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**Resource Allocation and Innovativeness of Selected SMEs
in Lagos State, Nigeria.**

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Abstract

Purpose: Small and medium scale enterprises (SMEs) play an essential role in the maintenance of a stable and viable economy, such as continuous employment creation. Besides, by cooperation, SMEs play a significant role in the production process by providing raw materials for large organisations to aid smooth operations. To support SMEs, efforts have been tailored towards ensuring that SMEs can compete favourably amongst themselves and perform at par if not better than their counterparts in other countries. However, in developing countries such as Nigeria, SMEs are seen to be struggling with poor innovativeness. It is observed that the innovativeness of Nigerian SMEs has been in a huge decline and has been attributed to factors such as poor resource allocation. Therefore, this study examined how resource allocation affects innovativeness of SMEs in Lagos State, Nigeria.

Methodology: The study adopted a survey research design. The population of the study was 8,396 owners and managers which is the total number of registered SMEs in Lagos State, Nigeria. A sample size of 481 owner/managers of SMEs sampled using the researcher advisors table of sampling. Data was collected using a valid and reliable questionnaire with a Cronbach alpha value greater than 0.7. Data were analyzed using both descriptive and inferential tools. Linear, Multiple and Hierarchical Regression Analysis were used to determine the effect of the variables using Statistical Package for Social Science (SPSS) version 25.0.

Findings: The study revealed that resource allocation had significant effect on innovativeness in selected SMEs in Lagos State, Nigeria ($\beta = .290$, $t = 7.163$, $R^2 = 0.098$, $p < 0.05$). The study concluded that resource allocation affects innovativeness in selected small and medium scale enterprises in Lagos, State, Nigeria.

Recommendation: The study recommended that SMEs should focus on a better approach to managing and allocating their resources. This will help to ensure that innovation is resource-driven and can have the tendency on ensuring productivity improvement.

Keywords: *Resource Allocation, Innovativeness, Small and Medium Enterprises.*

Introduction

Small and medium scale enterprises (SMEs) play an essential role in the maintenance of a stable and viable economy, such as continuous employment creation. Besides, by cooperation, SMEs play a significant role in the production process by providing raw materials for large organisations to aid smooth operations. To support SMEs, efforts have been tailored towards ensuring that can compete favourably amongst themselves and perform at par if not better than their counterparts in other countries. However, in developing countries such as Nigeria, SMEs are seen to be struggling with poor productivity. It is observed that the productivity of Nigerian SMEs has been in a huge decline and has been attributed to factors such as poor strategy implementation, lack of resources management, poor communication and leadership issues. This, therefore, opens the discussion on how strategy implementation affects the productivity of SMEs in Lagos State, Nigeria.

Nigerian small and medium-sized enterprises operate in a very volatile and difficult economic climate owing to external factors such as lack of access to financial credit and capital, serious infrastructural deficits, and lack of proper strategy formulation and implementation which tend to affect the extent to which they perform (Obaje, 2020). Consequently, upon poor strategy implementation, SME performance has been a huge challenge socially for SMEs in Nigeria (Bularafa & Adamu, 2021). For this reason, there has been substantial research on the various factors responsible for SME failures and success (Okoli, Nwosu, & Okechukwu, 2021). Effective strategy implementation is a fundamental component of organisational productivity and a possible source of competitive advantage (Tawse & Tabesh, 2021). Despite several requests for more attention, research on the issue remains a disjointed collection of suggestions, case studies, and empirical work that gives insight but lacks a comprehensive framework, especially among SMEs (Gaikwad, Paul, Moktadir, Paul, & Chowdhury, 2020).

Nigeria, as a nation that has a lot of potential in diverse areas of human, material, financial and managerial resources is not left out of the discussion, especially regarding the SMEs that operate in the country (Adefulu, Arigbede, Nwankwere, & Nnorom, 2021). Despite the huge potential, SMEs in Nigeria are characterised by ineffectiveness, poor growth ability, lack of proper coordination and lacking innovative tendencies to drive sustainability, hence it is concluded that a lot of them do not live beyond 5 years of start-up and existence (Eseoghene, 2021). According to the Small and Medium Enterprise Development Agency of Nigeria SMEDAN (2017), SMEs in Nigeria have made significant contributions to the national GDP (Lateef & Keikhosrokiani, 2022). They contribute to improved income distribution, are a stimulant to economic progress, offer many job possibilities, reduce severe poverty, and are highlighted as a crucial indication of an economy's overall success (Shuaib & He, 2021). Similarly, in developing nations, SMEs account for many businesses globally, and they play an essential role in employment creation and global economic growth (Ekon & Isayas, 2022). Despite this, around 5 out of every 10 SMEs fail during the first ten years of existence (Ofeimun, Nwakoby, & Izeke, 2018). This failure could be attributed to poor resource allocation amongst SMEs in Nigeria.

