Innovations

Marketing Capabilities and Innovation Performance of Small and Medium-Sized Enterprises in South-West, Nigeria

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Abstract

Small and Medium Enterprises (SMEs) play a crucial role in driving economic growth in countries, yet in Nigeria's Southwest region, their innovation performance has lagged. This study investigated the impact of marketing capabilities on innovation performance among selected SMEs in this region. Through a descriptive research design, 377 SME owners/managers across selected states were surveyed. Data analysis involved descriptive statistics and multiple. Results indicated that marketing capabilities (customer engagement, market sensing, product management, and selling) positively influenced SMEs' innovation performance. Specifically, these capabilities significantly affected product innovation, market development, and process innovation. The study concluded that enhancing marketing capabilities could significantly boost innovation performance among SMEs in Southwest Nigeria, thereby promoting sustainable growth. Recommendations included prioritizing efforts to strengthen customer engagement, improve market sensing abilities, enhance product management practices, and bolster selling capabilities. These actions can empower SMEs to innovate more effectively, fostering their long-term viability and contributing to the region's economic advancement.

Keywords: Innovation Performance, Market Development, Marketing Capabilities, Organizational Innovation, Process Innovation, Product Innovation, SMEs.

1.0 Introduction

Small and medium-sized enterprises (SMEs) are pivotal drivers of economic development globally, contributing substantially to job creation, innovation, and overall growth. The World Bank (2019) reports that SMEs represent approximately 90% of firms and account for over 50% of employment worldwide. Despite Africa's leading position in entrepreneurial activity, as highlighted by the African Youth Survey 2022 report, with 1 out of 5 working-age Africans engaged in entrepreneurial activities, SMEs on the continent, including Nigeria, face challenges in innovation. Furthermore, based on the Global Innovation Index (GII) 2022, larger percentage of the African economies were ranked below 100 out of 136 economies.

In Nigeria, SMEs are significant contributors to the Gross Domestic Product (GDP), contributing about 48% to the GDP and employing approximately 84% of the workforce (Omimakinde, 2022; Akwei & Nwachukwu, 2023). However, they encounter various hurdles, including limited access to finance, inadequate infrastructure, and deficient marketing capabilities (Adegboyega & Akingunola, 2020; Adeyeye, Oyekanmi & Akinbola, 2021). Despite the promising Nigerian market potential, SMEs struggle with low levels of innovation and profitability (Omede & Aghanenu, 2021). This reluctance to embrace innovative marketing practices, as highlighted by Omodafe and Nwaizugbo (2020), stems from perceptions that such practices are inaccessible or unprofitable investments. Consequently, SMEs fail to realize the competitive advantages and value offered by innovative marketing strategies. The lack of marketing capabilities emerges as a significant challenge hindering Nigerian SMEs from adopting innovative practices for enhanced performance (Fiiwe, *et al.,* 2022). Addressing this deficiency is imperative for SMEs to thrive in the competitive market landscape and contribute more effectively to Nigeria's economic development.

Existing research has explored the relationship between marketing capabilities and innovation performance, yet consensus remains elusive (Asihkia, Makinde, & Onamusi, 2020; Calabrese, Costa, & Menichini, 2019). Previous studies have mainly examined marketing capabilities individually, neglecting to investigate their combined impact on innovation performance in this region. Moreover, context-specific factors such as development level, institutional support, and unique challenges faced by SMEs in Southwest Nigeria remain largely unexplored (Adeyeye et al., 2021; Okpara et al., 2019). Bridging this gap is crucial for understanding and addressing the low innovation performance of SMEs in the region. Therefore, this research aims to fill these knowledge gaps by investigating the combined influence of customer engagement capability, market sensing capability, selling capability, and product management capability on innovation performance among SMEs in Southwest Nigeria. By examining these factors together, the study seeks to provide insights into the unique circumstances of SMEs in the region and contribute to a deeper understanding of how marketing capabilities can enhance innovation performance in this specific context.

