significant in predicting the performance of distribution businesses in Kano. Since strategy, structure, and network were all found to have positive and significant effects on the success of distribution businesses, this study generally suggests that more attention be placed on these areas. Additionally, it was suggested that the market, innovation culture, and project management process be given less weight because it was discovered that they had little bearing on the variations in performance of distribution companies in Kano, Nigeria.

Keywords: Innovation Management Capabilities, Performance, Distribution, Kano.

1.1 Introduction

For many years, scholars and practitioners have been perplexed by the question of how businesses may maintain their competitiveness over time. It is evident from research and experience that public organisations with higher investments in personnel, technology, and equipment operate more effectively (Corrado et al., 2017). Technology and people are the two types of resources that are necessary for innovation, enabling businesses to create long-term competitive advantages, and ensuring their survival (Piekkola & Rahko, 2020; Piekkola et al., 2021; Roth, 2020). Tangible resources include technology. Ability to manage operations, marketing, and innovations (OECD, 2021)—innovations being defined as modifications to structures, techniques, and procedures are examples of technology-enabled innovative approaches (Birkinshaw et al., 2018). It has been demonstrated that innovation management improves business performance in addition to helping organisations take advantage of technical advancements, R&D projects, and knowledge production to gain a competitive edge (Heij et al., 2020).

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According to Khosravi et al. (2019), innovation is a significant and sustainable source of an organization's long-term success; nevertheless, managing the issues posed by innovations requires focused attention. By determining the ideal combination of innovations and why and how to achieve this, innovation management considers a number of decisions pertaining to the growth and renewal of a company's offerings (Onufrey & Bergek, 2021). One requirement for a business to obtain a long-term competitive edge is innovation (Anning-Dorson, 2018). As a result, an organization's innovative orientation (IO) raises the possibility of performance improvement. With short product life cycles and a dynamic corporate environment, it is critical to prioritise innovation to keep up with evolving consumer demands (Foroudi, 2020). From a different angle, innovation makes it possible for businesses to provide customers with more value than their rivals, which is essential for commercial success (D'Andrea, 2019).

According to Teece (2018), innovation is acknowledged as a primary source of competitive advantage. However, innovation's capacity to boost productivity is dependent on a variety of elements known as innovation capabilities (IC), which come from the capacity to discover new uses for existing resources concepts effectively (Tess, 2018). A number of scholars (Černe, et al., 2023; Purwati, et al., 2021; Egberi, 2020; YuSheng & Ibrahim, 2020; Jin & Choi, 2019) contend that ICs have a favourable effect on business performance; nonetheless, specific conditions and criteria It's unclear if this association is strengthened or weakened (Juárez-Luis et al., 2019). According to earlier research (Černe et al., 2016; Egberi, 2020; Mir et al., 2016), the broad and complex nature of innovation means that establishing processes for product development does not always result in innovative products or economic benefits. As such, Černe et al., 2016 suggested (2023) that future studies should make use of other measures of innovation management capabilities (i.e. innovative culture) in different contexts, particularly in developing nations.

Considering the foregoing information, it is not surprising that few studies—particularly in developing nations like Nigeria—have looked at the relationship between innovation and corporate performance. The few that had been seen in earlier studies may have employed different variables and methodologies and were generally outside the current purview. Therefore, the current study examines the relationship between innovation management capabilities (IMC) and distribution business performance, which is crucial for maintaining competitiveness and takes into account a variety of complex and diverse factors, in an effort to close theoretical, methodological, and contextual gaps. This affects how IMC affects the operation of businesses.

1.2 Research Questions

Based on the above arguments, this study intends to answer the following questions in the course of the study;

- i. To what extent does strategy affect performance of distribution businesses in Kano state?
- ii. To what extent does marketing affect performance of distribution businesses in Kano state?
- iii. To what extent does structure and network affect performance of distribution businesses in Kano state?
- iv. To what extent does innovative culture affect performance of distribution businesses in Kano state?
- v. To what extent does project management process affect performance of distribution businesses in Kano state?

1.3 Research Hypotheses

Based on the above objectives, the following hypotheses were formulated;

H₀₁. Strategy has no significant effect on performance of distribution businesses in Kano state.

