ENTREPRENEURIAL INNOVATIVENESS AND PROFITABILITY OF STUDENTS' START-UPS

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ABSTRACT

Job creation and fostering innovation targets to achieve decent work and economic growth (SDGs 8) and industry, innovation and infrastructure (SDGs 9). This study assessed the contribution of entrepreneurial innovativeness to profitability of Students start-up businesses. Descriptive research design was employed in the study. 120 selected post graduate and undergraduate students of Covenant University Ota, Nigeria were obtained through a simple random sampling technique. The result reveals that innovativeness embedded in competitive aggressiveness is a predominant predictor of profitability. The study recommends that start-up businesses that desire better business performance should adopt innovative entrepreneurial orientation and align it with basic aspects of their income generation and management activities to improve productivity and their corporate image in order to be better positioned.

Keywords: entrepreneurial innovativeness, competitiveness, business start-ups, profitability

INTRODUCTION

Start-ups play key roles in the attainment of Sustainable Development Goal (SDG) 8 and 9. SDG goal 8 emphasizes the need to diversify, innovate and upgrade for economic productivity as well as promote policies to support job creation and growing enterprises. SDG 9 emphasized the need to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation (United Nations Global Compact [UNGC], 2017). Firms such as Facebook, Dell, Google, Yahoo, etc. are global companies that were started by college students which have grown to be global firms.

Environmental turbulence due to change, competition and advances in technology has challenged firms to conduct business in more innovative ways (Linton, 2019). Firms are required to adopt the entrepreneurial innovativeness that enables superior performance over competitors and ensure survival (Juliana et al., 2021). Entrepreneurial innovativeness is a strategy adopted by enterprises, and which has attracted the attention of scholars. It is crucial to entrepreneurial success; and is a roadmap to novel initiatives and ideas for corresponding actions (Mumford, 2011).

Innovation is crucial to survival and prosperity of firms of all sizes and in every industry (Setyanti et al., 2013) and it is the core of entrepreneurship that shows innovative tendencies. The ability of entrepreneurs to modify goods, re-invent service, re-direct processes, reprogramme market demands and re- arrange organizational structure speaks of innovative inclination required for business survival and profitability (Agada et al., 2021). This paper evaluates the impact of innovativeness on profitability of Startups initiated by Student.

LITERATURE REVIEW

Innovativeness

Schumpeter (1934) explained the role of innovation in the entrepreneurial process the position that change originates from inside instead of outside. The essential element in the definition of entrepreneurship is innovation. Schumpeter (1934) argued that new products would create new wealth by disrupting market conditions with creative destruction and that resources would lead to economic growth by moving away from existing firms through new companies.

Innovativeness is reflected in a firm's ability to go beyond current trends and embrace new technologies or practices (Linton, 2019). Sanz-Valle et al. (2011) define innovation as an action that brings modifications in products (technical) and production process as well as management, that is undertaken by a firm to adapt to environmental change. It is regarded as an important factor in the success of a firm because of the continuous change in the competitive environment (Ogbari et al., 2018; Damanpour, 2010). According to Kong (2018) innovation also mean implementing new ideas, improving services or creating products promote business growth.

Innovativeness results in new products, new processes, new markets, new behaviours and new management structures that improve a firm's market-standing; hence, product innovation, process innovation, marketing innovation, behavior innovation and organizational innovation are canvassed as indicators of innovativeness (Ateke & Harry, 2021; Chen & Sawhney, 2010).

Product innovation means developing new products or improving existing ones in terms of features (Udu et al., 2020; Ogbari et al., 2018). Process innovation includes improving production processes to reduce cost of production or delivery, new or substantially improved procedures, methods and techniques (Agada et al., 2021; Fatoki, 2012). Marketing innovations includes successfully responding to customer demands, entering new markets or designing products, packaging, positioning, and promotion or making changes in the pricing, for the purpose of presenting the product differently in the market (Udu et al., 2020; Sanz-Valle et al., 2011).

