

**UNIVERSITY OF GHANA**

**MARKETING INNOVATION AND SUSTAINABLE COMPETITIVE  
ADVANTAGE: A CASE OF SELECTED MANUFACTURING SMALL  
AND MEDIUM ENTERPRISES IN CENTRAL REGION OF GHANA**

**BY**

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**THIS THESIS IS SUBMITTED TO THE DEPARTMENT OF  
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THE REQUIREMENT FOR THE AWARD OF MASTER OF  
PHILOSOPHY (MARKETING OPTION) DEGREE**

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## DECLARATION

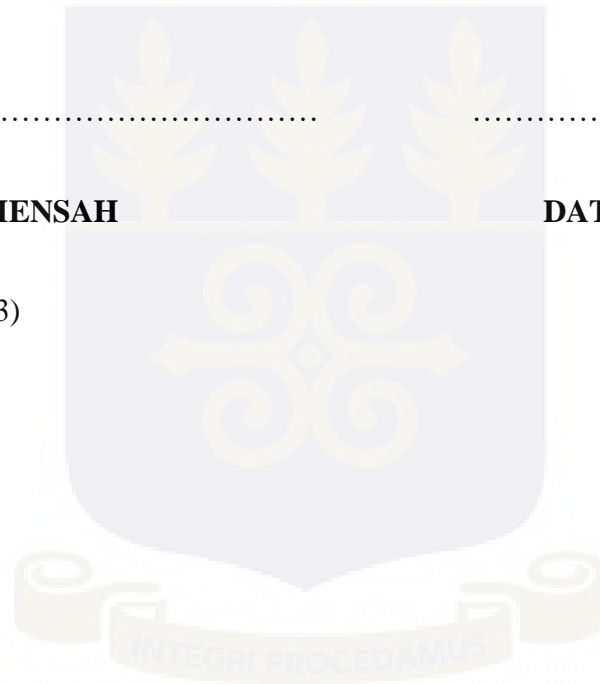
Candidate's Declaration

I, hereby, declare that this thesis is my own original research and has not been presented by anyone for any academic degree in this or any other university. All references used in this research work have been duly acknowledged.

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**CERTIFICATION**

I, hereby, certify that this research work was supervised in accordance with research procedures laid down by the University.

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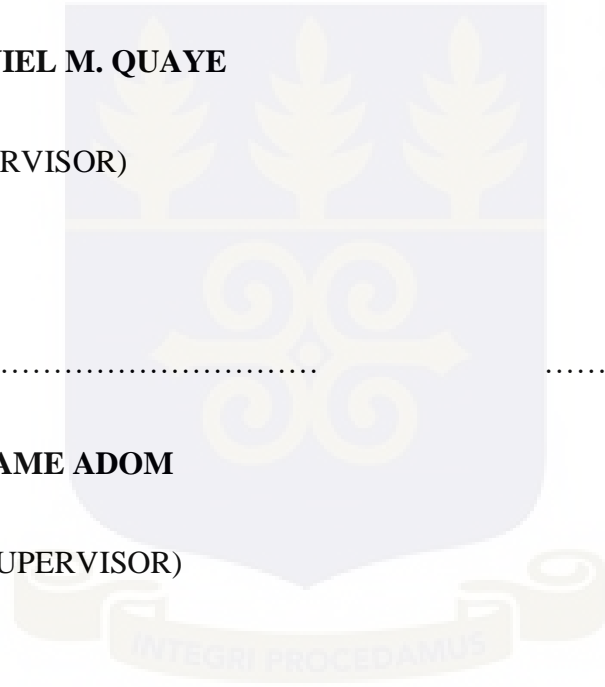
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## **DEDICATION**

To my fiancée and my beloved family who made a great investment in my life.



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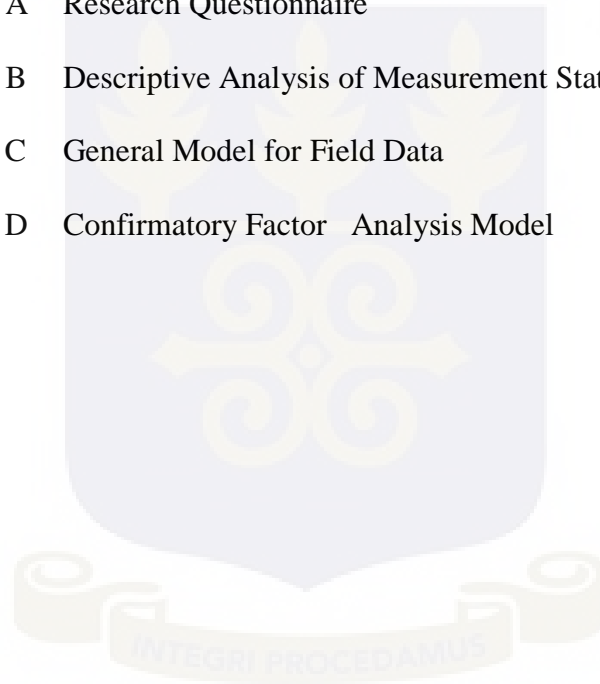
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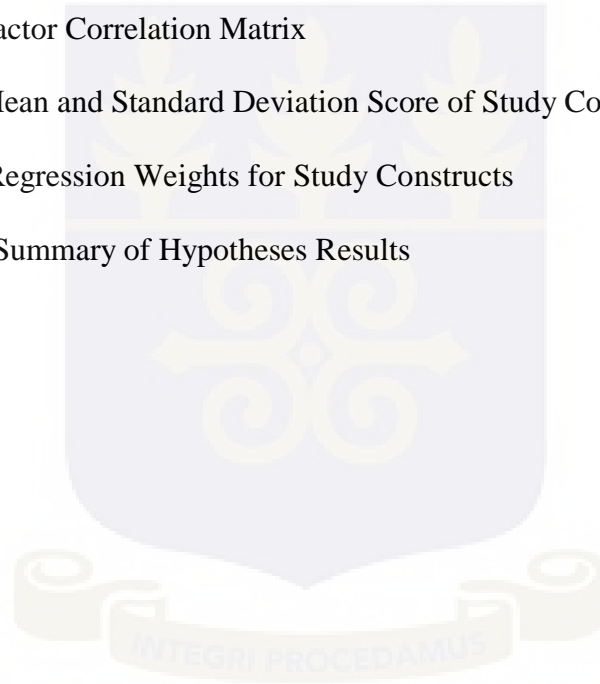
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## LIST OF ABBREVIATION

<b>AGI</b>	Association of Ghana Industries
<b>CA</b>	Competitive Advantage
<b>DCT</b>	Dynamic Capability Theory
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>GSS</b>	Ghana Statistical Service
<b>IBES</b>	Integrated Business Establishment Survey
<b>ISIC</b>	International Standard Industrial Classification
<b>ISSER</b>	Institute of Statistical, Social and Economic Research
<b>MASLOC</b>	Micro and Small Loans Company
<b>MMDAs</b>	Metropolitan Municipal and District Assemblies
<b>MI</b>	Marketing Innovation
<b>NBSSI</b>	National Board for Small Scale Industries
<b>NPS</b>	New Promotion Strategies
<b>NRO</b>	New Retail Outlets
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PDI</b>	Product Design Improvement
<b>RGD</b>	Registrar General's Department
<b>RBT</b>	Resource Based Theory
<b>RCBV</b>	Resource Capability Based View
<b>R&amp;D</b>	Research and Development
<b>SCA</b>	Sustainable Competitive Advantage

<b>SMEs</b>	Small and Medium Sized Enterprises
<b>SPSS</b>	Statistical Package for Social Sciences
<b>UNDP</b>	United National Development Programme
<b>WOM</b>	Word of Mouth



## **ABSTRACT**

Global business trends such as globalisation, technology revolution and trade liberalisation have affected operations of Small and Medium sized Enterprises (SMEs) across the global. In developing countries including Ghana, the global trends have affected operations of SMEs in the domestic markets such as Central region (an administrative region in Ghana). Studies have therefore been done in developing countries such as Ghana regarding how SMEs have responded to these compelling global trends especially with innovative marketing activities. However, findings from Ghana appear contrary to what exist in developed countries to the effect that SMEs in Ghana are not innovative. Evidently, studies in Ghana generalised the context of innovation and did not address any specific type of innovation. To address this gap, this study formulated objectives to investigate the effect of marketing innovation on sustainable competitive advantage using Resource Based Theory and Dynamic Capability Theory. This quantitative study uses a survey research design and a semi-structured questionnaire as a primary data collection instrument. Stratified and simple random sampling techniques were used to sample three hundred and fifty manufacturing SMEs in Central Region for the study. This study found that SMEs in Central region are innovative in terms of marketing. This study results further shows that integration of both marketing resources and capabilities are key to develop marketing innovation which lead to SCA. The study recommends that SME managers and owners should prioritize their marketing competence in product designs, promotion and retailing innovations. Again, government as a

matter of urgency must develop targeted policies to bridge the information gap between SMEs and research institutions such as universities in order to improve the capabilities of SME managers and owners.



## **CHAPTER ONE**

### **INTRODUCTION**

Chapter one of this research report presents the background to the study, research problem, research objectives, study hypotheses and research questions. The chapter further discusses the study methodology, originality, limitations, delimitation, and significance of the study. The study concludes with chapter dispositions.

#### **1.1 Background to the Study**

The competitive nature of the global market has resulted in a dynamic and fast changing business environment. Enterprises, including Small and Medium Enterprises (SMEs) have therefore realized the need to evaluate, develop and deploy innovative strategies with the purpose of gaining competitive advantage (Carvalho & Costa, 2014). From the global level, SMEs are considered a vital part of global economies serving as the hub for employment, improving domestic income and economic development pace (Meutia & Tubagus, 2015; Walsh & Lipinski, 2009). Without exception, developing nations including Ghana have also benefited from SMEs. In Ghana for instance, SMEs accounts for about over 80 employment (Abor & Quartey, 2010) and over 50 percent of GDP (Buame, 2004). Generally, SMEs operate in all the three major sectors of the Ghanaian economy: agriculture, service and industry. For the purposes of this study, the researcher focuses on manufacturing SMEs with a minimum of five employees and starting capital not more than \$5000 (Quaye & Acheampong, 2013)

Despite the tremendous contributions of SMEs in all the economic sectors of the Ghanaian economy, there are also challenges that threaten their operations, survival, growth and future prospects. These challenges include: lack of access to credit/finance (Abor & Quartey, 2010; Fraser, Bhaumik & Wright, 2015), lack of market information (Hinson & Mahmoud, 2011), lack of improved technology (Quaye, 2014). The multiplicity of these SME challenges coupled with challenging Ghanaian business environment (Frazer, 2005) presents opportunities for SME managers and owners to develop innovative strategies particularly in their marketing operations. These opportunities are created when SMEs managers and owners are compelled to think “outside the box” due to the limitless constraints. Consequently, SMEs create unique marketing tools such as new product designs, packages, promotion, pricing and distributing strategies different from what exist in order to survive. This compulsion is exacerbated when customers become immune to firm’s existing strategies, hence compelling SMEs to develop new strategies to survive.

Owing to the circumstances that leads to SME marketing strategies, studies have describe such strategies as unconventional, haphazard, reactive with little formal planning (Hills, Hultman & Mileset, 2008) innovative, opportunistic, creative, novel and unusual solutions to market needs (O'Dwyer, Gilmore & Carson, 2009). The innovative nature of SME marketing strategies are however key to superior market advantage (Harms & Rohmann, 2002). It is important at this stage to discuss the concept of “innovation” in order to direct the focus of the study.

An earlier pioneer of innovation, Schumpeter (1934) defined innovation as: new product; new methods of production; exploration of new market of production; new source of supply; new ways to organize business. Schumpeter's definition of innovation appears to represent different strands of innovations such as product innovation, process innovation, market innovation and marketing innovation. Notwithstanding the existence of different strands of innovation as espoused by Schumpeter, this study focuses on marketing innovation.

The study focuses on marketing innovation because from a general point of view, marketing plays a critical role as the “life-wire” connecting and converting all functional activities of the firm into cash. Furthermore, Drucker observed in the 1950's that only two activities in business bring money: innovation and marketing while the rest are cost to the firm. Thirdly, marketing managers have perceived introduction of new products (product innovation) as the only means for higher business performance therefore limiting their view on other sources such as marketing innovation. This study is important in this regard as it attempt to provide substantial evidence to support the relevance of marketing innovation for sustainable market advantage. Considering the critical role of marketing innovation, it is therefore important that studies on SME marketing place more emphasis on marketing innovation and its effect on sustainable market advantage. Having elaborated on the reason for the choice of marketing innovation, what then is marketing innovation?

According to Stošić (2007), “Marketing Innovation” involves the combination of: significant product design improvements; implementation of new pricing strategies; implementation of entirely new retail concepts; and implementation of entirely new promotion concepts. Quite importantly, SME marketing strategies is described as marketing innovation when implemented for the first time in the firm (Lendel & Varmus, 2013; Wang, 2015). This study therefore discusses Marketing innovation: product design improvement, new pricing strategy, new retail outlets and new promotion concepts as “strands of marketing innovation”. It is worth noting that different marketing strategies exist but this study is limited to only the four central marketing tools. At this stage, the study will explain the four strands of marketing innovation to reinforce our understanding of their importance.

Firstly, Marketing Innovation in terms of product design improvement is an integral part of marketing which involve significant changes, modification and alteration in the shape and package of a product (Kotler & Keller, 2006). Principally, product design improvements create new, different and special product appearance in the form of shape, color, style and designs (Ilić, Ostojić & Damjanović, 2014). The second strand of Marketing innovation is new pricing strategy. Marketing innovation in terms of new pricing strategy involves the use of completely new pricing strategies that the organisation adopts for the first time to sell its products in a particular market (Organisation for Economic Co-operation and Development, OECD, 2005).

The third strand of Marketing innovation is new delivery channels. Marketing innovation in terms of new product delivery is described as the first time introduction of new sales channels such as product licensing, franchising arrangements, exclusive sales, and direct sales networks (Ilić et al., 2014) to direct the flow of products from the firm to the final customer. The fourth strand of Marketing innovation is new promotion concepts. Marketing innovation in terms of new promotional concepts is described as the use of new strategies to sell goods and services (Wang, 2015). New promotion strategies may include new media channels, symbols and advertising designs to inform, communicate, persuade and position the product's image in the minds of the consumers.

To a large extent, implementing marketing innovation require acquisition of resources such as machinery, equipment, computers (Moreira, Silva, Simões & Sousa, 2012; Youtie, 2006) and marketing capabilities which involves integrated routines such as pricing, distribution, promotion, marketing communication and marketing planning (Genç, Özbağ & Esen, 2013). Considering to role of resources and capabilities in developing marketing innovation, this study adopts the Resource Based Theory (RBT) and Dynamic Capability Theory (DCT) to explain the role of marketing resources and capabilities to create sustainable market advantage. The choice of RBT and DCT for this study is informed by Genç et al. (2013); Moreira, Silva, Simões and Sousa (2012) who found resources and capabilities relevant to create Marketing innovation that will enhance market advantage (Abdelrahman, 2012).

SME managers and owners develop and integrate innovative marketing strategies to create competitive advantage for the firm (Chuwiruch, Jhundra-Indra & Boonlua, 2015). Specifically, improvement in product design enhances product penetration, visibility, identification process, profitability, satisfaction and sales frequency (Ilić et al., 2014). Again, innovative pricing means alternative price choices for customers (Carson, Gilmore, Cummins, O'Donnell & Grant, 1988) which enhances customer satisfaction and loyalty (Hankinson, 1997). When innovative distribution channels are managed effectively can improve product access, transport convenience which will offer the firm competitive strength .

In developing countries, studies Walobwa, Ngugi and Chepkulei (2013); Onwumere and Ozioma-Eleodinmuo (2015) have reported that SMEs in Sub-Saharan Africa such as Kenya and Nigeria practice innovative marketing which enhances their performance. In Ghana, studies have also evidence that SMEs perceive and engage in innovative marketing practices such as improved packaging, opening markets avenues and product line diversification studies (Asiedu, 2016; Dzisi & Selvarajah, 2012; Tetterh & Essegbey, 2014). Generally, there are many SME innovative marketing techniques that are key to firm performance (Sefa, 2014).

It is clear from the above literature that innovative marketing practices creates superior market advantage. However, a cursory look at the Ghanaian market reveals that SMEs are not innovating enough and thus the effect of their

marketing practices remains gloomy. Out of curiosity to know the situation in Ghana, this study seeks to unravel if any, the effect of innovative market practices of SMEs using Central region of Ghana as a case study.

Specifically, this study seeks to investigate the effect on marketing innovation: product design improvements, new pricing strategies, new promotion concepts and new distribution outlets affect superior market performance. This study “SME marketing innovation” is worth pursuing because it will provide clear strategic direction for SMEs to select and deploy their key strategic but limited resources and capabilities to develop marketing innovation that meet changing consumer needs and satisfaction, hence achieving sustainable market advantage. Again, this study will provide industry and location specific recommendations for manufacturing SMEs in Central region of Ghana to improve their long term market performance.

## **1.2 Research Problem**

Empirical evidence supporting the effect of Marketing innovation and superior market advantage appears to be mixed (Heimonen, 2012). Studies conducted in various jurisdiction including Spain (Camisón & Villar-López, 2011); India and China (Gupta & Malhotra, 2013); European peripheral areas (Helpern, 2010); Chile (Geldes & Felzensztein, 2013); Australia and Vietnam (O’Cass & Ngo., 2011); Awan and Hashmi (2014); Ren, Xie and Krabbendam, (2010); Mbizi, Hove, Thondhlana and Kakava, (2013) have found evidence that there are

significant effects of marketing innovation on superior long term market performance. Few studies in developing countries such as Nigeria (Onwumera & Ozioma-Eleodinmuo, 2015); Kenya (Walobwa et al., 2013); Ghana (Dzisi & Selvarajah, 2012; Tetteh & Essegbey, 2014) have also found positive relationship between Marketing innovation and sustainable market performance.