2.0 Literature Review

2.1 Theoretical Framework

This study is underpinned by Resource-Based View (RBV) theory. The theory provides a relevant theoretical framework for understanding the relationship between marketing capability and performance among SMEs in Southwest Nigeria. The RBV theory asserts that a firm's competitive

advantage and performance are derived from its unique resources and capabilities (Barney, 1991; Wernerfelt, 1984). In the context of this study, marketing capability represents a crucial resource for SMEs, encompassing dimensions such as customer engagement, market sensing, product management capability, and selling capability.

Customer engagement, as a component of marketing capability, is supported by the RBV theory as it emphasizes the importance of developing strong relationships with customers to achieve a competitive advantage (Kim et al., 2018). Effective customer engagement enables SMEs to understand customer needs, preferences, and feedback, leading to improved customer satisfaction and loyalty. This, in turn, has a positive impact on performance outcomes such as product innovation, organizational innovation, process innovation, and market development.

Market sensing, another dimension of marketing capability, aligns with RBV principles as it emphasizes the firm's ability to gather, analyze, and interpret market information (Alshanty and Emeagwali, 2019). By actively sensing and monitoring changes in customer behavior, competitor strategies, and market dynamics, SMEs can identify new opportunities and adapt their marketing strategies accordingly. Market sensing capability enables SMEs to make informed decisions about product development, market expansion, and customer targeting, which ultimately contributes to improved performance outcomes.

Product management capability, as part of marketing capability, aligns with the RBV theory's emphasis on leveraging internal resources to create competitive advantages (Helm, Krinner & Endres, 2020). Through effective product management, SMEs can align their product offerings with customer needs and preferences, thereby enhancing their competitive positioning. This capability allows SMEs to differentiate their products, penetrate new markets, and achieve superior performance in terms of product innovation and market development.

Selling capability, as an integral component of marketing capability, is also supported by the RBV theory's focus on leveraging firm-specific resources for competitive advantage (Rahman, Jang, & Ahmed, 2022). By effectively promoting and selling their products or services, SMEs can acquire and retain customers, leading to improved performance outcomes such as market development and organizational innovation. Selling capability enables SMEs to effectively communicate the value proposition of their offerings and influence customer purchasing decisions.

In conclusion, the RBV theory provides a relevant framework to understand and support the research study on the effect of marketing capability on the performance of SMEs in Southwest Nigeria. The theory highlights the significance of marketing capability, encompassing customer engagement, market sensing, product management capability, and selling capability, in driving performance outcomes such as product innovation, organizational innovation, process innovation, and market development. By leveraging these marketing capabilities, SMEs can enhance their competitive advantage and achieve superior performance in their respective industries.

2.2 Empirical Review

2.2.1 Marketing Capabilities and Organisational innovation

Numerous studies have explored the relationship between customer engagement and innovation performance across various industries and contexts. Alam and Perry (2021) observed a positive impact of affective and behavioral engagement on innovation performance in the hospitality industry, suggesting that emotional attachment and active participation by customers can enhance innovation outcomes. Similarly, Abash, Rismayani and Harahap (2019) found cognitive and affective engagement to positively influence innovation performance in the fashion industry. However, Gruner and Homburg (2020) discovered a nuanced relationship, where highly engaged customers positively affected incremental innovation but negatively impacted radical innovation in the manufacturing sector.

Moreover, Lin and Wu (2020); Liu, Liu, and Jiang (2019) noted positive effects of customer engagement on radical innovation performance in online platforms and mobile payment services respectively. Yang, Song, and Lee (2019) extended these findings to the hospitality industry, observing positive impacts of customer engagement on both incremental and radical innovation. Zhou and Li (2021) highlighted the importance of market orientation as a moderator in the relationship between customer engagement and innovation performance in Chinese manufacturing firms.

Further investigations by Wu and Chen (2019); Hong, Xu, and Li (2019); Oyegoke, Akinbode, and Salami (2018); Aina, Ojeka, and Ogunnaike (2020); Ncube, Molefe, and Maumbe (2020); Adeniji, Osibanjo, and Falola (2020) reinforced the positive impact of customer engagement on both incremental and radical innovation performance, with additional insights into the moderating role of factors like absorptive capacity, organizational ambidexterity, market orientation, and organizational culture. Bardhi and Eckhardt (2012); Rauschnabel, Kammerlander, and Ivens (2020) emphasized the positive association between customer engagement and innovation performance in online customer communities and German SMEs respectively, with digital maturity serving as a moderator in the latter case.