 H_{02} . Marketing has no significant effect on performance of distribution businesses in Kano state.

H₀₃. Structure and network has no significant effect performance of distribution businesses in Kano state.

 \mathbf{H}_{04} Innovative cultured has no significant effect on performance of distribution businesses in Kano state.

 H_{05} . Project management process has no significant effect on performance of distribution businesses in Kano state.

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2.0 Literature Review

2.1 Business Performance

According to Borjesson and Elmquist (2011), a firm's capabilities are typically defined as its abilities, and they are frequently perceived as its capacity to use particular resources to accomplish desired results (Yang, 2012). Lee and Voon (2015) assert that in order for organisations to consistently convert their entrepreneurial perspective into strategic activities, they must attain better commercial performance. Business performance management, according to Turkmen (2010), is the endeavours of organisations to consistently enhance all significant aspects of their operations (Foroudi, 2019; Nazarian et al., 2017). According to Mutandwa et al. (2015), infrastructure availability, work environment and materials, marketing and entrepreneurial abilities, and infrastructure are all aspects that affect business performance (Foroudi et al., 2020b). According to Narayan (2012), controlling key elements like dependability, output, and sustainability will aid in achieving ideal business performance.

Beyond accomplishing strategic and business goals, however, the ability to innovate is the most significant factor influencing business performance, according to Holt et al. (2004). A corporation can use strategy as a broad tool to attain improved performance and sustainability, but in order to outperform its rivals, it must recognise the value of innovation inside the plan (Fong & Chang 2012). A business needs to be able to both foster and promote innovation in order to innovate. Companies' resources and competencies enable higher financial performance, claims Darroch (2005). To support innovation and business expansion, an organisation has to develop innovation management (Brown et al., 2019). Calantone et al. (2002) found that innovation capacity correlates favourably to business performance.

2.2 Innovation Management Capabilities

The ability to use resources to generate and explore ideas is the source of innovation management capabilities (IMC), which have drawn more attention from scholars recently (Mir et al., 2016; Ngo & O'Cass, 2012; Oura et al., 2016). Competitive advantages are created by new products that are successful (Guan & Ma, 2003; Menguc et al., 2014). The need to comprehend why innovative businesses typically do not see appreciable financial gains gave rise to the idea of innovation management consulting (IMC) (Teece, 1986). According to prior studies (Borjesson & Elmquist, 2011; Lisboa et al., 2011; Mir et al., 2016), the complexity and broad nature of innovation means that developing methods for product development does not always result in novel goods or financial gains. In order to attain innovation effectiveness, firms need to possess several attributes that foster the ongoing advancement of creative endeavours. In the discussion of the need for a variety of resources—including assets and competencies—to capitalise on any invention. Tess (1986) made the case that innovators cannot succeed unless they had the abilities to both create and execute new products with success. Furthermore, it is important to choose or construct ICs based on the unique requirements and qualities of each business, as well as the unique circumstances and features of each competitive environment (Guan & Ma, 2003; Lisboa et al., 2011). The pace and calibre of innovation are critical to corporate success in order to differentiate oneself from rival firms (Foroudi et al., 2020; Wang & Wang, 2012). Companies that approach innovation methodically have advanced their capacity for innovation more than others (Francis & Bessant, 2005).

2.3 Innovation Management Capabilities and Business Performance

Many studies have been cited in the literature that examine the relationship between innovation, innovation capabilities and the performance of firms or organizations. Some of the most notable ones include; Research conducted by Borodaku, et al. (2023); Chern, et al., (2023); Bacon et al. (2022); Javad-Izadi etc., (2022); Piccola et al., (2021); Pikula and Rahko, (2020); Roth, (2020); Zimmerman et al. (2020); Borwati, et al., (2021); Egbari, (2020); Yusheng and Ibrahim, (2020); Jin and Choi, (2019); Zoo, de Vries and Lee (2017); Brehm et al., (2016); Mandersital. (2016); DeVries and Verhagen (2016); Shih et al., (2016); Wangital (2016); Tamura (2016). The majority of these studies took place in industrialised nations, and none of them employed a single scale to assess the impact of innovation management capabilities on corporate

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performance. Instead, they used measurements of innovation culture, market, structure, network, and project management process.

