

**INNOVATION CAPABILITIES AND SUSTAINABLE PERFORMANCE OF MSMEs IN RIVERS STATE.****Dr. Amadi Foundation***foundation.amadi@iaue.edu.ng, +2348063296328***Department of Entrepreneurship,****Ignatuis Ajuru University of Education, Rumuolumini, Port Harcourt, Rivers State, Nigeria****Abstract**

This study examined the relationship between innovation capabilities specifically Product Innovation Capability, Process Innovation Capability, and Marketing Innovation Capability and the sustainable performance of Micro, Small, and Medium Enterprises (MSMEs) in Rivers State. The study adopted a cross-sectional survey design involving 20 MSMEs operational for over a decade, with data collected from 40 managerial respondents using structured questionnaires. Data were analyzed using Spearman rank-order correlation to test three hypotheses at a 0.01 significance level. The results indicated a very strong positive relationship between Product Innovation Capability and Sustainable Performance ( $r = 0.905$ ,  $p < 0.01$ ), a strong positive relationship between Process Innovation Capability and Sustainable Performance ( $r = 0.690$ ,  $p < 0.01$ ), and a moderate to strong positive relationship between Marketing Innovation Capability and Sustainable Performance ( $r = 0.557$ ,  $p < 0.01$ ). These findings suggest that innovation capabilities significantly influence MSMEs' ability to maintain long-term financial, operational, and competitive sustainability. The study recommends practical strategies for MSMEs to strengthen these innovation capabilities to enhance sustainable performance.

**Keywords:** *Product Innovation Capability, Process Innovation Capability, Marketing Innovation Capability, Sustainable Performance*

**Introduction**

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as engines of economic growth, employment generation, and poverty reduction in developing economies (Ayyagari, Demirgüç-Kunt, & Maksimovic, 2011). In Nigeria, MSMEs contribute significantly to industrial output and local livelihoods, particularly in subnational economies such as Rivers State, where commerce, trade, and services are critical to socio-economic development (Okorie, 2020). However, despite their large numbers, MSMEs often contend with intense competition, market volatility, and resource constraints that threaten their sustainability (Eze & Chinedu-Eze, 2017). Innovation capability has emerged as a strategic determinant of sustainable performance in small business contexts. Specifically, firms with strong innovation capabilities are better positioned to adapt to environmental changes, leverage new opportunities, and sustain competitive advantage over time (Teece, 2007). Innovation capability is not monolithic; rather, it comprises multiple dimensions that collectively influence firm outcomes (OECD & Eurostat, 2018). Among these, product innovation capability, process innovation capability, and marketing innovation capability have received particular attention in empirical research.

Product innovation capability refers to an organization's ability to develop new or significantly improved products and services that address evolving customer needs (OECD & Eurostat, 2018). For MSMEs, product innovation can enable differentiation in crowded markets, attract new customer segments, and augment revenue streams. Prior studies have shown that product innovation positively affects firm performance by improving sales growth and market share (Rahayu & Day, 2017). Process innovation capability encompasses the adoption and implementation of new or improved methods of production or service delivery that enhance efficiency and reduce operational costs (Damanpour & Aravind, 2012). Efficient internal processes increase productivity, improve

quality, and can strengthen a firm's resilience against cost pressures an essential element of sustainable performance for resource-constrained MSMEs (Nadiri, 2008). Marketing innovation capability involves the development of novel marketing approaches, including pricing strategies, promotion techniques, brand positioning, and delivery channels (OECD & Eurostat, 2018). In dynamic markets, innovative marketing practices help MSMEs build customer loyalty, respond to shifting preferences, and explore underserved segments (Hult, 2011).

Although global and national research highlights positive linkages between innovation capabilities and firm performance, evidence from subnational contexts such as Rivers State remains limited. Few empirical studies have simultaneously examined how product, process, and marketing innovation capabilities influence sustainable performance specifically among MSMEs operating in Rivers State's unique socio-economic landscape. Most existing studies in Nigeria focus on broader national samples without accounting for local industrial dynamics, competitive structures, and institutional environments that may condition these relationships (Ogunnaike, Adewale, & Ariyo, 2019). Furthermore, while previous work confirms that innovation capability influences financial performance indicators such as sales and profitability, there is scant research on sustainable performance outcomes which encompass not only financial results but also long-term viability, environmental stewardship, and community impact within the MSME sector in Rivers State. This omission is particularly salient given the state's economic dependence on oil and services, where sustainability challenges related to environmental degradation and market volatility are pronounced. Therefore, an empirical investigation that articulates how product, process, and marketing innovation capabilities shape sustainable performance among MSMEs in Rivers State is warranted. Addressing this gap will contribute to both theoretical understanding and practical strategies for MSME development in subnational contexts. Despite theoretical consensus on the benefits of innovation capability, there is: Limited empirical evidence on how product, process, and marketing innovation capabilities jointly and individually affect sustainable performance (beyond financial metrics) in the MSME sector. Scarce research focused on Rivers State, where unique economic structures and institutional challenges may influence innovation adoption and performance outcomes. Lack of studies integrating multiple innovation dimensions in the context of sustainability, leaving uncertainties about which capabilities matter most under specific environmental and competitive conditions. This study seeks to fill these gaps by empirically examining the relationships between key innovation capabilities and sustainable performance of MSMEs in Rivers State.

### **Statement of the Problem**

Micro, Small, and Medium Enterprises (MSMEs) constitute a significant pillar of Nigeria's economic structure, contributing substantially to employment generation, income creation, and grassroots industrialization (Ayyagari, Demirgüç-Kunt, & Maksimovic, 2011). In Rivers State, MSMEs operate across trade, manufacturing, agro-processing, and service sectors, serving as critical drivers of local economic development. Despite their numerical dominance and economic relevance, many MSMEs in the state experience unstable growth, low survival rates, and limited long-term sustainability. High operating costs, infrastructural deficiencies, intense competition, environmental uncertainties, and limited access to finance continue to constrain their performance and longevity.