H0$_1$: Marketing capabilities have no significant effect on organisational innovation performance of selected SMEs in southwest Nigeria.

2.2.2 Marketing Capabilities and Product Innovation Performance

Several studies have explored the influence of marketing capabilities on product innovation. Lee and Tsai (2018) discovered that firms with robust marketing capabilities tend to introduce new products successfully, attributing this success to better understanding of customer needs and effective marketing strategies. Similarly, Kumar and Reinhartz (2019) found that stronger marketing capabilities correlate with engaging in radical innovation, suggesting an ability to identify emerging market trends.

However, the relationship between marketing capabilities and product innovation might be nuanced. Ali, Wu and Ali (2021) observed that while marketing capabilities positively correlate with product innovation, this association is moderated by contextual factors like market dynamism and transformational leadership. These contextual nuances could shape how firms leverage their marketing capabilities for innovation.

Garcia-Morales et al. (2008) investigated market orientation and innovation performance, revealing a positive correlation between market orientation and innovation success. Their study emphasized the importance of market sensing capabilities, customer orientation, and competitor orientation in driving innovation. Yet, reliance on self-reported measures could introduce biases in the findings. Song and Parry (2013) focused on market sensing capabilities in Chinese firms, revealing a positive relationship with innovation performance, especially in generating new product ideas. Calabrese, Costa, and Menichini (2015) found similar results in Italian SMEs, emphasizing the role of market sensing in introducing new products successfully. Rosenbusch et al. (2019) examined the impact of market sensing on product innovation in SMEs, while Hult et al. (2020) explored its influence on firm agility in the automotive industry. Tseng and Lee (2018) investigated its effect on performance in emerging markets, and Kwak et al. (2020) on strategic flexibility in the pharmaceutical industry. These studies collectively demonstrate the broad applicability of market sensing capabilities across different context

Medase and Barasa (2019) highlighted the mediating role of absorptive capacity between market sensing capabilities and innovation performance, indicating that firms adept at absorbing external information tend to excel in innovation. Fang et al. (2021) explored how organizational ambidexterity moderates the relationship between market orientation and innovation performance, suggesting that firms balancing exploratory and exploitative strategies are more innovative.

H_02: Marketing capabilities have no significant effect on product innovation performance of selected SMEs in southwest Nigeria.

2.2.3 Marketing Capabilities and Market Development

Several studies affirm a positive correlation between marketing capabilities and market development performance. For example, Gok and Peker (2020) and Cataltepe, *et al.*, (2022) found that firms with superior marketing capabilities tend to exhibit higher levels of market development performance. Furthermore, studies like those of Abash *et al.* (2019) and Salisu, Abu-Bakr, and Rani (2017) revealed that marketing capabilities had positive significant impact on firm financial performance.

Similarly, various research indicates that marketing capabilities positively impact firm performance, innovation performance, and product innovation success. Studies such as those by Kharouf and Aldehayyat (2021) and Delfmann, Albers, and Gehring (2018) highlight the positive influence of marketing capabilities on firm performance and new product development performance. Moreover, the effectiveness of marketing practices on innovation performance is evident in studies like those conducted by Salomo, Weise, and Gemünden (2011), Tripathi and Singh (2019), and Iheanachor, *et al.*, (2021). These studies emphasize the importance of systematic marketing approaches and strong marketing practices in enhancing innovation performance within various industries and geographic regions.

Additionally, the role of product management practices in driving innovation and firm performance is explored. Studies conducted in different countries such as Nigeria, Ghana, and South Africa consistently show a positive relationship between product management practices and innovation performance in SMEs. These studies suggest that investments in product management practices can significantly enhance innovation performance and overall firm success.

H$_0$3: Marketing capabilities have no significant effect on the market development performance of selected SMEs in southwest Nigeria.