Empirical studies have been done on resource allocation and innovativeness with emphasis on organisations outside Nigeria with differing methodological approaches (Dellestrand, Kappen, & Lindahl, 2020; Hong & Kim, 2020; Mwai, Namada, & Katuse, 2018; Wanjiru, Abayo, & Kibuine, 2020). However, it is not clear how resource allocation impacts innovativeness, especially among

SMEs in Nigeria which therefore leaves a gap that needs attention (Obokoh & Goldman, 2016; Oyewobi, Adedayo, Olorunyomi, & Jimoh, 2021). The lack of proper resource management and allocation among Nigerian SMEs has led to gross underperformance and a lack of Innovativeness (Tahir, Ibrahim, & Babawulle, 2021). Material resources are not allocated adequately to meet up production demands, financial resources have been mismanaged by the top officials of some of these organisations and employees who are the human resources are not paid adequately and when they are paid, it delays, and they are more assigned tasks that they are qualified for (Obokoh & Goldman, 2016). The observed issues with mismanagement of resources have led to a decline in the innovative capabilities of SMEs as these resources are not effectively harnessed to create such (Oyewobi et al., 2021). Therefore, the purpose of this study was to examine the effect of resource allocation on innovativeness of selected SMEs in Lagos State, Nigeria.

Literature Review

Resource Allocation

Organizational resources were defined as an organization's assets, skills, capabilities, and intangible possessions that are valuable, rare, inimitable, and non-substitutable, which when combined provide an organisation with a strategic advantage (Mwai et al., 2018). Resources are the tangible and intangible assets a firm uses to choose and implement its strategies (Nguai & Maina, 2019). Internal resources of the different firms in the same sector are usually heterogeneous (Jiang, 2014). While a well-formulated strategy, a strong and effective pool of skills, and human capital are extremely important resources for strategy success, poor leadership in the utilization of resources is one of the main obstacles to successful strategy implementation, leading to failed organisations (Cater & Pucko, 2010). The concept of resources includes all assets, capabilities, organisational processes, firm attributes, information, and knowledge that are controlled by a firm to enable it to conceive of and implement strategies that improve its efficiency and effectiveness (Kariuki & Kilika, 2016).

Resource allocation could be defined as the general allocation of financial resources to devolved management units or departments within the government, an organisation, or a company. It is closely linked to budgeting, which focuses on statements of specific spending plans within this general allocative upper limit. Because resource allocation is thought to influence how a firm invests and even takes advantage of emerging opportunities, an organization must aim to effectively allocate its resources in a cost-efficient and differentiated manner from its competitors for increased performance and competitive advantage. The types of resources needed to reach desirable objectives by companies are technological, physical, human, and financial resources (Kibicho, 2015). Each of these resources defines the kind of actions needed to implement given strategies. The level at which operations are executed ought to possess the required resources to implement each strategic plan (Mailu, Ntale, & Nguai, 2018).

The resources can either be tangible or intangible. An organisation is also considered to have the capacity of combining resources, people, and processes to specifically help in transforming inputs into outputs (Gitau, Abayo, & Kibuine, 2020). In the organisation, resources different resources need to be allocated properly for effective functioning. Chepkosgei and Atambo (2018) state that resources make organisations run effectively and allocating these resources to an organisation should be done carefully. Allocating these resources can be tough, but an organisation can acquire

the resources they need appropriately through careful practice. Some examples of organisational resources are technology, people, and finances. All these organisational resources are crucial to the success and growth of an institution.