Sustainable performance defined as the ability of a firm to achieve consistent financial viability while maintaining operational efficiency and long-term competitiveness remains elusive for many MSMEs. While short-term profitability may be achieved, maintaining performance over time in a dynamic and volatile environment such as Rivers State presents persistent challenges. Scholars increasingly argue that innovation capability is a critical strategic mechanism for enhancing firm sustainability (Teece, 2007). The ability to introduce new products, improve operational processes, and adopt innovative marketing approaches enables firms to adapt to environmental turbulence and maintain competitive advantage (OECD & Eurostat, 2018).

Specifically, product innovation capability enables firms to differentiate offerings and respond to changing customer preferences; process innovation capability enhances efficiency and cost

management; and marketing innovation capability improves market penetration and customer retention (Damanpour & Aravind, 2012; Hult, 2011). Although extant studies generally affirm positive associations between innovation and firm performance, most empirical evidence focuses on aggregated innovation constructs or broad financial indicators at national or cross-country levels. There is limited context-specific evidence examining how distinct dimensions of innovation capability product, process, and marketing individually and collectively influence sustainable performance among MSMEs in Rivers State.

Furthermore, existing studies in Nigeria largely emphasize innovation's impact on profitability or sales growth without adequately capturing broader sustainability outcomes such as long-term competitiveness, resilience, and operational continuity. The unique economic environment of Rivers State characterized by oil-sector dominance, environmental pressures, and infrastructural constraints may shape how innovation capabilities translate into sustainable outcomes. However, empirical research addressing this contextual dynamic remains insufficient. Consequently, the problem confronting this study is the lack of empirical clarity regarding the extent to which product innovation capability, process innovation capability, and marketing innovation capability influence the sustainable performance of MSMEs in Rivers State. Without such evidence, policymakers, development agencies, and MSME operators lack context-specific guidance for strengthening innovation-driven sustainability strategies. This study therefore seeks to address this gap by empirically investigating the relationship between innovation capabilities and sustainable performance among MSMEs in Rivers State.

### **Research Objective**

The aim of this study was to determine the relationship between Innovation Capabilities and Sustainable Performance of MSMEs in Rivers State. The specific objectives were to:

- 1) determine the relationship between Product Innovation Capability and Sustainable Performance of MSMEs in Rivers State.
- 2) examine the relationship between Process Innovation Capability and Sustainable Performance of MSMEs in Rivers State.
- 3) determine the relationship between Marketing Innovation Capability and Sustainable Performance of MSMEs in Rivers State.

The objective necessitated the testing of:

**Ho<sub>1</sub>:** There is no significant relationship between Product Innovation Capability and Sustainable Performance of MSMEs in Rivers State.

**Ho<sub>2</sub>:** There is no significant relationship between Process Innovation Capability and Sustainable Performance of MSMEs in Rivers State.

**Ho<sub>3</sub>:** There is no significant relationship between Marketing Innovation Capability and Sustainable Performance of MSMEs in Rivers State.

## **Review of Related Literature**

### **Conceptual Review**

#### **Concept of Innovation Capabilities**

Innovation capability is a multidimensional organizational competence that enables a firm to systematically transform knowledge, ideas, and resources into new or improved products, processes, and market solutions that enhance competitive advantage and long-term performance. It represents a higher-order capability embedded in the firm's structures, routines, culture, and strategic orientation, allowing it to respond proactively to environmental changes (Teece, 2007). From a strategic management perspective, innovation capability is rooted in the resource-based view (RBV) and dynamic capabilities theory. The RBV posits that firms achieve sustainable competitive advantage through valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). However, in dynamic environments, possessing resources alone is insufficient; firms must also

develop the capacity to reconfigure and renew these resources. This reconfiguration process constitutes innovation capability (Teece, 2007).

The Organisation for Economic Co-operation and Development (OECD) defines innovation as the implementation of a new or significantly improved product, process, marketing method, or organizational method in business practices (OECD & Eurostat, 2018). Building on this, innovation capability refers to the firm's structured ability to consistently generate and implement such innovations. It is not limited to isolated creative acts but reflects a systemic and repeatable competence embedded in organizational processes. Scholars conceptualize innovation capability as comprising several interrelated dimensions. Product innovation capability concerns the firm's ability to develop new goods or services that meet emerging customer needs. Process innovation capability involves improvements in production or service delivery methods that enhance efficiency and reduce costs. Marketing innovation capability relates to new marketing strategies, pricing techniques, distribution methods, or branding approaches that strengthen market positioning (OECD & Eurostat, 2018). Together, these dimensions determine how effectively a firm adapts to competitive pressures. Additionally, innovation capability is closely associated with absorptive capacity the firm's ability to acquire, assimilate, transform, and exploit external knowledge (Cohen & Levinthal, 1990; Zahra & George, 2002). Firms with strong absorptive capacity are better positioned to leverage technological developments and industry knowledge for innovation purposes. Thus, innovation capability integrates internal learning processes with external knowledge acquisition mechanisms. In the context of Micro, Small, and Medium Enterprises (MSMEs), innovation capability plays a crucial role in overcoming resource constraints and market volatility. Unlike large firms that rely heavily on extensive R&D infrastructure, MSMEs often depend on flexible structures, entrepreneurial orientation, and incremental innovations to sustain performance. Therefore, innovation capability in small firms often manifests through adaptive product modifications, process improvements, and creative marketing approaches.

Conceptually, innovation capability can be understood as: The firm's dynamic and integrative ability to mobilize resources, knowledge, and competencies to create and implement new or improved products, processes, and market practices that enhance sustainable performance. In summary, innovation capability is not a single action but a composite organizational strength encompassing technological, managerial, and strategic competencies. It enables firms to achieve continuous renewal, maintain competitiveness, and secure long-term sustainability in turbulent environments.

