

## Exploring the Interrelatedness between Product Development and Performance of SMEs in Southwest Nigeria

Oladotun Abimbola Oluwaseun, Kehinde Joseph Oladele, Falola Hezekiah Olubusayo, Salau Odunayo Paul, Dada Augustina Esitse, Akinola Oluseyi Akintunde & Tongo Nancy Izegebuwa

Department of Business Management, Covenant University, Ota, Ogun State, Nigeria  
Corresponding Author: **Oladotun Abimbola Oluwaseun**

---

---

**Abstract:** *The firm's conscious effort in developing products and service quality will go beyond building quality customer service and also help enhance customer loyalty in this highly competitive business environment. This study examined the relationships between product development and the performance of SMEs (profitability, service quality, customer satisfaction, and market share). The study adopted a simple random sampling methods and three hundred and eighty-four copies (384) of the questionnaire were distributed among the manufacturing SME owners and managers in Southwest Nigeria, of which three sixty-one (361) were retrieved and analysed. Structural Equation Modelling (SMART PLS) was used for the analyses. The results indicate that product development has significant effects on customer satisfaction, market share, profitability and service quality. The Path coefficient of 0.800 implies a substantial degree of relationship between product development and customer satisfaction. The  $R^2$  value of 0.640 indicates that a 64.0% variance in customer satisfaction can be explained by product development. The Path coefficient of 0.806 suggests a strong relationship between product development and market share. The  $R^2$  value of 0.650 suggests that a 65.0% variance in market share can be explained by product development. The Path coefficient of 0.856 implies a substantial degree of relationship between product development and profitability. The  $R^2$  value of 0.732 indicates that a 73.2% variance in profitability can be explained by product development. The Path coefficient of 0.886 implies a considerable degree of relationship between product development and service quality. The  $R^2$  value of 0.784 indicates that a 78.4% variance in service quality can be explained by product development. It was discovered that service quality has the most predictive value, followed by profitability, market share and customer satisfaction in that order. Therefore, owners of SMEs should pay attention to adopting innovative equipment, technical specifications for developing new products and increased capability to adjust to rapid changes in business competitive environment. Efforts should be made by the owners to regularly update their due process policies on product development to reflect the best practices around the world. Also, should be committed to innovation, promote creativity among the employees, invest in research and development and create enabling environment that will encourage intrapreneurship.*

**Keywords:** *Customer Satisfaction, Market Share, Product Development, Profitability, Service Quality*

---

---

### 1. Introduction

1. The narratives in the competitive business environment are constantly changing. The changes are facilitated by technological advancement, and firms drive to meet the need of customers. (Olokundun, Ibiidunni, Ogbari, Peter, Borishade, Falola, Salau&Kehinde, 2018.) The firm's conscious effort in developing quality products and services will not only go beyond building quality customer service but also help enhance customers' loyalty. Liu

and Wand (2020) posited that product development is the driver of product competitiveness in the industry and boosts the performance of a business.

Moreover, service quality reduces advertisement and promotion expenses, and the retained old customers are more than enough to recommend the product to attract new customers. This is crucial to attaining a higher market share even as the profitability of the firm increases. Following Abolarinwa, Asogwa, and Ezenwakwelu (2020), a positive relationship exists between business performance and product development. Thus, a firm can only survive in the competitive market through adopting and practicing effective product development.

On the other hand, firm performance describes how financially buoyant a firm is at a point in time, be it poor or good, and it reflects how successful the firm has been for that period (Ismanu&Kusmintarti, 2019). Most entrepreneurs start a business for financial gains; this is why the financial performance of SMEs is important to sustain them in the market. Ismanu and Kusmintarti (2019) further posited that the resource must be optimally utilised to achieve the financial goal, which is the priority of many SMEs. Some identified measures of firm performance are market share, sales increment, profitability, customer satisfaction, service quality etc. firm performance. (Zhang, Yang, Qui, Bao, & Li, 2018).

Small and medium-scale enterprises (SMEs) play a very critical global economy role, irrespective of the stages of economic development (Benedict, Gitongo, Agyeman, & Kyei, 2021). SMEs remain a tool to create employment, boost the economy, reduce poverty, and enhance the redistribution of wealth in the economy (Adeosun & Shittu, 2021).

