

New product and emerging business growth in Kwara State

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Abstract

Purpose – The purpose of this paper is to examine the effect of new product on growth of emerging businesses (EBs) through sales volume and market share.

Design/methodology/approach – The study surveyed 137 EBs in Kwara State. Two hypotheses were formulated and tested using correlation and regression analyses.

Findings – Results show that service industry is dominant among EBs while the manufacturing industry trails. Many EBs are aware of the complexities of new product, its development and contribution to increasing sales volume, market share and ensuring competitive advantage with apparent infrastructural deficiencies. Test results show that there is a significant positive relationship and effect on sales volume and market share.

Originality/value – Encouraging EBs to step up and focus on improving product/service portfolio to transform their fortune is explored giving focus to the benefits of increasing sales volume and market share.

Keywords Growth, Emerging businesses, Kwara, New product

Paper type Research paper

1. Background and statement of the problem

Emerging businesses (EBs) are rather describable than defined, due to the fact that common definitions are offshoots of statutory and/or regulatory frameworks and institutional underpinnings, which describe EBs based on ownership structure that is, mostly privately owned, small number of employees, low revenue/turnover and available starting and running financial resource. Finance is no longer favored as a major factor among others affecting EBs in Nigeria as there are many avenues for accessing fund. This exposes a fundamental ordeal as access to finance (United Nations, 2001). Proponents of this view argue that government has done and is doing enough to make finance available, but entrepreneurs are having issues accessing the fund due to improper accounts, evidence of succession plans, evidence of large-scale commercialization plans and inability to meet other requirements. Evidence from industrialized and developing countries show that EBs deliver a fundamental contribution to economic development, as they are major vehicles for the generation of employment and income (UN, 2007). In the same vein statistics (Deros *et al.*, 2006) show that EBs even constitute a higher percentage of registered ventures carrying on business activities compared to large companies. Statistics from Ogechukwu *et al.* (2013) also reveal that about 90 percent of the manufacturing/industrial sector in Nigeria (in terms of number of enterprises) is established/managed by EBs, invariably

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significantly tying their efficiency to the efficiency of the nation. In Nigeria, though EBs account for the majority of total businesses in various areas, they face challenges relating to huge gaps in infrastructure, poor financial support and credit environment, high levels of unskilled workforce, and low investment commitment to bring pilot plants to commercial scale meanwhile most EBs in Nigeria serve as suppliers for large companies. Therefore, any lack of product quality could adversely affect the competitive ability of the larger organization (Deros *et al.*, 2006).

New product development (NPD) is the complete process of bringing new product/service to the market ranging from the generation of product idea to the commercialization of the product or service. Popular media is awash with indications that for EBs to maintain competitiveness under the current economic state of affairs, apart from the need for a proactive management team, adequate resources and social infrastructure, there must be a continuous and consistent flow of new products/services or improvement on existing products that can meet up with the changing customer demands. This can significantly make EBs engage the privilege of competitive advantage. Udegbe (2014) highlighted that technological evolution, the highly competitive environment and the varying (diversified) customer needs, have forced enterprises to search for and apply new product development processes (NPDs) that could improve their product unique characteristics, quality and business performance. Increasing scale of international trade provides consumers with a wide range of options/choice of products/services and induces frequency in changing taste and demands, which leaves many EBs very exposed and prone to difficulty, as many are limited in terms of resources, technological facilities and opportunities to favorably compete for market share.

In developing new products, the customers' interest is paramount just as the common parlance that customer is king. The ability to catch up and exceed customer demand for quality product/service can deliver to a firm significant competitive advantage. This view was corroborated by Kusar *et al.* (2004) highlighting that EBs can successfully enter the global market if they can fulfill the customer needs regarding features and quality of products. Given this trend, this research builds on existing literature on the types of new products developed by EBs, how firms have used NPD to increase market share and sales volume, particularly the potency of the NPD processes adopted by EBs in Kwara State and its effect on sales volume and market share.

The process of developing new products that will confer competitive advantage on a firm is quite complex, time consuming, capital intensive and resource intensive especially at the design stage. This places burden on EBs that are willing but not able to commit the requisite resources needed to develop such products/services. Literature is rife with NPD in large-scale industries, but not so much for EBs (Hermelo and Vassolo, 2007). In addition, there are few empirical studies to identify the critical success factors for product development in EBs.

The ultimate objective of NPD teams is their superior marketplace success of the new product (Akgun *et al.*, 2006). This can only be possible with requisite knowledge, resources and information about the processes involved, in which many EBs are deficient and often carry out the NPD process less completely or thoroughly than larger companies (Woodcock *et al.*, 2000). This has contributed to limited growth of EBs in Nigeria as many seem scared of investing in radical innovations and would rather implement incremental innovations, i.e. improvement/adjustments on existing products. This, by implication may limit their market share and sales level and at most only strengthens and/or retains their customer loyalty (without necessarily

creating a completely new market demand). Although there are myriad of problems hampering the growth and survival of EBs in Nigeria, however, it seems that there are issues that need to be addressed as to the types of products/services offered that could either sky rocket them to the top or keep them at the bottom of the growth ladder.

2. Objectives of the study

The main objective of this study is to assess the impact of NPD on the growth of EBs. Specific objectives are to:

- (1) determine the relationship between new product lines and sales volume in EBs; and
- (2) examine the extent to which new product lines affect market share of EB.

3. Research hypotheses

Two hypotheses are formulated for this study and are stated in their null forms below:

H01. There is no significant relationship between new product lines and sales volume in EBs.