However, some studies in Ghana have contrary view to the effect that SMEs in Ghana are not innovative (Quaye & Acheampong, 2013; Dzisi & Ofosu, 2014). Examining the findings of these studies critically, it appears that these studies examined innovation from general perspective such as product and process innovation. Again SMEs were sampled from all sectors of the Ghanaian economy including service, agriculture and agro-processing. The researcher's argument is that, SMEs may not be innovative in terms of new products (Product innovation) but may develop innovative strategies to package, price, sell and distribute their existing products (Marketing innovation). In view of this, the conclusion "SMEs in Ghana are not innovative" may differ when SME innovation is examined with marketing lenses and from marketing perspective. Again, the conclusion may also change when SME innovation is examined from specific geographical context. Therefore, the researcher is curious to know from marketing perspective if any, the innovative marketing practices of SMEs in the manufacturing sector and the effect of innovative marketing practices on their long term performance.

Furthermore, Central region, one of the ten (10) administrative regions in Ghana is highly disadvantaged despite large infrastructural base (GSS, 2010). A cursory observation of Central region as a market reveals low product quality, poor customer service and lack of skilled labour as challenges confronting businesses in the region. These challenges may have contributed to unfavorable business climate which have forced investors and SME owners to locate and relocate in the three major economic centers of Ghana (Greater Accra region, Ashanti region and Western region) that share boarder with Central region. This phenomenon is worrying because statistics shows that 56.1 percent of all establishments in Ghana are located in these three regions while 8.1 percent are located in Central region (GSS, Integrated Business Establishment Survey Report, 2016). Instead of Central region benefiting from its strategic location to these three economic centers of Ghana, the Region is rather “losing” businesses to the three regional markets. This situation is worrying and therefore this study is important as its offer innovative strategies to help SMEs in Central region improve their market performance.

### **1.3 Purpose of the Study**

The purpose of this study is to examine, if any effect of marketing innovation of sustainable competitive advantage and the roles of marketing competence on the relationship between marketing innovation and sustainable competitive advantage.

#### **1.4 Study Objectives**

The general objective of this study is to investigate if any, the possible effects of marketing innovation on SCA of manufacturing SMEs in Central region.

##### **Specific Objectives**

The specific objectives of this study are:

1. To examine if any, the effects of marketing innovation on sustainable competitive advantage of manufacturing SMEs in Central region.
2. To examine the relationship between marketing competence, marketing innovation and SCA.

#### **1.5 Research Questions**

To achieve research objectives, the study seeks to ask the following specific research questions.

1. What is the effect of marketing innovation, if any, on sustainable competitive advantage?
2. What is the effect of marketing competence on the relationship between marketing innovation and sustainable competitive advantage.

#### **1.6 Research Hypotheses**

The researcher therefore seeks to test the following hypotheses:

**H1a-e:** There is a significant effect of marketing innovation (product design improvement, new pricing strategies, new promotion strategies and new retail concepts) on sustainable competitive advantage.

**H2a:** There is a significant effect of marketing competence on marketing innovation.

**H2b:** Marketing competence significantly improves the effect of marketing innovation on sustainable competitive advantage.

**H2c-f:** Marketing competence significantly improves the effect of product design improvement, new pricing strategies, new promotion concepts, new retail concepts on sustainable competitive advantage.

### **1.7 Research Questions**

To achieve research objectives, the study seeks to ask the following specific research questions.

3. What is the effect of marketing innovation, if any, on sustainable competitive advantage?
4. What is the effect of marketing competence on the relationship between marketing innovation and sustainable competitive advantage?

### **1.8 Summary of Study Methods**

Using a quantitative research approach, the study adopts a survey design to investigate the effect of marketing innovation on sustainable competitive advantage of manufacturing SMEs in Central Region. The study samples three hundred (350) SMEs out one thousand five hundred and ninety nine (1,599) manufacturing SMEs in Central Region (Ghana Statistical Service, Integrated Business Establishments Survey, GSS IBES, 2016). The study samples

manufacturing SMEs who have implemented changes in their marketing practices over the last twelve (12) months of operations. The twelve months period will allow SME managers to observe any changes in their marketing activities and the effect of the changes on their marketing performance

The researcher adopts a two-stage sampling technique for the study. A stratified sampling technique was used to select geographical markets for the study while a simple random sampling technique is used to select manufacturing SMEs in each stratum. The study uses semi-structured questionnaire as the main data collection instrument. Manufacturing SMEs selected include: Food, water and beverage, Metal, glass and aluminum works, Pharmaceutical, soap and detergents products, Clothing, textile and garment works, and Wood and ceramics work. In analyzing the field data, a quantitative assessment using Structural Equation Modeling (SEM) is used to arrive at the findings.

### **1.9 Originality of the Study**

The researcher's contributions to body of knowledge are in two dimensions. First, there is no single study on marketing innovation in Central region of Ghana and this study is relevant to set the path for further studies in the Region. Secondly, apart from the Resource Based view (RBV), this study develops a more predictive model of "Resource Capability Based View" for investigating the relationship between marketing competence, marketing innovation and SCA of manufacturing SMEs.

### **1.10 Delimitation**

The study is limited to investigating the effect of marketing innovation on SCA of manufacturing SMEs in Central region. The study also obtains data from manufacturing SMEs in Central region. The emphasis on contextuality constitutes a fundamental strength of this study but this can be a limitation regarding generalisability of the result. The result of the research can only be generalized to the geographical area studied. However, some inferences can be made to neighbouring regions and nations that share similar context characteristics.

### **1.11 Significance of the Study**

This research makes a number of empirical, theoretical and managerial contributions. From academic point of view, this study provides additional insights relating to marketing innovation strategies. The study also offers a conceptual model “Resource Capability Based View” which can be used as for future studies regarding marketing innovation. From managerial perspective, this will help managers and decision makers identify marketing resources and capabilities relevant for marketing innovation and that will also improve market performance. To the general public, this study provide public information that will assist government and non-government institutions, policy makers and financial institutions to design well focused programmes to boost marketing innovation of SMEs particularly in Central Region of Ghana.

## 1.12 Chapter Disposition

This study is organized in six main chapters.

**Chapter 1: Introduction** Chapter one introduces the entire study with a general background on current academic knowledge on SMEs, innovation and marketing innovation. Other sections in this chapter includes: research problem, research objectives, research questions, study hypotheses, summary of study methods, originality of the study, purpose of the study, delimitation, scope and significance of the study as well as chapter dispositions.

**Chapter 2: Literature review:** In this chapter, the researcher reviews the RBT and DCT as the theoretical foundation to the study. The chapter also reviews definitions of SME, characteristics of SMEs, importance of SMEs, Innovation, and marketing innovation. This chapter also discusses sustainable competitive advantage and its relationship with marketing innovation. The final phase of this chapter also presents a conceptual model “Resource Capability based View” depicting a relationship between Resources, Capabilities and Marketing innovation and sustainable competitive advantage.

**Chapter 3: Context of the study:** This chapter of the study discusses the context of the study. The chapter discusses the socio-economic and geographical variables of Central region. The chapter also discusses SMEs in the manufacturing businesses in Central region, and challenges inhibiting manufacturing SME.

**Chapter 4: Research method:** This chapter explains and justifies the research paradigm, design, approach, scope of the study, study population, sample and sampling techniques, data collection procedures and instruments, method of data analysis, interpretation and presentation of findings, research reliability, validity, instrument variables and ethical considerations

#### **Chapter 5: Empirical results and analysis**

This chapter presents findings from the study together with the discussions using Structural Equation Modeling (SEM). This chapter enables readers to follow the connection between the research objectives, research questions, literature review, theoretical framework and the responses from respondents. Using Cronbach's Alpha (CA), Composite Reliability (CR), Average variance Extracted (AVE) and Factor loadings, the researcher will test the reliability and validity of the study variables and instruments.

#### **Chapter 6: Summary and conclusions**

In the final chapter of this study, the researcher summarizes and concludes on the research findings, therefore providing answers to the research questions. The necessary recommendations are also made from the findings to inform SME policy actions and directives.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter of the study examines literature and theories that form the basis of this research. This chapter is discussed in three phases. The first phase of this chapter reviews literature on the concept of innovation, marketing innovation, strands of marketing innovations, definitions of SMEs, characteristics and importance of SMEs. The second phase of this chapter presents a theoretical framework using the RBT and DCT to explain how marketing resources and capabilities influence marketing innovation and sustainable competitive advantage. The final phase of the study presents a conceptual model described as “Resource Capability Based View” reflecting RBT, DCT, Marketing innovation and SCA.

#### **2.1 Concept of Innovation**

In order to understand the focus of “Marketing innovation” the study will first and foremost discuss the concept of innovation. Definition of “innovation” has acquired various meanings and understanding from different domains of business (Hunt & Morgan, 1995; Wright, 2010). Early pioneer of innovation, Schumpeter (1934) defined innovation as ‘a new way of doing things, or a unique combination of factors of production’. Observing carefully, the exposition by Schumpeter suggests a broader view of innovation such as: product innovation, process innovation, management innovation, organisational innovation and marketing innovation (Talegeta, 2014).

Despite the forms of innovations as espoused by Schumpeter, Terziovski (2010) noted that SMEs prefer some forms of innovation over others. Terziovski added that manufacturing SMEs focuses more on product innovation than other types of innovation due to the nature of their production business. Medrano and Olarte-Pascual (2016b) disagreed that it is currently difficult in academic discourse to limit studies to any form of innovation. Further studies have shown that firms that SMEs who conduct process, product or organisational innovation are likely to undertake marketing innovation (Medrano, Medrano, Olarte-Pascual, C& Olarte-Pascual 2016; Soltani, Azadi, Hosseini, Witlox & Witlox, 2015). In essence, all forms of innovations assist SMEs to overcome challenges and achieve superior market performance (Onwumere & Ozioma- Eleodinmuo, 2015). In view of the above discourse, this study focuses on only marketing innovation of manufacturing SMEs.

Apart from the forms of innovation, literature has revealed various types and levels of innovation including radical innovation, incremental innovations (Forés & Camisón, 2016; Henderson & Clark, 1990; Wright, 2010) and material innovation (Wright, 2010). According to Henderson & Clark, (1990 as cited in Mbizi et al., 2013), incremental innovation is a type of innovation that refines and improves product by adding new components and features to existing product with an aim of making them more efficient and customer appealing. Robson., Haugh, & Obeng, (2009) concluded that all the innovation in developing nations are incremental in nature. On the other hand, Henderson & Clark, (1990 as cited

by Mbizi et al., 2013) described radical innovation as a process of adding both new components and new designs with a new architecture that links the components together in a different way. Suffice to say that marketing innovation adopt radical or incremental approach, it is also important to note that adopting any type of innovation depend on factors such as: business size, nature culture, resources and capabilities.

In reality, it is challenging for firms to decide whether to adopt incremental or radical approach to marketing innovation. Study by Forés and Camisón (2016) reported that managers should rather concentrate on the distinguishing feature which is the “novelty” of the innovation outcome. In the study by Rice, Leifer and O’Connor (2002) a conclusion was however made to the effect that the process of innovation starts with incremental innovation before a radical innovation develops. Rice et al.’s (2002) view is partly consistent with the findings of Banbury and Mitchell (1995) who argued that incremental innovation is fundamental to firm’s long-term survival.

For the purpose of this study the researcher supports the view of Yeh-Yun Lin and Yi-Ching Chen (2007) to the effect that manufacturing SMEs adopt Marketing innovation as one of the major types of innovations to transform products into profit (Soltani et al., 2015) and also determines the innovation focus of firms (Woschke, Haase, & Kratzer, 2017). Having discussed the broader context of innovation, this study will at this stage direct the discussion to Marketing innovation as a narrow focus of innovation.

## 2.2 Definition of Marketing Innovation

Definition of Marketing Innovation (MI) has taken a new paradigm because the global business trends have shifted the flow of innovative ideas partially from the producer to the consumer. MI involves implementation of new marketing methods which involve significant changes in product designs and package, product placement, product promotion and pricing (Onwumere, & Ozioma-Eleodinmuo 2015; Talegeta, 2014). MI also involve significant changes in aesthetic designs, improved product packaging, new mass media, new pricing and sales strategies (Tetterh & Essegbey, 2014). Indeed marketing innovation leads to a whole set of alterations in a firm's marketing activities (Moreira et al., 2012). Considering the various definitions of marketing innovation, it is important to identify an operational definition that is appropriate to the researcher's focus.

Stošić (2007) defined Marketing innovation as the combination of: significant product design improvements; implementation of new pricing strategies; implementation of an entirely new retail concept; and implementation of an entirely new promotion concept. This study adopts the definitions by Stošić (2007) as the operational definitions for this study. The indicators in the operational definition: product design improvement, new pricing strategies, new retail and promotion concepts are synonymous to the conventional four Ps (4ps) or marketing mix (Olughor, 2015) and they form the central theme of marketing innovation (Ren et al., 2010). In this study the indicators in the operational definition will be discussed as the "Strands of Marketing Innovation".

It is also important to note that changes in marketing activities is described as Marketing innovation because the marketing activities are new and different from existing marketing activities and again the marketing practice have never being applied in the firm before (Lendel & Varmus, 2013; Moreira et al., 2012; Ilić et al., 2014). Having established the concepts of marketing innovation, the study reviews the four strands of marketing innovation in our operational definition

### **2.3 Strands of Marketing Innovation**

The operational definitions by Stošić (2007) identified four strands of marketing innovation which includes: Product design improvements; new pricing strategies; new retail concept and new promotion concepts. The study therefore reviews the four strands of marketing innovation.

#### **2.3.1 Product Design Innovation**

One central element in SME marketing activities is product design improvement (PDI) (O'Dwyer et al., 2009). Literature lucidly affirms the fact that product design innovation is the most innovation strands adopted by SMEs Madrid-Guijarro et al. (2009 as cited in Asiedu, 2016). By definition, Marketing innovation in terms product design improvement includes significant changes in product design and packaging form and/or style without affecting the core functioning of the product (Stošić, 2007). Again, PDI also involve significant changes and alterations in the design and package of existing products without altering the product's user characteristics (Wang, 2015).

Specifically, Stošić (2007) noted that PDI create changes in product shape, color, style for completely new, differentiated, distinctive look/appearance. Wang (2015) identified PDI to include changes in products such as detergents, food and beverages with a new taste and/or flavours aimed at repositioning product image and appealing to a new customer segment. SMEs in wood industry may improve furniture design lines to give the product a new look and broaden its appeal to customers (Wang, 2015). Manufacturing SMEs who often introduce new product designs and packages create product varieties, improve products life, enhance customer satisfaction and superior strength over competitors (Henderson & Clark 1990; Wang, 2015).

A study by Awan and Hashmi (2014) in Multan District found evidence that SME achieve SCA mainly through innovative and unique product designs. Other empirical studies have found evidence to support the fact that there is a significant effect of unique product design and packing on SCA (Haq, Ho & Jackson 2008; Sudarmiatin & Suharto, 2016; Walsh et al., 1988). Porter (1985) further added that, product design activity create superior competitive advantage in an efficient manner, makes a product more attractive in the shelves, drives consumer purchase intent and increases transport convenience (Earle, 1997). De Vrande et al. (2009) found SME, as entrepreneurial firms who actually pursue market-oriented innovation, mostly improving market offering. Studies on marketing innovation and its associated benefits must not lose the fact that, organisational managers require key marketing resources and capabilities to develop marketing innovation.

Woschke et al. (2017) noted that resources are key to every innovation activities. Further studies such as Youtie (2006); Moreira and Silva (2010); Moriera et al. (2012) found that resources such as machinery, equipment and software directly relate to the tendency to innovate in marketing activities such as designs and packaging. Again, PDI require extensive information from stakeholders (Resnick., Cheng., Simpson & Lorenço, 2016) such as customers, employees, competitors, advertisers, retailers and wholesalers (Sajid, Bloushet, Al-Mohammed,...Sadeghi, 2015) who actually possess the desire for PDI (Mbizi, et al., 2013). Resources are also important in both gradual and incremental products designs (Cummins, Gilmore, Carson & O'Donnell, 2000)

### **2.3.2 New Pricing Strategy**

The second strand of marketing innovation is new pricing strategy. Marketing innovation in terms of new pricing strategy involves the use of a completely new pricing strategy that the firm is adopting for the first time to sell products in a particular market (OECD, 2005). Wang (2015) and Ilić et al. (2014) further noted that new pricing strategy is where for the first time, a firm uses new and alternative methods for varying prices based on condition such as demand fluctuations and an introduction of a new interactive online pricing system such as website and Social network sites. New interactive online pricing system allows customers to view and negotiate product prices and order their choice of product. Literature reports that firms employ some form of innovative cost-plus pricing “cost plus a percentage mark-up” while considering other secondary factors

(Carson et al., 1998). These secondary factors includes: unique business environment and owners characteristics (Resnick et al., 2016), market and demand conditions and firm size (Dragnic, 2009). Secondary which emanate from outside the firm are beyond the control of the firm. Secondary factors may influence SME pricing strongly to the extent that SME managers will have no options than to consider them to very product prices. In essence, both primary and secondary factors create both a well-planned and as well as an unconventional and innovative approaches to SME pricing (Carson et al., 1998) that reflect

A cursory look at literature also reveals that SMEs are using price differential pricing approach to sell their products. Regarding price differential approach, SMEs charge different customers with different prices for the same products (Carson et al., 1998). Price differential approach is based on factors such as: nature of business relationship, awareness of the market conditions, conditions of the product and the SME. Other SMEs also improve product designs and package such as new bottle shapes, taste, size and flavour as a means to differentiate their product prices. These strategies are normally influenced by, market knowledge, mangers culture, intuition and experience over time (Carson et al., 1998).

Developing innovative pricing tools require key strategic marketing resources and capabilities such as employees with right knowledge, quality information and experience. In innovative pricing, employee capabilities are important to consider all relevant primary and secondary factors in order to fix prices that are fair and

acceptable to the firm, customers, market and industry. This is because SME owner and managers may not actually set price to make optimal or supernormal profit but to set prices which aims at a “fair return” to continue business. SME innovative pricing system is common, acceptable and maintains customer loyalty (Hankinson, 1997). Therefore, this study sought to investigate if any, the effect of SME innovative pricing strategies on SCA and the role of resources and capabilities on the relationship between marketing innovation and SCA.

