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PRODUCT INNOVATION AND COMPETITIVE ADVANTAGE OF SMES IN LAGOS STATE: A SURVEY OF OWNERS AND MANAGERS

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ABSTRACT
The study investigated the relationship between product innovation and the competitive advantage of SMEs in Lagos State: A Survey of Owners and Managers. Cross-sectional research was adopted. The population of the study was 42, 097 registered SMEs in Lagos and the sample size was 396 owners and managers of SMEs in Lagos State who were the respondents determined using Taro Yamane formular. Structured questionnaire was adopted as an instrument of data collection. The data collected was analysed using simple regression analysis. The result revealed that product innovation (β= .398, t = 8.65, p < .001) has a significant relationship with the competitive advantage of SMEs. Product innovation therefore improves the competitive advantages of SMEs and hence the study recommended that SMEs should make product innovation a priority in their policy.

Key Words: Product innovation, Competitive Advantage, Cross sectional design, SMEs.

Introduction

SMEs are central to every economic growth globally but face innovation-related survival challenges. These challenges include technical expertise deficit, human resources, finance to fund technological innovation, economic conditions and among other challenges. Akpata and Oyedele (2020) noted that these challenges can enhance or impede the performance of SMEs. Today, SMEs are desperately exploring solutions that will counter these factors militating against their performance. Akpata and Oyedele (2020) therefore viewed innovation as a key strategy needed to sustain businesses in such environment. Akingbade and Famodun (2024) noted that innovation enables SMEs to develop new or enhanced products, services, and processes which will in turn help the firms to penetrate markets, attract customers, increase their market share, and obtain a competitive advantage as their environment evolves.

Many SMEs in Lagos State have been compelled to embark on various and continuous innovation policies due to the desire to sustain performance and operations of businesses. Akpata and Oyedele (2020) noted that SMEs are crucial to both developed and developing economies and these include, but not limited to, creation of jobs, poverty reduction, enhancing local technology, GDP growth and so on but the actualisation of these benefits seem possible these days through a designed and implemented innovation policies. Any organisation that prioritise performance is constantly thinking about how to use innovation to improve their product and other dimensions of innovation in order to overcome these performance limiting factors hence Onamusi, et al (2020) postulated that organisations need to invest more in creating a high-level innovative capability that would promote a competitive advantage or strength of businesse. Yahaya & Dutse, (2023) further posited that enterprises that give its consumers high-quality products/services always experience increase in their market share. Boon & Edler (2018) conversely argued that due to global competition, the exponential growth of technology, and shifting consumer demands, firms need to create new products and services in order to meet these demands.

Previous studies such as Oduroc (2019), Rezvani & Fathollahzadeh (2018), Udriyah & Ferdous-Azam (2019) found that innovation influences the performance of SMEs. These studies viewed SMEs as a homogeneous group without specific consideration to the sub-sector differences (e.g manufacturing, services, retails etc). Methodological bias was even observed in some the previous studies. Oduroc (2019) for example combined simple random sampling with convenience sampling. Convenience sampling introduced can lead to potential selection bias and this can affect the population-wide representativeness of the studies. Studies by Kiilu and Kithae (2020) and Canh et al., (2019) demonstrated that process innovation positively influences business performance but did not examine the relationship between product innovation and the competitive advantage of SMEs in Lagos State.

Research Objective

1. To evaluate the relationship between product innovation and the competitive advantage of SMEs in Lagos State.

Research Question.

1. What is the relationship between product innovation and the competitive advantage of SMEs in Lagos State.?

Research Hypothesis

H_{01}: Product innovation has no significant relationship with the competitive advantages of SMEs in Lagos State.