H02. New product lines has no significant effect on market share.

4. Literature review

4.1 New products and NPD

The concept of new product is about replacing or improving on existing ones. The rate at which new products are introduced into the market is growing at an exponential rate. The reasons for these could include a goal to position the firm differently in the industry, and/or to enhance growth of the firm, or take advantage of technological breakthroughs, and/or increase responsiveness to changing environment.

On the average, any product that is less or equal to five years old can be regarded as a new product. According to Kumar and Phrommathed (2005) and Cooper (2001) there are six types of new product, which are “new to the world products,” “new product lines,” “additions to existing product lines,” “improvements to and revision of existing products,” “repositioning” and “cost reductions.”

A new product can be a new concept of an existing product idea through product adaptation or improvement; it can also be entirely new both to the company and to the market. Udegbe (2014) segmented innovation into substantial innovation and incremental innovation. The former involves significantly new products that create high customer value while the latter provides improved performance or greater perceived value which could lower cost of production. Ewah *et al.* (2008) argue that innovations take many forms of which new products are a part. By implication, NPD is one form of organizational innovation. Innovation becomes complete when ideas are generated, accepted and implemented (Trott, 2005). Otokiti (2010) opined that developing new products is important for firm growth given rapidly changing needs, expectations and tastes of customers which translates to increased competition for profit and market share and highlighted that it starts with identifying the segment, on to choosing the target customers, understanding their needs and requirements and determining the positioning in the market.

NPD may be the hope of future growth of EBs. The works of Yelkur and Herbig (1996), Agrawal (2003), Hauser and Dahan (2007), Ewah *et al.* (2008) and

Ale Ebrahim *et al.* (2009) stress the imperatives for firms to consistently develop new products in order not to erode their competitive position in the market arena. Launching new products in the market represents an important source of increasing the size of a business and its profits. Economist Intelligence Unit (2012) identified that a significant priority for EBs is developing new products and services as about 42 percent of managers rate it among top goals for the next 12 months. Many firms now place value-laden emphasis on developing new products in the marketplace because of the decreasing or shrinking and rapid obsolescence of product life cycle (PLC) than in the past as well as increasing rate and pace of competition.

Mohammadjafari *et al.* (2011) described NPD as a business process for developing new products for a company, whether it is an upgrade of an existing product or a new concept (either for the company or for the customer). It includes all the activities from the development of an idea concept for a product, to the realization of the product during the production stage and its introduction into the marketplace. Their definition left out the place of acceptability in the market. NPD is seen by Belliveau *et al.* (2002) as:

[...] a disciplined and defined set of tasks and steps that describes the normal means by which a company repetitively converts embryonic ideas into saleable products or services.

Since NPD involves the process of transforming business opportunities into tangible products, EBs need to develop products for competing in the market, and then need to develop new products. The concept of new product is multidimensional and is approached differently. Some of the disciplines with interest in NPD are production management, marketing and entrepreneurship. From the angle of the production management, NPD is viewed from the manufacturing perspective, that is, effective manufacturing of the product in question with little or no regard for the market or customers who will actually demand the product. Marketing however looks at the concept of NPD slightly differently by taking cognizance of the market for the product that is, the needs of the customers in question and how to most effectively meet those identified needs using the new product. A more balanced view of NPD is established when these divergences are curtailed to reach a consensus. It may be pertinent to conclude that in developing new products, a multidisciplinary team needs to collaborate with the research and development unit of the firm to determine the technical feasibility of the product as well as making improvement and fine-tuning the product concept.

4.2 NPDP

The NPDP is guided by new product strategy that aims to align the NPD efforts of the firm with its strategic imperatives. The economic status quo requires firms to have a product development process that can consistently ensure successful products. The works of Booz-Allen- Hamilton (BAH), McKinsey & Company, Dr Robert Cooper, Dr Edgett and others have proved that not less than 60 percent of the total revenue of successful organizations comes from new products. Over the years various models as to the process or procedure of NPD has been proposed and this is because an important part of management of portfolios and PLC is to be able to control the NPDP in order to create balance for the demise of older products, offer products of superior quality or customer value and reduce risk inherent in developing new products (Fill and Fill, 2005), hence suggesting a uniformity in approach to the NPDP may be wrong (Ozer, 2003).

Organization's attitude to risk, that is, their risk-taking propensity (with firms that are proactive risk takers being more innovative; Cooper, 1984), organizational culture and strategy, product and market and approach to customer relationship are usual determinants of the NPDP while Trott (2005) highlighted that it is largely influenced by product strategy, development process characteristics, organizational characteristics and firm characteristics while others include management involvement, personnel skills, the relevance of NPD to improve product quality and business performance. There is evidence that the concept of new product is complex and could be misleading as firms rarely develop genuine new products (Brassington and Pettitt, 2006; Cooper, 1984) as some projects focus on product improvement while some focus on the manufacturing process and others employ a mix of both elements (Fill and Fill, 2005). Despite the divergence in the process of NPD, a widely acceptable model travels from idea generation, screening, business planning, product development, test marketing and to product launch (Fill and Fill, 2005).

Owing to the fact that there is a consensus as to the complexity of NPDP, certain issues seem to be relevant in the NPDP (Vittone and Montagna, 2009). Fill and Fill (2005) identified cycle time, supplier involvement, use of technology and stage gates as critical.