### **2.3.3 New Promotion Concepts**

After changes in product designs and pricing, the next important marketing activity is the responsibility to communicate, inform and persuade customers to buy the product. Stošić (2007) described new promotion concepts as the third strand of Marketing innovation. New promotion concept in terms of Marketing innovation is described as the use of new concepts and strategies to promote and sell firm’s goods (Wang, 2015). NPC involves a significant changes in media techniques and symbols that is different from what the firm has used or exist before (OECD, 2005; Ilić et al., 2014). NPC means new communication systems to informs customers about product value, benefits and persuade them to buy.

For decades now, promotion strategies have used marketing tools such as “Word of Mouth” (Stokes & Nelson, 2013) to communicate with target audience. A study by Cant and Wiid (2016) revealed top five marketing tools such as business cards, pamphlets, posters, newspapers and the radio. These conventional

marketing tools appear to have spoken more and attracted consumers to purchase firm's offering (Salehi, 2012). Nevertheless, Sledzik (2014) found evidence to disagree that traditional promotion tools appear too glossy, aggressive and insincere to the specific needs of customers. These problems are evident because the power of the digital age has altered the way consumers purchase and consume products (Ilić et al., 2014) and thus consumers are now immune to all the marketing tools and strategies (Lendel & Varmus, 2013). The digital age has therefore become the "law" of the market and a biggest threat (Ilic et al., 2014) for businesses compelling SMEs to alter their traditional promotional tools.

Although it appears a reserve for large firms, literature has shown that SMEs have launch innovative techniques such as product placement in movies, television programmes, celebrity endorsements, product and business branding using new brand symbols (Wang, 2015). Other SME managers use personal impacts and personality as branding tools, which is essential for sustainable business performance (Resnick et al., 2016). In an era where physical "Word of Mouth" is giving way to "Word of Mouse" and social media (Resnick et al., 2016), SMEs managers have also resorted to social network sites and platform such as Whatapp, facebook, Google+ and Youtube to promote their products and build relationships. These social network platforms allow SMEs to create internet platforms to promote their products and also allow customers to make purchase orders online. Other SMEs have resorted to calls and text messages to customers about new business offers. Sudarmiatin and Suharto (2016) noted that these

innovative promotion activities such as branding, networking and internet adoption are critical for SCA.

Sudarmiatin and Suharto (2016) further noted that, enterprises require marketing competences to communicate, inform and persuade consumers to buy and also maintain them. Promotional campaigns require adequate budget to finance creative advertisements, celebrity endorsement, publicities. Also managers and employee's capabilities are also required to develop new creative designs such as symbols, colours, style and shapes. SMEs who cannot afford the expenditure for sophisticated promotions tools adopt promotion strategies such as mobile phone technology to inform, persuade, and create loyal customer base. In effect, NPC improve brand trust, customer fulfillment, marketing image (Chuwiruch et al., 2015), and also achieve good market performance (Schaupp & Belanger, 2014). This study seeks to investigate if any, the effect of SME innovative promotion tools on SCA and the role of resources and capabilities on the relationship between new promotion strategies and SCA.

#### **2.3.4 New Retail Concepts**

The fourth marketing innovation strand in this study is new retail concept (NRO). Marketing innovation in terms of new retail outlet is described as the implementation of new marketing methods of reaching out to customers with a product in a convenient and sound condition. Wang (2015) further defined innovative retail concepts as the introduction of new sales channels used to sell

goods and services to customers. For instance, innovative retail concepts may involve, for the first time a franchising system, direct mode of selling, exclusive retailing, and product licensing mechanism to other sellers. Wang (2015) emphasized that innovative retail concepts does not mean new logistics methods (transport, storing and handling) which is aimed at cost efficiency.

Teach (1990) revealed that SME managers normally have the desire to take full control of their product delivery chain but due to time and other resource constraint they sometimes resort to indirect channels. Regarding the innovative direct product distribution tools, SME launch own delivery van and “showrooms” at various locations to distribute products to customers within a specified geographical area. Firms also adopt innovative discounts and other promotion tools to encourage customers to purchase directly from their factory, warehouse and distribution centres. Indirectly, manufacturing SMEs also organize intermittent mass sale promotions where consumers buy from the wholesaler at vantage places. In the age of technology, manufacturers have also develop websites and other social network sites such as intergram to provide product information and pictures and also allow customers to make orders online. Such delivery system means that different customers receives special and preferential retail service from the firm.

From the RBT perspective of this study, the study argues that SME managers and owners are involved in the delivery system with their knowledge, thoughts, and

experiences and other physical resources. This therefore emphasizes the role of resources and capabilities in SME product delivery system. Resources and capabilities such as information, organisational processes and finance are needed to purchase distribution van and hire quality employees and direct the product delivery processes. In this context, resources and capabilities are considered to influence SME manager choice of innovative delivery system.

The nature of innovative SME delivery systems which has shaped and moulded a closer relationship with customers often creates a loyalty which cannot be replaced by large firms (Harrigan, Ramsey & Ibbotson, 2011). Titus, Sengupta and Garg (2013) further confirmed that, the nature of innovative SME retail activities means that they are able to maintain close customer contact which enhances loyalty and continued business. This study therefore seeks to investigate if any, the effect of innovative retail practices on SCA and the roles of resources and capabilities on the relationship between innovative retail outlets and SCA.

#### **2.4 Sustainable Competitive Advantage**

Sustainable competitive advantage (SCA) has become one of the important goals of SME across the globe (Papula & Volná, 2013). This is because the global and domestic markets gets more competitive every single day and thus any firms that is not able to keep up with the pace of environmental changes will be left behind. With this conception, organisations that want to survive, grow and sustain their market performance are obliged to develop innovative marketing strategies to

delight customers better than competitor's offers. This phenomenon has further opened empirical and theoretical studies on innovation and firm performance (Price, Stoica & Boncella, 2013; Vaccaro, Parente & Veloso, 2010). In such view, this study examines the effects of SME marketing innovation on SCA.

The concept of SCA received wide significance when Porter (1985) attempted a definition of SCA as strategies (cost leadership, differentiation and focus) relevant to achieve long-term market advantage. In furtherance to the inroads of Porter, Barney (1991) attempted a definition of SCA as a long term benefits resulting from unique value creation processes asynchronously with potential competitors that cannot be easily copied. SCA is about efficient and innovative business activities with a high differentiation degree and customer value compared to competitors (Ilić et al., 2014). SCA also means providing answers to the question "why a customer should continue to do business with me instead of my competitors". Answer(s) to this question means offering innovative market value to inform customer's decision and repurchase intention.

Quite importantly, how can SMEs achieve Sustainable competitive Advantage? Achieving SCA in a dynamic and competitive market is complex, but several strategies are available (Bošković, Savić & Mičić, 2016). Studies have found evidence that marketing innovation remains one of the important strategies to achieve SCA (Naidoo, 2010; Ren et al., 2010; Camisón & Villar-López, 2011). Other studies have noted that, "a company can only achieve SCA when they

provide unique and valuable marketing strategies that potential and dynamic rivals cannot imitate” (Amini, Darani, Afshani, & Amini, 2012, p. 193). Consequently, developing marketing innovations that competitors cannot imitate or create requires key marketing resources and capabilities with certain characteristics. Studies have emphasized that a firm must accumulate both resources and capabilities in order to achieve SCA (Abdelrahman, 2012; Ren, Au & Birtch, 2009). Business managers who are able recognize the relevant of this accumulation process are better positioned to strategically respond to emerging business opportunities, customer tastes and preferences (Ren et al., 2009).

To some authors, the capacity of SME managers to develop marketing innovation for SCA remains fundamental in the RBV (Rosenbusch, Brinckmann & Bausch, 2011; Doherty & Terry, 2013). Fundamentally, resource such as brand name, trade contacts, efficient processes (Barney 2011), technical skills, knowledge, technology, relationships (Remeikiene & Startienė, 2015), finance and materials (Saunila., Pekkola & Ukko, 2014) are required to develop innovative marketing strategies for SCA (Barney, 2012). However, Barney (1991) and Genç et al. (2013) re-echoed the fact that not all firm’s resources can create SCA. In order to develop marketing innovation for SCA, internal and external resources must be rare, inimitable, valuable, and non-substitutable (Barney, 1991; Ren et al., 2010; Teece, Pisano and Schuen 1997; Genç et al., 2013). Proponents of SCA have further cautioned that SCA may be temporary because skills and resources required to create SCA are not static but changing constantly (Lu, Zhou, Bruton &

Li, 2010; Newbert, 2007) hence the need for environmental responsive marketing tools and strategies that customer will not easily lose interest in them.

The search for environmentally responsive approach to SCA prompted further studies in the study of RBV. Contemporary studies have further found that SCA must involve managers and employees capabilities to use internal resource strength to implement strategies that are responsive to environmental opportunities, avoid or improve internal weaknesses and also neutralize threats (Moghavvemi, Hakimian, Feissal & Faziharudean, 2012). SME managers and employees who possess special marketing capabilities are able to develop responsive marketing tools to enhance and sustain market performance (Gellynck, Banterle, Kühne, Carraresi & Stranieri, 2012; O’Cass & Ngo, 2011).

Empirical study by Pribadi and Kanai (2011) on 258 SMEs in Indonesia further revealed that both internal resources and external resources as fundamental for long term business performance. Further study by Camisón & Villar-López (2011) on 159 industrial firms in Spain found that organisational capabilities are fundamental to developing marketing innovation for SCA. Prahalad and Hamel (1990) further noted the firms require competence in a form of capabilities to combine resources and skills to SCA in a consistent and unique manner.

Measuring sustainable competitive advantage remains one of the critical challenges for small businesses. Generally, firms consider financial indicators as a

measure of performance, thus SCA which have received criticisms that financial indicators of SCA need to be complemented with market advantage (Ren et al., 2010; Weerawardena, 2003). The shift in focus from just competitive advantage to sustainable competitive advantage re-enforce the works of Weerawardena (2003) and Weerawardena and O’Cass, (2004) who noted that SCA must involve providing superior customer value and achieving relative lower cost for a long period of time and to create superior performance. O’Dwyer et al.’s (2009) TAPE framework further explains that the result of marketing innovation reflects: modification of marketing variables, integration of other marketing activities, unique and customer focus as well as unique customer proposition.

Another way to measure SCA according to Porter’s (1985) is by considering three relevant strategies each representing a best measure of SCA: differentiation, cost leadership and focus strategies. According to Porter (1985), the differentiation advantage occurs when a firm provides products that are distinct and unique for the competitors. SCA must create a need for consumers to recognize the difference between the firm’s product and that of the competitors. The cost leadership advantage also involves providing high customer value at a low cost. The focus advantage also involves serving a particular market segment, mostly “niche” with their need. In this study, indicators of SCA are reflected in different and better customer value, efficiency, customer satisfaction and loyalty.

## **2.5 Small and Medium Sized Enterprizes**

Studies on SMEs lack definite understanding on the definition of the concept “Small and Medium Sized Enterprizes” (SMEs) (Gibson & Van Der Vaart, 2008). As a result of lack of definition of SMEs, institutions, countries and scholars have defined SMEs based on geographical and demographical characteristics (Dada, 2014). According to Wang (2015) the variations in SME definitions are partly influenced by who is defining it and where it is applied. Therefore, various definitions of SMEs have revealed some common metrics such as: value of fixed assets, turnover and number of employees (Mbizi et al., 2013). To understand and appreciate the dynamics of SME definitions, this study reviews SME definitions by institutions, scholars and countries from global and domestic perspectives.

From the global perspective, the European Union (EU) defined SME as an enterprize with employee capacity of 10 and 250 and a turnover of € 50 million. The IMF also defined SME as a firm with maximum employee size of 100. The World Bank (2013) defines SMEs as enterprizes with a maximum of 300 employees, \$15 million in annual revenue and \$15 million is assets. United National Development Programme (UNDP) also defined SMEs as an organisation with maximum employees of 200 (Gibbson & Van Der Vaart, 2008). African Development Bank (ADB) classified enterprizes with maximum employees of 50 as SMEs (Gibbson & Van Der Vaart, 2008). It could therefore be inferred that even from the global perspective the definition of SMEs have been uncertain which beset their applicability across the globe.

In Ghana, IBES, GSS Report (2016) described SME as a firm with 6 to 100 employees, Micro-sized as firm with 1 to 5 employees and large firms as enterprises with more than 100 employees. NBSSI dis-aggregated SMEs into two categories: Micro firm: 1 to 5 employees plus assets less than \$10,000, excluding land and building; Small firms: 6-29 employees or fixed assets not exceeding \$100,000 excluding land and building. Quaye and Acheampong (2013) defined SMEs using employee size of more than five (5) with initial investment of \$5,000. Osei, Baah-Nuakoh, Tutu and Sowa, (1993) classified small-scale enterprises to include: (i) micro – firms with less than 6 employees; (ii) very small - employing 6-9 employees and (iii) small - between 10 and 29 employees.

Among the definitions by institutions, countries and scholars, one common criterion of SME is the size of employee. Gibbson and Van Der Vaart (2008) however disagreed when studies use employee size as a criterion to define SME. They explained that, a careful look at country’s definition of SMEs reveals a relationship between country’s population and employee threshold. Table 1 therefore shows various countries, SME employee size and population.

**Table 1.2: Definition of SME by Countries**

<b>Institution</b>	<b>Max. Employees</b>	<b>Population</b>
Vietnam	300	92 million
Norway	100	5 million
United State of America	320	99 million
Ghana	99	26 million

Source: Mensah, 2017

From table 1.3, it appears that there is a relationship between country's population and definition of SME. It will be problematic for a study in Ghana to adopt SME definition from another country. This is because such definition will not reflect the true characteristics of a Ghanaian SME. This study therefore adopt SME definition by Quaye and Acheampong (2013) who defined SME as a firm with a minimum of five employees and starting capital not more than \$5000.

## **2.6 Importance Small and Medium Sized Enterprises**

Globally, SMEs cover a wide spectrum of economic sectors and also play significant roles in domestic economies (Olawale & Garwe, 2010). In both developed and developing economies, SMEs are generally considered relevant engines of economic growth (Peci, Kutllovci, Tmava & Shala, 2012). This study discusses the importance of SMEs from four perspectives which includes SME as a source for: employment, revenue generation, economic balance and consumer and industrial products.

Firstly, SME serve as sources of employment for citizens. Tokognon, Ackah and Yunfei (2015) noted that, SMEs are important job creators and a key factor to employment in any country around the world (Stoke, Wilson & Wilson, 2010). In developed countries such as the European Union (EU), Ecorys, EU SME (2012) reported that SMEs contribute about 68 percent of employment in EU. In developing countries, SMEs serve as engine for business innovations and the creation of businesses (Ayyagari, Demirgüç-Kunt & Maksimovic, 2011). In

Ghana, Abor and Quartey (2010) confirmed that SMEs create over 70 percent to GDP and over 80 percent to employment, and there is a huge potential for SMEs to generate more employments to alleviate poverty especially in developing countries (Dlodlo & Dhurup, 2010; Mensah, 2004; Hinson & Mahmoud, 2011).

Secondly, SME serve as a revenue generation vehicle for governments (Tokognon et al., 2015). According to Hayford (2012), SMEs generate revenue for government in a form of outputs for foreign exchange, income taxes and co-operate tax. For instance, SMEs create employments that pay disposable income to employees who then spend that income on goods and services. Employees who spend their incomes on goods and services pay taxes to the government in a form taxes such as Value Addition Tax (VAT). Again, SMEs who survive and grow expand into large multinational and transnational enterprizes. Large firms contribute to government revenue in a form of output tax, co-operate taxes, import taxes, employee income tax among others. The contribution of SMEs in Ghana means that they serve as the “chief” cornerstone for socio-economic development.

Furthermore, SMEs create a balance in all economic sectors of an economy. In Ghana for instance, SMEs are found in all economic sectors including: Service, Industry and Agriculture (International Standard Industrial Classification, ISIC, Revision 4). The existence of SMEs in all sectors of the economy means that there are contributions from all the national sectors. The effect is that there will not be shortage of output in agriculture, service and industry sector. SMEs are

found in all sectors of economy partly because of the flexible and labour intensive nature of the SME as a firm. The flexible and labour intensive nature of SMEs also makes it possible for owners and managers to succeed even in rural communities where large firms are reluctant to go. The flexible nature of SMEs also means that many people can establish such firms hence reducing rural-urban migration which is crippling many economies including Ghana.

Again, SMEs serve as source of consumer and industrial products. According to Frimpong (2013), SME who are innovative creates new and variety of basic products for consumption and further development of Ghana. Abor and Quartey (2010 as cited in Cant & Wiid, 2016) noted that SMEs serve as the seeds of large sized enterprises providing input for further production. In general, SMEs produce variety of domestic goods for consumption as well as industrial goods for further production. This can be described as a “multiplier effect” where the effect of one firm has an effect on more than the firm in question. The study argues that, finished and semi-finished products of SMEs serve as material inputs for other firms such as large and even micro enterprises. For instance, wood processing SMEs will process timber into semi-finished product for other SMEs, micro and large firms to be used for furniture. Interestingly, SMEs managers are unaware of the reproducing effects of their activities which affect their pricing, distribution and promotion strategies. Whatever the case, the multiplier effects of SME activities have contributed to increase employment, national outputs, government revenue and enhanced economic growth and development.

## **2.7 Characteristics of Small and Medium Sized Enterprises**

Many criteria have been used to describe SMEs. These SME criteria include: firm's size, industry and sector, culture, capital base (Kushnir, 2010) and employees size (Kayanula & Quartey, 2000). Integration of these literary characteristics of SME reveals four main characteristics of SMEs which include: sector of operation, size of enterprise, nature of innovation and nature of marketing. The study discusses the four characteristics of SMEs

### **2.7.1 Sector of Operation**

Generally, the economy of Ghana is classified into three main sectors: Service, Agriculture and Industry sector (ISIC, Revision 4). Available statistics show that, out of 638,234 establishments in Ghana, about 126,662 (19.8%) operate as SMEs while majority operate as micro enterprise (GSS, IBES 2016). Other studies have found that about 90 percent of companies registered are SMEs (Mensah, 2004; Asamoah, 2014). Aseidu (2016) found similar view to GSS findings that SMEs in Ghana operate predominantly in the service sector followed by the industry sector which includes the manufacturing industry. Studies have found that manufacturing SMEs spans across activities such as soap and detergents making, food and beverage processing, timber and wood processing, textile and leather processing, clothing and tailoring, ceramics, and agro processing (Kayanula & Quartey, 2000; Osei et al., 1993). In Central region of Ghana, GSS (2010) reported that manufacturing SMEs operate in industries such as farming - skilled agriculture, forestry, fishery, craft, glass, water, beverages, metal and wood work.