2.2.4 Marketing Capabilities and Process Innovation Performance

Several studies have delved into the nexus between marketing capabilities and process innovation, shedding light on their interplay and implications for firm performance. Kim, Kim, and Lee (2019) conducted a survey involving 190 South Korean firms, revealing a positive correlation between marketing capabilities and process innovation. Their study, utilizing structural equation modeling (SEM), highlighted the constructive influence of marketing prowess on fostering innovation within organizations. Chen and Huang (2018) corroborated these findings through their investigation of 237 Taiwanese manufacturing firms, employing hierarchical regression analysis to underscore the significant positive impact of marketing capabilities on process innovation. Similarly, insights from Zhang and Wu's (2017) examination of 214 Chinese SMEs underscored the beneficial relationship between marketing capabilities and process innovation. However, contrasting conclusions surfaced in a study by O'Cass and Sok (2013), which found no significant effect of marketing capabilities on process innovation among 219 Australian firms, as determined through regression analysis.

Furthermore, recent research has elucidated the role of selling capabilities in driving firm performance across various sectors and geographies. He, Chen, and Zhang (2017) demonstrated in their study involving 215 Chinese SMEs that selling capabilities positively influenced firm performance, with product quality and customer satisfaction mediating this relationship. Verbeke, Dietz, and Verwaal's (2010) investigation among 109 Dutch firms highlighted the positive impact of selling capabilities on export performance, particularly in entering new export markets and increasing sales from exports. Similarly, Mohan and Mohan (2016) revealed in their study of 215 pharmaceutical firms in India the favorable influence of selling capabilities on business performance, mediated by product innovation and customer orientation.

H$_0$4: Marketing capabilities have no significantly effect on process innovation performance of selected SMEs in southwest Nigeria.

3.0 Methodology

The methodology employed a descriptive survey research design to investigate the influence of marketing capabilities on innovation performance among SMEs in Southwest Nigeria, encompassing a population of 26,557 SMEs across the selected six states of Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti. A multistage sampling technique was utilized to select a representative sample of SMEs, resulting in a sample size of approximately 377 SMEs. Data was collected through a structured survey questionnaire, focusing on demographic information, marketing capabilities, and innovation performance. Validity and reliability of the instrument were ensured through expert validation and pilot testing, resulting in high Cronbach's alpha coefficients and significant KMO test values. Data analysis involved descriptive and inferential statistics, including multiple regression analysis, conducted using statistical software. The findings contribute to both theory and practice by elucidating the relationship between marketing capabilities and innovation performance in the

context of SMEs in Southwest Nigeria. The study upheld ethical standards, guaranteeing confidentiality, informed consent, and voluntary participation, with participants informed and given the option to withdraw, while their data remained confidential and secure.

Table 1.1 Reliability and Validity Test Result

Variables	Number of Questions	Cronbach's Alpha	KMO
Marketing Capabilities	**28**	**0.801**	**0.734**
Customer Engagement	7	0.733	0.762
Market Sensing	7	0.747	0.713
Product Management	7	0.881	0.720
Selling Capability	7	0.843	0.742
Innovation Performance	**28**	**0.810**	**0.769**
Organisational Innovation	7	0.895	0.754
Product Innovation	7	0.762	0.762
Market Development	7	0.812	0.851
Process Innovation	7	0.772	0.709

Source: Researcher's Pilot Study (2023)

Model Specification

$$OI = \beta_0 + \beta_1 CEC + \beta_2 MSC + \beta_3 PMC + \beta_4 SE + \varepsilon_i \qquad \text{Eqn 1}$$

$$PI = \beta_0 + \beta_1 CEC + \beta_2 MSC + \beta_3 PMC + \beta_4 SE + \varepsilon_{ii} \qquad \text{Eqn 2}$$

$$MD = \beta_0 + \beta_1 CEC + \beta_2 MSC + \beta_3 PMC + \beta_4 SE + \varepsilon_i \qquad \text{Eqn 3}$$

$$PrI = \beta_0 + \beta_1 CEC + \beta_2 MSC + \beta_3 PMC + \beta_4 SE + \varepsilon_i \qquad \text{Eqn 4}$$

