

Innovation and firm's sustainable advantage: a study of the telecommunication industry in Nigeria

Solomon Adejare Babarinde

Department of Business Administration & Marketing, Redeemer's University, Ede, Osun State, Nigeria

Abstract

The relationship between innovation and firm's sustainable advantage in Nigerian Telecommunications Sector is investigated in this study. The study's aim was to assess the contribution of specific service offerings on firm's sustainable advantage in the Nigerian Telecommunication Industry. The system of descriptive survey was used. The primary data source was self-administered from 286 respondents who were staff of four randomly selected GSM firms in Lagos State, Nigeria. At a significant level of 0.05, the hypothesis was tested using linear regression. The results of the analyzed data indicate that telecommunication firms' specific service-offer led to the telecommunication industry's sustained growth in Nigeria. By this finding, the study concludes that there is a substantial relationship between innovation and firm's sustainable advantage in the Nigeria's telecommunication sector. To enjoy increasing market share, it is important that telecom firms build new product-designs. It was further recommended that Nigerian telecom firms should dissociate themselves from product counterfeit and should steer towards developing product offers that are highly innovative in the industry.

Keywords: 1.Unique-offer, 2.Innovation, 3.Competitive Edge, 4.Sustainable Advantage, 5.Telecom Sector

Introduction

In the contemporary environments characterized by rapid change in market conditions; lower span of products life; increasing needs for customization of product; more market niches; and combination of technology and marketing competencies for any product shows limited roles to the strategic advantage of organizations (Fowler, King, Marsh & Victor, 2000). Though, the concept of competitive advantage has varied dimensions of definitions as it was postulated by the model of Clark, Hayes and Wheelwright (1988). These authors further opine that firms should compete in the market by utilizing any of the fundamental competitive priorities among which include; time, quality, and cost, in addition to some other options which are the basic criteria and measurements for assessing major activities of business (Clark et al., 1988). In the original dimensions postulated by Clark, Hayes, & Wheelwright, (1988) innovation is captured. As a major determining factor for firms, innovation has usually been seen to create value that leads to sustainable competitive advantage for many businesses in today's turbulent environments (Ranjit, 2004; Anderloni & Bongini, 2009)

Generally, innovation was first used by Schumpeter in 1986 at the beginning of the twentieth century. His conceptualized ideas and suggestions' were further used by other authors in the areas of strategic and general management. According to Schumpeter (1986), an innovation is an improvement in an organization's method or product that results from the integration of existing software and technologies rather than new technological development. This is in line with (Zizlavsky, 2011). It originated from public research (Bernard, 2001). Hence, innovation does not only consist of changes in technical and technological improvements but it incorporates the applications of both technical and technological changes.

The most important determinants of innovation according to the submission of Zemplerova (2010) are the creative research works and human capital studies. Adair (2004) explains further that a creative organization needs to have wide array of innovative ideas. The works of Kosturiak& Cha (2008), Skarzynski& Gibson (2008), Tidd, Bessant&Pavitt (2007) gave explanations that show that innovative activities can be seen from two perspectives. This viewpoints are further subdivided into two sections. The first part, inventiveness, is concerned with gathering and creating useful ideas, thoughts or concepts that are inherently original in nature, while the second part, creativity, is concerned with putting inventions into practice..Pitra (2006) further argues that innovation arise as a result of staff creativity in any organization and are useful to generate new customers that add value to firms. The inventive option in the division is based on skills, knowledge, aptitude and experience of the people (Molina-Morales, Garcia-Villaverde& Parra-Requena, 2011).

Inability of organizations to introduce innovative offers in an ongoing basis, makes such firms risks lagging behind rivals which can result into such initiative been taken over by competitors. Tidd, Bessant&Pavitt (2006) in their explanation explains that firms often utilize technological innovation in terms of new product or designs or creative process in the production capacity thereby gaining a sustainable edge. Later in the process, such activities create competition that doesn't hamper the developments in market innovations. According to Rogers (1990), the first movers are the organizations that aimed for invention that leads to breaking new grounds. Second movers planned for a relatively early introduction, and they leaned toward the first mover end of the spectrum rather than the late mover end. Late movers, who launch similar homogeneous deals as a result of other companies , are located at the far end of the spectrum..