### **2.7.2 Size of Enterprise**

According to Esuh and Adebayo (2012), size of a firm has two meaning which includes size of firm's investment and market share. On firm's investment, Quaye & Acheampong (2013) found that SMEs initial investment amount to of \$5,000. On market share, it is not out of place to conclude that, SMEs in Ghana do not normally use their market share because it is sometimes difficult for SME managers and employee to actually determine the size of the market they control partly due to lack of adequate knowledge and expertise.

Thirdly, on employee size, Quaye and Acheampong (2013) classified SMEs as firms with more than five employees. The small size of SMEs partially explains why SMEs in Ghana are mostly owned and managed by the family with few employees. The small size of SMEs makes them more flexible, adaptable, closer to customers, able to develop and implement new ideas in their business (Madrid- Guijarro, Garcia & Van Auken, 2009), susceptible to change and less bureaucratic (Nečadová & Scholleová, 2011).

### **2.7.3 Nature of Innovation**

Innovation does not come from large firms alone but from dynamic SMEs (Schilirò, 2015). Across the globe, studies such as Awan and Hashmi (2014) and O'Dwyer et al. (2009) have found that marketing practices of SMEs are innovative. According to OECD (2000), about 30 to 60 percent of SMEs are described as innovative enterprises particularly in the OECD area. Further study

by Yeh-Yun Lin and Yi-Ching Chen (2007) revealed that about 80 percent of 877 SMEs surveyed in Taiwan are engaged in some marketing innovation such as new sales approach, new market and new brand. Ayyagari et al. (2011) confirmed such view in the Ghanaian context that many innovations come from SMEs.

However, Quaye and Acheampong (2013) found contrary view that Ghanaian SMEs owner-managers are not innovative enough. Lack of SME innovation may be explained by lack of entrepreneurship, resource and environmental constraints that has existed over the years. From the literary arguments, it appears flexibility and unconventional nature of SME is likely to influence their likelihood to innovation. In essence, SMEs achieve high performance when their strategic objectives and goals are based their level of innovation (Rosenbusch et al., 2011).

#### **2.7.4 Nature of Marketing**

SME marketing is defined as a type of marketing controlled by the owner-manager and is seen as a part-time activity (Resnick et al., 2016). “Marketing is not as well developed or influential in SMEs as it is in large firms” (Walsh & Lipinski, 2009 p.581). The views of Walsh and Lipinski (2009) further confirms the findings of Awan and Hashmi (2014) who found that SMEs do not follow traditional theoretical marketing strategies but adopt their own unique marketing practices. SMEs normally perceive marketing as an activity of charting customer base, informing, attracting potential customers, targeting and reaching the right customers at the right place and time (Subrahmanya, 2015; Reijonen, 2010).

Due to the predominantly local focus of SMEs, most SME managers continually use traditional marketing tools (Sledzik, 2014) often described as haphazard, unconventional, informal, reactive and conforming to norms (Carson, Gilmore, Perry & Gronhaug, 2001). The unique nature of SME marketing often makes marketing planning, strategy and effort unique and different from large firms (Carson et al., 2001; Reijonen, 2010) who have strong financial strengths and technical skills (Hulbert, Gilmore & Carson, 2013). Scholars have even questioned whether SMEs practice marketing due to their lack of resources to compete with large firms (Carson et al., 1988; Cummins et al., 2000). In essence, the unique SME marketing style results in higher customer specification, in-depth customer knowledge and close customer contact (Resnick et al., 2016) which is described as innovative.

So far, this study has discussed marketing innovation, strands of marketing innovation, Sustainable competitive advantage, definitions of SMEs, characteristics of SMEs and importance of SMEs. With this background, the study therefore discusses two theories relevant to this study and they form the fundamental theories underpinning this study.

## **2.8 Theoretical Framework**

The theoretical foundation of this study is based on the influential theory of Resource Based Theory (RBT) and its extended Dynamic Capability Theory (DCT). The RBT and DCT have been predominantly used to deepen understanding regarding

how resources are identified, selected, deployed and coordinated to develop innovative marketing methods. Applying the RBT and DCT to this study, works of Penrose (1959), Wernerfelt (1984), Barney (1986) and Teece, Pisano and Schuen, (1990; 1997) are found to be relevant.

The basic premise of RBT is that, firms compete on the basis of their mix of resources and capabilities (Peteraf & Bergen, 2003). In essence, different lists of firm's elements that may be considered as resources exist (Doherty & Terry, 2013). From marketing perspective, resources such as Finance, technical skills, information and organisational process and operation are described as key strategic resources to identify, deploy and coordinate marketing innovations. Firm's resources may also include all assets, organisational processes, attributes, information and knowledge to conceive and implement strategies to develop, manufacture, and deliver products to customers (Barney, 1991; Wernerfelt, 1984).

There are two fundamental assumptions underlying the RBT (Barney, 1991; Peteraf & Barney, 2003). First, the RBT assumes that firms within an industry control a bundle of resources heterogeneously distributed across the industry firms. Second, the RBT assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile or imperfectly mobile across all firms. The assumptions of the RBT will deepen our understanding concerning how SME are able to develop innovative marketing methods.

Explaining the assumptions of RBT, Peteraf (1993) noted that imperfect mobility of firm's resources means that resources are more valuable when they are utilized in their current environment. The heterogeneous nature of resources also means that every single firm is unique in an industry, which is a necessary condition for the resource bundle to contribute to performance. In order for the assumptions of RBT to be valid and create market advantage, resources must be: valuable (exploit opportunities and/or neutralize threats in a firm's environment), rare among a firm's current and potential competitors, inimitable and non-substitutable "VRIN" (Barney, 1991).

Apart from the RBT, this study also adopts the dynamic capability theory (DCT) because the RBT does not explain how resources are deployed to achieve competitive advantage (DeSarbo, Anthony Di Benedetto & Sinha, 2005) that is sustainable over time. In view of this, Teece et al. (1997) proposed the DCT which emphasize that studies using RBT have shifted paradigm to focus on other intangible assets such as information. The combined effect of RBT and DCT is that, while RBT focuses on both internal tangible and intangible assets (Barney, 1991) DCT focuses on the processes to exploit the firm's resources (Vassolo & Anand, 2008). These processes represent the capabilities that managers possess to integrate, develop, reconfigure their competences to match and address rapidly changing environments (Genç et al., 2013; Jiao, Wei & Cui, 2010; Teece et al., 1997). Although many studies have used "capability" and "competence"

interchangeably (Teece et al., 2007; Miller, Eisenstat & Foote, 2002) but in essence integration of resources and capabilities create competence relevant to sustain firm's market advantage (Genç et al., 2013).

The relevance of RBT and DCT to this study is that, firms possess unique marketing resources and capabilities relevant to anticipate and respond to changing customer needs with innovative market offering. Therefore the marketing capability to anticipate and respond to ever changing customer needs with an innovative offering is fundamental to a sustainable market advantage. For instance, firms with sufficient market knowledge (quality information and activities), expertise, appropriate technology and adequate finances are more likely to anticipate and implement creative product designs. Again, marketing communication and launch effort (sales force, advertising, promotion and distribution) are relevant to achieve marketing success. In order to have a competence to sustain market advantage, it is important that managers not only protect their resources but they must constantly develop capabilities and resources in response to changes in the marketing environment (Teece et al., 1997).

Despite the wide acceptance of RBT and DCT some criticisms have been made against the theories. Literature on RBT explains that studies examining marketing innovation and firm performance choose individual resource and capabilities as the relevant unit of analysis but Foss (1998) pointed out that this choice is not valid and legitimate unless the relevant resources are sufficiently well-defined.

Porter (1985) and Priem and Butler (2001) also objected the RBT based on the complexity of the RBT in analyzing firm's competitive advantage. They argued that, Barney's (1991) statement that if resources that valuable and rare are strong potential for competitive advantage is not valid unless it is necessary to define 'valuable' and 'competitive advantage' in the same terms.

## **2.9 Conceptual Framework**

Drawing on the theoretical and empirical perspectives of marketing innovation, the study present a conceptual framework on Marketing resources and Capabilities, Marketing innovation and Sustainable competitive advantage described in this study as "Resource Capability Based View".

The conceptual framework below explains that SMEs possess unique marketing resources such as: finances, materials, employees (Saunila & Ukko, 2014) technical skills, competencies, knowledge, education, patents, properties, proprietary technologies, relationships (Remeikiene & Startienė, 2015) relevant to support marketing innovation effort (Abdelrahman, 2012). Apart from the resources, a firm also possesses marketing capabilities to develop new market value in responds to market changes by combining and transforming available resources in new and different ways (Teece et al., 1997). Firms' capabilities therefore include: daily processes, routines and operations (Miller et al., 2002).

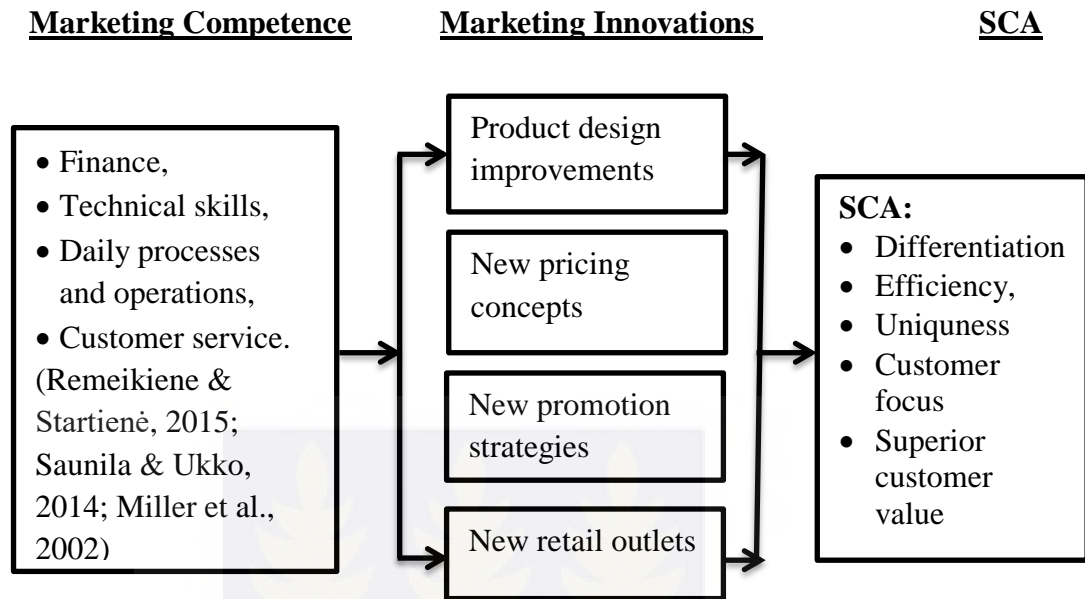
Finding from Walobwa et al. (2013) on SMEs in Kenya revealed that in Sub-Saharan Africa the ability of SMEs to innovate depend largely on capabilities, information and skills availability. In this study, the researcher follows the recommendation that efficient integration of marketing resources and capabilities create blocks of core marketing competence to develop innovative marketing strategies (Barney, 1991; Genc et al., 2013; Jiao et al., 2010; Miller et al., 2002).

This study adopts four key strategic resources including: finance, technical skills and information and technology and three capabilities including: organisational processes and routines, operations and customer service as key strategic marketing resources and capabilities relevant to develop Marketing innovation. In this study the researcher conceptualizes that marketing resources and capabilities create a special marketing competence relevant to develop marketing innovation which further leads to sustainable competitive advantage.

The figure 1.2 shows the conceptual framework for marketing competence, marketing innovation and Sustainable competitive advantage depicted as “Resource Capability Based View”.

Figure 1.2: Conceptual framework of Marketing innovation, Sustainable competitive advantage and the role of marketing competence.

**Figure 1.2: Resources Capability Based View (RCBV)**



Source: Mensah (2017)

Based on the theoretical and empirical review a study framework is formulated. First, the researcher conceptualizes that SME marketing innovation leads to sustainable competitive advantage (MI-SCA). Second, the researcher conceptualizes that when a firm uses marketing capabilities to select and deploy unique marketing resources, it is able to develop MI that creates SCA. In relation to the study objectives, the researcher intends to investigate the direct relationship between marketing innovation and SCA without key marketing resources. Second the researcher intends to investigate the relationship between marketing innovation and SCA when the firm uses marketing capabilities to select and deploy key resources. In the case of this study, marketing resources and capabilities (marketing competence) was used as a second order construct not a dimension of marketing innovation.

### **2.9.1 Relationship between Dependent Variable and Independent Variables**

The objective of this study is to investigate, if any, the effects of marketing innovation on SCA. Generally, scales for measuring marketing innovation are very limited (Camisón & Villar-López, 2011). This study measure the direct and cumulative effect of four independent variables: Product design improvement (NPDI), New pricing strategies (NPS), New retail outlets (NRO) and New promotion concepts (NPO) on SCA classified as the dependent variable. SCA is measured using differentiation, efficiency, uniqueness, customer focus and superior customer value.

Basically, this study will measure the effect of four independent variables on SCA. Again, the study would test the effect of marketing competence on the relationship between marketing innovation and SCA resulting in eleven (11) hypotheses. The idea behind these hypotheses is first, to determine the effect of marketing innovation on SCA without key competence and second, the effect of marketing innovation on SCA with key marketing resources and capabilities.

**H1a-e:** There is a significant effect of marketing innovation: product design improvement, new pricing strategies, new promotion strategies and new retail concepts) on SCA.

**H2a:** There is a significant effect of marketing competence on Marketing innovation.

**H2b:** Marketing competence significantly improves the effect of marketing innovation on SCA.

**H2c-f:** Marketing competence significantly improves the effect of product design improvement, new pricing strategies, new promotion concepts, new retail concepts on SCA.



## CHAPTER THREE

### CONTEXT OF THE STUDY

#### 3.0 Introduction

This chapter discusses Central Region as a study area and why the region was chosen as a study area. The chapter further discusses manufacturing subsector from global and Ghanaian perspectives. The chapter also discusses and contemporary marketing issues in the manufacturing subsector.

#### 3.1 Background to the Study Area

The Central Region of Ghana was the former administrative center of the then Gold Coast under the colonial era. The region shares common boundaries with Western region on the west, Ashanti and Eastern regions on the north, the Greater Accra Region on the East and on the south by the Gulf of Guinea. Central region also has twenty one (21) Metropolitan, Municipal, and District Assemblies (MMDAs). With a population of 2,201,863 and an annual growth rate of 8.9 percent, the region occupies a total land area of 9,826 sq. km, which makes it the eighth largest and the fastest growing Region in Ghana (GSS, 2010)

Central Region is beamed with infrastructure and socio-political activities which makes the Region one of the relevant regions in national policy debate. Regards to education, about 78.2 percent of the population are literate with males dominating the literacy rates (GSS, 2010). Again, Central region has three universities including University of Cape Coast, University of Education and Cape Coast

Technical University, Teacher training colleges, nursing training colleges and other best Senior High Schools in Ghana such as: Afantsipim SHS, Wesley Gils SHS, St. Augustines College, Holy Child, Aggrey Memorial and Ghana National College all concentrated in Cape Coast. This partly explains why there is relatively high level of illiteracy in other districts in Central region and is likely to affect demographic responds of this study.

On socio-economic status, Central region has many health facilities including Central regional teaching hospital, District hospitals and community health facilities. The Region also has a high rate of electricity penetration, pipe borne water supply, telecommunication service including a number of phone service and television stations. On ICT, only about one-third of persons 12 years or older own mobile phones, 5.3 percent owning laptop and 1.1 percent connected to the internet (GSS, 2010). This shows a low level of computer and internet usage in business activities and information dissemination of the people in Central region.

In all the 10 regions of Ghana, Central region depicts a typical youthful population with 39.5 percent of the regional population under 15 years compared to a national average of 34.4 percent. About 71 percent of the people in Central region are economically active, with 4.1 percent being self-employed with employees. About 82 percent of employed entire population in the private informal sector predominantly operates in skilled agriculture, forestry, and fishery, craft, glass, water and metal works. (Source: GSS, 2010)

Again, few statistics are relevant at this stage to explain the characteristics of business establishments in Central region and further argue the reason for the choice of the study context. First, IBES, GSS (2014) reported that, out of 638,234 establishments in Ghana, 57.1 percent are located in only three regions: Greater Accra, Ashanti and Western regions while 8.1 percent are located in Central region. Again, out the total establishments in Central region, 84 percent operate in service sector, 15.6 percent in the industry and 0.4 percent in the agriculture sector. About 94.98 percent of the industry firms operate in the manufacturing subsector with 12.4 percent located in Cape Coast (Source: GSS IBES, 2016). These statistics means that majority of manufacturing SMEs in Central Region operate in the regional capital of Cape Coast.

Central Region was chosen because of fundamental challenges bedeviling SMEs in the Region. Despite good infrastructure base in education, health and transport the region is highly disadvantaged (GSS, 2010). The region is strategically located close to three main economic centers of Ghana: Greater Accra on the East, Ashanti Region on the north and Western Region on the West. Given the strategic location of Central region to the three main economic centers of Ghana, it is however worrying that these three regions are recording increase in business establishments instead Central region benefiting from her location advantages. The table 2 below therefore shows the disparities in the number of establishments of Central region compared with three main economic centers of Ghana.

**Table 2.3: Regional Representation of Establishments in Ghana**

<b>Region/ Date</b>	<b>Central</b>	<b>Western</b>	<b>Greater Accra</b>	<b>Ashanti</b>
Before 1975	2,849	7,272	5,003	2,872
1975-1984	1,582	5,643	3,142	2,075
1985-1994	3,456	10,435	7,485	4,526
1995-2004	9,153	30,595	22,978	11,619
2004-2014	35,748	120,983	84,492	42,983

Source: Adopted from GSS IBES Regional Spatial Business Report (2016)

Table 2.3 above shows that compared with Greater Accra region, Ashanti region and Western Region, Central region remains least preferred for businesses. A cursory observation in Central region reveals that businesses in Central region struggle because of poor business practices such as poor interpersonal relationship, poor product quality and lack of skilled labour. It is therefore imperative to investigate, if any, these marketing practices of SMEs in the region and to determine and the effects on sustainable competitive market performance. The next session of this study therefore discusses the manufacturing industry from the global and domestic perspective.