2.4 Underpinning Theory

The effect of innovation skills on corporate success is explained using the resource-based view (RBV). Resources are the main focus of RBV theories; more specifically, the development of rare, valuable, and unique resources serves as the foundation for an organization's economic advantage and competitiveness (Barney, 1986). Value and limited resources are associated with competitive advantage, and competitive advantage is associated with performance, claims Newbert (2007).

2.5 Research Model

Independent Variable

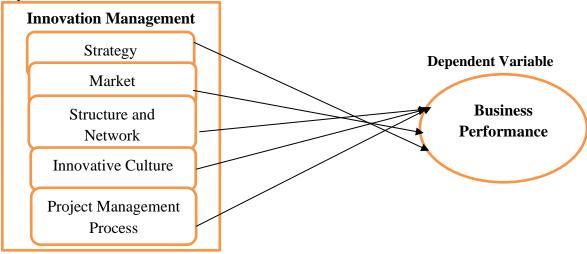


Figure I: Research Model

3.0 Methodology

Because the goal of this study is to examine the relationship between the success of Kano's distribution firms and their capacity for innovation management, a survey research approach was chosen. As a result, the population of the study was defined as all entrepreneurs operating distribution firms in Kano City. However, the sample size for this study was neatly limited to 50 distribution firm owners who were polled. The primary instrument for gathering data was a questionnaire, and SPSS was utilised to analyse the information gathered using regression estimations, correlation analysis, and descriptive statistics. A scale from Zimmermann et al. (2020) and González-Benito (2007) was adapted to measure the dependent variable, business performance, while measures of innovation management competencies were taken from Mir et al. (2016) and Lawson & Samson (2001). All items were measured on a 5 points Likert sacle ranging from 1 strongly disagree, and 5 strongly agree.

4.0 Result and Discussions

4.1 Data Cleaning (Detection of Missing Values and Outliers)

Outliers and the detection of missing values were used to clean up the data for this study. According to the recommendation by (Haire, et al., 2010) that any missing values above 15% should be eliminated, the missing values were manually replaced after being verified using descriptive analysis. Therefore, according to the cutoff given by Haire et al. (2010), no item was removed.

Table 4.1: Descriptive Statistics

N	Minimum	Maximum	Mean	Std. Deviation	Skewi	ness	Kurtosis		
						Std.		Std.	
					Statistic	Error	Statistic	Error	

Citation:



Gender	50	1.00	2.00	1.1400	.35051	.940	.337	2.684	.662
Age group	50	1.00	3.00	2.1400	.49528	.317	.337	.852	.662
Bustyp	50	1.00	2.00	1.1800	.38809	.918	.337	.989	.662
BusExp	50	1.00	3.00	2.1800	.66055	209	.337	668	.662

From the table 4.1 above, it shows the descriptive statistics of all the demographic variables of the study.

Table 4.2:	Correlation	Matrix
Table 4.4.	Correlation	MIAUIA

			IMCMark	IMCStrateg	IMCS	IMCI	IMCPM
		Perfm	et	y	N	C	P
Pearson	Perfm	1.000					
Correlation	IMCMarket	.214	1.000				
	IMCStrategy	.409	.389	1.000			
	IMCSN	.509	.125	.314	1.000		
	IMCIC	.090	.294	.421	.191	1.000	
	IMCPMP	.287	.516	.354	.243	.462	1.000

The Pearson Correlation Coefficient was used to examine the link between the study's variables. The association between each of the study's factors is displayed in table 4.2 above. When comparing the performance of Kano's distribution companies to the market, the correlation coefficient was weak but positive (0.214). This suggests that performance is not greatly impacted by the market. The correlation coefficient between strategy and performance was then found to be both modest and positive (0.409). Therefore, it may be inferred that strategy and performance have a moderately positive link. Additionally, the network and structure displayed a positive and moderate (0.509) relationship with performance. Additionally, innovative culture showed a weak but favourable correlation with performance (0.090). The performance of the project management process is positively correlated but weakly (0.287).

