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# Influence of Construction Micro, Small and Medium Enterprises' Innovation on Clients in Northern Nigeria

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**Abstract.** Innovation of a firm is considered the firm's ability to develop a new or improved product and processes or equipment for the creation and production of new invention. While customers or clients are essential to the realisation and success of innovation in construction firms. However, there is deprived understanding of the impacts of construction firms' innovation on customers /clients. This paper, hence, exploratively determine the impacts of construction micro, small and medium enterprises' (CMSMEs) innovation on customers/clients. To achieve this the research employed qualitative research method to exploratively determine the effects of innovation on construction micro, small and medium enterprises' (CMSMEs) clients. While recorded semi-structured interview with opened ended questions were utilized to gather information from 43 innovative CMSMEs through judgemental and snowballing examining procedure. Information gathered were, open and axial coded, examined and interpreted. The outcome from the study reveal that innovation predominantly impacts on client/customer satisfaction, client/customer retention and client/customer relations. In addition, the findings also indicate minor occurrences of innovation impacting clients'/customers' value for creativity, clients'/customers' value for money and after sales services to clients'/customers. This outcome implies that innovation could be postulated as a driver of client satisfaction of a firm resulting in improved client retention and ultimately, the success of the firm. The search improves body of knowledge in respect of the basic effects of innovations on construction firm clients.

## 1. Introduction

The existence of CMSMEs is a continuing problem in Nigeria, as well as in other parts of the world, as the number of failures of micro, small and medium enterprises' (MSMEs) ranges from 46.4% in the USA to about 80% in Nigeria [2,1]. Be that as it may, the survival of CMSMEs is crucial to the Nigerian economy, because successful CMSMEs create positive chain of effects in the economy [1]. Finance is usually considered one of the major constraints of MSMEs (CMSMEs) in Nigeria. While this may be partially true, empirical evidence has shown that financial issues account for only 25% of MSME (CMSME) success in Nigeria. This suggests that other factors, such as innovation, contribute to MSME (CMSME) success in Nigeria. As a result, there is growing policy interest in how to encourage MSME (CMSME) innovation to improve productivity and efficiency of service delivery to customers/clients. This interest has led many countries to support measures to stimulate innovation in MSMEs (CMSMEs) [3]. However, the awareness of the impact of Construction Micro, Small and Medium Enterprises' (CMSMEs) innovation on clients in Nigeria is minimal. Thus, this paper focuses on exploring the



possible impacts of CMSMEs innovation on CMSMEs' clients. Whereas, innovation is considered one of the success attributes of CMSMEs, with the potential to effect customer satisfaction and to help realise clients expectations [4]. With this in mind, CMSMEs should understand that it is not enough simply to improve organisational efficiency, but they also need to explore the role of innovation as a driver of sustainable competitive advantages [5,6,7]. In Nigeria, the concern about the poor success rate of CMSMEs in the construction industry, comes at a time when CMSME customers are demanding more, and projects are becoming increasingly complex [8]. There is therefore, a strong need to properly link the benefits of innovation and its impact on CMSME clients right from the research base, to help drive innovation in CMSMEs [9].

## **2. Firm and individual innovativeness**

CMSME/firm and individual Innovativeness is expressed as the extent to which an individual/firm adopts innovations earlier than other members in the same social context. It is considered as a component part of human personality or firms' character with two different constructs. The constructs are viewed as general innovativeness (GI) and specific innovativeness (SI). General innovativeness deals with the openness and creativity of individuals/firms, to their readiness to follow new ways, whereas specific innovativeness deals with the degree to which individuals/firms mentally process information, take decisions, and solve problems. This is known as cognitive style; the cognitive style of individuals/firms determine their openness to new ideas and change in general, as well as their penchant for making original decisions independently of others' opinions. SI relates to the predisposition to be among the first to adopt innovation in a specific domain [10].