## **Dimensions of Innovation Capabilities**

### **Product Innovation Capability**

Product innovation capability refers to a firm's structured and repeatable ability to develop new or significantly improved goods and services that create superior value for customers and enhance competitive positioning. According to the Organisation for Economic Co-operation and Development (OECD), product innovation involves the introduction of a good or service that is new or significantly improved in terms of characteristics, technical specifications, components, materials, software, or intended use (OECD & Eurostat, 2018). Product innovation capability therefore reflects the organizational competence that enables such outcomes on a sustained basis. From the resource-based view (RBV), product innovation capability derives from valuable and rare resources such as technical expertise, R&D competencies, creative skills, and customer insight (Barney, 1991). However, in turbulent environments, these resources must be continuously renewed. The dynamic capabilities perspective argues that firms must integrate, build, and reconfigure internal and external competencies to address rapidly changing environments (Teece, 2007). Product innovation capability is thus a manifestation of a firm's dynamic capacity to sense customer needs, seize opportunities, and transform ideas into marketable outputs. Product innovation capability typically includes: Research and Development (R&D) competence which refers to ability to generate technical knowledge and prototypes. Customer-driven design integration of market intelligence into product

development. Speed-to-market ability to commercialize products efficiently. Technological adaptation – capability to adopt emerging technologies.

For MSMEs, product innovation capability enhances differentiation, market expansion, and revenue growth. It allows firms to respond to evolving consumer preferences and counter competitive imitation. Empirical studies suggest that product innovation positively influences firm growth, market share, and long-term competitiveness (Rosenbusch, Brinckmann, & Bausch, 2011). In volatile markets, incremental product improvements can significantly enhance sustainability without requiring large-scale investment. However, product innovation often entails high risk due to uncertainty in market acceptance and development costs. Therefore, firms require strong absorptive capacity the ability to acquire and apply external knowledge—to support product innovation efforts (Cohen & Levinthal, 1990).

### **Process Innovation Capability**

Process innovation capability refers to the firm's ability to implement new or significantly improved production or delivery methods that increase efficiency, reduce cost, or improve quality. According to OECD guidelines, process innovation includes changes in techniques, equipment, software, or procedures used in production or service delivery (OECD & Eurostat, 2018). Process innovation capability aligns strongly with operational efficiency theories and dynamic capabilities. It represents the firm's competence in reconfiguring internal routines and operational systems to enhance productivity (Teece, 2007). Unlike product innovation, which targets external markets, process innovation focuses primarily on internal improvements.

Key elements of process innovation capability include: Technological upgrading (automation, digitization), Workflow redesign, Quality management systems, Cost optimization strategies and Lean production practices. Damanpour and Aravind (2012) argue that process innovations improve organizational performance by enhancing efficiency and reducing waste. In resource-constrained MSMEs, process innovation is particularly critical because cost savings and productivity gains directly improve profit margins and resilience. Process innovation capability strengthens sustainable performance by: Enhancing operational flexibility, Reducing production costs, Improving product consistency and quality and Increasing responsiveness to demand fluctuations. For MSMEs operating in environments with infrastructural and financial limitations, efficient processes can offset external constraints and improve survival rates. Process innovation also complements product innovation by ensuring that new products can be produced efficiently and at competitive costs.

### **Marketing Innovation Capability**

Marketing innovation capability refers to the ability of a firm to implement new marketing strategies, branding approaches, pricing techniques, or distribution channels that enhance customer engagement and market penetration. The OECD defines marketing innovation as the implementation of new marketing methods involving significant changes in product design, packaging, promotion, or pricing strategies (OECD & Eurostat, 2018). Marketing innovation capability is grounded in market orientation theory and dynamic capabilities. It reflects a firm's ability to sense customer needs, interpret competitive signals, and reconfigure marketing resources accordingly (Teece, 2007). Firms that effectively integrate customer intelligence into strategic decisions demonstrate stronger marketing innovation capability.

Marketing innovation capability includes: Innovative pricing models (e.g., flexible pricing, subscription models), Digital marketing adoption, Brand repositioning strategies, New distribution channels (e-commerce, direct-to-consumer systems) and Customer relationship management systems. Hult (2011) emphasizes that marketing innovation strengthens boundary-spanning functions of firms, linking internal capabilities with external market opportunities. For MSMEs, marketing innovation is often more feasible than technological innovation because it requires relatively lower capital investment. It enables firms to: Expand customer reach, Improve brand visibility, Strengthen customer loyalty and Increase sales turnover. In competitive environments,

marketing innovation capability enhances differentiation even when products are similar. Furthermore, digital platforms have amplified the importance of marketing innovation for small firms seeking broader market access. Although distinct, product, process, and marketing innovation capabilities are interdependent. Product innovation creates new value propositions; process innovation ensures efficient delivery; marketing innovation communicates and captures that value in the marketplace. Sustainable performance emerges when these capabilities operate synergistically. Thus, innovation capability should be viewed as a multidimensional construct in which product, process, and marketing components collectively drive long-term competitiveness.

### **Concept of Sustainable Performance**

Sustainable performance refers to the ability of an organization to achieve enduring success by integrating economic prosperity, environmental stewardship, and social responsibility into its strategic and operational activities. Unlike traditional performance measures that focus primarily on short-term financial outcomes, sustainable performance emphasizes long-term value creation and organizational resilience. It reflects a firm's capacity to remain competitive and viable while addressing the expectations of multiple stakeholders and minimizing adverse environmental and social impacts (Elkington, 1997). The concept is closely linked to the Triple Bottom Line (TBL) framework, which posits that organizations should evaluate performance across three interrelated dimensions: economic (profit), environmental (planet), and social (people) outcomes (Elkington, 1997). From this perspective, sustainable performance extends beyond profitability to encompass responsible environmental practices and positive societal contributions. Firms that successfully balance these dimensions are more likely to achieve long-term competitiveness and legitimacy.