Anderloni and Bongini (2009) gave the contributions and importance of innovation of new products and services in business dimensions. Enterprises that are profit-oriented would significantly benefits from innovative ability. Several firms are continuously looking for enhanced products, processes and corporate structures to minimize the cost of production as well as to better delight the needs of customer in order to generate higher profits. In most cases, the look and search occurs through a formal process. The search occurs through informal ways such as tinkering and trial/error (Anderloni&Bongini, 2009). If the search efforts are successful, the results often lead to an innovation (Soliman, 2011).In particular, in the field of management sciences, innovation has become a common research subject. A successful invention will provide the business with a competitive advantage that leads to improve \d efficiency. In general, most profit-seeking businesses are actively looking for new and better products and processes through a variety of creative acts.

In Nigeria, one major sector that has continued to experience stiff competition is the telecom sector. The rivalry often comes from the firms operating in the industry. Government has come up with several interventions among which are the price controls removals, control of foreign exchange. Despite these interventions, there has been low level of healthy rivalry among the firms. To survive in this warfare, most of the telecommunications firms in Nigeria continuously pursue innovative strategy. The major problem is that the firms have only responded to the competitive actions of rivals by introducing new product/service offer while they pursue limited creativity and innovation. From the liberalization of the mobile telecom sector in Nigeria, the industry has become more competitive; MTN, 9MOBILE, and AIRTELL, among other Nigerian telecommunication companies have been engaged in a price battle.MTN has recently stepped up its marketing activities by offering outstanding service offerings that have attracted the significant number of customers. GLO and 9MOBILE, for example compete with the company by launching new products and lowering their service costs. Other smaller businesses operating in unique Nigeria niches are also present. These small companies are not yet able to compete with the big ones. The sector's growth means that operators are focusing more on providing creative products and services that will continue to attract customers.While some previous research has focused on either innovations capabilities or product developments only a few studies

have looked into the relationship between various forms of innovation and long-term competitive advantage in Nigerian's telecommunications market. The majority of previous research on innovation capabilities centered on their effect on firm results (Cavusgil, Calantone, & Zhao 2003; Hult and Ketchen Jr 2001). These research, on the other hand, failed to capture how innovation skills are developed and how they influence or stimulate a firm's sustainable advantage. In light of the foregoing, the aim of this study is to investigate the relationship between firm innovation and sustained advantage with the fierce Nigerian telecommunication sector. This study specifically attempts to determine the contributions of unique service-offer on firms' sustainable growth in the Nigerian telecommunication industry.

Review of literature

Conceptual Framework

In the twentieth century, Schumpeter was the first to coin the word "innovation." Other Scholars later used his analysis and ideas. According to Schumpeter, innovation is described as improvement in products, processes or organizations that are not necessarily the result of a combination of previously useful technologies and their application (Žižlavský, 2011). In addition, the principles of innovation comes from Austin Bernard's research in 2001. As a consequence, of the foregoing concepts, it can be deduced that innovation includes not only improvement in scientific and technological development, but also concrete practical application arising from those advancements. Zemphnerova(2010) and Autant-Bernard (2001)'s various human capital and artistic research works have been regarded as critical works that define innovation.

Kotler (2006) and Aliu (2010) gave full insight into what an innovation entails in which they explain that it is good or service what someone see or perceived new. The Dictionary of Oxford Learner also explains that it is the introduction of ideas, new something or things, or ways of doing things that is not yet been done by any other persons. It is a unique action. Innovation is defined by Heunk (2007) as the execution of a creation that leads to growth, profits and success for corporate organizations. Today's corporate firms are very innovative by introducing new ideas and as well as modifying existing lines of product (Aliu, 2010).

Product and process innovations are the two most important aspects of innovation refers to new , enhanced, or modified products , goods , or services that are commercially successful. Process innovation on the other hand is concerned with introducing a new system of social care or implementing a new and improved production or distribution process. It is worth noting that the two forms of innovations are inextricably connected. Product innovation may lead to process innovation, and process innovation may lead to product innovation. Authors in the recent have advocated for a third category of innovation which is referred to as organizational change within the firm. Hence, addition to product and process innovation is the organizational innovation. Organizational innovation results into more effective use of firm's human resources. Summarily, innovations occurs in three dimensions which are product, process and organizational innovations.