Table 4.3: Model Summary

				Std. Error		Change S	Statis	tics		
		R	Adjusted	of the	R Square	F			Sig. F	Durbin-
Model	R	Square	R Square	Estimate	Change	Change	df1	df2	Change	Watson
1	.603ª	.364	.292	.27948	.364	5.033	5	44	.001	1.618

a. Predictors: (Constant), IMCPMP, IMCSN, IMCStrategy, IMCIC, IMCMarket

The model fits the data reasonably well, as indicated by the R2 value (coefficient of determination), which is 36.4%. This means that the independent factors in the fitted model may explain the dependent variable, which is company performance. This demonstrates the significant 36.4% variance explanation provided by the independent variable for the dependent variable as well as the high predictive power of the model. As suggested by Norusis (1999), the Durbin Watson (1.618) falls within the desirable range of 1.5 to 2.5. This demonstrates that the independence of the error term assumption has been satisfied.

Table 4.4: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.966	5	.393	5.033	.001 ^b
	Residual	3.437	44	.078		
	Total	5.403	49			

a. Dependent Variable: Perfm

Citation:

b. Dependent Variable: Perfm

b. Predictors: (Constant), IMCPMP, IMCSN, IMCStrategy, IMCIC, IMCMarket



Given the Sig. F Change value (F 5.033) = p < 0.005), the ANOVA table above indicates the significance of the model as a whole. With a significance level of .000, the study's analysis of variance is deemed to have met acceptable criteria. This demonstrates how well the model fits the study.

Table 4.5: Coefficients

		Standardized Coe	fficients	_	Collinearity Statistics		
Model		Beta	t	Sig.	Tolerance	VIF	
1	(Constant)		3.287	.002			
	IMCMarket	.022	.150	.881	.682	1.467	
	IMCStrategy	.296	2.054	.046	.698	1.433	
	IMCSN	.412	3.207	.002	.877	1.140	
	IMCIC	194	-1.362	.180	.710	1.407	
	IMCPMP	.161	1.046	.301	.611	1.637	

The measures of independent variables (market, strategy, structure and networks, innovative culture, project management process) have helped to explain the variation in the dependent variable (business performance), as can be seen in table 4.5 above. Only two of the five variables—strategy, structure, and network—were statistically significant. The p value of strategy was 0.46 while the p values of structure and network were 0.002. Additionally, at the following p values, three variables (marketing, innovative culture, and project management process) are not significant: market has a p value of .881, innovative culture has a p value of .180, and project management process has a p value of .301.

Similarly, utilising table 4.5 above, the statistical analysis revealed that p value =.042, indicating that strategy has a statistically significant impact on business performance, rejected hypothesis I, which claims that there is no significant relationship between strategy and the performance of distribution businesses. Thus, the null hypothesis is disproved.

The aforementioned analysis also supported Hypothesis II, which claims that there is no significant relationship between the market and the performance of distribution enterprises. As shown by the (p value =.881), marketing was statistically not significant to business performance. The null hypothesis is accepted in this case.

The performance of distribution companies in Kano State is not significantly correlated with the project management process, according to hypothesis V. The aforementioned analysis, with a p value of 301, accepted this. The null hypothesis is accepted here as well. It demonstrates that the Kano state distribution business performance is not significantly impacted by the project management approach.

5.0 Conclusions and Recommendations

The study comes to the conclusion that distribution companies in Kano State perform significantly better when their strategy, structure, and network are in place. Its significance may stem from the fact that the majority of distributors of necessities employ technology in their operations, welcome new clients into the distribution sector, and generally grow from their mistakes. Obtaining regular feedback from their clientele regarding their preference scale will support the expansion of sales for Kano's distribution company owners. The primary cause is that most distributors prioritise business turnover over strong profit margins.

Given that all of these factors were found to have a positive and significant impact on the performance of Kano State's distribution businesses for both essential and non-essential commodities, the study generally suggests that more attention be paid to the strategy, structure, and networks of these businesses. Furthermore, the study suggests that the market, innovation culture, and project management process be given less consideration because they do not significantly predict the performance of distribution enterprises in the state of Kano. The reasons are that distributors in Kano State don't invest in new projects, the majority

Citation:



of distributors don't use SWOT analysis in their operations, and they don't get enough feedback from suppliers and customers after a transaction.

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