4.3 EBs

In defining small and medium-sized entities (SMEs), different authors, scholars and schools have different ideas as to the differences in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development, these features equally vary from one country to the other (Ayozie, 2011). Uwonda *et al.* (2013) were of the opinion that in Africa SMEs are efficient and prolific job creators, the seeds of big businesses, and the fuel of national economic engines.

The peculiarities of SMEs could be explained by their definition most of which are statutory, i.e. given by either professional or statute-backed entities, agencies or institutions. IASB (2009) refer to SMEs as entities that do not have public accountability and publish general purpose financial statements for external users. Institute of Chartered Accountants of Nigeria (2013) said that "smaller entity" refers to an entity, which typically possesses qualitative characteristics such as:

- (1) Concentration of ownership and management in a small number of individuals (often a single individual – either a natural person or another enterprise that owns the entity provided the owner exhibits the relevant qualitative characteristics).
- (2) One or more of the following:
 - straightforward or uncomplicated transactions;
 - simple recordkeeping;
 - few lines of business and few products within business lines;
 - few internal controls;
 - few levels of management with responsibility for a broad range of controls; or
 - few personnel, many having a wide range of duties.

These qualitative characteristics are not exhaustive, they are not exclusive to smaller entities and smaller entities do not necessarily display all of these characteristics. One of the points above agrees fairly with Baker Tilly International (2010) when they submitted that typically in SMEs, owners are involved in the daily management of the business.

Companies and Allied Matters Act 2004, Section 351 (1) gives the following conditions in a year to a company qualified to be referred to as “small”:

- (1) it is a private company;
- (2) turnover does not exceed two million or amount set by the Corporate Affairs Commission (CAC);
- (3) net asset does not exceed one million or amount set by the CAC;
- (4) none of its members are alien;
- (5) none of its members is a government or a government corporation or agency or its nominee; and
- (6) the directors between them hold not less than 51 percent of its equity share capital.

ANAN (n.d.) listed the following as features of a small entity:

- (1) There is concentration of ownership and management in a small number of individuals (often a single individual).
- (2) One or more of the following are also found:
 - few sources of incomes and uncomplicated activities;
 - simple and/or personalized recordkeeping; and
 - limited internal controls together with the potential for management override of controls.

The researchers choose to use the concept of EB to qualify businesses that fall in the popular SMEs category for no particular reason however; the name fits into the ideal prospects for small business striving to become established enterprises. This draws from the opinion to refer to less developed nations as developing nations rather than third world countries or underdeveloped nations. There is no universal definition of small scale industry as many definitions of SMEs have come to be accepted (Ale Ebrahim *et al.*, 2009; Qureshi, 2012; Ogechukwu *et al.*, 2013). Definition also changes overtimes, owing to changes in price level, advances in technology and other considerations. Criteria that may be used in defining SMEs often include turnover, gross output and employment given that they are functional indices, which are easy to measure. EBs are catalysts for economic development as they institutionalize entrepreneurship representing a large weight of economic activities and accounting for an overwhelming number of business establishments and employment. However, UN (2007) posited that many EBs are often unable to take advantage of market opportunities that require large volumes of production, broad product range and regular supply. Many researches have shown that many EBs barely survive second year of operation due to challenges relating to the market or human resources, lack of business skills and capital (Ogboru, 2006), legal conditions, non-stabilized institutional regimes (Gjini, 2014), crude technology, labor intensive approach, little emphasis on research and development, deficient marketing strategies and poor management competences (Grimsholm and Poblete, 2010).

4.4 New product lines

A product line can be regarded as a combination of similar products belonging to an identifiable product group. In other words, product line is a group of product sharing a common, managed set of features that satisfy specific needs of a select market or mission. It can also be clusters of products and services that offered, in combination to a designated market segment (Fill and Fill, 2005). The product line of the company is managed in such a way that it is not too short or too long. The firm looks at its present product range and decides whether to expand the product line upward or downward or in both directions (Brassington and Pettitt, 2006). Upward extension may involve a higher priced, higher quality, more exclusive product. Downward extension on the other hand might require basic, no frills products at a rock-bottom, mass market price. The implication of a short product line is that profitability may increase only if more products are added to the existing lines. Conversely, when the product line is too long, profit can only rise if some products in the product lines are dropped. A long product line can also be termed product line stretching which may be a strategic policy of a company who wants to offer its customers variety of products hence position itself at the top of the market, however this may be done at the expense of profit. For firms who place value-laden emphasis on profit making, they may decide to keep a short product line. Evidence abound however, that firms who are keen on increasing sales and market share tend toward new product lines (Kusar *et al.*, 2004; Nwokah *et al.*, 2009; Ibidunni *et al.*, 2014).

4.5 New product lines and sales volume

Using sales as a measure of growth has been considered as the most suitable measure of growth (Davidsson and Wiklund, 2000; Delmar *et al.*, 2003). However, other indicators such as employment and assets must be considered because in many start up and high technology firms especially, growth in employment and assets are attained before any significant sale is made (Delmar *et al.*, 2003). Fitzsimmons *et al.* (2005) on another hand suggests that increasing sales permits growth of other dimensions or indicators such as employment and assets. In the same vein, Barkham (1996) as cited by Fitzsimmons *et al.* (2005) pointed out that of all the indicators for growth, sales seems to be the most favored by entrepreneurs. More so, using sales as a measure of growth is easier to obtain and it reflects short-term and long-term changes in the firm, it also reflects that the growth process is driven by the demand for a firm's product or services.