Innovativeness

Nham, Nguyen, Tran, and Nguyen (2020) defines organisational innovativeness as the creation and implementation of new ideas, systems, products, or technology. Innovativeness leverages the organisation's assets and competencies (skill and knowledge in both technical and managerial systems) in conjunction with targeted processes to create new or distinct market offers that, if successful in the market, provide enormous value to the company (Nagasimha, 2015). According to Abu- Bakar, and Ahmad (2010), a firm's capacity to exploit new possibilities and acquire a competitive edge requires skill in product and business innovativeness. According to McCormick and Maalu (2011), innovativeness may be product or process-based, continuous, or discontinuous, radical, or gradual, and lead to enhanced or new goods.

Innovativeness is the initial manifestation of a concept for a new product or method, while innovativeness is the act of putting it into effect. Technology, intellectual property, business, or physical activity may all be examples of innovativeness (Ndesaulwa & Kikula, 2016). Innovativeness does not have to come from discoveries; it may come from existing goods, processes, and organisational changes, as well as a mix of technologies (Bockova & Zizlavsky, 2016). Joseph Schumpeter, a German economist, promoted the early notion of innovativeness in economic growth and entrepreneurship. According to him, innovativeness includes components of creativity, research and development (R&D), new processes, new goods or services, and technological advancement (Rosli & Sidek, 2013).

Innovativeness is conceptualized in several ways in the literature, including those referring to innovativeness as a process and those about innovativeness as a result (Jiménez-Jiménez & Sanz-Valle, 2011). Practitioners see innovativeness as a tool for expanding their company's development opportunities (Gupta & Malhotra, 2013). Saunila and Ukko (2014) contribute to this by stating that the primary motive for enterprises' innovativeness is the drive to improve company performance and competitiveness. Innovativeness may occur in three major domains: goods, processes, and organizations, and is defined as an idea, product or process, system or gadget that is seen as a novel by an individual, a group of individuals or enterprises, or an industrial sector. Customer and market needs, as well as rivalry among providers to meet a certain demand, promote innovativeness.

Empirical Review

Resource Allocation and Innovativeness

Different studies have been done on resource allocation and innovativeness with different results obtained. Methodologically, Arok, Kirimi, and Munga (2019) adopted a descriptive research design. A sample size of 96 SMEs was determined using the Cochran formula. Primary data was collected using a self-administered questionnaire. Data for the study were analyzed using descriptive and inferential statistics such as correlation based on a univariate regression model. In another study, Jia, Lai, Yang, and Li, (2022) evaluated the optimal strategy of enterprise key resource allocation and utilization in collaborative innovation projects using nine scenarios and

eighteen strategic combinations of resources allocation and utilization by collaborative innovation partners explored. Explicit expressions for the components of sixteen equilibrium points in terms of parameters are derived. Mutiso, Ngugi, and Senaji (2016) used a structured questionnaire to collect primary data on the entire target population. The study also used open-ended questions to seek more answers on the topic of interrogation. The data analysis procedure was both quantitative and qualitative research methods such as descriptive statistics and inferential statistics. The differences in tools adopted for the methodology are based on the differences in contexts and nature of research.

Based on the findings of other studies, related to resource allocation and innovation, Arok et al., (2019) carried out a study on resource allocation and management innovation among entrepreneurs in South Sudan and established that resource allocation has a positive and significant effect on the management innovation of SMEs in Juba City Sitzmann and Bell (2017) investigated the dynamic impacts of subconscious goal pursuit on task performance, resource allocation, and goal abandonment. According to the findings of the research, the subconscious success of goals promotes task performance, but subconscious under-attainment goals lead to goal abandonment, and challenging conscious objectives attenuate those effects depending on the amount of resource allocation and timing of target execution. Another study, by Lemarleni, Ochieng, Gakobo, and Mwaura (2017) investigated the impact of resource allocation on strategy implementation at the Kenya Police Service in Nairobi County.

Kogan, Papanikolaou, Seru, and Stoffman (2017) researched technical innovation, resource allocation, and growth. The research found that how effectively resources are specified and distributed contributes to the organisation's effectiveness. Because the procedure might be difficult at times, this allocation requires careful preparation. It was also proven that when resources are not distributed as intended, it becomes very difficult to execute an organisation's strategy. According to the findings of the research, how resources are allocated has a direct or indirect impact on organisational productivity and performance. It was established that good resource allocation is critical in allowing managers to understand how their staff function, making it much simpler to allocate assignments to resources based on their talents.