Concept of Competitive/Sustainable Advantage

Contemporarily, marketplaces have become more volatile and very likely to be predicted. This has caused lots of havoc to the operations modalities. Understanding the competitor movements have also become increased in the recent. It is now very impossible for a firm to implements a new market strategy without having in mind how to react to the other stimuli that may arise from rival organizations (Day & Reibstein, 2009). Change in the competitive actions has created a new paradigm in which corporate organizations seek to report and follow the increasing numbers of product, processes and organization innovation and as well the method of commercialization. The responses often depend on the organizational competence, productive qualification and firms' internal capacities. By this, it means that firm's competitive advantage is actualized if firm can create a sustainable value in the product it offers or ways through which process that goes beyond its

production are implemented by the existing or potential competitors. Further, the process is a competitive measure due to the fact that it shows the position of a firm in comparison to its competitors and other firms in the similar industry (Barney, 2001).

There are two major sources of competitive advantage advocated by Porter in (2000). These are the lower production cost and differentiation. When a firm produces a product which it offers or commercializes comparatively more effectively than the rival through the adoption of similar or lower prices, then the lowest production cost is reached. Contrarily, the differentiation of products is seen as the ability to offer buyers a superior value in forms of quality products, features or value added assistance services. Both the lower production cost and differentiation are incorporated into competitive process and leads to firm's sustainable advantages (Porter, 2000).

Kotler (2006) stated that organizational capability is the ability of firms to perform in ways that competitors find difficult to imitate. It is what result into sustainable advantage. Competitive advantage is a management concept which has become very popular in the recent literature of management. The major facts behind the popularity emanate from the factors such as the volatility of the business environment, various changes that firms face today, the effect of globalization and liberation of global trade, the unstructured markets criterion, rising changes in the needs of consumers, competitive rivalry, and the revolution of ICT (Al-Rousan&Qawasmeh, 2009). According to Porter (2000), competitive advantage comes up as a result of value a firm is able to crave for its buyers that exceeds the organization production cost of creating it. Value is what buyers are willing to pay, and superior value comes from organizations offering lower prices of products that the rival firms' sets. As a strategic goal, competitive advantage is a dependent variable. The rationale for this stems from the fact that the effective performance is sine qua non to achieving a sustainable advantage.

Innovation as a Sustainable Advantage Factor

Many managers seek the survival and growth of firms in the initial moments but later search for ways of expanding business activities through strategies that can lead to advantage either in terms of differentiation or in terms of competition for costs. For this, it is also critical to understand that challenges do come up and firms seek adaptation to the necessary challenges that may emanate from their competitors. By these explanations, it means to enjoy sustainable competitive advantages it become mandatory for firms to implement new actions, systems and procedures either internal or external one that so far has not been utilized or implemented by the rival firms'. In this context, the benefits of innovation are inferred as sustainable advantage factor.

A major way to face the competitive rivalry is the implementation of strategies that aim to strengthen the organization in the market since most firms operate in a competitive environment. Often the methods used by the company to implement the strategies to face the challenges, and the dimensions adopted to win the opportunities will most likely determine the realization of competitive advantage (Porter, 2000). Barney (2001) explains that it is important that company put into concerns the available sources that come from the differences between the formulation, implementation and consolidation of the advantages. By this, the sustainable advantage is actualized when a firm effectively implements strategy or innovation that creates added benefits and value to the target market. Hence, innovation would then be the chief contributor to corporate achievement of sustainable competitive advantage. The origin of differentiated competitive advantages is realized using several stands. Some of these includes; the reduction of prices, utilizing of advertising means, and introducing innovative products. Coyne (2006), states that there must be long lasting differences between the firm's product or service and its competitors. It is only when none of the rival firms can replicate the benefits of the adopted strategy that the competitive advantage becomes very sustainable (Barney, 2001).

The forgoing has shown that the relationship between innovation and sustainable advantage depends on the ability of the organization to use its resources more than the competing firms so as to achieve sustainable advantage. According to Figure 1, an offer would be seen as an innovation if there is both economic and financial result. Further, the offers/process must be able to demonstrate that organization will obtain sustainable advantage over its competitors. This advantage is characterized by the market views on the spectacular differences as well as the value added created by the unique products, process and services, that were not available to consumers before.