Egbetokun *et al.* (2008) asserted that most emerging enterprises rely on incremental (me-too) innovation for their growth and survival. This type of innovation provides the platform for enterprises to increase their sales by meeting the dynamic needs of customers. Nwokah *et al.* (2009) related that satisfying the needs and wants of the customers fuels the mission of EBs just as the survival of organizations is significantly tied to the level of sales the organization is able to realize. Increased sales provide the revenue the firm needs to drive blockbuster (radical) innovations. As a result, increasing sales level is a priority of many EBs. Gouaniog and Tsapi (2012) impressed that new products marketed by EBs in developing countries result from the improvements (adaptation, imitation, positioning) made to existing innovations. According to them, these innovations enhance firm's sales level. Nwokah *et al.* (2009) opined that for firms to compete effectively in the ever changing competitive environment and achieve higher sales level, it must continuously develop products and product lines to satisfy the constantly changing desires and needs of customers. In their study, they found significant relationship between new product lines and increased

sales volume. Evidently, firms that manage larger product lines perform better than firms who maintain a narrow product line. Ibidunni *et al.* (2014) similarly suggested that new product lines significantly affect the sales level of EBs.

4.6 *New product lines and market share*

Using market share as a measure also tends to be industry focussed as it can only be used efficiently when researching on firms within an industry that also offer similar product range (Delmar, 1997; Delmar *et al.*, 2003). The most widely used proxy for the determination of the possible existence of market power is market share, i.e., the percentage of total sales of the product to be held by the merged firm and the distribution of the remaining share among its competitors. To calculate market share presupposes the definition of a market and the identification of the firms participating in it. It is the goal of the market definition process to ensure that these calculations and thus the possible existence (or not) of market power corresponds as closely as possible to market realities. Cooper (1984) also pointed out that achieving market share growth is quite expensive. However, Kotler and Keller (2006) argue that the most constructive way to defend and expand market share is through continuous innovation, through development of new products, customer services, distribution effectiveness and cost cutting. Companies successfully gaining share typically outperform competitors in three areas: new product activity, relative product quality and marketing expenditures. They add further that firms can make profit through increased market share.

According to Adams and Boike (2004) and Cooper (2005) new product lines create a new market for the company and are fundamentally about imitating what already exist in the market (me-too). In the view of Zhou (2005), new product lines can be termed to be imitation. According to him, product innovation can be represented using two extreme continuums ranging from brand new innovation to pure imitation. This imitation strategy (me-too) can be creative and non-creative. According to Zhou (2005) the creative late entrants can grow the market faster, slow the pioneer's diffusion and consequently, overtake the pioneer. While the non-creative late entrants face smaller potential market, lower repeat rates and less marketing effectiveness compared with the pioneer. EB maintain a flexible structure that allows them to be receptive and adaptive to the changing business environment. Analogously, Egbetokun *et al.* (2008) found that firm performance are pronounced in profit and market share as they introduce new product lines to existing lines.

4.7 *Theoretical framework*

Four models (Boston Consulting Group (BCG) matrix, PLC model, activity stage model and the stage gate model) are popularly used to describe and explain product development.

The BCG matrix is a popular model used in product portfolio planning and is very useful in classifying products into four distinct strategic business units (dogs, problem children, stars and cash cows). The BCG matrix however like many other models have its own shortcomings one of which is the fact that it places emphasis on market share and market growth and this could be misleading for managers as it does not take cognizance of quality of the market share.

PLC is one of the classical theories in NPD and it represents the totality of stages which a product passes through ranging from the point of introducing the product into

the market and the point which it is withdrawn from the market. The PLC reflects the theory that products live a life just like people (Brassington and Pettitt, 2006). Over the years several criticisms has been raised regarding the suitability of this model. Some of which are related to its inability to predict how long a product can stay at a particular stage or how the products actually moves from one phase to the other. Managers who are ardent followers of this model also tend to make the mistake of attributing product failure or decline in sales to the saturation or declining stage in the life cycle which may not be true.

Activity stage model is one of the most commonly used in literature to describe the NPDP (Trott, 2005) and although numerous representation have emerged, the basics remain. However, the six steps comprising exploration, screening, business analysis, development, testing and commercialization has increased to a more recent nine steps which include new product strategy, idea generation, idea screening, concept development and testing, marketing strategy, business analysis, product development, test marketing and commercialization.

This study is anchored on the stage gate model. The stage gate is also known as the waterfall, life cycle process, toll gate, check point, product launch system, etc. The classical model of stage gate has six phases. However, this does not dispute the fact that various versions of this model exist and range from four to seven phases (Cooper, 2005). Recent research have suggested that the classical or traditional stage gate models with their sequential, formal and linear nature have been argued to be less than suitable given the recent trend of high level of uncertainty, rapidly changing environment, characteristics that typify many innovation projects (Brun *et al.*, 2008). Agrawal (2003) noted that although the model is shown to be overlapping at various stages, this might not hold true in practice as the level of overlap might vary across different stages (high level to none). The stage gate serves as check point to monitor if expected goals are met or not. In a case where these goals are not met, the stage is repeated until such goals are met. The group in charge of monitoring/reviewing each stage are usually called the “gatekeepers” and they cut across different departments in the organization such as finance, marketing, research and development; quality control, top management and production personnel.