Chi and Bump (2018) explored resource allocation procedures at multilateral organisations engaged in global health. According to the study's results, recipient nations have limited effect on allocation procedures, however, they do have considerable influence in very specific regions within these systems. Proper resource allocation may assist managers in identifying workers' presence in a certain activity and even assigning them specific assignments based on their availability. Proper resource allocation is also seen to aid managers in controlling their workers' workloads. This indicates that the manager will be able to review the work list of the employees and determine who has more than enough assignments and who has been undersigned. Because they will not feel overburdened, this will assist to provide staff with the morale they need to improve their performance.

Ngumbi (2019) conducted a study in Baringo County on the influence of organisational resources in strategy implementation in administrative police indicating that human resources remarkably influence strategy implementation. The relationship between the station commanders and junior officers was notably good. Continuous Professional Development courses were offered to targeted

officers in the county for increased capacity level. Officers' welfare was rightly addressed by the senior management. Mutiso et al., (2016) also interrogated the role of resource allocation in the promotion of entrepreneurship in SMEs in Kenya. The study indicated that allocation of resources portrayed a linear line against entrepreneurship with a high R-square to imply that there was a high positive effect of allocation of resources on entrepreneurship.

Therefore, the study hypothesizes that:

H₀₁: Resource allocation has no significant effect on innovativeness in selected small and medium scale enterprises in Lagos State, Nigeria.

Theoretical Review

Resource-Based View (RBV)

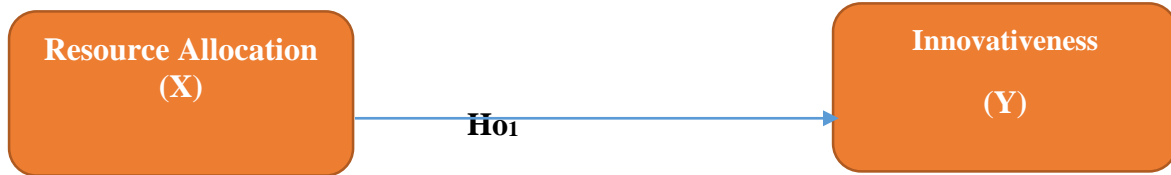
Resource-Based View (RBV) was found to be the most suitable theory to explain organisational resources. RBV examines and classifies a firm's strategic advantages informed by the combination of capabilities, skills, assets, and intangible possessions (Pearce & Robinson, 2013). The underlying premise of RBV theory is that a firm differs in fundamental ways because each firm possesses, internally, a "unique" bundle of resources both tangible and intangible assets which the organisational capabilities then make use of (Ombaka, Machuki, & Mahasi, 2015). The resources and capabilities enable the organisation to achieve a competitive advantage (Pesic, 2007). In the context of this theory, it is evident that the resources a firm owns influence its strategic implementation process and are important for a firm to develop competencies from its resources, which form part of the firm's competitive advantage (Pearce et al., 2013).

In RBV theory, the competitive advantage, superior performance, and effectiveness of an organisation explain the distinctiveness of the firm's capabilities (Muthoni & Kavale, 2015). RBV theory provides four characteristics of resources. First, they are valuable and are therefore used to exploit opportunities and/or neutralize threats in a firm's environment. Second, they are rare among a firm's current and potential competitors. Third, they are inimitable and cannot be replicated. Lastly, they are non-substitutable and distinct, so another product or service cannot have met the same use (Pesic, 2007). RBV theory sets the premise that an organisation is a broader set of resources, and the growth of an organisation involves the exploitation of its existing resources and the development of new ones (Pearce et al., 2013).

The RBV theory has been criticized for assuming that the relative superiority of resources determines the results of the competition, neglecting those firms that go to great lengths to protect their source of sustainable competitive advantage by inhibiting the value creation of their competitors, for example through engaging in bribery (Martin, Cullen, Johnson, & Parboteeah, 2007). This may result in unethical practices, for example, the use of employees to get confidential intellectual information or to gain access to trade secrets of the competition. A firm can also hinder competitors from acquiring and retaining talent, thus preventing their rival's profit realization from resources, and resulting in their competitive advantage (Jang, 2013). Another criticism of the RBV theory is that organisations have difficulty in resource acquisition given certain types of restraints, including in the regulation or transfer of human resources (Tarafdar & Gordon, 2007). RBV theory ignores that a firm can exert negative as well as a positive influence on its surrounding business

environment. If a firm already has access to a superior resource, it may exploit that position to jostle out any other competitor, leading to monopolistic industries (Tarafdar & Gordon, 2007).