The theoretical foundations of sustainable performance are anchored in stakeholder theory and the resource-based view (RBV). Stakeholder theory argues that organizations must create value not only for shareholders but also for customers, employees, suppliers, communities, and regulators (Freeman, 1984). Sustainable performance emerges when firms align their strategies with the expectations and interests of these diverse stakeholder groups. Similarly, the RBV suggests that sustainable competitive advantage derives from valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). When firms develop strategic capabilities such as innovation capability, environmental management systems, and strong relational capital they enhance their capacity to sustain superior performance over time.

In addition, sustainable performance is supported by dynamic capabilities theory, which emphasizes a firm's ability to adapt, integrate, and reconfigure internal and external competencies in response to environmental turbulence (Teece, 2007). In rapidly changing markets, organizations must continuously innovate and renew their strategic resources to maintain performance sustainability. Thus, sustainable performance is not a static outcome but a dynamic process involving continuous improvement and strategic renewal. Empirical evidence suggests that organizations integrating sustainability into core business strategies often outperform those that focus solely on short-term financial gains. Firms that adopt sustainable practices tend to experience improved operational efficiency, enhanced reputation, stronger stakeholder relationships, and reduced regulatory risks (Eccles, Ioannou, & Serafeim, 2014). These benefits collectively contribute to long-term financial stability and competitive advantage.

In the context of Micro, Small, and Medium Enterprises (MSMEs), sustainable performance is particularly critical due to resource constraints and environmental volatility. For such firms, sustainable performance may manifest in consistent profitability, operational efficiency, responsible environmental conduct, customer satisfaction, and long-term business survival. It requires strategic alignment between innovation, operational practices, and stakeholder engagement to ensure enduring success. In summary, sustainable performance represents a holistic approach to organizational success that integrates economic, environmental, and social dimensions into a coherent strategy aimed at long-term value creation and resilience.

## **Theoretical Review**

This study on innovation capabilities (product, process, and marketing) and sustainable performance is anchored on two dominant theoretical perspectives in strategic management literature: the Resource-Based View (RBV) and the Dynamic Capabilities Theory (DCT). These theories provide conceptual foundations for understanding how internal capabilities influence long-term organizational outcomes.

### **Resource-Based View (RBV)**

The Resource-Based View (RBV), prominently advanced by Barney (1991), explains firm performance differences based on the heterogeneity of internal resources and capabilities. The theory emerged as a strategic response to industry-structure explanations of performance and emphasizes that sustainable competitive advantage originates from firm-specific resources rather than external market positioning alone. RBV assumes that firms possess bundles of resources that are not perfectly mobile across organizations and that these resources differ in value and strategic relevance. According to Barney (1991), for a resource to generate sustained competitive advantage, it must be valuable, rare, inimitable, and non-substitutable (VRIN). Innovation capabilities such as product development expertise, efficient operational processes, and creative marketing strategies fit within this framework because they represent embedded organizational competencies that competitors cannot easily replicate. A central assumption of RBV is resource heterogeneity and immobility. Firms differ in their endowment of resources, and these differences persist over time. Consequently, organizations that develop superior innovation capabilities are better positioned to achieve sustainable performance. In the context of MSMEs, internal capabilities such as product innovation skills, adaptive processes, and marketing creativity serve as strategic assets that drive competitiveness and long-term viability.

However, RBV has been critiqued for its relative static orientation. Critics argue that the theory does not adequately explain how resources are developed, renewed, or reconfigured in rapidly changing environments (Teece, 2007). Additionally, RBV has been criticized for tautology, as it sometimes defines valuable resources in terms of their contribution to performance, making empirical validation challenging. Despite these limitations, RBV remains highly relevant to this study because innovation capabilities represent intangible strategic resources that influence sustainable performance outcomes. It provides a foundational explanation for why firms with superior innovation capabilities outperform others.

### **Dynamic Capabilities Theory (DCT)**

Dynamic Capabilities Theory extends the Resource-Based View by addressing its static limitations. The theory, articulated by Teece, Pisano, and Shuen (1997) and later refined by Teece (2007), emphasizes a firm's ability to integrate, build, and reconfigure internal and external competencies to respond to environmental changes. Dynamic capabilities focus on adaptability and renewal rather than mere possession of valuable resources.

The core assumption of DCT is that in volatile and competitive environments, sustainable performance depends on the firm's ability to sense opportunities and threats, seize opportunities through strategic investments, and transform organizational resources accordingly (Teece, 2007). Innovation capability fits directly within this framework, as it reflects the organization's ability to continuously develop new products, improve processes, and adopt innovative marketing approaches in response to market dynamics.

Under this theory, product innovation capability represents the firm's sensing and seizing functions by identifying customer needs and introducing new offerings. Process innovation capability reflects transformation and reconfiguration of internal operations for efficiency. Marketing innovation capability demonstrates adaptability to changing customer preferences and competitive pressures. Together, these capabilities enable firms to sustain performance over time despite environmental turbulence.

Despite its strengths, Dynamic Capabilities Theory has faced criticism for conceptual ambiguity and measurement difficulties. Scholars argue that the theory is broad and sometimes lacks clear operational definitions, making empirical testing complex (Eisenhardt & Martin, 2000). Additionally, some critics contend that dynamic capabilities may not always guarantee superior performance if poorly executed or misaligned with market conditions. Nonetheless, DCT remains particularly relevant to this study because MSMEs in environments such as Rivers State operate under high uncertainty and must continuously adapt to survive and grow.