The innovation process can be visualized as a series of stages, with each stage comprised of a set of required or recommended best-practice activities needed to progress the project to the next gate or decision point. The stages relate to well defined and mapped out, clear goals and purpose, and proficiently executed. Each stage is designed to gather information to reduce key project uncertainties and risks; the information requirements thus define the purpose of each of the stages in the process. Although each stage in the entire process costs more than the preceding one, the process is an incremental commitment and with each stage and step increase in project cost, the unknowns and uncertainties are driven down, so that risk is effectively managed. The activities within stages are undertaken in parallel and by a team of people from different functional areas within the firm, i.e. tasks within a stage are done concurrently. Each stage is cross-functional, i.e. there is no “R&D stage” or “Marketing stage”; rather, every stage is marketing, R&D, production or engineering. No department “owns” any one stage. By implication all hands are on deck at every stage in the NPDP.

4.8 Empirical review

Kotler and Keller (2006) present statistics that approximately 20 percent of new industrial products fail, 18 percent of new service products fail and over 40 percent of

new packaged consumer products fail. Meanwhile, Agrawal's (2003) research showed that more than 46 percent of all the resources spent on NPD by firms are spent on products that are either canceled or fail to deliver the expected returns. More recently is the work of Davis (2007) that posits that the percentage of successful launches remains below 5 percent. New product failure rates are substantial and the cost of failure can be enormous. Hauser and Dahan (2007) report that 30-35 percent of products introduced to the market end up failing, even when the product is simply a line extension of an existing brand, or a new brand introduced in a category where the firm already has a successful product.

A study in Thailand by Upping and Kasorn (2013) considering both the internal and external factors (SWOT analysis) reveal that some of the critical factors affecting the growth of EBs in Thailand are NPD, lack of technology and poor entrepreneurial team. One of the fundamental drivers for NPD can be traced to the management policy of the organization. Three main drivers for NPD are technology, market and management, which can be internally and/or externally influenced. Internally, the management objective may be to increase market share or profits by reducing warranty cost while externally, government policies or new legislations relating to product performances may induce NPD.

Loof and Heshmatt (2006) proposed a significant relationship between firm innovativeness and firm growth and the relationship is quite sensitive among other factors. However, a more recent applied research carried out using descriptive analysis on integrated circuit industries by Corsino (2008) suggests that successful innovations do not significantly induce/enhance growth of firm in terms of sales growth rate. Hermelo and Vassolo (2007) tested two models and found that 1 percent increase in the return on sales will induce 1 percent growth rate. This growth allows firms to fuel new products, promote new markets and invest in new technology. Furthermore their work proved that the newer the technology the higher the rate of growth of the firm which allows the firm to produce more efficiently. In line with this is the work of Kemp *et al.* (2003) that presented that employment growth is explained by growth in sales as well as by innovative output.

The role of new products in growing firms however cannot be overemphasized as the market arena is becoming more competitive. Deichert *et al.*'s (2006) industrial analysis of soft drinks proves that sports drinks and energy drinks are also expected to increase in growth as competitors start adopting new product lines. Furthermore, Coca-Cola owns 50 percent of the soft drink empire and the slight increase in Coca-Cola's profit margin is most likely from their new energy drink product line (Deichert *et al.*, 2006). According to Kemp *et al.* (2003), profits and productivity are not significantly influenced by the level of innovative output in EBs as the effect was found to be present in small firms as opposed to medium firms.

Recent findings show that about 60 percent of products are line extensions; 17 percent are product extension; 15 percent are totally new products. The blue ocean strategy also found that 14 percent of new products were truly innovative and that line extensions account for 62 percent of total revenue and 39 percent of profit. Excitingly, real innovations contribute 38 percent to revenue and 61 percent of profit (Brassington and Pettitt, 2006).

Conclusively, the area of NPD and its impact on the growth of EBs seem to have tilted more toward developed economies. More so, there has not been much on the topic as it relates to developing countries such as Nigeria. The extent to which the nature/types of new products as identified by the BAH model affects the growth of EBs is also

limited in scope. According to the BAH model, every organization innovates new products and these product do not just jump into the market, it follows a process. From the previous studies reviewed, it seems less attention has been given new product lines and others types of products considered as new and its accruing implication on the growth of EBs, rather more attention has been on the technical and R&D efficiency; marketing and customers; finances, etc., hence the focus of this research paper.

5. Methods

This study used a cross-sectional survey design with the use of primary data through the administration of a structured questionnaire to 185 registered emerging enterprises in the service and manufacturing sectors in Ilorin, the capital of Kwara State, while unofficial figure from the Ministry of Commerce of registered EBs in Kwara State stands at 1,211. A non-probabilistic sampling (judgmental sampling technique) was adopted and Barlet table was used to determine the sample size.

One of the researchers self-administered the questionnaires used for this study, which was closed structured and had three sections. Section A listed general information about the respondents while Sections B and C used a five-point Likert scale to seek respondents' opinion on NPD, sales volume, and market share. The respondents to the questionnaire are representatives of EBs, so one questionnaire was administered to one entity representative since the unit of analysis for the study are EBs. Variables in the study include new products, sales volume and market share. Data were presented using statistical tables with frequencies and percentages and were analyzed using statistical measures of central tendency and dispersion. Hypotheses were tested using correlation and regression.

6. Findings and discussion

This part presents and discusses the results from the questionnaire. Inferences are drawn from literature contents and implications are highlighted.

The study recorded an approximate 73 percent response rate with 137 returned questionnaires considered useful for analysis out of 185 administered questionnaires.

6.1 Respondents' general information

The part presents in statistical tables general information pertaining to the respondents and brief inferences.