### **3.2 The Manufacturing industry**

Manufacturing SMES are considered as economic engines that drive social and economic growth and development of every nation. Manufacturing firms may be classified as an economic sector or sub-sector depending where and who is

classifying it. In Ghana, GSS, IBES report (2016) reported that the ISIC (revision 4) is sufficient and applicable in Ghanaian context. The IBES (2016) report classified all economic activities in Ghana into three sectors which include: Industry, Service and Agriculture. Of interest to this study is the industry sector which is made up of five subsectors: Manufacturing, Mining, Quarrying, Construction, Electricity, gas, water supply and sewage. This study is limited to manufacturing establishments who operate as SMEs.

Historically, SMEs operating within the manufacturing industry existed since early 1900's (Baah-Nuakoh, 1997). In Ghana the manufacturing industry got its boost in 1957 during the industrialisation drive where enterprises such as aluminum processing, oil refining, timber processing, breweries and textile emerged. During the industrialisation drive manufacturing businesses in Ghana mostly operated as SMEs because they were producing in units, mostly non-industrialized goods for the domestic market (Baah-Nuakoh, 1997). In 1986 the government rejuvenated the manufacturing sector expanding into areas such as food and beverage, pharmaceutical products, timber, textiles and aluminum. In the early 2000, many sub-sectors such as soap and detergents, drugs, assorted foods, sachet/bottled drinks, fabrics, tailoring, textile and leather, aluminum and metal works, ceramics, wood works began emerging (Quainoo, 2011).

In the past decades the manufacturing sector has recorded fluctuating growth rates recording the worst performance from 4.2 percent in 2006 to -2.3 percent in 2007

(Institute of Statistical, Social and Economic Research, ISSER, 2007). ISSER attributed the contraction in the manufacturing subsector to the energy crises, increase in fuel prices, influx of cheap imported goods, high cost of credit and lack of market access (ISSER, 2007). In 2008 the manufacturing sub-sector grew by 4.5 percent in 2008 from -2.3 in 2007 (ISSER, 2008). Despite the growth rate and the share of GDP in 2008, the manufacturing sector began to fall from 5.2 percent in 2009 to 0.6 percent in 2013 and 6.4 percent in 2012 to 5.8 percent in 2013 respectively (ISSER, 2014). ISSER attributed the decline in growth to fierce competition, poor energy condition, high utility price, high taxes and cost of materials and inputs. Despite the fluctuation, SMEs contribute about 85 percent of manufacturing employment in Ghana (Abor & Quartey, 2010).

### **3.3 Current Trends in the Manufacturing Sector**

In the 21<sup>st</sup> century manufacturing firms can only perform better than their rivals when they can create a strong superior market performance (Hilmola, Lorentz, Hilletoft & Malmsten, 2015). Sources of superior market performance for manufacturing SMEs are diverse but different business models exist to explain how manufacturing practices may influence market performance. Three models that discuss contemporary manufacturing practices includes: value-oriented model, cost-oriented model and customer-oriented model. Manufacturing enterprises may adopt one or multiple of these business models to improve their manufacturing practices and business performance.

Firstly, according to Hilmola et al. (2015) manufacturing firms are adopting a value-oriented model where most of business decisions are focused on the management of the value creation processes. In this regard, managers concentrate on enhancing product value and customer value through daily routines and product development processes. The value-oriented model allows manufacturers to increase revenues by developing and selling desirable products (Jüttner, Christopher & Baker, 2007). Selling improved and desirable product means that manufacturing firms must be innovative regarding product designs and packaging. Improved product value through improved product design and packaging offer customers a superior value and satisfaction at the right condition and time.

Secondly, manufacturing firms also adopt a cost-oriented model by focusing on the management of the value delivery processes (Hilmola et al., 2015) which enable firm to reduce lead-times and costs in the manufacturing and supply chain (Jüttner et al., 2007). With cost-oriented approach managers adopt marketing measures that are efficient without compromising on quality. In this regard, manufacturers may concentrate on innovative marketing practices aimed at reducing cost hence increasing revenue.

Lastly, manufacturing firms also adopt a mix of customer-oriented model by focusing on value creation and the value delivery processes (Hilmola et al., 2015). When manufacturing firms are able to integrate value and cost strategies there is the potential for them to enhance revenue and reduce cost by delivering products

in a cost-efficient way (Hilletofth, 2011). This strategy may be a preferred strategy to support differentiation strategy as well as efficiency strategy.

The convergence of the three models suggests that superior market performance involves the ability of a firm to innovative and differentiate its marketing methods such as product designs, promotions, pricing and distribution (Hilletofth & Lättilä, 2012). Innovative marketing in the 21<sup>st</sup> century has become crucial organisational function for manufacturing SMEs, especially firms that want to become successful even in declining markets (Schilirò, 2015). In their quest to develop MI SME managers faces some fundamental challenges.

### **3.4 Challenges in Manufacturing SMEs in Ghana**

Despite the significant contributions of SMEs they still face multiplicity of challenges. Literature attribute's SME challenges to: lack equipment and appropriate technology, inadequate finance, poor regulatory policies (Abor & Quartey, 2010; Quaye, 2014) and managerial talent (Boateng & Ganu, 2012). SMEs who identify barriers foster innovative culture to encourage innovation (Talegeta, 2014).

First, one fundamental challenge confronting manufacturing SMEs is lack of appropriate and improved equipment and technology. Quaye (2014) confirmed that there is lack of technology adoption among SME in Ghana. Explaining this phenomenon, Hayford (2012) revealed that SME managers and owners are mostly

unaware of the new and innovative technologies and this partly explains the high rate of SME mortality in the short to medium term.

Hayford added that SME owners and managers who are aware of the existence of improved equipment and technology often face challenges with affordability and accessibility. New and improved technology and equipment for manufacturing SMEs are expensive because they are mostly imported with high import taxes and stiff boarder regulations. Even equipment that gets to the market is only reserved for SMEs who have the funds to purchase. In effect, SME managers who are not able to purchase or access improved equipment and technology rely on old equipment and technology which beset the potential for marketing innovation.

Another challenge confronting manufacturing SME is lack of access to finance and credit (Abor & Quartey, 2010). One fundamental solution to affordability and accessibility is the unavailability of funds and/or credit facilities. Fraser et al. (2015) revealed that lack of access to funds and credit hinders managers from attempting any new technology. For instance, Aryeetey et al. (1994) reported that 38 percent of SMEs in Ghana mention finance as a major constraint to their business. The difficulty in accessing credit and finance could perhaps be attributed to the perception of high risk, management weakness, information barriers and high costs of intermediation (Hayford, 2012). The difficulty in accessing credit has therefore compelled managers to rely on simple and old equipments for their marketing operations (Aryeetey et al., 1994). Therefore

Asiedu (2016) recommended that government must develop a more focused financial policy to help SME access improved equipment and technology.

Furthermore, another challenge confronting manufacturing SMEs is lack of quality human resource. Enterprises including SMEs require both skilled and unskilled labour force in the right quality and quantity to undertake their activities such as production and marketing. Aryeetey et al. (1994) noted that 7 percent of firms have problems finding skilled labour. For instance, Alberto, Gianluigi and Peluso (2010) noted that SMEs usually lack marketing specialists, and even owners who are sole decision-makers also lack formal education (Hinson & Mahmoud, 2011). The problem of resource scarcity can partly be explained by the small size of SMEs who are unable to engage employees with diverse expertise. Kayanula and Quartey (2000) found evidence that small businesses in Ghana are dominated by one person mostly family members and this limit the intellectual capacity and resource base, but Asiedu (2016) found a contrary view that SMEs in Ghana involves outsiders and non-family members.

In either paths of argument, the effect of scarcity of right quality and quantity of human resources adversely affects innovative marketing decisions (Love & Roper, 2015), hinders opportunity exploit (Kayanula & Quartey, 2000), raise costs, and reduce flexibility in managing business operations (Hayford, 2012). Sometimes SMEs sometimes may resort to technical experts and advice which Hinsons' (2011) findings disagree that SMEs do not seek technical experts

advice due to the cost prohibitive and non-value adding nature of these expert advice.

Another challenge confronting SMEs is the unsatisfactory Government policies, legislations and institutional support. Globally, governments have created institutions to develop strategies to help SMEs (Castells, 2010; Huang & Tsai, 2011). In Ghana, institutions such as: NBSSI, Ghana Association of Industries (AGI), and Micro and Small Loans Company (MASLOC) have being established and mandated to offer technical, advisory and financial services to local entrepreneurship (MASLOC, 2008) as a strategy to promote the development of small enterprizes in Ghana (Adom, 2016).

Despite the numerous institutions providing training and advisory services, there is still a skills gap in the SME sector in Ghana (Kayanula & Quartey, 2000). A look at literature reveals that services offered by these institutions are insufficient and often expensive for SMEs who are already constrained financially. Hinson (2011) reported that entrepreneurs and managers do not experience any value addition in their businesses from technical, management or financial services. The expensive nature of institutional support services may explain why SMEs have abandoned innovative business and marketing ideas thus effecting their survival and performance. This necessitated the need to investigate and make recommendation regarding how SME can achieve the high market performance despite the resources constraints.

## CHAPTER FOUR

### RESEARCH METHODS

#### 4.0 Introduction

This chapter details the methodology for this study. The research method is described in terms of research paradigm, design and approach, study area, study population, sample and sampling techniques, data collection procedures and instruments, method of data analysis, interpretation and presentation of findings, research reliability, validity, instrument variables and ethical considerations. The chapter also discusses why these research methods were used.

#### 4.1 Research Paradigm

A research paradigm represents a composite of certain beliefs, techniques, values and norms that are commonly shared by a particular scientific community and act as a guide to what and how research problems are addressed and the explanations that is acceptable within that particular scientific community (Kuhn, 2012). Common among these research paradigms includes positivism, interpretivist, realism, relativism and critical realism (Chan, 2015) which have their own arrangement of epistemology, ontological and methodological proposition to clarify and separate them from each other. The research adopts a positivist methodological paradigm to test hypotheses. This research paradigm was adopted because it involves formulating research questions, hypotheses and testing them empirically under carefully controlled circumstances (Boateng, 2014). This research paradigm is mostly based on deductive reasoning (Boateng, 2014).

#### **4.2 Research Design**

Research design is a plan and a guideline which shows the strategy of an inquiry appropriate for a research (Kothari, 2004). This study adopts a survey research design to investigate the effect of Marketing innovation on sustainable competitive advantage of manufacturing SMEs. Survey design is used for this study because it focuses on identifying the characteristics of a phenomenon and explores the underlying relationships and correlation between two or more variables (Leedy & Ormrod, 2001) and that the result can be said as reflecting the entire population. The survey design is also suitable to ascertain relationships and strength of the relationships of variables using questionnaire instrument. Similar studies on marketing and innovation (Mbizi et al., 2013; Talegata, 2014; Walobwa et al., 2013) used the survey design.

#### **4.3 Research Approach**

It is very important for a study to select an appropriate study method to obtain more valid statistical result. Research method for any study can be quantitative, qualitative or mixed method. This study uses quantitative methods which entails systematic empirical studies and involve mathematical and statistical works. The rationale for a quantitative approach is influenced by the choice of survey design and the theoretical perspective of the study, flexibility, cost effectiveness and validity of findings.

#### **4.4 Study Population**

Population is the target group that the researcher is interested in gaining information and drawing conclusions (Leedy & Ormrod, 2001). Population for this study consists of selected manufacturing SMEs in Central Region of Ghana. Central region has total of 1,566 (19.99%) firms who operate as manufacturing SMEs (GSS IBES, 2016). The study population includes all 1,566 manufacturing SMEs who operate in four key industries: Food, water and beverage, Metal, glass and aluminum works, Pharmaceutical, drug and detergent products and Clothing, textile and garment works, and Wood and ceramics work. Central region was used for this study because of the fundamental marketing challenges such as poor product quality and customer service which has resulted in low numbers of firms in the region.

#### **4.5 Sample and Sampling Procedure**

Burns and Bush (2014) noted that a sample size has an effect on the accurate representation of the population. In view of this, out of 1,599 manufacturing SME located in Central Region a sample of 350 manufacturing SMEs are selected for this study. The sample size was drawn from the study population based on the recommendation by Hair, Anderson, Babin and Black (2010) who posits that a sample size of more than one hundred (100) is preferable for a survey study. SME owner-managers and non-managerial employees were chosen as suitable respondents for the questionnaire because they mostly take major business decisions such as marketing, production and finance.

In selecting a sample, the study uses a multistage probability sampling techniques: stratified and random sampling techniques to select a sample representative from the population. Central region has twenty one (21) MMDAs (GSS IBES 2016). The stratified technique divides the twenty one (21) MMDAs in the region into four strata based on the number of manufacturing SMEs located in each MMDA. Within each stratum, a simple random technique was used to select SMEs. These techniques were chosen because it provides an opportunity for each of the SMEs to be selected, guaranteeing desired representation of each stratum (Kothari, 2004).

#### **4.6 Sources of Data**

The study sourced data from mainly from a primary source. The primary source of data was extracted from responses from the population using semi-structured questionnaire

#### **4.7 Data Collection Instruments**

In this study, a semi-structured questionnaire was used to collect primary data from the respondents. Semi-structured questionnaire was considered appropriate because in a survey research a large sample/data is required to yield the desired level of data precision, accuracy and reliability (Saunders, Lewis & Thornhill, 2003). Again, the semi-structured questionnaire allowed respondents to provide further relevant information which is not explicitly required and it is also relatively less expensive.

#### **4.8 Data Analysis and Presentation**

After data collection, the raw data was analyzed through a systematic process of selecting, categorizing, comparing, synthesizing and interpreting data to provide explanation and make meaning. Completed semi-questionnaires were edited, coded and entered into SPSS version 20. Preliminary data analysis was done to clean and eliminate unengaged responses. After, structural equation modeling (SEM) is used to analyze and interprets the research findings.

#### **4.9 Validity and Reliability of Research Instrument**

Every research studies must be valid and reliable especially when designing a study model, analyzing results and judging the quality of the study. To ensure reliability of the study, two main criteria ware adopted which includes: Cronbach alpha and composite reliability mostly used in structural equation modeling (Hair, Hult, Ringle, & Sarstedt, 2014; Hair, Sarstedt, Matthews, & Ringle, 2015).

To ensure validity in this study, construct validity measures such as: convergent validity and discriminant validity were employed. Discriminant validity identifies the extent to which the study constructs differ from other constructs (Rezaei, 2015; Rezaei & Ghodsi, 2014); while the convergent validity ensures that the study constructs are truly reflected of their indicators (Rezaei & Ghodsi, 2014; Rezaei, 2015). Discriminant validity used construct correlations and cross-loading criterion while convergent validity employed Average Variance Extracted (AVE) and factor loadings (Kim, Hwang, Zo & Lee, 2014; Rezaei, 2015)

#### **4.10 Ethical Consideration and Confidentiality**

Ample time was given to respondents who participated in this survey to respond to the questions. This was to avoid errors and inaccuracies and misrepresentation of the study findings. Again, the researcher assured all respondents of the confidentiality of their responses as the information will be solely used for academic purposes. The purpose of this exercise is to make the respondents feel more comfortable and confident to provide all the valuable information required as objectively as possible.

#### **4.11 Questionnaire and Measurements Variables**

In data collection, the study orally asked respondents whether they have changed, modified or altered their marketing activities such as product design improvement (NPI), New pricing strategy (NPS), New retail concepts (NRC) and New promotion concepts (NPC). The questionnaire instrument measure effect of Marketing innovation: NPI, NPS, NRC and NPC on Sustainable competitive advantage of selected manufacturing SMEs measured as: superior customer value, relative lower cost, focused market offering and customer loyalty. The study also measured the role of marketing resources and capabilities (marketing competence) on the effect of marketing innovation and sustainable competitive advantage.

## CHAPTER FIVE

### DATA ANALYSIS AND DISCUSSION OF FINDINGS

#### 5.0 Data Analysis and Presentation

In the previous chapters of this study, the researcher reviewed literature relating to the research topic “marketing innovation and SCA. After careful review of literature and theoretical supports, study hypotheses and methodology were developed to test the relationship between our study variables. A semi-structured questionnaire (see Appendix A) was used to collect data from respondents who operate as manufacturing SMEs in Central region. This current chapter therefore report and discuss the findings from the analysis of the data. This chapter presents data reporting, discussions and analysis in five main phases including: Descriptive analysis, Exploratory Factor analysis (EFA), Confirmatory Factor Analysis (CFA), Structural Equation modeling (SEM-AMOS) and discussion of findings. In arriving at the findings, SPSS was used for the descriptive analysis, whereas AMOS was used for SEM to perform complex predictive models.

Before performing the actual analysis of the main data, preliminary data analysis was done. During the preliminary data analysis (PDA), datasets and variables were cleaned and cleansed to eliminate unengaged responses, outliers and replace missing data. During PDA, three hundred and thirty six (336) responses representing 98.53 percent were considered valid out of 341 responses received. At this stage, the study presents the findings of the result beginning with the descriptive of the data.

## 5.1 Descriptive Statistics of Field Data

In this study, descriptive statistics was run in two main forms: respondent's statistics and descriptive findings on the measurement model statements.

### 5.1.1 Demographic characteristics of respondents

The study sought to identify some characteristics of the respondents surveyed for the study. Table 3.5 presents the demographic characteristics of the respondents.