## **3. Benefits of firm innovation**

Firm innovation significantly increases the number of products and buyers, improves the quality of staff, reduces costs and increases the quality of products of the firm. Innovation creates economic rents, especially relational and product rents. Firm innovation also creates the resilience to cope with the uncertainty of volatile global markets, natural disasters, and policy changes. Resilience is created as more innovative firms have a larger latent database of potential buyers, a large pool of actual buyers and a large product range. Innovation creates new profitable functions over time, especially related to trading, packaging, insurance and quality control [11]. Further benefits of innovation include a better company image, improvement of services, an increase in organisational effectiveness; it increases technical capability, improvement of processes, improvement of product quality, improvement of client satisfaction; it creates new services, new products, new processes, greater market penetration and growth. In addition, innovation leads to, revenue growth from new products or services, short and long-term profitability, improvement of organisational structure, improvement of human resources and it creates new intellectual property (patents, trademarks, designs) [12,13].

## **4. Challenges of innovative firms**

Some challenges that are associated with innovation firms' are identified as a long payback period for innovations, high costs of R&D, uncertainties about how to manage innovation, unknown size of market and customer needs, resistance, fear and uncertainty of potential customers, non-existent distribution channels, difficulties in getting feedback, non-existent technologies enabling and supporting products, competition threats, lack of supporting quality norms and legislation, threats from established order and firms and a poor understanding and use of standards [14].

## **5. CMSME Business Success Factors**

Research shows that customers, market, resources, and finance play an important role in ensuring CMSME business success. Furthermore, external environment factors also play a very important role in firm success. Social networks, government support and legality are the key strategic dimensions of the external environment in business success. Additional further factors that play a role in CMSME success include entrepreneurial characteristics, characteristics of the SME, management and know-how,

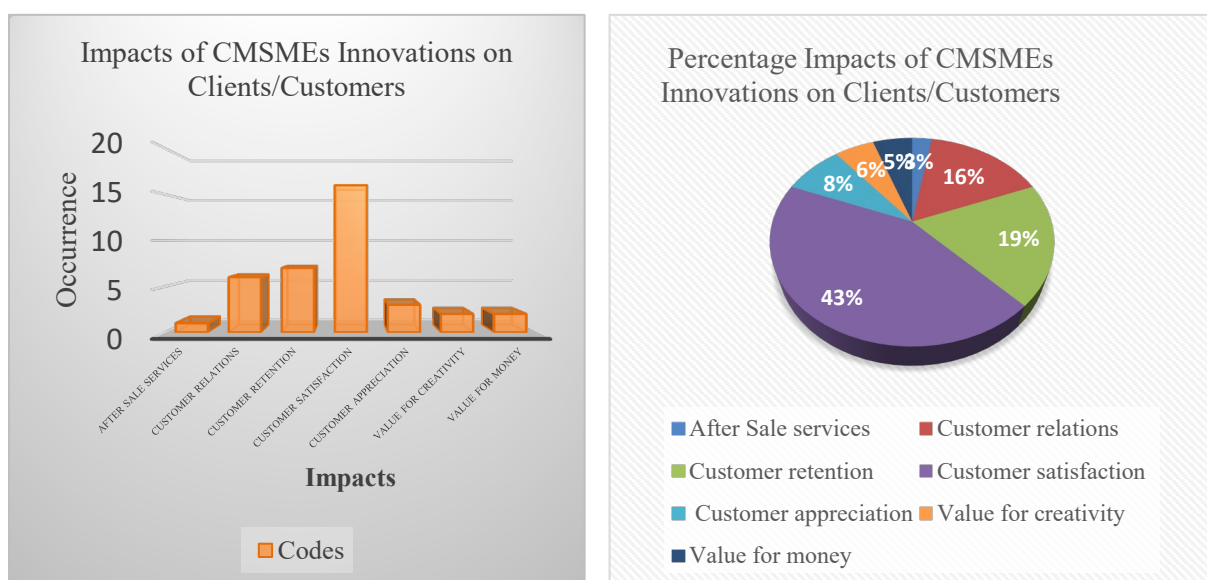
products and services, customers and markets, the way of doing business and cooperation. resources and finance, the external environment and the internet [15]. However, products and services, the way of doing business, management know-how and the external environment are the most significant factors in determining the business success of CMSMEs.