6.1.1 Statistics on type of industry. Service, manufacturing, construction and trading options were highlighted in the questionnaire to represent the type of industry of the respondents. "Others" was included to cater for a type of industry outside of the four-listed types, however, many of the respondents who chose others did not bother to include its narration. The service industry tops the list with 38 (27.74 percent) while manufacturing falls behind with nine (6.57 percent). In total, 37 (27 percent) of the respondents chose the others options (see Table I). This may be attributable to the fact that the list may not have been explicit enough for an outright choice. It may be safe to posit that among EBs, service industry leads, while manufacturing trail, which may be due to the capital requirements. Despite the fact that there are initiatives to encourage incursion into manufacturing industry, such as access to interest free loan facilities and tax allowances, other regulatory requirements such as registration requirements may be a bane on its establishment, which may be a significant reason for the low number among the sample size.

6.1.2 *Statistics on years of operation.* Results on the years of operation show that 62 (45.26 percent) of the respondents have been operating for up to five years while 13 (9.48 percent) have been in operation for up to 15 years. In total, 36 (26.28 percent) have lasted for about 16 years and more (see Table II). This results show a highly varied response, which show that many of the EBs have been existing for considerable years. This places them on a good pedestal for analysis concerning their NPD practices, especially over a number of years. In addition, the fact that many of the entities have been in existence for some time proves that their survival strategy may be working considerably.

6.1.3 *Employment statistics.* Interestingly, employment statistics show that 103 (75.18 percent) respondents employ a maximum of ten staff and only 15 (10.95 percent) respondents have more than 31 employees (see Table III). This distribution fairly duplicates many definitions of EBs using the number of employees as an index. It can therefore be said that number of employee is a significant factor in categorizing a business as emerging or large.

6.1.4 *Statistics on number of operational branches.* Data on number of operational branches show that 38 (27.74 percent) operate using the head office only, 42 (30.66 percent) respondents have one operational branch aside the head office, and 17(12.41 percent) have five and more operational branches (see Table IV). The result shows a

Table I.
Statistics on type
of industry

| Industry | Frequency | % |
|---------------|-----------|--------|
| Service | 38 | 27.74 |
| Manufacturing | 9 | 6.57 |
| Construction | 23 | 16.79 |
| Trading | 30 | 21.90 |
| Others | 37 | 27.00 |
| Total | 137 | 100.00 |

Table II.
Statistics on length
of existence in years

| Length | Frequency | % |
|-------------|-----------|--------|
| 1-5 years | 62 | 45.26 |
| 6-10 years | 26 | 18.98 |
| 11-15 years | 13 | 9.48 |
| 16-above | 36 | 26.28 |
| Total | 137 | 100.00 |

Table III.
Statistics on number
of employees

| Employees | Frequency | % |
|-----------|-----------|--------|
| 1-10 | 103 | 75.18 |
| 11-20 | 15 | 10.95 |
| 21-30 | 4 | 2.92 |
| 31-above | 15 | 10.95 |
| Total | 137 | 100.00 |

critical channel of distribution, which may limit the ability of EBs to reach a wide geographical area with their products and/or services effectively and efficiently. Factors that influence the siting of branches include market share, proximity to target consumer, logistics and transport costs, etc. Although we did not specifically query respondents' reason for the number of operational branches, informal interactions show that the cost of maintaining an outside branch is high and many EBs may not be able to afford it readily.

6.1.5 Statistics on business ownership model and registration status. Results indicate that 101 (73.72 percent) respondents are sole parent entities while 36 (26.28 percent) are subsidiaries of holding entities. In addition, 95 (69.34 percent) of the respondents are registered with the CAC, a governmental agency in charge of business registration in Nigeria, while 42 (30.66 percent) are yet to register (see Table V). The diverse business model explains that Nigerian business understand the dynamics of ownership structure and diversification of business ownership along the lines of parent and subsidiaries. The quite significant number of unregistered businesses may suggest that the CAC intensify efforts toward orientation on the benefits of registering businesses. Information from the CAC and other government agencies are useful for economic planning and policy implementation.

6.1.6 Statistics on number of products/services. Product/service portfolio data show that 27 (19.71 percent) of the respondents offer a single product/service, 32 (23.36 percent) offer two products/services, 27 (19.71 percent) have three product portfolios, nine (6.57 percent) have four product/service portfolio and 42 (30.66 percent) have over five products/services portfolio (see Table VI). This results show that quite a number of EBs float more than one product line, while the number of entities with one product line provides incentives for the development of new products to sustain their relevance in the

Table IV.
Statistics on
operational branches

| Number of branches | Frequency | % |
|--------------------|-----------|--------|
| 0 | 38 | 27.74 |
| 1 | 42 | 30.66 |
| 2 | 26 | 18.98 |
| 3 | 9 | 6.57 |
| 4 | 5 | 3.65 |
| 5 and above | 17 | 12.41 |
| Total | 137 | 100.00 |

Table V.
Statistics on nature
of control and
registration status

| | Frequency | % |
|----------------------------|-----------|--------|
| <i>Control</i> | | |
| Parent | 101 | 73.72 |
| Subsidiary | 36 | 26.28 |
| Total | 137 | 100.00 |
| <i>Registration status</i> | | |
| Registered | 95 | 69.34 |
| Not registered | 42 | 30.66 |
| Total | 137 | 100.00 |