Behavior innovation describes the development and application of novel ideas, products, processes, and procedures to a person's work role, work unit, or organization. Innovative behaviour is the basis of novel outcomes (Wang & Ahmed, 2004, as cited in Ateke & Harry, 2021). Organizational innovation is the realization of a new organizational method, practices or external relations that reduce administrative costs and improve satisfaction (Olokundun et al., 2018).

Innovativeness and Profitability
According to Horton (2019) profitability is a metric used to determine the scope of a company's efficiency in terms of its success and failure. Hofstrand (2019) explains further that profitability is the primary goal of all business ventures. Without profitability a firm will not survive in the long run. This can be determined by comparing current profitability with past profitability while projecting future profitability of the organization.

Innovativeness and Profitability
The relationship between innovativeness and profitability have both positive and negative affect on an organization. The negative effect of innovation can be in form of technical challenges, market competition etc. (Fernandes & Paunov, 2015). Another effect is that it is risky and costly, exposing companies to high fluctuations in the market and thereby resulting to poor performance (Libuquerquer, 2019). Problems like this can bring about unexpected increase in budget such that more capital would be required in the company's operations.

Shields and Young (1994) explains further that companies that invest big sum of capital in research and product innovation faces decrease in their profit because it's only when customers use and adopt these new products that they receive the benefits and this may take time. Also, companies that carry out innovation experience major increases in the cost of goods and services and this can reduce the expected returns of shareholders and profit at the end (Anh et al., 2019).

Irrespective of these negative effect of innovation on a firm its benefits cannot be overemphasized. Diaw and Asare (2018) argues that innovation increases customer satisfaction and loyalty because a satisfied customer will frequently buy and introduce the products or service to their friends which brings about increase in firm's revenue and profit.

Furthermore, innovation is a significant activity that help firms execute current changes in technology, market, and competitive advantage alongside making sure they take required action that affects their profitability (Bisbe & Otley, 2004; Fiorentino et al., 2021). Innovation also improves firms' profit as it help firms establish new brands, gain competitive advantage, become market leader, improve productivity and even help firms gain higher access to formal credit and better government support programmes.

METHODOLOGY

A descriptive quantitative research strategy was applied to acquire information randomly from selected postgraduate and undergraduate small business owners, owner-managers and start-up (emergent) entrepreneurs at Covenant University who are actively running their businesses in geographic proximity to Ogun and Lagos states in Nigeria, through administration of structured questionnaire. The population of the study is registered businesses known by the University Establishment given at 465. A sample size was 120 calculated using Yard`s formula. However only 96 questionnaire were returned who were mostly undergraduates and are also actively running their start-ups. The hypothesis stated was tested using regression analysis.

ANALYSIS AND RESULTS

Table 1: Innovativeness and Profitability

S/N	ITEMS	SD	D	U	A	SA	Total
	Innovativeness						
1	Over the last 3 years, my firm has produced many new products	22 22.9	12 12.5	5 5.2	36 38.0	21 21.9	96 100%
2	My firm put strong emphasis on research and development of product	11 11.5	16 16.7	12 12.5	36 38.0	21 21.9	96 100%
3	In my firm, innovation has become an integral aspect in the production process	10 10.4	10 10.4	17 17.7	24 25.0	35 36.5	96 100%
4	My firm put strong emphasis in adding value to existing products	20 20.8	11 11.5	5 5.2	27 28.1	33 34.4	96 100%
	Profitability						
5	My firm's yearly profit position is relative to competition	14 14.6	10 10.4	16 16.7	21 21.9	35 36.4	96 100%
6	My firm is satisfied with return on sales	14 14.6	16 16.7	9 9.4	21 21.9	36 37.5	96 100%
7	My firms financial liquidity position is relative to competition	16 16.7	13 13.5	12 12.5	21 21.9	34 35.4	96 100%
8	My firm is satisfied with return on investment	20 20.8	11 11.5	5 5.2	27 28.1	33 34.4	96 100%

Source: Field Survey Result (2022)

Table 1 shows that 21.9% of the total respondents strongly agreed that over the last 3 years, their firm has produced new products, 38% of the respondents agreed, 5.2% were undecided and the remaining 35.4% disagreed. Also, 21.9% of the total respondents strongly agreed that the firm put strong emphasis on research and development of product, 38% of the respondents agreed, 12.5% were undecided and the remaining 28.2% disagreed.