In 2020, the Small and Medium Enterprises Development Agency of Nigeria reported SMEs to have covered 96.7% of all businesses in Nigeria, that is an estimated 39.6 million small and medium enterprises, responsible for about 87.9% of employment, and contribute a total of 49.7% to the Gross Domestic Product, GDP of the nation. Although there is a little reduction in its impact on the global economy and gross domestic product (SMEDAN, 2022), it still cannot be ignored. Furthermore, manufacturing is one of the smallest sectors in the Nigerian business industry; however, SMEs account for 90% of the industry. As such, they are responsible for producing the input used by large industrial companies, making it crucial to current and future growth (Tahir, Ibrahim, & Nad, 2021).

According to SMEDAN (2022), SMEs in Nigeria perform and grow differently than their counterpart in other developing economies outside Africa like India, Peru, and Indonesia. Generally, research confirmed that 80% of failures in African SMEs within the first five years after the founding. This was evident in Nigeria, between 2019 and 2020, with a decrease of 3.7% in the number of SMEs operating in the country. Ojimaajoet *al.* (2020) posited that Nigerian SME growth could have been more impressive despite the intervention of the government at all tiers to improve the situation. According to Tahir *et al.* (2021), among other factors, the inability of SMEs to adopt right growth strategy. In line with this, Mustafa and Yaakub (2018) itemise challenges SMEs face, including access to the market. Again, Abolarinwaet *al.* (2020) confirmed that lack of product development, low business strategy implementation are the major causes of the poor performance of SMEs. However, only some of the studies highlighted above investigated the influence of product development on the performance of SMEs, particularly within the context of SMEs in Nigeria. To this end, this study explored the interrelatedness between product development and the performance of SMEs in Nigeria.

## **2. Literature Review**

### ***Product Development***

Product Development, As the name implies, this is producing a new product or improving the current products. The desire of a company to satisfy customers' preferences and evolve as technology advances necessitates the development of new products (Mwangi & Waithaka, 2020). In addition, companies choose to improve their products

when the existing product can no longer compete in the existing market. Therefore, they incorporate new ideas into their production processes. Dugghet *al.* (2018) asserted that this strategy is the most preferred for SMEs. Although, Iqbal and Suzianti (2021) stated that SMEs face diverse problems in developing their products. The decision to develop a product is not solely taken by firms. The stakeholders must be involved in the decision-making (Iqbal & Suzianti, 2021). Customers' part in the product development decision-making process should be emphasized. Studies have shown that when the opinion/needs of the customer are incorporated into the new product, there is the likelihood of increasing their satisfaction with the project (Iqbal & Suzianti, 2021). Further, firms copy technology innovation from other firms to help in their process of product development, and at the same time, rely on other firms to supply raw materials and distribute the finished product to the target customers. (Bolodeoku, Igbinoba, Salau, Chukwudi, & Idia, 2022).

## **2.1 Indicators of Performance**

- **Market share**

Market share reveals the level of successful competition of a product in the market and has been used by various firms to track their performances (Bhattacharya, Morgan, & Rego, 2022). It is a rate at which customers are willing to buy a particular product over other related competing products (Ifeoma, Vicent, Purity, & Akaegbobi, 2021). An increase in sales is evidence that a firm has gained more market share, although it is not the same as profitability. The increase in sales results from customers' preference for the product and the difficulties in gaining entrance to the market with new products. In addition, market share makes it easier for firms to sell more of their product with or without sales enhancement efforts like promotion and advertisements. Thus, firms with high competitive advantages will have a high market share.

According to Bhattacharya, Morgan, and Rego (2022), market share is not all about the company's performance alone but encompasses market performance. It measures the company's sales concerning the entire industry's sales. Consistently with this assertion, The Organisation for Economic Cooperation and Development, OECD (2022) stated that market share is a global concept that compares the size of a firm to its rivals in the industry.