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Awareness and adoption of new product dynamics and its impact were measured using a five-point Likert scale. The mean scores and SD for respondents' opinion on new product lines and sales volume appear to tilt fairly to agreement with high variations in response rates. More than half of the respondents indicate that they are aware of new products. This is shown by 54 (39.42 percent) who strongly agree and 43 (31.39 percent) who agree, that they are aware of new products. Data on adoption of new product as a strategy show that 51 (37.23 percent) and 40 (29.20 percent) strongly agree and agree, respectively that their business adopts new product strategy. This may be true in the light of the number of respondents whose businesses have more than one product line (see Table VI). In the same vein, 57 (41.61 percent) respondents strongly agree that their new product have significantly increased their sales volume and 36 (26.28 percent) agree to it, while only 29 (21.17 percent) and two (1.46 percent) disagree and strongly disagree, respectively (see Table VII). Perceived data were used, because many of the entities have single entry books and/or incomplete records albeit many attest to keep proper records, which we found to be untrue. One of the reasons is the fact that many of them do not have public accountability as opined by the IASB. There was no verifiable statistical evidence concerning the adoption and impact of new product on sales volume save for that which was alluded to in the questionnaire, which may be biased.

A high percentage of respondents that is, 66 (48.18 percent) for strongly agree and 30 (21.90 percent) for agree attest that new product adoption strategy is working and has significantly increased their market share, while only 25 (18.25 percent) disagree and

| Products | Frequency | % |
|------------|-----------|--------|
| 1 | 27 | 19.71 |
| 2 | 32 | 23.36 |
| 3 | 27 | 19.71 |
| 4 | 9 | 6.57 |
| 5 and more | 42 | 30.66 |
| Total | 137 | 100.00 |

| Variables | SA (%) | A (%) | U (%) | D (%) | SD (%) | Mean | Std dev. |
|------------------------|------------|------------|------------|------------|----------|------|----------|
| Awareness | 54 (39.42) | 43 (31.39) | 17 (12.41) | 21 (15.33) | 2 (1.46) | 3.92 | 1.12 |
| Adoption | 51 (37.23) | 40 (29.20) | 12 (8.76) | 32 (23.36) | 2 (1.46) | 3.77 | 1.21 |
| Increased sales volume | 57 (41.61) | 36 (26.28) | 13 (9.49) | 29 (21.17) | 2 (1.46) | 3.85 | 1.21 |

Notes: SA, strongly agree; A, agree; U, undecided; D, disagree; SD, strongly disagree

two (1.46 percent) strongly disagree. This implies that other factors are minimally significant in influencing market share. In addition, a total of 96 (47 strongly agree, while 49 agree) respondents agree that new products have increased their market share and 96 (56 strongly agree and 40 agree) businesses are willing to continue to implement new product lines to secure more market. Results however, show high variations in response. Only 14 (10.22 percent) and 15 (10.95 percent) disagree and strongly disagree to a system of proper records, however, physical verification in many of their offices show otherwise (see Table VIII). The issue of improper records may be due to the fact that they do not have public accountability, because many EBs do not necessarily prepare financial statements, and where they do, it is mostly basic cash flows. The IASB has issued IFRS for SMEs[®], which is a specialized set of standards that can be used by EBs and although the Federal Government set 2014 as the adoption date for IFRS for SMEs[®], many EBs in Nigeria are yet to comply.

6.4 Hypothesis testing

Correlation and regression analysis were used to test the hypotheses.

6.4.1 *Test of H01*. *H01* relates that there is no significant relationship between new product lines and sales volume in EBs. The correlation results show that the test is statistically significant at 0.000 since it is less than 0.05 and a positive relationship (0.816) exist between new product lines and sales volume (see Table IX). This results leads us to reject the null hypothesis and accept the alternative that there is a significant relationship between new product lines and sales volume in EBs. This result further consolidates the findings of other authors who found significant relationship between the two variables such as Kotler and Keller (2006), Hauser and Dahan (2007), Corsino (2008) and Hermelo and Vassolo (2007) albeit with varying degrees of agreement. Hermelo and Vassolo (2007)

| Variables | SA (%) | A (%) | U (%) | D (%) | SD (%) | Mean | Std dev. |
|-----------------|------------|------------|------------|------------|------------|------|----------|
| Strategy | 66 (48.18) | 30 (21.90) | 14 (10.22) | 25 (18.25) | 2 (1.46) | 3.97 | 1.20 |
| Expansion | 47 (34.41) | 49 (35.77) | 13 (9.49) | 24 (17.52) | 4 (2.92) | 3.81 | 1.17 |
| Future adoption | 56 (40.88) | 40 (29.20) | 17 (12.41) | 22 (16.06) | 2 (1.46) | 3.92 | 1.14 |
| Recordkeeping | 63 (45.99) | 33 (24.09) | 12 (8.76) | 14 (10.22) | 15 (10.95) | 3.84 | 1.38 |

Notes: SA, strongly agree; A, agree; U, undecided; D, disagree; SD, strongly disagree

Table VIII.
New product lines
and market share

| | Correlations New product lines | Sales volume |
|---------------------|-----------------------------------|--------------|
| <i>PI</i> | | |
| Pearson correlation | 1 | 0.816** |
| Sig. (2-tailed) | | 0.000 |
| <i>n</i> | 137 | 137 |
| <i>MS</i> | | |
| Pearson correlation | 0.816** | 1 |
| Sig. (2-tailed) | 0.000 | |
| <i>n</i> | 137 | 137 |

Note: **Significant at the 0.01 level (two-tailed)

Table IX.
Correlation
result for *H01*

for instance only suggested a 1 percent growth in sales from a 1 percent increase in new product introduction.