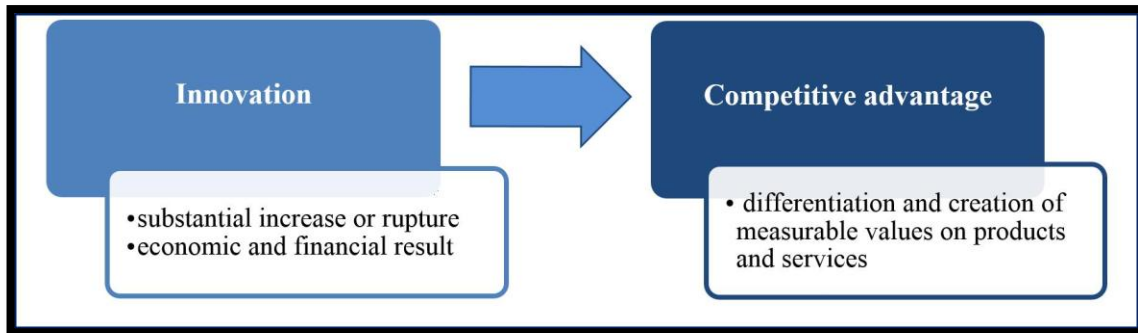


Figure 1: Relationship between innovation and sustainable competitive advantage
Source: Researcher Illustration

Tidd, Bessant and Pavitt (2006), explains that the innovation process is a major determinant to the company's success. It deals with renewing what the company has to offer and as well as renewing evolution of the business, and how the processes are created. Tidd et al. (2006) further postulated that innovation leads to achieving a sustainable advantage in many ways. The most crucial features of innovations entail a strong relationship between market performance and new products. New products stimulate and improve profitability and help in maintaining market shares.

Innovative influences competitiveness in many significant ways which often leads to inimitable skills and abilities. To achieve greater competition through innovation, the company must be able to manufacture goods that are less expensive and of higher quality than those manufactured by competitors. If a company fails to implement new technologies on a regular basis, it risks falling behind and having the initiative taken up by others. Most entrepreneurs seek to achieve a strategic competitive advantage over similar companies by using technical innovation (i.e., a new product, service, or process). According to Hii and Neely (2000), a company's ability to innovate is not dependent on a single skill. They are, on the other hand, part of a set of abilities known as creative ability. They take the form of identifying potential business opportunities and putting marketable innovative ideas into action by looking into the firm's existing capabilities and resources.

Theoretical Underpinning: Organizational Learning Theory

The knowledge-based view (KBV) and organizational learning theory (OLT) were used as the foundations for this paper. The knowledge-based-view theory and organizational learning are intertwined. Since knowledge is so important to the firm and to learning, it is at the heart of KBV. The development of knowledge is the culmination of the entire learning process. It is also obtained from some other key sources and used it is a part of the learning process. In any of the situations, it is imperative to note that knowledge is crucial to the learning process in any organization. Early works that facilitate the advancement of organizational learning theory and knowledge based-view noted the reciprocal collaboration between knowledge and learning. In the

work of Penrose (1959), emphasis was laid on the foundation of a learning/knowledge based approach to managing organizations. This examines the different dimensions of knowledge and learning that are relevant and useful to different categories of firms.

Although, learning takes place in the organizations, the organizational learning theory explains which types of learning are important in organizations and why they are important. (Argyris and Schön 2008). Argyris and Schön (2008) mentioned the nature of relationship that exists between learning and capabilities. The work of Cohen and Levinthal (2010) also further the discussion of Argyris and Schön (2008) discuss this link. They introduced how past knowledge on learning affects new knowledge. The relationship between learning and understanding was further simplified and explained in the report. It explains how learning allows organizations to understand existing knowledge that is relevant to its innovative capabilities.