Table 1 also indicated that 36.5% of the total respondents strongly agreed that innovation in the firm has become an integral aspect in the production process, 25% of the respondents agreed, 17.7% were undecided and the remaining 20.8% disagreed. Moreover, 34.4% of the total respondents strongly agreed that the firm put strong emphasis in adding value to existing products, 28.1% of the respondents agreed, 5.2% were undecided and the remaining 32.3% disagreed.

For profitability, 36.4% of the total respondents strongly agreed that the firm's yearly profit position is relative to competition, 21.9% of the respondents agreed, 16.7% were undecided and the remaining 25% disagreed. From the table above, 37.5% of the total respondents strongly agreed that the firm is satisfied with return on sales, 21.9% of the respondents agreed, 9.4% were undecided and the remaining 31.3% disagreed.

Moreover, 35.4% of the total respondents strongly agreed that the firms' financial liquidity position is relative to competition, 21.9% of the respondents agreed, 12.5% were undecided and the remaining 30.2% disagreed. Finally, 34.4% of the total respondents strongly agreed that the firm is satisfied with return on investment, 28.1% of the respondents agreed, 5.2% were undecided and the remaining 32.3% disagreed.

Table 2: Model Summary of Innovativeness and Profitability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797[a]	.636	.632	.399

a. Predictors: (Constant), *Innovativeness*

Source: Field Survey Result (2022)

Table 2 shows that, after entry of the innovativeness scale, the total variance explained by the model was 63.6% (.636 x 100). This implied that innovativeness scale explains 63.6% of the variance in profitability.

Table 3: ANOVA Showing Innovativeness and Profitability

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.061	1	26.061	164.100	.000[b]
	Residual	14.928	94	.159		
	Total	40.990	95			

a. Dependent Variable: profitability

b. Predictors: (Constant), innovativeness

Source: Field Survey Result (2022)

Table 3 above revealed the statistical significance of innovativeness on profitability. This analysis tests the null hypothesis that multiple R in the population equals 0. The rule also is that, a model reaches statistical significance when Sig. = .000; this really means that $p < .0005$. Therefore, from the table, innovativeness was statistically significant to profitability where Sig. = .000 {$F(1, 94) = 164.100$}.

Table 4: Coefficients Table showing Innovativeness and Profitability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.116	.177		6.301	.000
	Innovativeness	.695	.054	.797	12.810	.000

a. Dependent Variable: Profitability

Source: Field Survey Result (2022)

Table 4 shows that innovativeness produced statistical significance in predicting profitability, with a beta value (beta = .797, $p < .001$, Sig .000). This implied that the variable, Innovativeness, has made a significant unique contribution to the prediction of the dependent variable, profitability, which implies that innovativeness has an effect on profitability.

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

The purpose of this study was to investigate the influence of entrepreneurial innovativeness on start-up profitability of both undergraduates and postgraduates who are actively running their businesses while on campus at Covenant University Ota, Nigeria. The study discovered that innovativeness has significant effect on profitability. This result is in congruence with findings of Dar and Thaku (2015) and Ibidunni et al. (2018) that entrepreneurial firms with strong capabilities for innovativeness, are more conducive to building innovative performance; safeguard against unnecessary and potentially destructive risks; and seize opportunities in the market environment.

The findings also confirm the works of Boling et al. (2016), Eshlaghy and Maatofi (2011) and Fiorentino et al. (2021) that innovation has positive significant impact on profitability of small firms. Thus, innovation allow entrepreneurs to easily adapt to changes in the environment for optimal efficiency in business.

The findings of this study show the importance of innovativeness to performance of start-ups firms. Innovativeness improve business processes and enable firms achieve better effectiveness and efficiency through the engagement of entrepreneurial approaches. Businesses that long for better business performance should adopt entrepreneurial innovativeness and align it with basic aspects of their income generation and management activities which will then influence their profitability and consequently sustainability for economic productivity used as a measure of SDGs 8 and 9.

ACKNOWLEDGEMENT

We appreciation Legacy Associated Consult Management for taking full responsibility for publication sponsorship.

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