6.4.2 *Test of H02.* H02 suggests that new product lines have no significant effect on market share. This test examines the effect of NPD on EBs in Kwara State using new product lines, and market share, verifying how new products enhance the market share of EBs, especially in Nigeria. The results from the model summary reveals that the extent to which new product lines affect market share of EBs in Kwara State is 67.6 percent. In addition, the ANOVA table shows that the Fcal is 282.243 at 0.0001 level of significance (see Tables X and XI). The implication is that new product lines impact market share significantly.

The coefficient table is a simple model that expresses the extent to which new product lines affect market share. Result shows that new product lines contribute about 85 percent to increase market share (see Table XII). This result enables us to reject the H01 and accept the H02, which is that new product lines have a significant effect on market share. It implies that EBs looking forward to take a sizeable chunk of market share will need to engage the NPDP and birth new products that will help them not only to enjoy competitive advantage as adduced in literature, but will also increase their market presence, hence their share.

7. Conclusion and recommendations

EBs are indeed drivers of economic growth and their importance as providers of employment cannot be overemphasized with significant contribution to gross domestic

Table X.
Model summary
for H02

| Model | | R | Model summary | | SE of the estimate |
|-------|--|--------------------|----------------|-------------------------|--------------------|
| | | | R ² | Adjusted R ² | |
| 1 | | 0.822 ^a | 0.676 | 0.674 | 0.68867 |

Note: ^aPredictors: (Constant), NPL

Table XI.
ANOVA results
for H02

| Model | | ANOVA ^a | | | | |
|-------|------------|--------------------|-----|-------------|---------|--------------------|
| | | Sum of squares | df | Mean square | F | Sig. |
| 1 | Regression | 133.858 | 1 | 133.858 | 282.243 | 0.000 ^b |
| | Residual | 64.026 | 135 | 0.474 | | |
| | Total | 197.883 | 136 | | | |

Notes: ^aDependent variable: MS; ^bpredictors: (Constant), NPL

Table XII.
Coefficient result
for H02

| Model | | Coefficients ^a | | | | |
|-------|------------|-----------------------------|-------|---------------------------|--------|-------|
| | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
| | | B | SE | β | | |
| 1 | (Constant) | 0.748 | 0.201 | | 3.726 | 0.000 |
| | NPL | 0.846 | 0.050 | 0.822 | 16.800 | 0.000 |

Note: ^aDependent variable: MS

product of the economy. Their survival and growth however has been established to be largely underscored on their ability to innovate. The study found that NPD could significantly increase sales volume and market share, open new frontiers and break new grounds for EBs. It is instructive to note however that though NPD has significant potential in placing EBs at the hub of their game, professional competence cannot be underscored, because of the dynamics of other factors both internal and external that influence product acceptability which is the main determinant of sales. One prominent limitation to our work is our use of perceived data derived from respondents to our questionnaires; further research will be helpful to use actual data on sales volume and market share.

Major recommendations include that:

- (1) since the service industry alone cannot sustainably develop the Nigerian economy, there is need to focus on developing manufacturing industry through greater participation of EBs;
- (2) since results show that new product lines significantly increase sales volume and market share, there is a need to focus on improving NPDPs that can be effective, efficient and sustainable;
- (3) CAC should intensify efforts to ensure proper registration of businesses; and
- (4) government should intensify the implementation of reporting requirements for EBs, especially the adoption and implementation of the IFRS for SMEs[®].

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Appendix. Questionnaire

New product
and emerging
business
growth

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Dear Respondent,

We undertake a study on “new product and growth of emerging enterprises in Kwara State”

This questionnaire is administered for research purpose to enhance data collection and as such, data given will be treated with utmost *confidentiality*. Thank you.

Researchers

SECTION A: General Information

Type of Industry: Service ☐ Manufacturing ☐ Construction ☐ Trading ☐ Others ☐

How old is the business? 1-5years ☐ 6-10years ☐ 11-15years ☐ 16-Above ☐

How many employees? 1-10 ☐ 11-20 ☐ 21-30 ☐ 31-Above ☐

Number of operational branches: 0 ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5-Above ☐

Nature of Control/Ownership: Parent Company ☐ Subsidiary Company ☐

Is the business registered with Corporate Affairs Commission? Yes ☐ No ☐

Number of Products 1 { } 2 { } 3 { } 4 { } 5-Above { }

SECTION B: New product/service lines and sales volume

| <i>Please tick the boxes as appropriate for each question.</i> | <i>SA</i> | <i>A</i> | <i>U</i> | <i>D</i> | <i>SD</i> |
|---|-----------|----------|----------|----------|-----------|
| 1.You are familiar with what is called new product/service lines | | | | | |
| 2.Your company offer products/services different from the main products/services of the company | | | | | |
| 3.These additional products/service company has increased sales | | | | | |

SECTION C: New product/service lines and market share

| <i>Please tick the boxes as appropriate for each question.</i> | <i>SA</i> | <i>A</i> | <i>U</i> | <i>D</i> | <i>SD</i> |
|---|-----------|----------|----------|----------|-----------|
| 1.Additional products/services strategy has increased market share | | | | | |
| 2.Enjoyed increased market share by adding new products to existing products /service lines | | | | | |
| 3.Continuous offer of newer products/services helps to gain more market | | | | | |
| Record keeping | | | | | |
| 1. Proper records of customers are maintained | | | | | |

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