Innovation

Abubakar et al. (2020) and Amadi (2024) viewed innovation as an internal tendency or organisational capability to create new business products, processes, supply sources, markets, and activities that meet customer needs. Gault (2018), Rena (2023), Hoang et al. (2021) and Akingbade et al. (2024) viewed innovation in significantly improved dimension. They viewed innovation as action or strategy-oriented. According to them, innovation is the implementation of product or service that is significantly different or totally new from the existing one in the market. This further implies that innovation entails the introduction of significantly enhanced products, processes, marketing approaches, or organisational strategies that will boost the performance of the firm. From the conversations above, Abubakar et al. (2020), Amadi (2024), Gault (2018), Rena (2023), Hoang et al (2021) and Akingbade et al (2024) agreed that innovation is centred on novelty, value creation, and enhancing organisational performance or competitive ability. Furthermore, Gault (2018), Rena (2023), Hoang et al. (2021), and Akingbade et al. (2024) perspectives were based on concrete actions, strategies, or operational processes. Gault (2018), Rena (2023), and Akingbade et al. (2024) focused primarily on product/ service offerings in the market. In contrast, Abubakar et al. (2020) included broader institutional dimensions like supply sources and organisational structures. Innovation is therefore conceptualised as the organisational tendency and strategic actions to create and implement new business products, processes, supply sources, markets, and activities that meet customer needs.

Product Innovation

Ramadani et al. (2019) viewed product innovation from the perspectives of market demand and customer orientation. In that regard, it is seen as a structured process of developing new or significantly improving existing goods or services to meet market demand effectively. Tais et al. (2020) and Vladimirov (2016) viewed product innovation from the perspective of competitive advantage and differentiation orientation. In that regard, Tais et al. (2020) and Vladimirov (2016) defined product innovation as a strategic action that gives product/service a unique characteristic over the competitors in the market. Product innovation ensures that a firm achieves a sustainable profit, thereby improving the performance indicator of the organisation. Farida & Nuryakin (2021) perceived product innovation as long-term enterprise viability, financial sustainability, and organizational agility. Farida and Nuryakin, (2021) therefore perceived product innovation as a continuous dynamic capability aimed at enhancing adaptability to market dynamics thereby leading to an improved business performance. According to Ramadani et al. (2019), Farida & Nuryakin (2021), Tais et al. (2020) and Vladimirov (2016) product innovation policy is centred on the improvement of both the physical goods and services, radical (new) and incremental (improved). The scholars also believed that product innovation positively impacts firm performance: profitability, efficiency, or competitive strength. Tais et al. (2020) however focused on external product differentiation and competitive advantages of product innovation, Ramadani et al. (2019) conceptualised product innovation as a response to market demand. Product innovation is therefore as organizational policy aimed increasing the quality of products and services in order to edge the competitors. Product innovation is a cornerstone of business growth, enabling companies to maintain competitiveness, adapt to evolving customer demands, and explore new markets (Monja, 2024). Differentiating products from those of competitors (Kotler & Keller, 2016) provides a unique selling proposition, enabling businesses to expand, increase profits, and establish a competitive edge. Manufacturers can differentiate their products, making them more attractive to customers (Tidd & Bessant, 2020).

Competitive Advantage

According to Dajah et al. (2022), Negulescu (2019), Akingbade et al. (2024), Tsenyil et al. (2018), and Barney & Hesterly (2015) competitive advantage can be conceptualised into three distinct and complementary perspectives: organisational survival/outcomes, internal capabilities/resources, and market positioning/customer value. Dajah et al., (2022), Negulescu (2019), Barney and Hesterly (2015) argued that competitive advantage is any strategic action or resource of the organisation that enables such firm outperform the market rivals, expand market leadership, and help achieve strong financial performance. According to Barney & Hesterly (2015), competitive advantage is seen as market positioning and resource-based capabilities that enable organisations to differentiate their services for better market positions and improved financial performance. Negulescu, (2019) and Akingbade et al., (2024) posited that the key drivers (indicators) of competitive advantages are cost effectiveness innovation, product differentiation, customer service, and quality. In a related manner, Barney & Hesterly (2015), Akingbade et al. (2024), and Negulescu (2019) agreed that discovering, cultivating, and leveraging distinct internal capabilities and resources are critical for establishing differentiation strategies in business. On the contrary, Negulescu (2019) posited that competitive advantage stemmed from both internal and external sources of the oranisation. Akingbade et al. (2024) specifically stated that SMEs can outperform their rivals in the market by utilising their distinct strength and capabilities in areas such as innovation, quality, cost effectiveness, customer service, or market positioning and hence these can serve as the indicators for measuring competitive advantages. Competitive advantage is therefore seen as those organisational distinct resources (internal and external) and capabilities (unique qualities, assets, or tactics) that help a firm beat its competitors in the market.