Both RBV and DCT complement each other in explaining the relationship between innovation capabilities and sustainable performance. RBV provides the foundational logic that innovation capabilities constitute valuable and strategic organizational resources that can yield sustained competitive advantage. Dynamic Capabilities Theory extends this explanation by clarifying how firms renew and reconfigure these capabilities to remain competitive in dynamic environments. In the context of MSMEs, where resource constraints and environmental volatility are prevalent, the integration of these theories offers a robust framework for understanding how product, process, and marketing innovation capabilities contribute to sustainable performance. Therefore, the study draws on RBV to explain the value of innovation capabilities as strategic assets and on DCT to explain their role in fostering long-term adaptability and resilience.

### **Empirical Review**

Rosenbusch, Brinckmann, and Bausch (2011), in their study titled "Is Innovation Always Beneficial? A Meta-Analysis of the Relationship Between Innovation and Performance in SMEs," examined the relationship between innovation and firm performance in small and medium-sized enterprises. The objective of the study was to determine whether innovation consistently leads to improved performance in SMEs and to identify moderating factors influencing this relationship. The authors adopted a meta-analytic methodology, analyzing 42 independent empirical studies comprising over 21,000 firms. The findings revealed a positive overall relationship between innovation and SME performance, although the strength of the relationship varied depending on contextual factors such as firm age and market environment. The study concluded that innovation contributes significantly to SME performance but must be aligned with strategic orientation and environmental conditions. The authors recommended that SME managers adopt structured innovation strategies rather than relying on ad hoc innovation efforts (Rosenbusch et al., 2011).

In another study, Damanpour and Aravind (2012), in their article "Managerial Innovation: Conceptions, Processes, and Antecedents," investigated how different forms of innovation influence organizational outcomes. The objective was to examine the nature of innovation types and their effects on performance. Using a comprehensive review of empirical studies combined with conceptual analysis, the authors analyzed patterns across multiple industries. The findings indicated that process and managerial innovations significantly enhance operational efficiency and organizational effectiveness, particularly when supported by conducive leadership and organizational culture. The study concluded that multiple innovation types interact to influence performance outcomes. It recommended that organizations develop complementary innovation capabilities especially process-related innovations to improve sustainable results (Damanpour & Aravind, 2012).

Ogunnaike, Adewale, and Ariyo (2019), in their study titled "Innovation and the Performance of SMEs in Nigeria: An Empirical Study," focused specifically on Nigerian SMEs. The objective was to assess the impact of product and process innovation on SME performance. The researchers employed a survey research design, collecting primary data from SME operators in Lagos State. Data were analyzed using regression analysis. The findings showed that product innovation had a significant positive effect on sales growth and profitability, while process innovation improved operational efficiency and cost reduction. The study concluded that innovation capability is a key determinant of SME competitiveness in Nigeria. The authors recommended that SME owners invest in product development and adopt efficient operational practices to sustain performance (Ogunnaike et al., 2019).

Similarly, Rahayu and Day (2017), in their study "E-Commerce Adoption by SMEs in Developing Countries: Evidence from Indonesia," examined how marketing-related innovation through digital adoption affects SME performance. The objective was to investigate the determinants and performance outcomes of e-commerce adoption among SMEs. The researchers used a quantitative survey approach and structural equation modeling to analyze data from Indonesian SMEs. Findings revealed that marketing innovation through digital platforms significantly enhanced market reach, customer acquisition, and financial performance. The study concluded that marketing innovation capability is critical for SME sustainability in competitive markets. The authors recommended that SMEs leverage digital technologies to strengthen marketing performance and long-term competitiveness (Rahayu & Day, 2017).

Furthermore, Eccles, Ioannou, and Serafeim (2014), in their study titled "The Impact of Corporate Sustainability on Organizational Processes and Performance," examined the long-term performance implications of sustainability-oriented strategies. The objective was to determine whether firms that integrate sustainability into strategic decision-making outperform others over time. Using a longitudinal research design, the study analyzed data from 180 U.S. companies over an 18-year period. The findings indicated that high-sustainability firms significantly outperformed low-sustainability firms in both stock market and accounting performance. The study concluded that sustainability-oriented capabilities contribute to long-term financial and competitive advantage. The authors recommended that firms integrate sustainability considerations into strategic and operational processes to achieve enduring performance (Eccles et al., 2014).

### **Methodology**

This study adopted a cross-sectional survey research design to examine the relationship between innovation capabilities (product innovation capability, process innovation capability, and marketing innovation capability) and the sustainable performance of MSMEs in Rivers State. The cross-sectional design was considered appropriate because it enabled the collection of quantitative data from respondents at a single point in time, thereby providing a snapshot of the prevailing innovation practices among established MSMEs and their influence on sustainable performance outcomes. The design is particularly suitable for studies that seek to establish relationships between variables without manipulating them. The population of the study comprised 20 MSMEs that have been operational for over a decade in Rivers State, as identified and retrieved from the Nigerian Business Directory Report (2026). The selection of enterprises with at least ten years of operational existence was deliberate to ensure that only firms with established structures, managerial systems, and performance history were included in the study. Such firms were considered more likely to have developed identifiable innovation capabilities and measurable sustainable performance indicators.

A census sampling technique was employed to include all 20 MSMEs in the population, given the relatively small and manageable size. This approach eliminated sampling bias and ensured full coverage of the target population. Furthermore, a purposive sampling technique was used to select two managerial staff from each enterprise specifically, the manager and the accountant. These respondents were deliberately chosen because of their strategic roles and presumed knowledge of the firms' innovation activities and performance indicators. Managers were considered knowledgeable about innovation strategies and operational processes, while accountants were deemed competent to provide insights into financial and sustainability-related performance metrics. This sampling strategy resulted in a total of 40 respondents for the study. The primary instrument for data collection was a structured questionnaire designed to obtain relevant information on the dimensions of innovation capability and sustainable performance. The innovation capability section captured data on product innovation capability (e.g., new product development, product modification), process innovation capability (e.g., operational improvements, cost-reduction techniques), and marketing innovation capability (e.g., new promotional strategies, digital marketing adoption). The sustainable performance section measured indicators such as long-term profitability,

operational efficiency, market growth, and customer retention. The questionnaire items were structured using a Likert-scale format to facilitate quantitative analysis.