Cohen and Levinthal (2010) also explain how existing knowledge affect learning. By the explanation, they introduced the concept of dynamic environment to the learning process of a firm. The emphasis is on the relationship between organizational capabilities and organizational learning by conceptualizing on how capabilities are developed selectively through the learning process Organizational learning enables businesses to develop innovation capabilities by identifying important knowledge, disseminating it within the organization, creating an organizational productive memory, and offering a mutual response (Slater and Narver 2005). Hence, when organizational learning is successfully created, it leads to superior outcomes, among which includes; growth and/or profitability, creative or new product, and excellent customer relationship management (Slater and Narver 2005). We can see from the theoretical foundations that that firm knowledge often leads to innovation capabilities through organizational learning. The relationship between strategic orientation and capabilities is enhanced through the process of learning and the knowledge gained through organizational learning is useful to develop highly innovative and inventive strategies. The learning process, on the other hand, reveals how the firm's existing skills integrate into the environment effectively. As a result, the information reinforces the company's current plan and stimulates its innovative capabilities.

Methodology

The survey design was used in this study. To determine the influence of the independent variables on the dependent variables, quantitative data was gathered. The quantitative approach entails the administration of a questionnaire to evaluate the impact of a specific service offer on firm profit growth in the telecommunication industry in Lagos State, Nigeria, which was the study area. The target population consists of workers from four major GSM companies in Lagos, Nigeria (MTN, GLO, AIRTEL, and 9MOBILE). The number of people in the firm's chosen workforce was 286. Due to the limited size of the population, no sample size determination was made. Closed-ended questionnaires with a 5-point likert scale were used to collect data from sampled respondents. The answer options for the test instrument were developed using the acronyms SA – Strongly Agree, A – Agree, U – Uncertain, D – Disagree, and SD – Strongly Disagree. Validity was determined using face and content methods validated by telecom experts. The instrument's reliability was determined using the test-retest coefficient process. The result shows a figure of 0.81 therefore indicating that the instrument is highly reliable. The formulated hypothesis was tested using ordinal logistic regression. The population figure is shown in the Table 1 below:

Table 1: The Study Population Drawn from Telecom Operators' Staff

	Offices of the selected GSM firms in major towns/cities in Lagos State						
	Ikeja	Ikoyi	V.I	Lekki	Ikorodu	Agege	Total
MTN	16	12	14	13	11	17	83
Glo	14	11	14	9	7	17	72
Airtel	15	11	13	11	8	14	72

9Mobile	12	7	14	7	7	14	61
Total	57	39	55	40	33	62	286

Source: HR of the Selected Telecoms

Analysis and results

The data obtained from the distributed revealed that 285 (99.7%) of the questionnaires administered was properly completed and returned back to the researcher. This makes it 99% and study analysis was done based on this. Only 1 (0.3%) out of the administered questionnaires was not returned. The distribution of gender in the administered questionnaires shows that males were 148 (51.9%) and females were 137 (48.1%). The marital status figures of the respondents shows that Married people were 111(38.9%) and single people were 174 (61.1%). The data revealed that many of the respondents were single. The age distribution revealed that 71 (24.9%) were respondents between 20-30 years, 122 (42.8%) were people between ages 30 to 40 years, 42 (14.7%) were sample people between ages 40 to 50 years, 25(8.7%) were respondents between ages 50-60 years, 25 (8.7%) were aged above 60 years. The revealed that majority of the sample were young with age bracket of 30-40years. The distribution of qualifications reveals that most of the respondents 156 (54.7%) hold HND/BSc while only 3(1.1%) were holders of PhD.

Table 2: the effect of unique service-offer on firms' sustainable growth in the telecommunication industry

Items	SA(5) No. (%)	A(4) No. (%)	UD(3) No. (%)	D(2) No. (%)	SD(1) No. (%)	Total
Customers are likely to switch to networks that offer them more in terms of innovation and flexibility	141 (51.1%)	51 (17.9%)	0 (0%)	45 (15.5%)	45 (15.5%)	285
Nigerian telecom firm would grow if they have something unique to offer to their customers	120 (42.1%)	30 (10.0%)	42 (15.3%)	63 (22.6%)	30 (10.0%)	285
Most firms in the Nigerian telecommunication industry do the same circle of activities, but there is competitive advantage for company that offer unique services to their customers	138 (48.9%)	45 (16.3%)	18 (5.8%)	39 (13.2%)	45 (5.8%)	285
The basis for strong competition in the Nigeria telecom industry lies in technological expertise at the disposal of every organization	159 (56.3%)	66 (23.2%)	0 (0%)	30 (10.3%)	30 (10.2%)	285