Small and Medium Enterprises (SMEs)

There is no generally accepted definition of small and micro enterprises as different nations have defined enterprises based on different circumstances. Ipigansi, et al (2023) noted that most definitions of SMEs are determined by the policy makers, who include traders, labour officers, financiers, and service providers. Akingbade et al (2024) however noted that among the metrics used to define enterprises, the most common and widely used ones comprise of the number of paid employees by the sector, the amount of paid-up capital, total assets, volume of sales, and value added or net worth. The definitions of SMEs are therefore summarised below:

Table 1. Definition of SMEs Summarised.

S/N	Size Category	Number of Employment	Asset (Naira, Million) (Excluding land and Buildings)
1	Small Enterprises	10-49	N5 Less than N50 M
2	Medium Enterprises	50-199	N50- Less than 500M

Source: Adopted from National Policy on MSMEs (2021).

Theoretical Framework

Resources-Based View (RBV)

RBV model was developed by Birger Wernerfelt in 1984 but later modified by Jay Barney in 1991. RBV is a strategic framework in business that focuses on analysing a company's internal resources to identify competitive advantages. RBV suggests that firms should assess their own internal resources rather than solely analysing competitors. The framework emphasizes the importance of both tangible and intangible resources, where tangible resources include physical assets like land and equipment, and intangible resources encompass elements like brand reputation and intellectual property, which are less easily replicated by competitors. RBV noted that

competitive advantage can manifest through cost advantages, where a firm produces goods at lower costs than its competitors, or through product differentiation, where a firm produces unique or high-quality offerings with a command higher price in the market. RBV posits that leveraging unique and well-organised resources enables organisation maintains a long-term competitive advantage, which is crucial in dynamic market environments.

VRIO or VRIN Framework and Competitive Advantage of SMEs

Central to RBV is the VRIO (Value, Rarity, Imitability, Organisation) or VRIN (Value, Rarity, Inimitability, Non-substitutability) framework. This implies that valuable, rare, inimitable, and organised resources contribute significantly to achieving a sustainable competitive advantage. **Valuable** resources increase differentiation and decrease production costs, thereby augmenting their value to customers.

Rare resources: are those that only one or a very small number of competitive firms possess. **Inimitable resources** are unique or difficult to imitate. They typically are expensive for competitors to replicate.

Organised: Firm's resources must be well organised to gain an advantage over competitors.

The organised trait of the VRIO attributes sometimes is replaced by a non-substitutable trait, which changes the acronym to VRIN.

Non-substitutable resources are those resources of a firm that cannot easily be substituted by a company's competitors.

Therefore, RBV posits that competitive advantage stems from an organisation's internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN). RBV is particularly suitable for this study, as SMEs must rely on internal agility, tacit knowledge, and unique operational routines to compete favourably. Within this framework, product innovation is conceptualised not merely as an output, but as a strategic capability resulting from the unique bundling of firm resources. Consequently, RBV provides the explanatory framework for how internal innovative capabilities translate into a sustainable competitive advantage for SMEs.