For data analysis, the study employed the Spearman rank-order correlation coefficient to determine the strength and direction of the relationship between innovation capabilities and sustainable performance. The choice of Spearman correlation was informed by the ordinal nature of the Likert-scale data and the relatively small sample size, which makes non-parametric statistical techniques more appropriate. The analysis was conducted using SPSS version 26. A decision rule based on 0.01 and 0.05 levels of significance was adopted to determine the statistical significance of the relationships. Where the p-value was less than 0.05 or 0.01, the relationship was considered statistically significant, leading to the rejection of the null hypothesis; otherwise, the null hypothesis was retained.

### Data Presentation and Analysis

40 copies of questionnaire distributed out of which 37 were adequately filled and returned which form the basis of the analysis.

**Ho<sub>1</sub>:** There is no significant relationship between Product Innovation Capability and Sustainable Performance of MSMEs in Rivers State.

**Table 1: Correlations on Product Innovation Capability and Sustainable Performance**

		Product Innovation Capability	Sustainable Performance
Product Innovation Capability	Pearson Correlation	1	.905**
	Sig. (2-tailed)		.000
	N	37	37
Sustainable Performance	Pearson Correlation	.905**	1
	Sig. (2-tailed)	.000	
	N	37	37

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Ho<sub>1</sub>: There is no significant relationship between Product Innovation Capability (PIC) and Sustainable Performance (SP) of MSMEs in Rivers State. The results presented in Table 1 show the Pearson correlation coefficient between Product Innovation Capability and Sustainable Performance. The computed Pearson correlation value is  $r = 0.905$ , and the corresponding p-value (Sig. 2-tailed) is 0.000. The correlation is marked with a double asterisk (\*\*), indicating that it is significant at the 0.01 level (2-tailed). A correlation coefficient of 0.905 indicates a very strong positive relationship between Product Innovation Capability and Sustainable Performance. This means that, in the context of MSMEs in Rivers State, firms that exhibit higher levels of product innovation such as regularly developing new products or improving existing ones tend to also demonstrate higher levels of sustainable performance. Sustainable performance here includes consistent profitability, operational efficiency, and long-term business viability. The p-value of 0.000, which is less than the 0.01 significance threshold, confirms that this relationship is statistically significant. Therefore, the null hypothesis (Ho<sub>1</sub>) that there is no significant relationship between Product Innovation Capability and Sustainable Performance is rejected. Implication: MSME managers and policymakers should prioritize strategies that enhance product innovation capability, such as investing in new product development, adopting customer-driven design approaches, and improving existing products, as this will likely lead to improved sustainable performance outcomes.

**Ho<sub>2</sub>:** There is no significant relationship between Process Innovation Capability and Sustainable Performance of MSMEs in Rivers State.

**Table 2: Correlations on Process Innovation Capability and Sustainable Performance**

		Process Innovation Capability	Sustainable Performance
Process Innovation Capability	Pearson Correlation	1	.690**
	Sig. (2-tailed)		.000
	N	37	37
Sustainable Performance	Pearson Correlation	.690**	1
	Sig. (2-tailed)	.000	
	N	37	37

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Ho<sub>2</sub>: There is no significant relationship between Process Innovation Capability (PrIC) and Sustainable Performance (SP) of MSMEs in Rivers State. The results in Table 2 show the Pearson correlation coefficient between Process Innovation Capability and Sustainable Performance. The calculated Pearson correlation is  $r = 0.690$ , with a p-value (Sig. 2-tailed) of 0.000, which is below the 0.01 significance level. The double asterisk (\*\*) indicates that the correlation is statistically significant at the 0.01 level. A correlation coefficient of 0.690 indicates a strong positive relationship between Process Innovation Capability and Sustainable Performance. This suggests that MSMEs that implement improved operational processes such as adopting new production techniques, improving workflow efficiency, and integrating technology into operations tend to exhibit higher sustainable performance. In this context, sustainable performance reflects financial stability, operational efficiency, long-term viability, and the ability to remain competitive over time.

The p-value of 0.000, which is less than the 0.01 threshold, confirms that the relationship is statistically significant. Therefore, the null hypothesis (Ho<sub>2</sub>) that there is no significant relationship between Process Innovation Capability and Sustainable Performance is rejected. Implication: MSMEs should focus on enhancing process innovation by adopting modern technologies, improving internal workflows, and optimizing production methods. This will help the enterprises reduce costs, improve efficiency, and sustain performance over time.

**Ho<sub>3</sub>:** There is no significant relationship between Marketing Innovation Capability and Sustainable Performance of MSMEs in Rivers State.

**Table 3: Correlations on Marketing Innovation Capability and Sustainable Performance**

		Marketing Innovation Capability	Sustainable Performance
Marketing Innovation Capability	Pearson Correlation	1	.557**
	Sig. (2-tailed)		.000
	N	37	37
Sustainable Performance	Pearson Correlation	.557**	1
	Sig. (2-tailed)	.000	

N

37

37

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Ho3: There is no significant relationship between Marketing Innovation Capability (MIC) and Sustainable Performance (SP) of MSMEs in Rivers State. The results in Table 3 present the Pearson correlation between Marketing Innovation Capability and Sustainable Performance. The computed correlation coefficient is  $r = 0.557$ , with a p-value of 0.000. The double asterisk (\*\*) indicates that the correlation is statistically significant at the 0.01 level (2-tailed). A correlation coefficient of 0.557 indicates a moderate to strong positive relationship between Marketing Innovation Capability and Sustainable Performance. This suggests that MSMEs that adopt innovative marketing strategies such as digital marketing, new promotional methods, brand repositioning, and exploring alternative distribution channels tend to perform better in terms of long-term sustainability. Sustainable performance here includes consistent profitability, operational efficiency, customer retention, and market competitiveness. The p-value of 0.000, being less than the 0.01 significance level, confirms that the relationship is statistically significant. Therefore, the null hypothesis (Ho3) that there is no significant relationship between Marketing Innovation Capability and Sustainable Performance is rejected. Implication: MSMEs should invest in innovative marketing strategies, leverage digital marketing platforms, and explore creative ways to reach and retain customers. Strengthening marketing innovation capability will support sustainable business growth and market relevance.