- **Profitability**

Profitability is another very important indicator of performance. It is a major motivator for business owners (Siepel & Dejardin, 2020). Naknok (2022) posited profit is a driver of a firm's towards their objectives and enables managers to identify the effectiveness of the firm in resource optimisation and profit maximisation. This is a financial indicator of SMEs' performance. While a young firm may not be able to use other indicators to measure its performance due to needing more experience to decipher best practices, profitability can be used by both young and old firms (Schlichter, Klyver, & Haug, 2021). Returns on assets and the ratio of cost and revenue are direct measures of firms' profitability (Siepel & Dejardin, 2020). One setback of this indicator is business owners' need for record-keeping, as financial records are necessary for measuring profitability (Siepel & Dejardin, 2020).

The decision of a firm to invest with financial commitment is influenced by the profitability level of the firm (Komara, Ghazali, & Januarti, 2019). Consequently, value-adding investments can be made when the company makes a profit. However, Abeyrathna and Priyadarshana (2019) contrast this in their study. It was confirmed in Sri Lanka that the asset of a firm does not dictate its profitability of the firm. Another major determinant of the profitability of a firm is its size of the firm. Scholars have established that the production capacity of a firm, which invariably measures its size, is highly related to its profitability.

- **Customer Satisfaction**

Making products to meet the satisfaction of the customers forms one of the fundamentals of organisational goals. Customers remain an inevitable part of the business because, without them, there would not be a business in the first

place (Chattopadhyay, 2019). Thus, they remain a top priority in any firm's strategic plans, which every manager takes cognisance of (Drosos, Kyriakopoulos, Arabatzi, & Tsotsolas, 2020). In line with this, Ali, Saleh, Akoi, Abdulrahman, Muhamed, Noori, and Anwar (2021) said customers deserve to be treated as kings as they determine the sale and profit of an organisation.

According to Drosos *et al.* (2020), this indicator depends on the quality of the product or service rendered to the customer. Therefore, the company's product is a tool to gain the satisfaction of customers. They posited that resources used in production must also be improved to improve the quality of products. As cited by Afroz (2018), it is the impression gained by a consumer after consuming a company's product. This impression is relative to their expectation of the product. In addition, Chattopadhyay (2019) posited that this performance indicator helps retain customer loyalty for a long time. It is also an added advantage as the retained customers encourage new ones to patronise the company's product; this invariably reduces the cost of promotion/advertisement incurred by firms. It is believed that CS strengthens an organisation's reputation and reduces customer complaints about a given product (Hallencreutz & Pamler, 2021).

According to Chattopadhyay (2019), firms use the customer satisfaction assessment to keep up with the evolving competitive market by being abreast with the taste of the customers at every point in time. This, according to him, gives an avenue to have right-hand information on how and what to produce for a targeted market. The happiness of consumers is derived from the satisfaction they get from the product/services, and the happier they are, the more loyal they are to the product (Ali *et al.*, 2021). The Two things that should be considered important in satisfying consumers are the price of the product and the quality (Nwachukwu, 2018).

- **Service Quality**

Service quality: This is one indicator that cannot be neglected considering the existing competition in the market; this is particularly true for firms rendering services (Afroz, 2018). Service quality is the rating of a company's product or service in comparison with what consumers want from such a product or service and similar products in the market (Afroz, 2018). That is, the quality of a product is not just for consumers to determine; it is also a form of competition to have the best product in the market where the company operates. Although the customer remains the organization's top priority, there is a need to retain customers by remaining the best in the market. Chattopadhyay (2019) posited that product quality is now frequently used to assess the performance of a firm in terms of satisfying their customers and as a means of enhancing competitiveness in the industry.

Afroz went on to say that businesses should ramp up their market research to understand what customers consider quality in a product, especially in their specific market. This may be attributed to different tastes across geographical locations sometimes; as such, what market A rates as quality may not be the same as what market B rates as quality. However, Gogoi and Shillong (2021) posited that the quality customers expect to derive from a product must be commensurate with the price. Some customers may be willing to pay more for higher quality, while some prefer low prices with considerable quality. This buttresses the fact that business owners and marketers must be actively involved in investigating information about the market and consumers. Studies have revealed that the inquisitiveness of consumers coupled with the high level of exposure will always make them want more and be certain of what they need from a particular product (Ali *et al.*, 2021).