Empirical Review Tableted

Table 2

Author and Year	Title/Country	Sample Size	Metod	Key findings
Vuković et al. (2025)	Product and process innovations as drivers of sustainable competitive advantage in manufacturing firms in Serbia	252 participants	Survey method	. Product innovation significantly boosts market share and customer retention, while process innovation enhances cost efficiency and operational effectiveness. Combining both yields synergistic benefits for long-

				term competitiveness
Ismanu et al. (2021)	The effect of product and process innovation on SME performance during the COVID-19 pandemic: Moderating role of government policy. Indonesia.	100 SMEs were surveyed.	Purposive sampling; Online surveys and interviews; Structural Equation Modeling (SEM)	Strong positive relationship between innovation (product/process) and business performance, with government policy fully moderating this link during COVID-19.
Ngereza & Mdoe (2024)	The influence of product innovation on the performance of SMEs in food processing sector, Mbeya Tanzania.	400 SME owners and managers	Survey design; Logistic regression (via STATA 17)	Developing new products, improving existing ones, and product line diversification strongly increase sales, customer satisfaction, profitability, return on equity, product quality, and delivery speed.
Issau et al. (2021)	Innovation orientation and performance of manufacturing SMEs: The moderating role of firm size. Ghana.	346 manufacturing SMEs	Random sampling; Partial Least Squares Structural Equation Modeling (PLS-SEM)	Market innovation significantly impacts firm performance; product and process innovations show positive but statistically non-significant effects on performance.
Angela & Victor (2019)	Financial innovation and financial performance of	150 owners', managers and staff of SMEs	Survey design; Statistical correlation techniques	Product, process, market, and administrative innovations all

	small and medium scale enterprises (SMEs) in Onitsha Nigeria			positively influence the financial performance of SMEs.
Oboreh & Samuel (2023).	An Analysis of Product Innovation and Competitive Advantage in Selected Plastic Manufacturing Industries in Onitsha, Anambra State, Nigeria	120 respondents (derived from a target population of 168 employees across four selected plastic manufacturing companies using Taro Yamane's sample determination formula).	Quantitative approach utilizing a descriptive survey research design. Primary data collected via structured questionnaires and analysed using Multiple Linear Regression analysis via SPSS v23	All three dynamic capabilities (Sensing Capability, seizing Capability, transforming Capability) demonstrated statistically significant positive relationships with competitive advantage.

Oboreh & Samuel (2023) exhibited critical internal mathematical or typographical inconsistencies. In the regression model specification, variables are mislabeled: listing CD as "Career Development" (a variable completely absent from the study) and repeating SC for both "Seizing Capability" and "Sensing Capability". Furthermore, the study reported a standardized Beta of 0.497 for Transforming Capability, the unstandardized coefficient (B = 0.135) and Standard Error (0.768) yield a calculated t-value of 0.176 which directly contradicted the reported t-statistic of 5.694. The sample size is 120 respondents across only four plastic manufacturing firms localized entirely within Onitsha, Anambra State and this geographically and sectorally narrow scope limits the external validity and generalizability of the findings to the broader manufacturing sector across Nigeria or sub-Saharan Africa.

Vuković et al. (2025) provided a robust framework by examining the dual impact of product and process innovation on performance but relying solely on survey-based cross-sectional data limits the ability to track how these competitive advantages truly sustain over a longer time horizon.

Ngereza and Mdoe (2024) adopted a substantial sample size and rigorous logistic regression with compelling evidence but its geographic focus on Mbeya limits the study.

Ismanu et al. (2021) offered valuable crisis-era insights on how institutional support acts as an essential catalyst for converting SME innovation into actual performance gains. Nevertheless, the relatively small sample size of 100 firms under non-probability sampling limits the study outside a pandemic economy.

Issau et al. (2021) highlighted that product and process innovations alone are insufficient without strong market-facing mechanisms to commercialize them but non-significant direct

findings for internal operational innovations raised questions about whether measurement tools or external market turbulence obscured their underlying value.

Angela and Victor (2019) observed a comprehensive view of how holistic organisational improvement drives performance but relying primarily on bivariate correlation techniques restricts the study from verifying directionality or ruling out confounding commercial variables in a major trade hub like Onitsha.