**Table 3.5: Demographic characteristics of Respondents**

	<b>Characteristics</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Gender</b>	Male	238	70.8
	Female	98	29.2
	<b>Total</b>	<b>336</b>	<b>100</b>
<b>Age (in years)</b>	18-24	26	7.70
	25-34	95	28.3
	35-44	166	49.4
	55-65	48	14.6
	65 – Above	0	0.00
	<b>Total</b>	<b>336</b>	<b>100</b>
<b>Level of Education</b>	No Education	88	26.2
	Non-formal	77	22.9
	Pri/JHS	108	32.1
	Secondary	54	16.1
	University	9	2.61
	<b>Total</b>	<b>336</b>	<b>100</b>
<b>Years of Operation</b>	Less than 5	28	8.33
	6 – 10	96	28.6
	11 – 15	153	45.5
	16 – above	59	17.6
	<b>Total</b>	<b>336</b>	<b>100</b>
<b>Job Position</b>	Owner-manager	96	28.9
	General manager	157	46.7
	Non-managerial	83	24.7

Total	<b>336</b>	<b>100</b>
Food, water and beverage	89	26.5
Pharmaceuticals, soap and detergent	87	25.9
Alluminium, metal, glass and ceramic works	103	30.7
Wood, fabrics, tailoring and leather works	57	16.9
<b>Total</b>	<b>336</b>	<b>100</b>

Source: Field Survey, Mensah (2017)

Table 3.5 shows the findings on the demographics characteristics of respondents who were involved in the survey.

Regarding gender of respondents, data was gathered to assess the gender groups of respondents that were engaged in manufacturing business. The field survey revealed that majority of 238 respondents representing 70.8 percent were males, whereas 98 representing 29.2 percent of the respondents were females.

Again, data on the age of respondents were gathered to assess the age groups of respondents that were engaged in manufacturing business. Four age categories were created. The survey result revealed that respondents who fall within age group of 35-44 years constitute the majority of 166 respondents representing 49.4, whereas age group of 18-24 years constitute minority representing 7.7 percent.

On education, this question sought to know the level of education of respondents. In terms of level of education, majority of respondents 108 representing a total of 32.1 percent have attained primary and Junior high schools level. The least representation of 9 respondents constituting 2.6 percent have attained a university degree. This implies that manufacturing SMEs are either owned and/or managed by individuals with primary and/or SHS certificate.

Regarding years of business operation, the survey revealed an even majority of 153 respondents, representing 45.5 percent had been in existence between 11 and 15 years. Twenty eight (28) respondents representing 8.33 percent indicated that they have been in operation for less than 5 years. This means that most of the businesses in Ghana have been in existence between 11 and 15 years

On current job position our study result shows that majority of 157 respondents representing 46.7 percent serve as general manager of the firms, whereas 83 constituting 24.7 percent are Non-managerial. The result means that majority of manufacturing SMEs in Central region are managed by general managers.

The study also sought to find out the nature of manufacturing business that respondents are engaged in. The field data revealed that majority of 103 respondents 30.7 percent are manufacturing firms who operate within the Alluminium, metal, glass and ceramics industry. The category of respondents who had the least of 57 respondents representing 16.9 percent are SMEs within the wood, fabrics, tailoring and leather works. This implies that the data obtained for this study analysis is not largely skewed to any form of manufacturing enterprizes and it is a good reflection of the entire segments of the manufacturing businesses in Central region. The next section therefore discusses the descriptive of six measurement constructs which includes: PDI, NPS, PRO, NRO, MKTP and Sustainable competitive advantage.

### 5.1.2 Descriptive statistics of measurement statements

The descriptive statistics reveals average scores of the measurement statements on marketing innovation and SCA (see Appendix B). The findings revealed that the majority of the indicators have modest to high mean value and standard deviation (SD). The highest mean score recorded was 5.62 (I have replaced existing product feature with new and unique features), while the lowest mean value recorded was 2.60 (I have introduced show rooms at different places to provide customer satisfaction). The high mean score means that SMEs largely replace existing product features with new and unique features. On the other hand, the least mean value shows that SMEs hardly create show-rooms to promote product.

The general model (see Appendix C) was also assessed to check how well our model fit the data. During the assessment of the general model fit, twenty five (25) indicators on six construct were considered fit. The model was considered fit because fit indices recorded excellent and acceptable values close to 1. These indices includes: Comparative Fit Index (CFI  $1.000 > 0.95$ ; Bentler, 1990), Normed fit index (NFI  $.915 < .95$ ; Bentler-Bonett, 1980), Relative Fit Index (RFI  $> .900$ ; Bollen, 1986), Incremental Fit Index (IFI  $1.004 > .95$ ; Bollen, 1989b), and Tucker-Lewis coefficient (TLI  $1.005 > .95$ ; Bentler & Bonett, 1980). Again, the study result found  $P_{close}: 1.000 > 0.05$  RMSEA  $.000 < .06$ ; SRMR  $0.041 < 0.08$ ; CMIN 249.332; DF 260, CMIN/DF  $.959$  indicating a good fit between our model and the data (Hu & Bentler 1999). After achieving a general model fit the indicators were further subjected to exploratory factor analysis (CFA).

## 5.2 Exploratory Factor Analysis

Exploratory factor analysis (EFA) involves assessment of the measurement model through rigorous tests to explore the data for Adequacy, Reliability and Validity. These tests are important because the general structural model may not give accurate and preferred meaning unless it is well established that the measurement model holds (Bagozzi & Yi, 2012). Again, assessment of the measurement model is one of the first important steps in any SEM process to ensure that statements (unobserved variables) are the true measure of the construct (Observed variables).

### 5.2.1 Test for Adequacy

In this study, adequacy tests were done based on four main criteria: Kaiser-Meyer-Olkin Measure of Sampling Adequacy, Bartlett's test of sphericity, Goodness-of-fit Test and Total variance explained (AVE). Table 4.5 therefore present the composite results of adequacy tests.

**Table 4.5: Test of Adequacy**

KMO Measure of Sampling Adequacy.		.860
Bartlett's Test of Sphericity	Approx. Chi-Square	2691.610
	Df	190
	Sig.	.000
<b>Goodness-of-fit Test:</b>	Chi-Square	90.812
	Df	100
	Sig.	.733
<b>Reproduced correlation</b>		1 (0.00)

Source: Field Survey, Mensah (2017)

From table 4.5, KMO Measure of Sampling Adequacy recorded of .860 >.70 which indicates that the factors are suitable for the study. Bartlett's Test of Sphericity recorded a chi-square of 2691.610 at a significant value of .000

depicting a suitable factor analysis. Goodness-of fit Test recorded a chi-square of 90.812 at non-significant value of .733 which is considered perfect for the study. Thirdly, the reproduced correlation recorded acceptable value of 0.00 less than the threshold of 0.05. Table 5.5 presents the result of Average Variance Explained.

**Table 5.5: Average Variance Explained**

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings <sup>a</sup>
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	5.516	27.578	27.578	5.027	25.137	25.137	4.143
2	2.463	12.315	39.892	1.953	9.766	34.903	3.052
3	2.132	10.662	50.554	1.754	8.771	43.674	2.273
4	1.591	7.954	58.508	1.138	5.692	49.367	3.379
5	1.296	6.481	64.988	.882	4.408	53.775	2.766
6	.779	3.893	68.881				
7	.672	3.358	72.239				
8	.635	3.175	75.414				
9	.583	2.913	78.327				
10	.553	2.767	81.094				
11	.522	2.610	83.704				
12	.501	2.504	86.208				
13	.479	2.395	88.603				
14	.426	2.131	90.734				
15	.376	1.882	92.615				
16	.371	1.854	94.469				
17	.321	1.603	96.073				
18	.292	1.460	97.533				
19	.267	1.333	98.866				
20	.227	1.134	100.000				

Source: Field Survey, Mensah (2017)

Table 5.5 shows the result of five main variables which show fairly significant explanation of phenomenon under study with a score of 53.775.

### 5.2.2 Test for Validity and Reliability

After achieving a fairly good Variance and Pattern matrix (Factor loadings) with five variables, the next CFA critical step were Reliability and Validity tests. Reliability test involved two main criteria comprising Cronbach alpha (CA)(Cronbach, 1951) and the Composite reliability (CR) (Hair et al., 2014; Hair et al., 2015).

Validity test was also done based on two main criteria Discriminant validity (correlation and Cross loadings) and Convergent Validity (AVE and Factor Loadings) (Rezaei et al., 2014; Rezaei, 2015; Kim et al., 2014; Hair., Ringle, & Sarstedt, 2013). Table 6.5 present the result of the Reliability and Validity tests.

**Table 6.5: Test for Reliability and Validity of measurement model**

Construct	Item	Factor Loadings	CA	AVE	CR
Product Improvement	Design		.76	.43	.70
	Pdi1	.60			
	Pdi2	.70			
	Pdi3	.66			
	Pdi4	.61			
New Retail Outlets			.85	.61	.86
	Nro1	.63			
	Nro2	.84			
	Nro3	.83			
	Nro4	.80			
New Promotion Strategy			.79	.50	.74
	Pro1	.71			
	Pro2	.67			
	Pro3	.72			
	Pro4	.70			
Marketing Competence			.89	.68	.89

	Mkp1	.86		
	Mkp2	.87		
	Mkp3	.71		
	Mkp4	.80		
SCA			.69	.57
	Sca_1	.38		
	Sca_2	.65		
	Sca_3	.68		
	Sca_4	.77		

Source: Field Survey, Mensah (2017)

### Test for Reliability

Table 6.5 revealed that, among the modified measurement model, the reliability measures in the study are above the satisfactory levels (Cronbach 1951) as recommended by scholars (Hair et al., 2013; Nunnally, 1978). With an exception of sustainable competitive advantage which recorded Cronbach alpha of  $0.69 < 0.70$ . However Nunnally (1978) indicated that although  $.70$  is acceptable but lower thresholds can be used in literature. Again, table 5 further reveal a good Composite Reliability (CR)  $>.70$ . The implication of CA and CR is that the internal consistency of our constructs is perfect and reliable for the study.

### Test for Validity:

A convergent validity (CA) test was done using AVE and factor loadings. From table 6, the factors loaded fairly well above  $>.40$  which was considered good based on our sample size of 336 (Hair, Sarstedt, Ringle & Mena, 2012). At this stage the measurement model was revised to eliminate indicators items (Pdi1, Px1, Px2, Px3, Px4, Pro5) that share high propensity of residual variance with

other indicators (Koo, Chung & Kim, 2015). On AVE, Fornell and Larcker (1981) suggested that, a minimum of 0.50 is acceptable. From our study, majority of the construct are above 0.50 except product design improvement which recorded a minimum of 0.43. At this stage, six items were dropped out of twenty five items.

On discriminant Validity, the study items were assessed based on the Fornell-Larcker criterion and cross loadings in the pattern matrices. According to Fornell-Larcker criterion, the square root of AVE should be higher than the correlation shared between the various constructs and other constructs (Fornell & Larcker, 1981). At this stage, additional three items (Pro1, Sca3 and Sca4) were dropped to achieve a perfect AVE. Table 6.5 shows the diagonal representation of the shared correlation between the constructs. The study found shared correlation less than the square root of AVE.

**Table 7.5: Factor Correlation Matrix**

<b>Factor</b>	<b>PDI</b>	<b>NRO</b>	<b>PRO</b>	<b>MC</b>	<b>SCA</b>
PDI	<b>0.657</b>				
PRO	0.268	<b>0.781</b>			
NRO	0.081	0.493	<b>0.700</b>		
MKCMP	0.292	0.159	0.250	<b>0.822</b>	
SCA	0.210	0.366	0.631	0.473	<b>0.755</b>

Source: Field Survey, Mensah (2017)

In all, a total of nine (9) items (Pdi1, Px1, Px2, Px3, Px4, Pro5, Pro1, Sca3 and Sca4) were dropped from a total of twenty five (25). After adequacy, reliability

and validity test nine (9) items were dropped out of twenty five (25) items remaining sixteen (16) items for Confirmatory Factor Analysis.

### 5.3 Descriptive Statistics of Constructs

The next section discusses their mean and standard deviation (SD) statistics of five confirmed constructs. The Table below shows the mean score and standard deviation of the five confirmed constructs in this study:

**Table 8.5: Mean Score and Distribution of Confirmed Constructs**

Constructs	Mean Score	SD
Product design improvement	5.510	0.907
New retail outlets	3.205	1.675
New promotion strategy	3.356	1.398
Marketing competence	4.445	1.253
Sustainable competitive advantage	4.530	1.257

Source: Field Survey, Mensah (2017)

From Table 8.5 all the five study constructs recorded average mean and standard deviation scores. Specifically, product design improvement recorded the highest mean of 5.510 and SD=0.907 while new retail outlets strategy recorded the least mean of 3.205 and SD=1.675. The least mean recorded also means that SMEs in central region are not innovative in terms of identifying and exploiting innovative avenues to channel their products to the final consumer. In a cumulative sense, the average mean recorded is 4.201 while SD=1.298 and thus all construct appear to be within the average mean score.

#### **5.4 Confirmatory Factor Analysis (CFA)**

At this stage the study used SEM-AMOS to assess the fitness of the main constructs of the study. CFA analysis was done based on the Model fit indices and regression analysis of the three main confirmed observed constructs namely: PDI, NRO and PRO. The next section present the result of the model fit and standardized regression weights.

##### **Model Fit Indices for CFA Model**

The study assessed the general fitness of the confirmed model (see Appendix D) using the indices such as: the Comparative Fit Index (CFI  $1.000 > 0.95$ ; Bentler, 1990), the Normed Fit Index (NFI  $.971 > .96$ ; Bentler & Bonett, 1980), the Relative Fit Index (RFI  $> .94$ ; Bollen, 1986), the Incremental Fit Index (IFI  $1.000 > .95$ ; Bollen, 1989b), and Tucker-Lewis coefficient (TLI  $1.000 > .95$ ; Bentler and Bonett, 1980). The study found all indices excellent because they are close to 1. Again, the study result found RMSEA  $.000 < .06$ ; SRMR  $0.034 < 0.08$ ; CMIN/DF  $.994 > 1$ ; CMIN 93.401; DF 94 indicating an excellent fit for our data based on recommended cut off criteria (Hu & Bentler 1999; Browne & Cudeck 1993).

The next section therefore present the standardized regression and covariance of our three main study constructs: product design improvement, new retail outlets and new promotion strategies. It is important to carry out regression analysis of the final constructs in order to determine the significance of the construct

indicators and the correlation among the observed variables. Table 9.5 therefore present the result of the regression analysis of the study constructs

**Table 9.5: Regression Weights for Study Constructs**

Details	Std. Estimate	S.E.	C.R.	P	Label
Pdi4 <--- PDI	.691				
Pdi3 <--- PDI	.670	.071	8.543	***	par_1
Pdi2 <--- PDI	.687	.089	8.574	***	par_2
Pro4 <--- PRO	.721				
Pro3 <--- PRO	.704	.112	9.037	***	par_3
Pro2 <--- PRO	.674	.104	8.986	***	par_4
Nro3 <--- NRO	.831				
Nro2 <--- NRO	.819	.075	16.114	***	par_5
Nro1 <--- NRO	.652	.093	12.300	***	par_6
Nro4 <--- NRO	.807	.071	15.870	***	par_7
PDI <--> PRO	.198	.055	3.617	***	par_8
PRO <--> NRO	.085	.072	1.182	.237	par_9
PDI <--> NRO	.226	.062	3.620	***	par_10

Source: Field Survey, Mensah (2017)

Table 9.5 showed a significant relationship between the individual items and their respective constructs PDI, NRO and PRO. The significance level therefore confirms that all ten (10) indicators are significant predictors of our three main construct. Table further reveals a significance relationship between PDI and PRO; PDI and NRO. However, there is insignificance relationship between PRO and

NRO. This result therefore means that innovative promotion has no significant relation with innovation retail activities. Having confirmed the constructs fit for the actual model, we proceed to develop our SEM and also to test our hypotheses.

### **5.5 Structural Equation Modeling and Hypotheses Testing**

Once the construct measures have been affirmed as reliable and substantial, the study then proceeded to assess the structural model results. This process includes the assessment of the model's predictive capabilities and the relationship that exists between the study constructs (Hair, Ringle & Sarstedt, 2013). The study constructs two main models to test our hypotheses.

#### **Testing of Hypotheses**

It is important to recall that the objective of this study is to investigate the effect of marketing innovation on SCA and subsequently the roles of marketing competence on marketing innovation and SCA. Consequently, the revised constructs means the study will test nine (9) out of eleven (11).

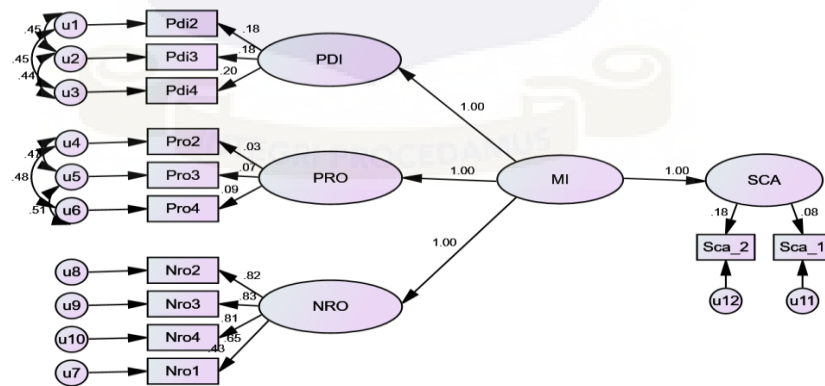
First, our hypothesis one (H1) seeks to achieve four main results. Our first result is to test the cumulative effect of all the strands of marketing innovation on SCA (H1a). Our second results is to test the effect of specific strands of marketing innovation: Product design improvement (H1b), New promotion concepts (H1d), new retail concepts (H1e) on sustainable competitive advantage.

Second, our hypothesis two (H2) also seeks to achieve five main results. Our first results under hypothesis two is to test the effect of marketing competence on marketing innovation (H2a). The second result is to test the role of marketing competence on the effect between marketing innovation on SCA (H2b). The third results is to test which of the strands of marketing innovation: Product design improvement on SCA (H2c), New promotion concepts on SCA (H2e), and new retail concepts strongly influence SCA (H2f).

### 5.5.1 Testing Hypothesis H1: Marketing innovation and SCA

At this stage, the study modeled to investigate the cumulative effect of marketing innovation on SCA (H1a). The result showing the effect of marketing innovation on sustainable competitive advantage is presented in figure 2.