Where:

y_1= Product Innovation (PI)

y_2= Oganisational Innovation (OI)

y_3= Market Development (MD)
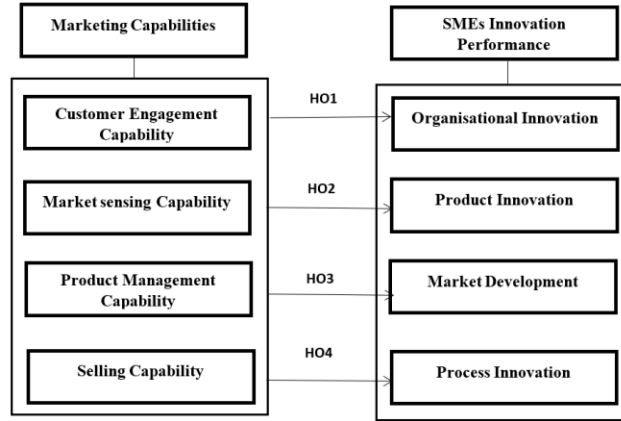
y_4= Process Innovation (PrI)

x_1= Customer Engagement Capabilities (CEC)

x_2= Market Sensing Capabilities (MSC)

x_3= Product Management Capabilities (PMC)

x_4 = Selling Capabilities (SC)

Conceptual Model

Researcher's Conceptual Model (2023)

4.1 Results and Discussion

4.1.1 Testing of Hypothesis 1

H0$_1$: Marketing capabilities have no significant effect on organisational innovation performance of selected SMEs in southwest Nigeria.

Table 1.2: Determining the effect of Marketing Capabilities on Organisational Innovation Performance of SMEs

Source	SS	Df	MS			
				Number of obs	=	280
				F(4, 268)	=	1748.90
Model	11839.9533	4	1959.98833	Prob > F	=	0.0000
				r value	=	0.6805
Residual	453.585144	275	1.69248188	R-squared	=	0.4631
				Adj R-squared	=	0.4553
Total	12293.5385	279	45.1968326	Root MSE	=	1.301

OI	Coef.	Std. Err.	T	P>| t		[95% Conf. Interval]	
CEC	.9123247	.014435	63.20	0.000	.8839043	.940745
MSC	.028465	.0166851	1.71	0.001	.0613156	.0043856
PMC	.0248036	.0146103	1.70	0.001	.0535691	.003962
SC	.0013938	.0165414	0.08	0.066	.0311738	.0339615
_cons	2.450744	.2993891	8.19	0.000	1.861291	3.040198

Source: Stata 16 regression Output

The regression analysis results indicate a significant relationship between marketing capabilities and organizational innovation performance (Adj. R2 = 0.4553; F(4, 268) = 1748.90; p < 0.05) among selected SMEs in southwest Nigeria. Specifically, strong customer engagement capabilities were found to positively influence organizational innovation (β = 0.912, p < 0.05), suggesting the importance of fostering relationships with customers for innovation. Moreover, market sensing capabilities (β = 0.028, p < 0.05) and product management capabilities (β = 0.025, p < 0.05) significantly contributed to organizational innovation. However, selling capabilities showed no significant effect (β = .0014, p > 0.05). These findings emphasize the need for SMEs to prioritize various marketing capabilities, including customer engagement, market sensing, and product management, to enhance their innovation efforts.

4.1.2 Test of Hypothesis 2

H$_0$2: Marketing capabilities have no significant effect on product innovation performance of selected SMEs in southwest Nigeria.

Table 1.3: Assessing the influence of Marketing Capabilities on Product Innovation Performance of SMEs.

Source	SS	Df	MS			
				Number of obs	=	280
				F(4, 268)	=	2429.55
Model	15512.4385	4	3878.10963	Prob > F	=	0.0000
				r value	=	0.7161
Residual	427.788593	275	1.59622609	R-squared	=	0.5128
				Adj R-squared	=	0.5057
Total	15940.2271	279	58.6037761	Root MSE	=	1.2634

PI	Coef.	Std. Err.	T	P>| t |	[95% Conf. Interval]	
CEC	.0654989	.0140185	4.67	0.000	.0378985	.0930992
MSC	.9662064	.0162037	59.63	0.000	.9343037	.9981092
PMC	.0421041	.0141887	2.97	0.003	.0700397	.0141685
SC	.0513065	.0160642	3.19	0.002	.0196785	.0829345
_cons	.0961348	.290751	3.31	0.001	1.533795	.3889015

Source: Stata 16 regression Output

Table 1.3 presents regression analysis results for the relationship between marketing capabilities (MC) and product innovation performance (PI) among SMEs in southwest Nigeria. The strong positive correlation (r = 0.7161) suggests a significant relationship between marketing capabilities and product innovation. Additionally, the regression analysis revealed a significant relationship (Adj. R2 = 0.5057; F(4, 268) = 2429.55; p < 0.05) between marketing capabilities and product innovation performance.