Research Conceptual Model



Source: Author’s Research Model (2022)

Methodology

The study adopted a survey research design. The population of the study was 8,396 owners and managers which is the total number of registered SMEs in Lagos State, Nigeria. A sample size of 481 owner/managers of SMEs sampled using the researcher advisors table of sampling. Data was collected using a valid and reliable questionnaire with a Cronbach alpha value greater than 0.7. Data were analyzed using both descriptive and inferential tools. Linear, Multiple and Hierarchical Regression Analysis were used to determine the effect of the variables using Statistical Package for Social Science (SPSS) version 25.0.

Data Analysis and Results

The researcher distributed 481 copies of questionnaire to employees of selected small and medium scale enterprise in Lagos State. Conversely, 473 copies of the questionnaire were duly filled and returned to the researcher. This formed 98.3 percent of the targeted respondents hence the return rate. A response rate of 50% is considered adequate, 60% good and above 70% rated very well (Mugenda & Mugenda, 2003). For this study, a response rate of 91% was considered very well and hence the researcher proceeded for data analysis.

Restatement of Research Hypothesis One

H₀₁: Resource allocation has no significant effect on innovativeness in selected small and medium scale enterprises in Lagos State, Nigeria;

A simple linear regression analysis was used to test the hypothesis. In the analysis, resource allocation is the independent variable while innovativeness is the dependent variable. The data for the variables were generated by adding responses of the items under the variables together to create index of resource allocation and innovativeness. The analysis results are presented on table 1.

Table 1: Summary of regression of the effect of resource allocation and innovativeness of the selected small and medium scale enterprise in Lagos State, Nigeria

Variables	<i>B</i>	<i>T</i>	<i>Sig</i>	<i>R</i>	<i>R</i> ²	Std. Error of the Estimate
(Constant)	17.989	18.944	.000	.313 ^a	.098	2.667
Resource allocation	.290	7.163	.000			

a. Dependent Variable: Innovativeness

Source: Researchers’ Findings 2022

Table 1 showed the result of the simple linear regression analysis that was carried out to test the effect of resource allocation on the innovativeness of the selected small and medium scale enterprise in Lagos State, Nigeria. The result of the regression analysis indicated that resource allocation has positive and significant effect on innovativeness of the selected small and medium scale enterprise in Lagos State, Nigeria ($\beta = 0.290$, $t = 7.163$, $p < 0.05$). The correlation coefficient (R) was 0.313 which implies that there was a weak positive relationship between resource allocation and innovativeness of the selected small and medium scale enterprise in Lagos State, Nigeria. The coefficient of determination (R^2) was 0.098 indicates that resource allocation influences 9.8% of the changes in the innovativeness of the selected small and medium scale enterprise in Lagos State, Nigeria. According to the test model, 90.2% of the changes in innovativeness could not be explained by the model. Therefore, further studies should be done to establish the other factors that affect innovativeness. This is an indication that the model was effective in predicting relationship between resource allocation and innovativeness. The regression equation from the result is given as follows:

$$\text{INN} = 17.989 + 0.290\text{RA} + \mu_i \dots \dots \dots \text{eq.i}$$

Where INN = Innovativeness

RA = Resource Allocation

The regression model presented above revealed that when resource allocation is constant at zero, innovativeness of the selected small and medium scale enterprise would be 17.989. This means that without the influence of the resource allocation, innovativeness of the selected small and medium scale enterprise in Lagos State, Nigeria would still be 17.989 which is positive. The regression results shows that resource allocation positively influence innovativeness of the selected small and medium scale enterprise in Lagos State, Nigeria. The result further shows that a unit change in resource allocation will lead to 0.290 unit increase in innovativeness of the selected small and medium scale enterprise in Lagos State, Nigeria and this is significant at 95% confidence level. From the results of the simple linear regression, resource allocation is an important determinant of innovativeness of the selected small and medium scale enterprise. Therefore, the null hypothesis one which states that resource allocation has no significant effect on innovativeness in selected small and medium scale enterprises in Lagos State, Nigeria was rejected.