Figure 2.5: The effect of marketing innovation on SCA



Source: Field Survey, Mensah (2017)

### **Summary of Model Fit Indices for Figure 2 (MI and SCA)**

Figure 2.5 reveals that all indicators generally reveal a good model fit based on established criteria. Model fit indices such as: Comparative Fit Index (CFI .958>0.95; Bentler, 1990), Normed Fit Index (NFI .919>.95; Bentler-Bonett, 1980), Relative fit index (RFI >.889; Bollen, 1986), Incremental Fit Index (IFI .959>.95; Bollen, 1989b), and Tucker-Lewis coefficient (TLI .943>.95; Bentler and Bonett, 1980), (SRMR 0.080=0.008; RMSEA .053<.06; CMIN 93.381; DF 48, CMIN/DF 1.945; Pclose .335>0.05) indicates a good fit (Hu & Bentler 1999; Browne & Cudeck 1993).

### **Model Summary for Figure 2 (MI and SCA)**

Our first aim was to investigate the influence of marketing innovation on sustainable competitive advantage (H1a). The model results elucidates that the cumulative effect of all strands of marketing innovation does not significantly influence SCA (H1a:  $t=1.000$ ,  $\beta = 1.358$ ,  $p >0.05$ ). Our second aim was to investigate the influence of individual strands of marketing innovation on SCA (H1b; H1d; H1e). Our result expound that, marketing innovation in term of product design improvement has significant influence on SCA confirming (H1b:  $t= 3.631$ ,  $\beta = .866$ ,  $p < 0.001$ ). Also, MI in term of new promotion strategies related significantly with SCA confirming (H1d;  $t=2.085$ ,  $\beta = .405$ ,  $p <0.05$ ). However, marketing innovation in term of new retail outlet recorded insignificant influence on SCA, therefore rejecting (H1e:  $t= 1.683$ ,  $\beta = .293$ ,  $p > 0.05$ ). It is

important to note that, hypotheses (H1a; H1b; H1d; H1e) were tested against SCA without key strategic marketing resources and capabilities.

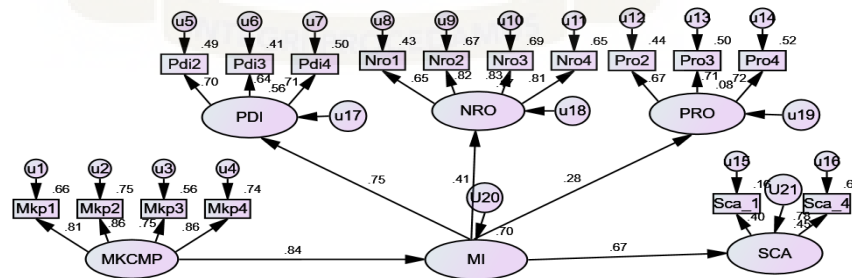
### 5.5.2 Testing Hypothesis Two: Marketing competence, marketing innovation and Sustainable Competitive Advantage

After determining the relationship between marketing innovation and SCA, the study further introduced marketing competence (marketing resources and capabilities) to assess its role on the effect of marketing innovation on SCA.

#### Structural Equation Model with Second Order Construct

Figure 3.5 represent the general model depicting the relationship between marketing competence (MKCMP), Marketing innovation (MI) and SCA.

Figure 3.5: Marketing competence, marketing innovation and SCA



Source: Field Survey, Mensah (2017)

### **Model Fit Indices for Figure 3 Structural Equation Model**

Figure 3.5 shows a strongly good model fit indices. The fit indices such as: Comparative Fit Index (CFI  $1.000 > 0.95$ ; Bentler, 1990), the Normed Fit Index (NFI  $.955 > .95$ ; Bentler-Bonett, 1980), the Relative Fit Index (RFI  $.946 > .90$ ; Bollen, 1986), the Incremental Fit Index (IFI  $1.001 > .95$ ; Bollen, 1989b), and Tucker-Lewis coefficient (TLI  $1.002 > .95$ ; Bentler and Bonett, 1980), SRMR  $.036 < 0.08$ ; RMSEA  $.000 < .06$ ; CMIN 96.469; DF 99, CMIN/DF  $.974$ ; Pclose  $1.000 > .05$  indicates excellent model fits (Hu & Bentler 1999; Browne & Cudeck 1993). Following the cut off criteria of Hu and Bentler (1999) the first order construct model indicates a good fit.

### **Model Summary for Figure 3 Structural Equation Model**

On hypotheses H2a and H2b, figure 3 present the summary of the estimated model's parameters with second order construct. The study result depict that marketing competence has a significant influence on marketing innovation (MI) (H2a:  $t=3.681$ ,  $\beta = .836$ ,  $p < 0.01$ ) which also (MI) significantly improves sustainable competitive advantage (H2b:  $t=2.830$ ,  $\beta = .510$ ,  $p < 0.01$ ). In theoretical parlance, our final model result constitutes a considerable support that the proposed hypotheses in the conceptual framework support the data. Two issues are therefore clear from the findings of our final model. First, the findings support the fact that marketing resources and capabilities are critical for developing marketing innovation. Second, SMEs who deploy key marketing resources and capabilities to develop marketing innovation are able to achieve SCA. These findings therefore support the basic premise of the RBT and DCT.

The study also sought to find out which of the marketing innovation strands mostly influence SCA when marketing competence is introduced as a second order construct. The result explicates that marketing innovation in terms of product design improvement (H2c:  $t= 5.044$ ,  $\beta = 1.000$ ,  $p < 0.001$ ) and promotion strategies (H2e:  $t=2.194$ ,  $\beta = 1.000$ ,  $p < 0.05$ ) has a significant influence on SCA while new retail outlet (H2f:  $t= 1.451$ ,  $\beta = 1.00$ ,  $p > 0.05$ ) did not relate significantly with SCA after marketing competence was introduced.

### **5.5.3 Summary of Study Hypotheses**

This section therefore present the summary of the nine hypotheses tested. It is recalled that, the initial hypotheses were eleven but two were dropped at the EFA and CFA stage leaving nine hypotheses which includes: H1a; H1b; H1d; H1e; H2a; H2b; H2c; H2e; H2f. However, the prime objective of this study was to test effect of marketing innovation on sustainable competitive advantage without and with key marketing resources and capabilities (H1a and H2b).

In all, out of nine, hypotheses, six (H1b; H1d; H2a; H2b; H2d and H2e) were supported while three (H1a; H1e; H1f) were not support. This means that while one of our main hypotheses (H2a) was supported, the other hypothesis (H1a) was not supported. Table 10 therefore present the summary of the nine hypotheses tested. The test of significance was done based on the Beta ( $\beta$ ), t-Values, p-values and alpha values.

**Table 10.5: Summary of Hypotheses Tested**

Hypothesis	Construct	STD Error	B	t-Values	P-Values	Decision
	Structural Relationship					
H1a	MI --- >SCA	.076	1.000	1.358	(.174)	Rejected
H1b:	PDI --- > SCA	.125	.866	3.631	(0.000)***	Supported
H1d:	PRO --- >SCA	.166	.405	2.085	(.037)**	Supported
H1e	NRO --- >SCA	.096	.293	1.683	(.092)	Rejected
<b>MI and SCA with Marketing competence (Second order construct)</b>						
H2a	MKCMP--- > MI	.074	.836	3.681	(.000)***	Supported
H2b	MI --- >SCA	.510	.669	2.830	(.005)***	Supported
H2c:	PDI--- >SCA	.168	1.000	5.044	(.000)***	Supported
H2e:	PRO --- >SCA	.691	1.000	2.194	(.028)*	Supported
H2f	NRO --- >SCA	.066	1.000	1.457	(.148)	Rejected

\* $p < .10$ , \*\*  $p < .05$ , \*\*\* $p < .01$

Source: Field Survey, Mensah (2017)

## 5.6 Discussion of Findings

After testing the nine hypotheses, the next aim is to discuss the findings of the result. It is recalled that, the fundamental objective of this study was to investigate the influence of marketing innovation on sustainable competitive advantage of SMEs in Central Region of Ghana, vis-à-vis the role of marketing competence on the relationship. Definition by Stošić, (2007) “Marketing Innovation as combination of: Product design improvements; New pricing strategies; New retail concepts; and New promotion concepts was adopted as the operational definition of the study.

### **Internal Consistency and Reliability**

Owing to the objective of the study our study data was subjected to rigorous analysis to critically examine its adequacy, reliability and Validity. Before this EFA test, data was cleaned were non-engaged engaged responses were eliminated. This rigorousness was ensured to guarantee the reliability and validity of the outcome. Having tested our nine hypotheses we therefore proceed to discuss the findings.

### **(H1a-e): Marketing Innovation and Sustainable Competitive Advantage**

Our hypothesis (H1a) prognosticates a significant effect of marketing innovation on SCA. Previous studies have found evidence to substantiate the fact that key strategic marketing competence are critical to develop marketing innovation to achieve SCA (Ren et al., 2009; Camisón & Villar-López, 2011; Walobwa et al., 2013; Sudarmiatin & Suharto, 2016). Profoundly, our study result (H1a  $t= 1.358$ ,  $\beta = 1.000$ ,  $p>0.05$ ) proves contrary. The result revealed that the cumulative effects of all marketing innovation strands are insignificant to SCA. This finding appears to suggest that there are some fundamental triggers that are necessary to develop innovative marketing tools which will lead to SCA. Proponents of SCA have found key marketing resources with key characteristics such as valuability, rarity, inimitability and non-substitutability fundamental to achieving SCA (Barney, 1991; O’Cass & Ngo, 2011). Suffice to say that RBT and DCT have been confirmed, it is important to further investigate the influence of these triggers on marketing innovation and SCA in order to make a firm conclusion.

Hypotheses (H1b; H1d; He) sought a significant effect of product design improvements (H1b), innovative promotion (H1d) and New retail outlets (H1e) on SCA. Previous studies have found that marketing innovations such as design improvement and promotions and distributions significantly influence SCA (Awan & Hashmi, 2014; Haq et al., 2008; Osei., Yunfei., Appienti & Forkuoh, 2016; Porter 1985; Khan & Creazza, 2009; Chuwiruch et al., 2015; Titus et al., 2013), in our findings H1b (product design improvement) and H1d (new promotion strategies) were confirmed, while hypothesis H1e (new retail outlets) was not supported. The next section therefore discusses these findings.

First, confirmation of (H1b:  $t= 3.631$ ,  $\beta = .866$ ,  $p>0.001$ ) suggests that without or with insufficient key marketing resources and capabilities SMEs are able to alter, modify and change their product designs to improve long term market performance. This result appears to be inconsistent with the theoretical paradigm of RBV and DCT to the fact that firms require resources and capabilities to achieve SCA. The variation in the actual result and the theory emphasize that fact even though SMEs are constrained in terms of resources, they have managed to expand their market base through innovative designs and packaging. This result further confirms the novelty and unconventional nature of SMEs to the effect that they are able to develop innovative marketing tools to serve their customers.

Second, although hypothesis (H1d) was confirmed (H1d:  $t= 2.085$ ,  $\beta = .405$ ,  $p<0.05$ ), the result shows that innovative promotion does not strongly contribute

to SCA. It is therefore not out of place to indicate that the theoretical paradigm of RBT and DCT is partially supported in this case. Indeed, considering the limited nature of key resources and capabilities of SMEs, our results suggest that SMEs have only improved their traditional promotion tools which require fewer resources, thus confirming previous studies (Resnick et al., 2016; Sledzick, 2014).

On hypothesis (H1e), our result (H1e:  $t= 1.683$ ,  $\beta = .293$ ,  $p>0.92$ ) show that innovative retail outlet does not significantly sustain market performance. It is there not preemptive to express the fact that the result of H1e supports the paradigm of RBT and DCT which posit that firms require key resources and capabilities in order to achieve sustainable competitive advantage. The result also appears to suggest that SMEs who do not have sufficient key marketing resources and capabilities to innovate are potential exit candidates.

In summary, our result (H1a) suggests that manufacturing SMEs who do not possess key strategies marketing resources and capabilities cannot achieve sustainable market advantage. In view of rejecting (H1a) means that the cumulative effect of marketing innovations strands support the RBT, DCT and previous empirical studies that revealed that key strategic resources and capabilities are necessary to achieve sustainable competitive advantage (Barney, 1991; Gilmore, et al., 2000; Wernerfelt, 1984; Woschke et al., 2017).

### **Hypotheses (H2a-f): Marketing Competences, Marketing Innovation and Sustainable Competitive Advantage**

Our hypotheses H2a and H2b tested the influence of marketing competence on marketing innovation (H2a) and Marketing innovation on SCA with Marketing competence as second order construct (H2b). Previous empirical studies have found that SMEs who possess key strategic marketing competence develop marketing innovation that lead to SCA (Naidoo, 2010; Yeh-Yun Lin & Yi-Ching Chen 2007; Schilirò, 2015; Sudarmiadin & Suharto, 2016; Sefa, 2014; Barney, 1991; Wernerfelt, 1984; Woschke et al., 2017), our study result support these findings. Our study result reveals that marketing competence significantly influence marketing innovation (H2a:  $t=3.681$ ,  $\beta = .836$ ,  $p<0.001$ ). Again, our result also shows that, key strategic marketing competence result in a significance effect of marketing innovation on SCA (H2b:  $t=2.830$ ,  $\beta = .669$ ,  $p >0.01$ ). Compared with earlier insignificant findings on MI and SCA (H1a  $t= 1.358$ ,  $\beta = 1.000$ ,  $p>0.05$ ), it is clear from H2a and H2b that marketing competence is key to achieving SCA.

Our result also confirms the theoretical paradigm of Resource-based View (Barney & Clark 2007; Barney, 2011) and its subsequent extension of Dynamic Capability approach (Teece et al., 1997; Zollo & Winter, 2002) in that, resources and capabilities are fundamental to sustainable competitive advantage (Barney et al., 2012; Pribadi & Kanai 2011). Our study result means that, manufacturing SMEs require marketing competence to achieve overall firm market advantage

Hypothesis (H2c) hypothesized that marketing competence improves the significant effect of product design improvements on SCA. Previous studies have revealed that firms who deploy marketing competence to develop unique product design and qualities achieves sustainable market performance (Henderson & Clark, 1990; Ren et al., 2009; Wang, 2015), our result confirm these findings. Our result H2a: ( $t= 5.044$ ,  $\beta = 1.000$ ,  $p<0.001$ ) shows a significance relation between product design improvement and SCA with marketing competence as a second order construct.

Compared with the previous findings (H1b:  $t= 3.631$ ,  $\beta = .866$ ,  $p>0.001$ ), the significance level remain same but the variance ( $\beta$ ) increased from .866 to 1.000 which explains a strong predictability of our hypothesis. Observing critically, our result implies that marketing competence is actually important to develop unique product designs and package but investing heavily in them may contribute to SCA in a decreasing proportion.

Hypothesis (H2e) prognosticates that, marketing competence improves the influence of innovative promotion strategies on SCA. Previous studies have found that resources and capabilities are important to develop innovative promotion for sustainable market performance (Sudarmiatin & Suharto, 2016; Ren et al., 2009; Schaupp & Belanger, 2014), our result support these findings. The study result (H2e;  $t= 2.194$ ,  $\beta = 1.000$ ,  $p<0.05$ ) found a significant effect of new promotion strategies on SCA with marketing competence as a second order construct. Compared with earlier findings on new promotion strategies (H1d:  $t= 2.085$ ,  $\beta$

=.405,  $p>0.037$ ), it is clear from the result of (H2e) that when marketing competence was introduced PRO achieved a strong significance level. This therefore means that marketing competence actually key to achieve SCA.

Hypothesis (H2f) sought a significant relationship between new retail outlets and SCA with Marketing competence as a second order construct. Although previous empirical findings reveal that firms who possess marketing competence are able to develop innovative retail activities to achieve SCA (Ren et al., 2009; Harrigan., Ramsey & Ibbotson 2011; Walsh., Roy & Bruce 1988), our result proves contrary. Our result (H2f;  $t= 1.451$ ,  $\beta = 1.000$ ,  $p>0.05$ ) shows that marketing competence does not contribute significantly to sustainable competitive advantage.

Compared with the earlier findings (H1e:  $t= 1.683$ ,  $\beta = .293$ ,  $p>0.05$ ), our result H2f indicate an improvements over the earlier findings. Interestingly, this result implies that resources and capabilities are fundamental to develop innovative retail outlets because the H1e beta ( $\beta$ ) of Hypothesis H1e improved from  $\beta=.293$  to  $\beta=1.000$  Again, our result appears to suggest that SME managers and owners stands a good position when they are able to deploy more strategic resources into their retailing strategies.

Summary of these findings therefore implies that, Marketing innovation without key strategic marketing resources and capabilities does not lead to SCA while Marketing innovation developed with key strategic marketing resources and capabilities lead to sustainable competitive advantage.

## CHAPTER SIX

### SUMMARY, CONCLUSIONS AND RECOMMENDATION

#### 6.0 Introduction

The main purpose of this study is to examine if any, the effect of marketing innovation on sustainable competitive advantage vis-à-vis the effect on marketing competence on the relationship between marketing innovation and sustainable competitive advantage. The study utilized the RBV and DCT as theory underpinning the study. Valid responses for this study comprised three hundred and thirty six (336) selected manufacturing SMEs in Central region. Structural Equation Modeling (SEM) was used to test nine hypotheses and the findings discussed in the chapter preceding this current chapter. Based on the discussion in the preceding chapter, the study therefore provides a summary, conclusion, recommendations and future research direction.

#### 6.1 Summary of the Study

First, the findings of the study provide evidence for the justification that Marketing innovation of manufacturing SMEs in central Region is mainly driven by improved product design, promotion activities and retail activities respectively.

Secondly, the results also provides justification to substantiate the fact that manufacturing SMEs cannot achieve sustainable competitive advantage when they do not select, deploy and co-ordinate key relevant resources and resources to develop marketing innovation.

Lastly, our study found evidence to the effect that encouraging manufacturing SMEs to deploy and co-ordinate key resources and capabilities is key to determine whether SME innovate or not, thus confirming the findings previous study (Hadjimanolis, 2000). In effect, key resources and capabilities are essential to achieve a significant level between marketing innovation and SCA.