Methodology

Research Design

Cross sectional research design was adopted. Cross sectional design involves collection of data on specific variable at a single point in time. It is a scientific process of determining a representative sample from which the result can be generalized to the entire population (Omotayo, et al. (2016). This design enhances the collection of measurable data from various respondents, including owners and managers of SMEs (Hakkert and Kemp, 2019).

Population of the Study

The target population for this study will comprises all the 42, 097 registered SMEs owners in Lagos State across the five zones (Badagry, Ikorodu, Ikeja, Lagos Island and Epe) and Six sectors that make up the SMEs in Lagos State: (manufacturing, Wholesales & Retail, Services, Accommodation & Food Service, Agriculture and Agro-Allied) (Enyinnaya, et al.2025).

TABLE 3: Population Distribution of SMES by Zones and Sectors in Lagos State

S/N	SECTOR	LAGOS ZONES					
		Badagry	**Ikorodu**	**Ikeja**	**Lagos Island**	**Epe**	**Total**
1.	Manufacturing	2,706	2,906	5,976	4,241	3,356	19,267
2.	Wholesales & Retail	951	2,106	3,544	4,464	1,514	12,579
3.	Services (Education & Others)	1,768	4,803	12,586	4,227	1,507	24,891
4.	Accommodation & Food Service	594	1,098	1,483	1,340	459	4,974
5.	Agriculture	1,088	2,208	106	34	1,471	4,907
6.	Agro-Allied	1,795	1,917	698	465	2,569	7,442
	TOTAL	**8,902**	**15,120**	**24,393**	**14,771**	**10,874**	**42,097**

Enyinnaya, et al. (2025)

Sample size and Sampling Technique

The sample size was 396 managers and owners of SMEs in Lagos. The sample size was calculated using Yamane formula since the study has a definite population (Omotayo, et al., 2016). Stratified random and simple sampling techniques were adopted. First was to group the population into zones. Second was to determine the study sample size by zones. Third involved the proportional distribution of the instrument randomly among the sub-group based on the zones and sectors. The study therefore adopted primary data collection method through the use of self-developed structured questionnaire. The data collected was analysed using simple regression analysis with SPSS software.

Sample Size Determination Procedure using Taro Yamane formular

$$n=\frac{N}{1+N\,(e)^2}$$

$$n=\frac{42{,}097}{1+42{,}097\,(0.05)^2}$$

$$n=\frac{42{,}097}{106.2425}=396.$$

Table 4: Proportionate Distribution of Questionnaire by Zones in Lagos State

S/N	Zone	Allocation
1.	Badagry	59
2.	Ikorodu	87
3.	Ikeja	147
4.	Lagos Island	29
5.	Epe	74
	TOTAL	**396**

Validity and Reliability of the Study

All the three levels of facial, content and construct validity were measured. To determine the questionnaire's content and face validity, copies of the instrument were given to business administration experts, business owners and managers. Construct validity was measured using Principal Component Analysis (PCA). Sample adequacy was measured using the Kaiser-Meyer-Oklin (KMO) and Bartlett's test of sphericity was used to measure the instrument's validity in exploratory factor analysis. Udershan and Kulshrestha (2019) noted that KMO value interpretation criteria are as follows: 1-0.9 is ranked very good, 0.8-0.9 is ranked good, 0.7-0.8 is ranked medium, 0.6-0.7 is ranked reasonable, 0.5 to 0.6 acceptable while < 0.5 is unacceptable. Odoi et al (2022) noted that Bartlett's Test of Sphericity of less than 0.05 is accepted. Kilduff & Cormican (2022) similarly echoed that the p-value of Bartlett's test of sphericity accepted when it is less than 0.05 ($p< 0.001$) meaning the correlation matrix is appropriate for factor analysis. The Cronbach's alpha test was utilized to measure the reliability of the instrument. Omotayo, et al. (2016) explained that Cronbach's alpha reliability test is applied when there are several Likert type items that are added up to make a composite score or sum mated scale and its quality as a measure of reliability that can be obtained from one administration of a questionnaire. Omotayo, et al. (2016) noted that generally accepted reliability scores of all types of reliability test are 0.80 and above. Pallant J and Unwin A (2011) noted that Cronbach value above 0.7 is considered acceptable but values above 0.8 are preferable. In the table above,