Discussion of Findings

The results from the linear regression on the effect of resource allocation on innovativeness in selected small and medium scale enterprises in Lagos State, Nigeria. Results indicates that Resource allocation had significant effect on innovativeness in selected small and medium scale enterprises in Lagos State, Nigeria ($\beta = .290$, $t = 7.163$, $R^2 = 0.098$, $p = 0.000$). Conceptually, resources remain a sacrosanct tool as an organisation's assets, skills, capabilities, and intangible possessions that are valuable, rare, inimitable, and non-substitutable, which when combined provide an organisation with a strategic advantage (Mwai et al., 2018). Resources are the tangible and intangible assets a firm uses to choose and implement its strategies (Ngu et al., 2019).

With respect to resource allocation having significant effect on innovativeness in selected small and medium scale enterprises performance, this study find alliance with the study of Arok et al., (2019) on resource allocation and management innovation among entrepreneurs in South Sudan

and established that resource allocation has a positive and significant effect on the management innovation of SMEs in Juba City. Likewise, the study of Sitzmann and Bell (2017) that investigated the dynamic impacts of subconscious goal pursuit on task performance, resource allocation, and goal abandonment. According to the findings of the research, the subconscious success of goals promotes task performance, but subconscious under-attainment goals lead to goal abandonment, and challenging conscious objectives attenuate those effects depending on the amount of resource allocation and timing of target execution. Similarly, study, by Lemarleni, Ochieng, Gakobo, and Mwaura (2017) investigated the impact of resource allocation on strategy implementation at the Kenya Police Service in Nairobi County. The findings indicate that there are both positive and significant relationships between the predictor and dependent variables. The greatest and most positive connections were found between organisational culture and strategy implementation, followed by financial resource implementation and strategy implementation.

In another study, Kogan, Papanikolaou, Seru, and Stoffman (2017) researched technical innovation, resource allocation, and growth. The research found that how effectively resources are specified and distributed contributes to the organisation's effectiveness. It was also proven that when resources are not distributed as intended, it becomes very difficult to execute an organisation's strategy. According to the findings of the research, how resources are allocated has a direct or indirect impact on organisational productivity and performance. It was established that good resource allocation is critical in allowing managers to understand how their staff function, making it much simpler to allocate assignments to resources based on their talents. However, Chi and Bump (2018) explored resource allocation procedures at multilateral organisations engaged in global health. According to the study's results, recipient nations have limited effect on allocation procedures, however, they do have considerable influence in very specific regions within these systems. Alexander's (2015) study on the implementation of strategies in corporations revealed that over half of the corporations studied experienced human resources challenges, the employees involved had insufficient skills to perform their jobs. On the other hand, Govindarajan (2009) noted that the effectiveness of strategy implementation was at least in part affected by the quality of staff involved in the process. The differences in findings from these studies can be attributed to the nature of the study and the differences in methodological approaches that are adopted for the study. It is important to note that these differences provide further inquiry into how resource allocation affects the innovativeness of firms.

Theoretically, Resource-Based View (RBV) was found to be the most suitable theory to explain organisational resources. RBV examines and classifies a firm's strategic advantages informed by the combination of capabilities, skills, assets, and intangible possessions (Pearce & Robinson, 2013). The underlying premise of RBV theory is that a firm differs in fundamental ways because each firm possesses, internally, a "unique" bundle of resources both tangible and intangible assets which the organisational capabilities then make use of (Ombaka, Machuki, & Mahasi, 2015). The resources and capabilities enable the organisation to achieve a competitive advantage (Pesic, 2007). In the context of this theory, it is evident that the resources a firm owns influence its strategic implementation process and are important for a firm to develop competencies from its resources, which form part of the firm's competitive advantage (Pearce et al., 2013).

Conclusion and Recommendation

Resources are assets that can be used to manage productivity and performance and that resource allocation is focused on ensuring that available resources are distributed more effectively and efficiently to guarantee organisational goals and objectives are met. This study therefore concluded that resource allocation positively affects innovativeness in selected small and medium scale enterprises in Lagos, State, Nigeria.

Based on the findings of this study, it is recommended that SMEs should focus on a better approach to managing and allocating their resources. This will help to ensure that innovation is resource-driven and can have the tendency on ensuring productivity improvement.

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