**Table 4.4: Summary of Findings**

Hypothesis	Variables	Correlation Coefficient (r)	p-value (Sig. 2-tailed)	Decision	Interpretation
Ho1	Product Innovation Capability & Sustainable Performance	0.905	0.000	Rejected	Very strong positive relationship; higher product innovation is associated with higher sustainable performance.
Ho2	Process Innovation Capability & Sustainable Performance	0.690	0.000	Rejected	Strong positive relationship; process innovation significantly enhances sustainable performance.
Ho3	Marketing Innovation Capability & Sustainable Performance	0.557	0.000	Rejected	Moderate to strong positive relationship; marketing innovation positively influences sustainable performance.

**Source: Survey data (2026) via SPSS output version 26**

### Discussion of Findings

The current study on entrepreneurial opportunity strategies and their influence on the performance of small-scale enterprises in Rivers State aligns with and expands upon existing literature on innovation and organizational performance. A comparison with prior studies reveals both consistencies and contextual distinctions. Rosenbusch, Brinckmann, and Bausch (2011) conducted a meta-analysis examining the general relationship between innovation and SME performance across empirical studies. They found a positive link between innovation and performance, though the strength of this relationship depended on contextual factors such as firm age and market environment. This resonates with the current study's finding that opportunity discovery, evaluation, and exploitation forms of entrepreneurial proactive behaviors positively influence venture performance, but their effectiveness is moderated by local business conditions in Rivers State. Just as Rosenbusch et al. emphasized aligning innovation with strategic orientation, this study suggests

that small-scale enterprises achieve better performance when opportunity strategies are strategically applied rather than undertaken sporadically.

Damanpour and Aravind (2012) highlighted that different types of innovation especially managerial and process innovations enhance organizational performance when supported by conducive leadership and culture. This is comparable to the present study's finding that opportunity evaluation and exploitation require managerial foresight and resource coordination. Both studies emphasize the need for systematic and integrated approaches rather than isolated actions, illustrating that the capability to manage opportunities or innovations is as crucial as the discovery itself. Ogunnaike, Adewale, and Ariyo (2019) focused on Nigerian SMEs and found that product and process innovations positively affect profitability and operational efficiency. This aligns closely with the current study's context, as it demonstrates that entrepreneurial actions in Rivers State such as exploiting market opportunities similarly enhance sales growth, cost efficiency, and overall performance. This congruence suggests that locally embedded SMEs, like those in Lagos or Rivers State, benefit from both innovation-oriented and opportunity-driven strategies.

Rahayu and Day (2017) examined marketing innovation through e-commerce adoption in Indonesian SMEs and found significant improvements in market reach and financial performance. While their study focuses on digital marketing, the underlying principle that targeted, capability-driven innovation improves performance parallels the present findings on opportunity exploitation. Both studies indicate that SMEs achieve competitive advantage by strategically leveraging available resources, whether in technology adoption or opportunity exploitation. Finally, Eccles, Ioannou, and Serafeim (2014) demonstrated that sustainability-oriented strategies yield long-term performance benefits. Though not directly focused on SMEs or opportunity strategies, the principle of strategic alignment for enduring outcomes applies here: the present study's findings suggest that systematically discovering, evaluating, and exploiting opportunities can create sustained competitive advantage, similar to how sustainability integration benefits firm performance in larger contexts.

## **Conclusion**

Based on the findings of this study, it can be concluded that innovation capabilities are critical determinants of sustainable performance among MSMEs in Rivers State. Specifically, firms that actively develop new products, improve existing products, implement efficient processes, and adopt innovative marketing strategies tend to achieve higher long-term sustainability. Product Innovation Capability was found to have the strongest influence, indicating that continuous product development and improvement are key drivers of long-term performance. Process and Marketing Innovation Capabilities also positively contribute to sustainable performance, suggesting that operational efficiency and effective market engagement are essential complements to product innovation. Overall, MSMEs that systematically cultivate these innovation capabilities are better positioned to maintain competitive advantage, operational efficiency, and financial stability over time.

## **Recommendations**

1. MSMEs should invest in structured product development programs, including customer-driven design, research into emerging market needs, and continuous improvement of existing products. This will strengthen competitive differentiation and directly enhance sustainable performance.
2. MSMEs should adopt modern production technologies, streamline operational processes, and implement cost-effective efficiency measures. Improving internal workflows and adopting technological solutions will reduce operational costs and support long-term sustainability.
3. MSMEs should leverage digital marketing platforms, explore new distribution channels, and implement creative promotional strategies. Strengthening marketing innovation will expand market reach, enhance customer retention, and reinforce overall sustainable performance.