Table 5: Validity and Reliability Test

Variable	No. of Items	Cronbach's Alpha	KMO	Bartlett's Test of Sphericity (Sig.)
Product Innovation	5	0.803	0.794	1075.384 (0.000)
Competitive Advantage	5	s0.850	0.880	857.402 (0.000)

Findings

In this study, the Kaiser-Meyer-Olkin (KMO) test values are greater than 0.5 and the Bartlett test of Sphericity test values are less than 0.05, showing that they are within the threshold. In the result of Conbach's Alpha Reliability Test conducted, all constructs are greater than 0.7, confirming that the items are dependable with a very good internal consistency reliability of the instrument used.

Conceptual Model

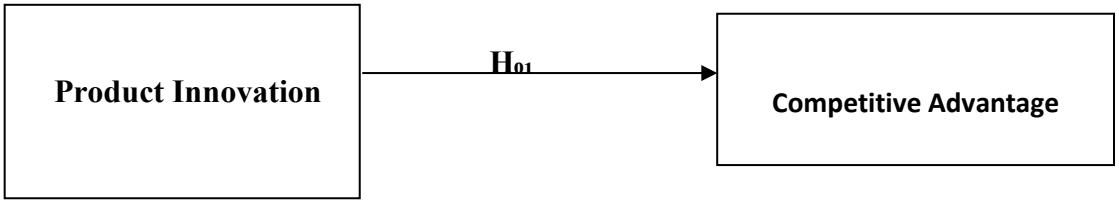


Table 6: Normality Test

Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Product Innovation	-.183	.135	.210	.250
Competitive Advantage	-.163	.136	-.267	.250
Valid N (listwise)				

Table 6 above showed that skewness and kurtosis values for product innovation and competitive advantage satisfy the assumption of normality required for regression analysis. Product innovation has negative skewness value of -.183, and positive kurtosis value of .215 respectively. The competitive advantage has negative skewness value of -0.163 and positive kurtosis value of .260 respectively. Pallant, & Unwin (2011) stated that the typical range of a normal distribution of kurtosis and skewness is between +1 and -1. Creswell (2008) noted that the kurtosis and skweness statistic of + or -2 are adequate for statistical analysis. Therefore, the skewness and kurtosis values are adequate.

Table 7: Linearity test table

Correlation			
Variables		PN	CA
Product Innovation (PN)	Pearson Correlation	1.00	.674
Competitive Advantage	Peasrson Correlation	.674	1.00

*** Correlation is significant at the 0.05 level (2-tailed)**

Table 7 above shows that there is a strong, positive and linear correlation (r=.674, p <0.005) between product innovation and competitive advantage of SMEs.

Table 8: Multicollinearity Test

Model		Collinearity statistics	
		Tolerance	VIF
1	(Constant)		
	Product Innovation	.789	1.2674

Dependent variable: Competitive Advantage

Pallant & Unwin (2011) suggested that if a tolerance value is greater than .10 or VIF value of above 10, it shows indicative of the absence of serious multicollinearity. The reported tolerance and VIF values are within the commonly accepted thresholds suggesting that multicollinearity does not pose a serious threat to the regression model.

Hypothesis One

Table 9: Product Innovation and the competitive advantage of SMEs.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.837	.692		6.551	0.000
	Product Innovation	.358	0.039	.398	8.65	0.000
a. $R = .394^a$ $R^2 = 0.158$ Adj. $R^2 = 0.156$ b. $F(1,394) = 74.8$ $p < .0.001$)						

Dependent Variable: Competitive advantage

The results from the simple regression analysis, as presented in Table 9, indicated that product innovation (β= .398, t = 8.65, p <.001) was found to significantly related on the outcome variable (competitive advantage). The result is statistically significant since p-value of the predictor is less than 0.05 sig. value. This means that the null hypothesis stated is hereby rejected. The analysis revealed a positive and statistically significant relationship between product innovation and competitive advantage (β = .398, p < .001). The model explained approximately 15.8% of the variance in competitive advantage (R^2 = .158; adjusted R^2 = .156). Thus, product innovation accounted for 15.8% of the observed variation in the competitive advantage of SMEs, while the remaining 84.2% was attributable to other factors not captured in the model. The associated p-value (0.000) indicated that predictors have a significant impact on the dependent variable. Since innovation has a significant effect on the competitive advantage of SMEs, the null hypothesis is hereby rejected.