## 6. Methodology

Two stage non-probabilistic sampling was adopted, comprising judgemental and snowballing sampling for stage one and two respectively. In stage one, participants were drawn judgementally based on their innovation and in stage two, the sample size was expanded, using a snowballing sampling technique where the participants in stage one suggested other participants who had also been innovative. The data used for the research is from the CMSMEs standpoint and basically qualitative primary data, collected through recorded interviews with structured open-ended questions, from 43 innovative CMSMEs spanning 14 of the 19 states of the northern Nigeria. This constituted the research population. Data such as interviewees' profiles, firm profiles, and effects of innovation on CMSMEs clients were collected. Data were transcribed, open and axial coded. The codes for innovation effects on CMSMEs clients were developed. The code occurrences were determined using ATLAS.ti and categorised, and themes were developed. These themes were then subjected to analysis and interpretation as follows.

## 7. Impacts of CMSMEs' innovation on client/customers

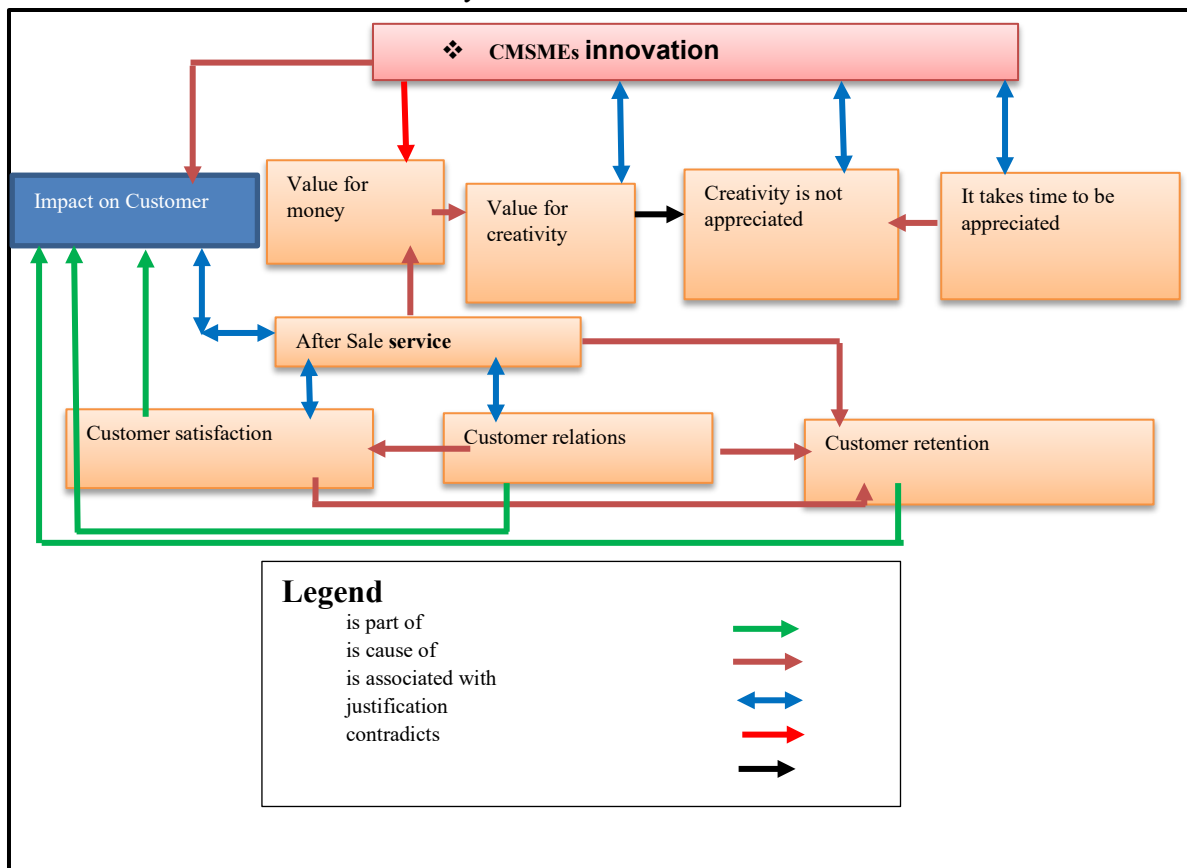
Client/customer satisfaction is a key parameter for determining both firm success and innovation success. Therefore, firm success and innovation success depend on how satisfied the clients/customers are with the innovation and, if an innovation is able to successfully satisfy the needs of clients/customers, the firm consequently succeeds [16]. Hence, figure 1 presents the impact of CMSME innovation on clients/customers. The results show that the greatest impact of CMSME innovation is on client/customer satisfaction with about 17 occurrence which also represent 43% of the occurrences. The next most frequently occurring innovation impacts are client/customer retention, and client/customer relations with 7 and 6 occurrences. These represent 19% and 16% each. Other impacts include after-sales services, client/customer appreciation and giving client/customer creativity or value for money.