Regarding the effects of marketing capabilities on product innovation, customer engagement capabilities (CEC) showed a significant positive effect (β = 0.065, p < 0.05), indicating that SMEs with strong customer engagement capabilities tend to achieve higher levels of product innovation. Market sensing capabilities (MSC) also demonstrated a highly significant positive effect (β = 0.966, p < 0.05), enabling SMEs to identify and respond to market trends for enhanced product innovation. Similarly,

product management capabilities (PMC) exhibited a significant positive effect ($\beta = 0.042$, $p = 0.003$), suggesting that effective product management contributes to high levels of product innovation. Additionally, selling capabilities (SC) showed a significant positive effect ($\beta = 0.051$, $p = 0.002$), indicating that SMEs with strong selling capabilities are better positioned to support product innovation efforts.

Thus, the null hypothesis ($H_0 2$) that marketing capabilities have no significant effect on product innovation performance among selected SMEs in southwest Nigeria is rejected. The significant positive effects of customer engagement, market sensing, product management, and selling capabilities underscore the importance of these factors in driving product innovation among SMEs.

4.1.3 Test of Hypothesis 3

$H_0 3$: Marketing capabilities have no significant effect on the market development performance of selected SMEs in southwest Nigeria.

Table 1.4: Evaluating the Effect of Marketing Capabilities on Market Development of SMEs

Source	SS	Df	MS			
				Number of obs	=	280
				F(4, 268)	=	2566.22
Model	18444.9649	4	4611.24123	Prob > F	=	0.0000
				r value	=	0.6282
Residual	481.569861	275	1.79690247	R-squared	=	0.3946
				Adj R-squared	=	0.3858
Total	18926.5348	279	69.5828485	Root MSE	=	1.3405

MD	Coef.	Std. Err.	T	P>| t |	[95% Conf. Interval]	
CEC	.077027	.0148736	5.18	0.000	.047743	.1063109
MSC	.0362822	.0171921	2.11	0.036	.0024334	.070131
PMC	.9748985	.0150542	64.76	0.000	.9452589	1.004538
SC	.1122198	.0170441	6.58	0.000	.1457771	.0786625
_cons	.1551772	.3084865	0.50	0.001	.4521882	.7625425

Source: Stata 16 regression Output

The regression analysis in Table 1.4 showed a significant relationship between marketing capabilities and market development among SMEs in southwest Nigeria (adj. R2 = 0.3858; $F_{(4, 268)}$ = 2566.22; $p <$ 0.05), indicating that marketing capabilities play a crucial role in driving market development. Specifically, customer engagement capabilities (CEC) had a significant positive effect (β = 0.077, $p <$ 0.05), highlighting the importance of strong customer engagement for higher market development levels. Additionally, market sensing capabilities (MSC) showed a marginally significant positive effect (β = 0.036, p = 0.036), indicating that better market sensing enhances market development outcomes. Furthermore, product management capabilities (PMC) exhibited a highly significant positive effect (β = 0.975, $p <$ 0.05), emphasizing the role of effective product management in achieving greater market development. Selling capabilities (SC) also had a significant positive effect (β = 0.112, $p <$ 0.05), suggesting that strong selling capabilities contribute to increased market development through enhanced sales and penetration. These findings reject the null hypothesis (H_03) and underscore the importance of customer engagement, market sensing, product management, and selling capabilities in driving market development for SMEs in southwest Nigeria

4.1.4 Test of Hypothesis 4

H_04: Marketing capabilities have no significantly effect on process innovation performance of selected SMEs in southwest Nigeria.