The study aligned with Oboreh, & Samuel (2023). Both studies established a statistically significant positive relationship (p < .005) between innovation and competitive advantage and yielded substantial R^2 values, (>60%) demonstrating that product innovation metrics explained a major proportion of the variance in organisational competitive advantage. However, Oboreh, & Samuel (2023) explained 79.0% of the variance (R^2 = .79). The study dimensioned product innovation into three distinct dynamic capabilities (Sensing, Seizing, Transforming). Evaluating distinct dimensions captures unique, non-overlapping variance for each specific capability, boosting total explanatory pow er. In contrast, the current study compressed all items into a single composite index. Furthermore, In Oboreh, & Samuel (2023), individual Beta coefficients ranged from Transforming (β = .497) and Seizing (β = .495) exerting a significantly stronger direct influence on competitive advantage than Sensing (β = .292). On the contrary Beta (.398) here functions as an aggregated average effect of product innovation on competitive advantage. The study is also in line with the study by Ngereza and Mdoe (2024) that examined the influence of product innovation on the performance of SMEs. The results showed that initiatives like developing new products, improving existing ones, and diversifying product lines had strong positive effects on firm performance.

Summary

1. The study investigated the relationship between product innovation and the competitive of SMEs.
2. The study found that product innovation improves the competitive advantages of SMEs.

3. Resources based view provided robust theoretical frameworks for understanding and analysing the relationship between product innovation and the competitive advantage of SMEs.

Limitations of the Study

Despite the theoretical and practical contributions of the study, the study has some limitations. The study adopted a cross-sectional research design, collecting data at a single point in time. While this design effectively demonstrated static statistical associations, it cannot prove direct causal relationships or track the long-term effects of product innovation on competitive advantage. Data collection was restricted exclusively to registered SMEs within Lagos State. Consequently, these findings may reflect region-specific economic dynamics and may not be fully generalised to SMEs operating in other states, rural regions, or different national contexts. The study relied on self-reported questionnaire responses from the owners and managers of SMEs. This data collection approach introduces the potential for response bias, social desirability bias, or subjective overestimation of organisational performance and innovative capabilities

Conclusion

Based on the empirical findings, the study concludes as follows:

I. That product innovation serves as a very important strategy for building and sustaining competitive advantage among SMEs.
II. SMEs should develop unique offerings/products, continuously improve the existing ones, and align product development with dynamic customer preferences to achieve superior market positioning, customer retention, and operational strength.
III. Integrating innovative product capabilities into core operational strategies provides the resource foundation necessary for SMEs to navigate competitive pressures and market volatility in emerging business environment.

Recommendations

I. SME owners and managers should integrate product innovation into their core business strategies. Firms should establish routine mechanisms for market sensing and customer feedback to continuously upgrade existing products and introduce relevant offerings that will serve the dynamic need of the customers.
II. SME owners in partnership with government, financial institutions and other stakeholders allocate resources toward building internal dynamic capabilities, functional research and development, and technological adoption to maintain long-term product differentiation.
III. Policy makers and institutional stakeholders in Nigeria should formulate targeted supportive policies, grant programs, and infrastructural frameworks that reduce the financial and technical constraints of product development for small enterprises.
IV. Future studies should adopt longitudinal research designs to observe causal trajectories over time. Expanding the geographic scope beyond Lagos State and incorporating objective financial indicators alongside self-reported metrics would further enrich the empirical literature.

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