## **6.2 Conclusions of the Study**

Having summarized the findings, our statistical result leads to the following conclusions which are based on the study objectives and questions.

### **6.2.1 Research Question and Objective one:**

Based on our research question one, we therefore conclude that;

Marketing innovation significantly influence SCA of SMEs in Central region of Ghana.

Marketing innovation without key relevant resources and capabilities does not contribute to sustainable competitive advantage.

On specific strands of marketing innovation, the study conclude that without or with insufficient key resources and capabilities only product designs innovation contribute strongly to SCA of manufacturing SMEs in Central region.

The study concludes that SMEs in Central region who do not use key relevant resources and capabilities to develop innovative promotions are unable to achieve strong sustainable competitive advantage.

The study also concludes that, without key marketing resources and capabilities manufacturing SMEs in Central region develop innovative retailing to achieve sustainable competitive advantage.

### **6.2.2 Research Question and Objective two**

Based on our research question and objective two:

This study concludes that SMEs managers and owners in Central region who possess key relevant marketing resources and capabilities are able to develop marketing innovation to achieve sustainable competitive advantage.

On specific strands of marketing innovation, the study concludes that sustainable competitive advantage of manufacturing SMEs in Central region is mainly driven by innovations in product design, promotion and retailing activities. However, the study also concludes that, SME managers and owners require key relevant resources and capabilities in order to improve the contribution of product design, promotion and retailing innovation to sustainable competitive advantage.

In view of the empirical support for the study, it is therefore appropriate to conclude from theoretical parlance that, the Resource based-view and the

Dynamic capability based view have being supported in this study. In view of the empirical supports for the RBV and DCT, their integration resulting in a proposed model “Resource Capability based view” (RCBV) will be a good start for the study of SME marketing innovation.

### **6.3 Recommendations**

It is recommended that, SMEs in Central region emphasize more on changing, modifying and improving their product designs and packaging to suit the ever changing end users expectation and preferences. This is because these activities can help the business in view of the resources-capability constraints facing SMEs. To realize these, SMEs owners and managers must: maintain or improve their technical skills and that of their employees, improve the efficiency of their processes and operations so that they can develop innovative ideas for sustainable market performance.

The study recommend that SMEs in Central region must prioritize their resources and capabilities into innovative retail and promotional marketing activities such as advertising in movies and television programmes, product re-branding and digital platforms (social network sites and websites). This will help the business secure a wider coverage even outside the areas of operation, hence improve sustainable market performance in the changing competitive market.

On SME product design innovations, the study recommends that SME managers and owners must be cautious when deploying resources and capabilities into these activities. This recommendation is based on the findings that marketing product design improvement did not contribute in similar proportion to sustainable competitive advantage when there was not key marketing competence.

Again, the study makes recommendation to SME managers and owners to the effect that, they must not exaggerate their attention to only product innovation as a source of competitive advantage to the neglect of other potential source such as marketing. This phenomenon will open managerial mindsets to consider other sources of sustainable competitive advantage such as marketing innovation. In this sense, SME managers must tap into the potential of marketing innovation as a continuous process to sustain competitive advantage.

#### **6.4 Study Limitations**

One limitation that must be noted is that the finding obtained within this research cannot be generalized due to context specification. It is therefore recommended that application of these finding consider variations in demographic indicators.

Another limitation is that, this study applies to SMEs in the manufacturing sector and therefore the finding may not apply to micro and large sized enterprises that have different characteristics.

## **6.5 Contributions of the Study**

This study has contributed knowledge to theory and practice of SME marketing innovation and sustainable competitive advantage. While manufacturing SMEs are generally considered relevant in developing economies, their marketing innovation dimensions and contribution either to their own market performance and national economic performance are not adequately revealed. This is because studies in Ghana (Quaye & Acheampong, 2013; Dzisi & Ofori, 2014) have considered SME innovation from general perspective of “innovation”. This study has therefore thrown light on specific type of innovation, that is, SME marketing innovation. The study has revealed in detail, the effect of specific strands of marketing innovation on sustainable market performance. Again, the study has shed more light on the influence marketing competence on the relationship between marketing innovation and SCA.

From contextual perspective, the study in its uniqueness has contributed by revealing context specific marketing practices for SMEs in Central region. This will contribute highly by revealing possible strategies to provide best customer satisfaction and also achieve sustainable competitive advantage.

The study has also contributed to theory by showing the dynamism in the application of RBT and DCT in the perspective of SME marketing innovation. The study has contributed to theory by revealing how SMEs can integrate both the resources and capabilities to achieve sustainable competitive advantage. The

theoretical significance adds more light to previous studies which will serve as a guideline to manufactureres in Central region of Ghana. Lastly, this study has triggered more areas for further empirical investigation.

## **6.6 Lessons for Policy Implementation**

The managerial implication of this study is in three folds.

To SME owners and managers, it is important to note that, manufacturing SMEs industry is generally considered to be mature, slow changing industry with many constraints. For policy implementation, SMEs who do or do not have adequate internal resources might consider supplementing them with external supports through continuous interaction with customers, suppliers, large firms, universities, technology centers and state business support institutions.

This phenomenon also emphasizes relevance of inter-firm linkages, good inter-personal relation and continuous environmental learning. These are relevant for long term market performance (Gilmore & Carson, 1999). Again, SMEs in Central region must improve their business branding, personal branding and product branding complemented with digital platforms such as social media to achieve sustainable market performance. Quite profoundly, SMEs often neglect the issue of branding in their marketing practices (Mann & Kaur, 2013; Odoom, Narteh & Boateng 2017) despite the investment in their branding (Agostini, Filippini & Nosella, 2015). As a policy direction, SMEs in Central region must

carefully plan, organize, coordinate and implement superior brand management strategies complemented with social media to boost SCA (Kapferer, 2012).

To government, policy makers and support institution, it is important to note that, encouraging marketing innovation in SMEs can be regarded as a perfect strategy to stimulate regional and national growth. Importantly, this study has shown that, without formal R&D, SMEs in Central region are able to undertake marketing innovation. Although, it is neither feasible to make every SME in Central region innovative due to limitless constraints, there is therefore the urgent need for Government, policy makers and state support institutions of Ghana to develop a “targeted policy” by reducing, if not eliminates, the gap between SMEs and state research and support institutions. This can be done through: regular subsidized entrepreneurial training, creation of semi-annual industry-academia fair for SMEs, equip government and non-governmental support institutions such as NBSSI, AGI, MASLOC, GRATIS to effectively and efficiently offer support services to SMEs. Government must ensure that these programmes in support of SME innovation are realistic in terms of cost and are designed to deliver measurable value and result. Implementing these policy directions will enhance the sustainability of SMEs in Central region and Ghana as a whole.

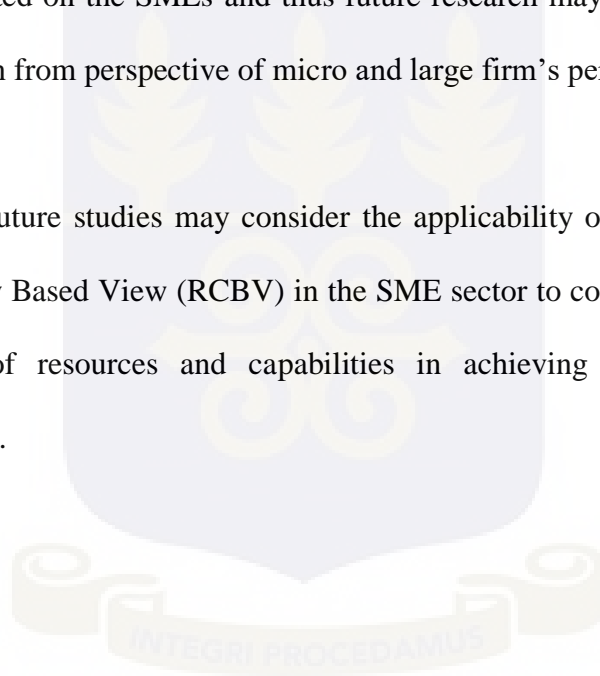
## **6.7 Future Research Directions**

This research is limited to only manufacturing SMEs in Central region. In view of this, it will be interesting to extend future marketing innovation studies to other

economic sectors such as agriculture and service sectors to broaden literature and identify specific marketing innovation dynamics in other sectors of the Ghanaian.

Again, another avenue for future examination is to direct similar study to other Regions of the Ghanaian economy. Studies in this direction may consider socio-political, cultural and economic dynamics of the Region in order bring bear contextual differences and their influence on marketing innovation. This study concentrated on the SMEs and thus future research may also examine marketing innovation from perspective of micro and large firm's perspective.

Thirdly, future studies may consider the applicability of the proposed Resource Capability Based View (RCBV) in the SME sector to confirm or otherwise of the relation of resources and capabilities in achieving sustainable competitive advantage.



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**APPENDICES**

**APPENDIX A**

**UNIVERSITY OF GHANA**

**UNIVERSITY OF GHANA BUSINESS SCHOOL**

**RESEARCH QUESTIONNAIRE**

**INTRODUCTION**

The researcher is a Master of Philosophy (MPhil) marketing student at the **University of Ghana Business School, Legon-Accra**. The researcher is undertaking a study on the topic *“Marketing innovation and sustainable competitive advantage: A case of Small and Medium Sized Enterprizes in Central region”*. This is in partial fulfilment of requirement for the award of a master of philosophy degree in marketing. Response provided for this academic purpose will be treated with extreme confidentiality. Please this exercise will take a few minute of your time.

THANK YOU.

**INSTRUCTION: Please write or tick [√] where applicable**

**SECTION A: DEMOGRAPHIC INFORMATION OF RESPONDENTS**

1. Sex distribution      Male [    ] Female [    ]

2. Age range of respondents in years:  
18-24 [ ] 25-34 [ ] 35-44 [ ] 55-65 [ ] 65-above [ ]
3. Educational level: No Education [ ] Non formal [ ]  
Primary Education [ ] Secondary Education [ ] University [ ]
4. How long have you been in business? (years)  
Less than 5 [ ] 6-10 [ ] 11-15 [ ] 16-above [ ]
5. Current job position:  
Owner Manager [ ] General Manager [ ] Non-Managerial [ ]
6. Form of manufacturing business:  
Food, water & beverages [ ]  
Pharmaceuticals, soap & detergent [ ]  
Aluminium, metal glass works, ceramics [ ]  
Wood, fabrics, tailoring, & leather works [ ]

## **SECTION B: MARKETING RESOURCES AND CAPABILITIES**

7. Which of following resources and capabilities gives you the **MARKETING COMPETENCE** to develop innovative marketing methods?

Where: 1-Least agree to 6-Highly agree

No	Resources and Capabilities	1	2	3	5	5	6
	<b>Resources:</b>						
1	Finance						
2	Technical Skills of employees and managers						
3	Information						
4	Organizational processes and Operations						

### SECTION C: MARKETING INNOVATION

8. Which of the following innovative marketing activities have you undertaking in the last twelve months of your operation?

Where: 1-Least agree to 6-Highly agree

No	Innovative Marketing Activities. <i>FOR THE FIRST TIME;</i>	1	2	3	4	5	6
<b>A</b>	<b>Product design improvement:</b>						
1	I have introduced new product designs (shape, size, colour, taste)						
2	I have launched new product packaging						
3	I have replaced existing product features with						

	unique features						
4	I have introduced innovative product styles						
<b>B. New pricing strategy:</b>							
5	I have introduced new interactive online pricing systems						
6	We have adopted a “cost plus a percentage mark-up” pricing						
7	I modify product packaging in order to vary prices						
8	I give preferential prices to loyal customers						
<b>C. New retail outlets:</b>							
9	I have introduced franchising, licensing and exclusive retailing						
10	The introduced our own direct delivery and selling systems						
11	I have introduced show-rooms and display units						
12	I have launched internet platform for customers to order online						
<b>D. New promotion concepts:</b>							
13	I call, send text messages to customers about new						

	products offers						
14	I have introduced business cards, posters, newspapers and radio						
15	I have re-branded our product using new brand symbols						
16	I have created social network site and website to promote our products						
17	I advertise my products in movies and television programmes						

**SECTION D: IMPACT OF MARKETING INNOVATION**

9. How has marketing innovation improved your superior market position (SCA)?

**Where: 1-Least agree 6-Strongly agree**

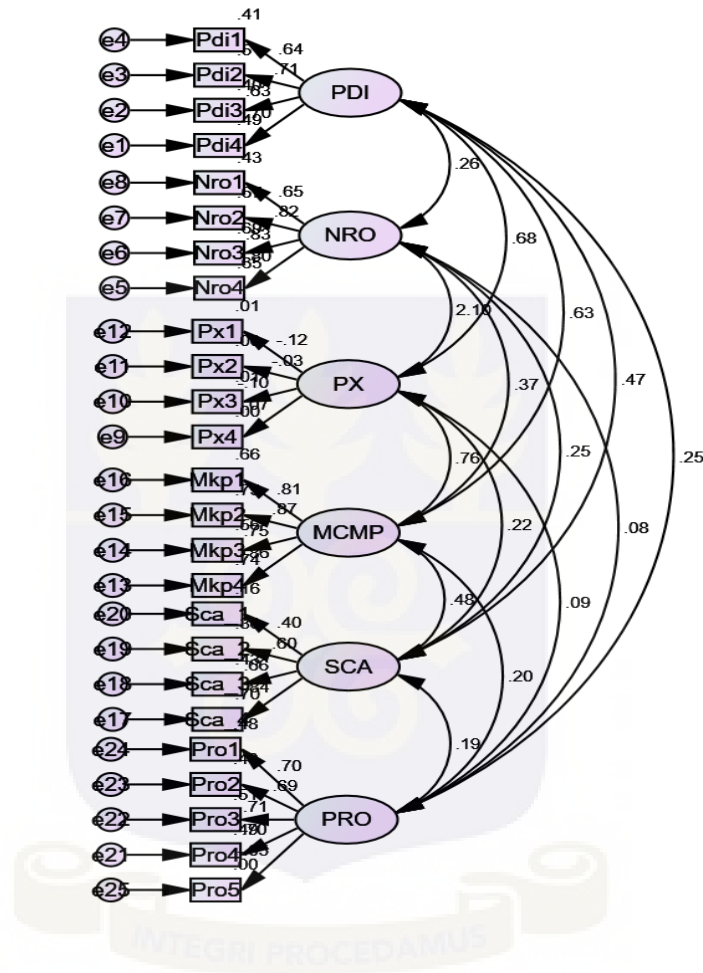
No	Sustainable competitive advantage	1	2	3	4	5	6
1	I deliver different and better customer value						
2	My marketing cost has reduced						
3	My customers are satisfied and loyal to my superior value						
4	My products are unique and meet customer needs						

## APPENDIX B: Descriptive Analysis of Measurement Statements

Details of the statements	Statement Code	Mean	SD
Access to finance	Mcp1	4.65	1.167
Access to information	Mcp3	4.18	1.336
Technical skills of managers and employees	Mcp2	4.48	1.273
Organisational processes and Operation	Mcp4	4.47	1.236
I have introduced new product design(Shape size, colour, taste etc)	MIpdi1	5.35	.924
I have launched new product packaging	MIpdi2	5.56	.823
I have replaced existing product feature with new and unique features	MIpdi3	5.62	.676
I have introduced innovative products styles to satisfy customers	MIpdi4	5.35	1.076
I have introduced interactive online pricing systems	MIpx1	3.72	1.362
We have adopted a “cost-plus percentage mark-up pricing system	MIpx2	4.31	1.123
I modify product packaging in order to vary prices	MIpx3	3.87	1.358
I give preferential prices to loyal customers	MIpx4	3.99	.989
I have introduced franchising, licensing and exclusive retailing	Nro1	3.92	2.021
I have introduced our own direct delivery and selling systems	Nro2	3.27	1.690
I have introduced show rooms at different places to provide customer satisfaction	Nro3	2.60	1.387
I have launched internet platform for customers to order online	Nro4	3.03	1.603
I have created social network sites and website to promote our product	MIpro4	2.69	1.272
I advertise my products in movies and television programmes	MIpro5	4.30	1.065
I have re-branded our product using new brand symbols to satisfy customer	MIpro3	3.22	1.318
I have introduced business card, posters, newspapers and the radio	MIpro2	4.15	1.603
I call and send text messages to customers about new product	MIpro1	4.09	1.187
I deliver different and better customer value	Sca_1	4.13	1.493
My marketing cost has reduced	Sca_2	4.93	1.020
My customers are satisfied and loyal to my superior value	Sca_3	5.47	.927
My products are unique and meet customer needs	Sca_4	5.30	.1.140

APPENDIX C

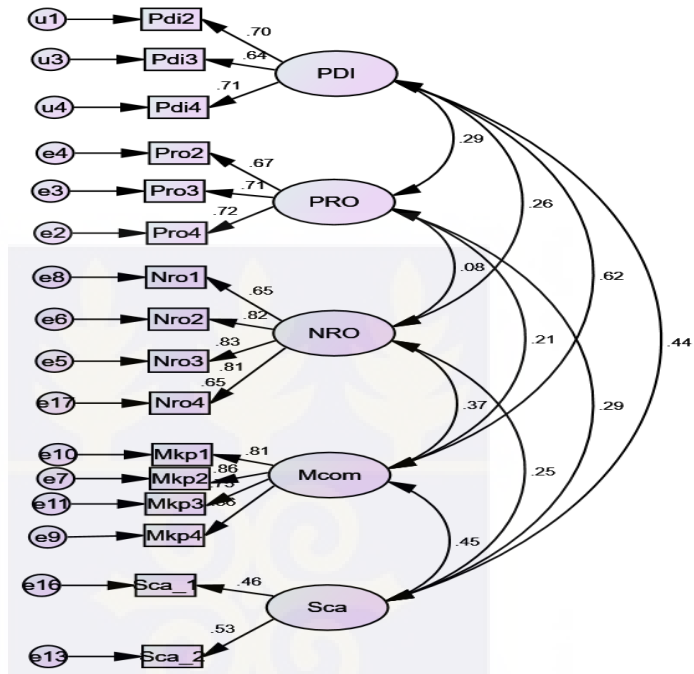
General Model for Field Data



Source: Mensah (2017)

**APPENDIX D**

**Confirmatory Factor Analysis Model**



Source: Mensah (2017)