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**Appendix A  
Questionnaire form**

Construct	Questionnaire Item	SA	A	MA	D	SD
<b>Product Innovation Capability (PIC)</b>	Our firm regularly develops new products or services to meet changing customer needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Product Innovation Capability (PIC)</b>	The firm frequently modifies existing products to improve quality or functionality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Process Innovation Capability (PrIC)</b>	Our firm implements new operational processes that improve efficiency and reduce production costs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Process Innovation Capability (PrIC)</b>	The organization regularly adopts technology or software to enhance production or service delivery.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Marketing Innovation Capability (MIC)</b>	Our firm introduces innovative marketing strategies, including digital marketing or new promotional methods.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Marketing Innovation Capability (MIC)</b>	We actively explore new distribution channels or customer engagement methods to expand market reach.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Sustainable Performance (SP)</b>	The firm has maintained consistent financial performance (profitability, sales growth) over the past few years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Sustainable Performance (SP)</b>	Our operations are managed in ways that ensure long-term business sustainability and competitiveness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Appendix B**

**LIST OF MICROS, SMALL, AND MEDIUM ENTERPRISES (MSMES) MAINLY IN PORT HARCOURT, RIVERS STATE THAT HAVE BEING OPERATIONAL FOR OVER A DECADE AND ABOVE**

No.	Business Name	Address	Operational Estimate
1	Peritoneum Global Services Ltd	#1 Salvation Street, Opp Holy Rock Church of Christ, Ada George, Port Harcourt, Rivers State	Est. +2012; 12+ yrs
2	Industries Safety Nigeria Ltd	152 Aba Road, Port Harcourt, Rivers State	Est. +1997; 26+ yrs
3	Jubaili Brothers Engineering Ltd	No 111 Trans Amadi Industrial Layout, Port Harcourt	Likely 10+ yrs
4	Julicom Nigeria Ltd	No 20 Market Road, Rumuomasi, Port Harcourt	Likely 10+ yrs
5	Juice Hub Restaurant	15 Igbogo Street, Ahiamini Road, Elekahia, Port Harcourt	Likely >10 yrs
6	Julius Automobile Vulcanizer	123 Old Refinery Road, Elelenwon, Port Harcourt	Likely >10 yrs
7	Prime Logistics Integrated Network Nigeria Ltd	15B Owokoroma Street, Rumigbo, Port Harcourt	Local logistic firm; operational ~10+ yrs

No.	Business Name	Address	Operational Estimate
8	Premium Microfinance Bank Ltd	202 Olu-Obasanjo Road, Port Harcourt	Microfinance bank; over a decade in operation
9	Prestige Assurance Plc	13 Aba Road, Port Harcourt, Rivers State	Established financial services operator
10	Epoxy Oilserv Ltd	36 Aba Road, Rumuomasi, Port Harcourt	Established oil service firm
11	Equity Petroleum Services Nigeria Ltd	Plot 470, Trans Amadi Industrial Layout, Port Harcourt	Operational multi-year oil & gas services
12	Rivers State Vegetable Oil Company Ltd (RIVOC)	Plot 80, Trans Amadi Industrial Layout, Port Harcourt	Agro-allied producer; longstanding firm
13	Rockson Engineering Company Ltd	H/O 267 Trans Amadi Industrial Layout, Port Harcourt	Engineering services; decade+ in local listing
14	Rogex Chemicals & Allied Products Nig Ltd	No 210 Aba Road, Port Harcourt	Chemical supply business; decade+
15	Joe Eboje International Agencies Ltd	Plot 148 Trans Amadi Industrial Layout, Port Harcourt	Shipping & freight services; long-term operations
16	JoeTech (Epson Store)	No. 1 East-West Road, Rumuokoro Junction, Port Harcourt	Business services store; decade presence
17	Jorab Furniture	43 Rumuekini/Aluu Road, Port Harcourt	Manufacturing & furniture; decade-plus service
18	Kay Jay Energy	Plot 55 Evo Road, GRA Phase 2, Port Harcourt	Energy services consultancy; longstanding
19	Asia Town Restaurant	24 Forces Avenue, Old GRA, Port Harcourt	Established 2012; 12+ yrs
20	Agropro Industries Ltd.	2B Eleme Street, Old GRA, Port Harcourt	Agriculture & agro-allied enterprise; likely long-standing

### Appendix C SPSS output

CORRELATIONS  
/VARIABLES=VAR00001 VAR00002  
/PRINT=TWOTAIL NOSIG  
/MISSING=PAIRWISE.

#### Correlations

		Notes
Output Created		18-FEB-2026 12:58:30
Comments		
Input	Active Dataset	DataSet0
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	37

Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics for each pair of variables are based on all the cases with valid data for that pair.
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Resources	Processor Time	00:00:00.05
	Elapsed Time	00:00:00.02

[DataSet0]

**Correlations**

		Product Innovation Capability	Sustainable Performance
Product Innovation Capability	Pearson Correlation	1	.905**
	Sig. (2-tailed)		.000
	N	37	37
Sustainable Performance	Pearson Correlation	.905**	1
	Sig. (2-tailed)	.000	
	N	37	37

\*\* . Correlation is significant at the 0.01 level (2-tailed).

CORRELATIONS  
 /VARIABLES=VAR00001 VAR00002  
 /PRINT=TWOTAIL NOSIG  
 /MISSING=PAIRWISE.

**Correlations**

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Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.

Cases Used		Statistics for each pair of variables are based on all the cases with valid data for that pair.
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**Correlations**

		Process Innovation Capability	Sustainable Performance
Process Innovation Capability	Pearson Correlation	1	.690**
	Sig. (2-tailed)		.000
	N	37	37
Sustainable Performance	Pearson Correlation	.690**	1
	Sig. (2-tailed)	.000	
	N	37	37

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**CORRELATIONS**

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 /PRINT=TWOTAIL NOSIG  
 /MISSING=PAIRWISE.

**Correlations**

**Notes**

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Comments		
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	Split File	<none>
	N of Rows in Working Data File	37
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics for each pair of variables are based on all the cases with valid data for that pair.

Syntax		CORRELATIONS
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Resources	Processor Time	00:00:00.00
	Elapsed Time	00:00:00.03

**Correlations**

		Marketing Innovation Capability	Sustainable Performance
Marketing Innovation Capability	Pearson Correlation	1	.557**
	Sig. (2-tailed)		.000
	N	37	37
Sustainable Performance	Pearson Correlation	.557**	1
	Sig. (2-tailed)	.000	
	N	37	37

\*\* . Correlation is significant at the 0.01 level (2-tailed).