**Figure 1.** Impacts and Percentage Impacts of CMSMEs innovation on clients/customers.

Figure 2 presents the relationships of CMSME innovations to their clients or customers. Clients' craving for value for money is justified and fulfilled by innovation which further impacts on the

customer. Innovation is associated with value and creativity, but it takes time to be appreciated by customers. Unfortunately, the lack of time to interact with or understand what is new, leads to customers' lack of appreciation of the innovations. Customer retention, customer relations and customer satisfaction are all part of CMSME innovation impact on their clients. Customer satisfaction and customer relations are associated with innovative after sales services which bring about customer satisfaction and eventually, customer retention. Therefore, the ultimate impact innovation has on the customers is to ensure their satisfaction which is a key determinant of CMSME success.



**Figure 2.** Impacts of CMSMEs innovation on clients/customers.

The customer has gone beyond being a king to being a dictator of what kind of goods and services should be provided [17]. This is evident from analysed research data for CMSMEs in northern Nigeria which reveal that innovation impacts predominantly on customer satisfaction, customer retention and customer relations. In addition, the findings also indicate minor occurrences of innovation impacting customers' value for creativity, customers' value for money and after sales services of customers. This research finding is corroborated by Bowersox *et al* who claim that customer needs and requirements are more basic than products and services; different customers have different needs and requirements; and that products and services become meaningful only when available and positioned from the customers' perspective [18].

When a company fails to continually improve or innovate to meet customers' expectations, the company is not only in danger of losing customers but also of incurring additional losses in costs due to the customer loss [17]. It costs six to seven times more to gain a new customer than to keep an existing one, and studies have found that an increase of 5% in customer retention can increase profits by 25% to 95% for the company. Thus, It is far cheaper to innovatively satisfy and keep an existing customer than to find new customers [17,18]. What contributes to a firm's customer satisfaction and retention is the accuracy of its products and services, quality of its products and services, timelines of its products and services and the cost effectiveness of its products and services [17]. Customer satisfaction is

fundamental to achieving a successful business strategy [18]. Therefore, satisfying your current customer base is paramount to success [17]. Successful firms realise that there is a true competitive advantage in the recognition that any firm's ability to grow and expand its market share depends on its ability to attract and hold the industry's most satisfied customers [18].

## 8. Conclusion

This research has reached the conclusion that construction firms could utilise innovation as means to achieving their firm's client/customer satisfaction, client/customer retention and client/customer relations. In addition, innovation could also be utilised in impacting clients'/customers' creativity appreciation, clients'/customers' value for money and after sales services to clients'/customers. The result of this research implies construction firms have so much more to gain innovating. However, the research recognizes and accept that any variation in the research configuration, inquire strategy, inspecting procedure, extent of information, source of information, information gathering instrument and technique for information investigation could bring about modifying the discoveries and the use of the discoveries in this research and consequently, limit the investigation. Further limitations to this research includes its population and method of data analyses. This research findings also represent only the perspective of the firms' as it relate to the impacts of innovation on clients. Hence, this research findings may only be applicable to its population or similar population setting.

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