Table 1.5: Examining the effect of Marketing Capabilities on Process Innovation Performance of SMEs

Source	SS	Df	MS	Number of obs	=	280
				F(4, 268)	=	1898.17
Model	17246.253	4	4311.5625	Prob > F	=	0.0000
				r value	=	0.5347
Residual	608.743327	275	2.27143032	R-squared	=	0.2859
				Adj R-squared	=	0.2755
Total	17854.9963	279	65.6433689	Root MSE	=	1.5071

PrI	Coef.	Std. Err.	T	P>| t |	[95% Conf. Interval]	
CEC	.0945386	.0167226	5.65	0.000	.127463	.0616143
MSC	.0431325	.0193293	2.23	0.026	.0050758	.0811892
PMC	.1225233	.0169257	7.24	0.000	.089199	.1558475
SC	.9624842	.0191629	50.23	0.000	.9247553	1.000213
_cons	.2130483	.3468356	0.61	0.040	.8959174	.4698208

Source: Stata 16 regression Output

The regression analysis in Table 1.5 revealed a positive relationship between marketing capabilities and process innovation among SMEs in southwest Nigeria (adj. R2 = 0.2755; $F_{(4, 268)}$ = 1898.17; $p <$ 0.05), indicating the significant role of marketing capabilities in driving process innovation. Specifically, customer engagement capabilities (CEC) showed a significant positive effect (β = 0.095, $p <$ 0.05), suggesting that SMEs with strong customer engagement capabilities are more likely to implement innovative processes by incorporating customer needs into operational procedures.

Additionally, market sensing capabilities (MSC) demonstrated a marginally significant positive effect (β = 0.043, p < 0.05), indicating that effective market sensing enables SMEs to identify trends and anticipate changes, facilitating the implementation of innovative processes. Furthermore, product management capabilities (PMC) exhibited a highly significant positive effect (β = 0.123, p < 0.05), highlighting the importance of robust product management for driving process innovation. Moreover, selling capabilities (SC) displayed a highly significant positive effect (β = 0.962, p < 0.05), suggesting that strong selling capabilities foster a culture of innovation and facilitate the implementation of innovative processes. These findings reject the null hypothesis (H_04) and underscore the significant impact of marketing capabilities on process innovation among SMEs in southwest Nigeria.

5.0 Conclusion, Recommendations and Suggestions for Further Research

The study's findings shed light on the pivotal role of marketing capabilities in influencing organizational innovation performance, product innovation performance, market development, and process innovation among SMEs in southwest Nigeria. Notably, customer engagement capabilities (CEC), market sensing capability (MSC), and product management capability (PMC) emerged as significant drivers of organizational innovation, while selling capabilities (SC) showed an insignificant effect. These results emphasize the importance of prioritizing customer engagement, market sensing, and product management to foster innovation within SMEs. Additionally, all dimensions of marketing capabilities demonstrated a significant positive impact on product innovation performance, supporting previous research highlighting the positive role of marketing capabilities in SMEs. Furthermore, the study contributes to the existing body of knowledge by providing empirical evidence of the positive significant effect of marketing capabilities on SMEs' innovation performance, offering specific insights into the region's SME landscape and their innovation endeavours.

Based on these findings, several recommendations are proposed for SMEs in southwest Nigeria. Firstly, SMEs should focus on strengthening customer engagement capabilities to build strong relationships with customers and actively involve them in the innovation process. Secondly, investments in enhancing market sensing capabilities and improving product management practices are recommended to stay informed about market changes and effectively develop innovative products. Lastly, efforts to strengthen selling capabilities, such as developing effective sales strategies and channels, are crucial to support product innovation and drive market development. These recommendations aim to empower SMEs in southwest Nigeria to enhance their innovation performance and sustain competitive advantage.

Despite its contributions, the study has limitations that warrant acknowledgment. The research examined the direct effects of marketing capabilities on innovation outcomes without exploring potential mediators or moderators. Therefore, future research could explore the moderating effects of factors such as the external environment, organizational culture, and strategic orientations. In addition, underlying mechanisms and boundary conditions of the relationship between marketing capabilities and innovation outcomes could be further examined. Longitudinal studies could also be conducted to examine the dynamic nature of marketing capabilities and their long-term impact on innovation performance within SMEs.

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