Source: Field Survey, 2020

The above table 2 reveals that 51% of the respondents strongly agreed that customers are likely to switch to networks that offer them more in terms of innovation and flexibility, other 20% respondents agreed with them. 0% was undecided while 15% disagreed and others 16% strongly disagreed. The table reveals that 42% of the respondents strongly agreed that Nigerian telecom firm would grow if they have something unique to offer to

their customers, other 10% respondents agreed with them. 15% was undecided while 22% disagreed and others 10% strongly disagreed. Further, the table shows that 49% of the respondents strongly agreed that most firms in the Nigerian telecommunication industry do the same circle of activities, but there is competitive advantage for company that offer unique services to their customers, other 16% respondents agreed with them. 6% was undecided while 13% disagreed and others 16% strongly disagreed. The figure in the Table 2 signifies that 56% of the respondents strongly agreed that the basis for strong competition in the Nigerian telecom industry lies in technological expertise at the disposal of every organization, and other 23% respondents agreed with them. 0% was undecided while 11% disagreed and others 10% strongly disagreed

Having analyzed the data from the questionnaire using regression analysis to if unique service-offer will contribute to the Nigeria's telecommunication firms' sustainable growth, the tables 3a, b & revealed that the regression result shows the existence of significant result on the variables ($R^2_{\text{calc}} = .516$, $F = 6.103 >$ at $p < 0.05$). The significant level was found to be 0.03, and due to this we reject the null hypothesis and accept the alternate one which states *unique service-offer contribute to the Nigeria's telecommunication firms' sustainable growth*. The current result is similar to the previous studies (Tidd, Bessant and Pavitt, 2001; Subramanian, & Nilakanta, 2016), as they asserted that the innovation actions of firms play greater role in enhancing corporate effectiveness. The implication of this is that direct innovation activities have a positive significant relationship with firm's competitive advantage. This is in line with the study of Conto, Júnior and Vaccaro (2016) and the study of Abou-Moghli, Al Abdallah and Muala (2012) which showed that if firm innovate, it have enjoys necessary benefits such as patronage, word of mouth and sales revenue which are all indicators of growth. The findings also gave nod to the work of Noorani (2014) who explain the long-run profit achievement of corporate innovation.

Conversely, Sullivan (2000) queried the impact of the innovation on overall firm performance and explains that it's not a feasible strategy useful for large market serving firms. The result of this study also negate the outcome of O'Connor (2008) who elucidate on the pitfalls of innovation on business cost and follow up imitation from the rival firms.

Conclusion

Innovative strategy is an effective corporate tactics that produces stimulating resulting effects that come in form of customers' loyalty and flexibility. From the findings, the study concluded that product and service innovation are related to sustainable advantage in the Nigeria telecommunication sector. Furthermore, the study concluded that there is significant effect of innovation on the technological expertise. The results from the item aspects of innovation and sustainable advantage revealed that most Nigeria telecom firms utilized innovation to the maximum advantages. Based on the state of competitive actions in the Nigerian telecommunication industry the study concluded that in the industry, competition is very intense and as a result has encouraged companies in the industry to adopt different dimensions of innovative strategies. In line with the major findings and conclusions, the following recommendations are offered: First, telecom firms should improve the creation of new product-designs as this would enable the firms' to enjoy increased market share that such strategy promises. Telecommunication firms should avoid counterfeit strategy rather they need to develop product offers that are creative in the industry. In addition, telecom organizations most develop more on the unique service-offers to boost the firms' sustainable growth in the industry.

This study contributed to the body of knowledge because it serves as the addition to understanding of strategic management. The exploration of the relationship between innovation and sustainable advantage in the Nigeria's telecommunication sector also provides not only significant contribution to the management

literature but also enables managers and marketers to employ the effective innovation for their firms to compete in a very keen environment. Also, a key contribution of this study is the introduction of key concepts of unique offer and creative technologies approaches for gaining competitive edge. Despite the known fact that external environment impacts on innovative ability and the need to have a strategic fit between the innovation, competitive actions and the environment, there had been a gap in the empirical knowledge in literature. Therefore, the findings of this study have contributed to filling this knowledge gap. Given the fact that there are many other factors that may affect sustainable advantage, future researchers may seek to examine the influence of factors such like product differentiation and competitive tactics on the growth of telecom firms. It would be interesting to find out whether the results would be the same when different variables are used.

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