## **2.2 Product Development and Performance of SMEs**

Product development, regardless of the business environment, increases the competitiveness and performance of a business (Liu & Wand, 2020). Similarly, it was affirmed that product development sustains market share, but the failure of a new product launch may negate this positive relation. (Ufua, Olujobi, Ogbari, Dada, Edefe, 2020). Mohammed (2019) found out in his study conducted in Nigeria to examine the effect growth strategies have on SMEs' performance that sale growth is affected by product development. He emphasised the necessity

of adopting the right growth strategy for long-term performance. This, according to him, is the record of small-scale business failure within the first five decades of business life. (James, Ayodotun, Atolagbe, Maxwell, Augusta, & Taiye, 2018). To avoid failure, SMEs are advised to adopt strategies like product development.

Hallencreutz and Parmler (2021), in the quest to understand what enhances customer satisfaction, researched 'important drivers for customer satisfaction- from a product focus to image and service quality. In their quantitative study, PLS-SEM analysis discovered that product quality is the important driver of customer satisfaction. In other words, product development aimed at improving the existing product to meet customers' needs or creating new ones to meet the taste of the customers has a positive correlation with the performance of a business in terms of satisfaction customers derive from the firm's product. Related research was conducted by Chaerudin and Syafarudin (2021) on medical device products. The research applied the Partial least square method to analyse the responses from 141 respondents. They concluded that there is a positive and significant relationship between product quality, customers' decision to purchase a particular product, service quality, and customer satisfaction.

Again, Micah *et al.* (2019) conducted a study to investigate the impact of product branding on the sales of SMEs. The coefficient of the determinant of the result was low (49%). It shows a contrary effect to what has been a general belief. Micah and others discovered that the sales of small and medium-scale enterprises are not influenced by product branding.

### 3. Methodology

#### Research Design

The choice of research design is explanatory. Unlike other designs, according to Boru (2018), explanatory seeks to investigate the "what" and the "why" of a given phenomenon with facts to back the findings up. Therefore, using a descriptive survey, each variable will be thoroughly investigated to get the answers to the research questions set without manipulation (Seidlecki, 2020).

#### 3.2 Study Area

The Southwest region of Nigeria was selected for the research due to its number of small and medium-sized businesses (SMEs). The southwest is one of Nigeria's six geopolitical zones, representing the country's southwest and geographic location. It comprises six states: Ekiti, Lagos, Ogun, Ondo, Osun, and Oyo. According to the 2020 National Bureau of Statistics (NBS) study, the Southwest States of Nigeria have the country's largest number of small and medium enterprises (SMEs). Specifically, Lagos, Oyo, and Ogun states have been identified as the major hub of SME concentration in Southwest Nigeria; however, all six states was included in this study. Primarily the purposive sampling technique will be employed in selecting the study area, and the major criteria for selection are the concentration of SMEs in this region.

#### 3.3 Population, Sample Size Determination and Sampling Technique

The population from which the sample was obtained is the Nigerian SME manufacturing sector in Southwest Nigeria. The NBS survey estimates that Nigeria's overall number of businesses is 41.5 million, dispersed throughout the country's 36 states (Adesoji, 2020). According to Akintaro (2022), 51% of the SMEs in Nigeria are in the southwest. This study focuses on small and medium-sized enterprises (SMEs) in the Southwest as Lagos, the commercial capital of Nigeria, had the largest number of SMEs with 8,395, followed by Oyo (6,131), Osun (3,007), Ondo (2363), Ogun (2465), and Ekiti (928) (National Survey of Micro Small and Medium Enterprises (MSMEs) 2017; Adesoji, 2020). In line with this, the Southwest states of Lagos, Oyo, Osun, Ondo, Ogun, and Ekiti have about 23,289 SMEs representing the study population.

However, from the Tahardoost determination sample size for this research is 384 SME owners and managers for the questionnaire. Nigeria is chosen purposively due to the highest concentration of SMEs in the area. Also, a random

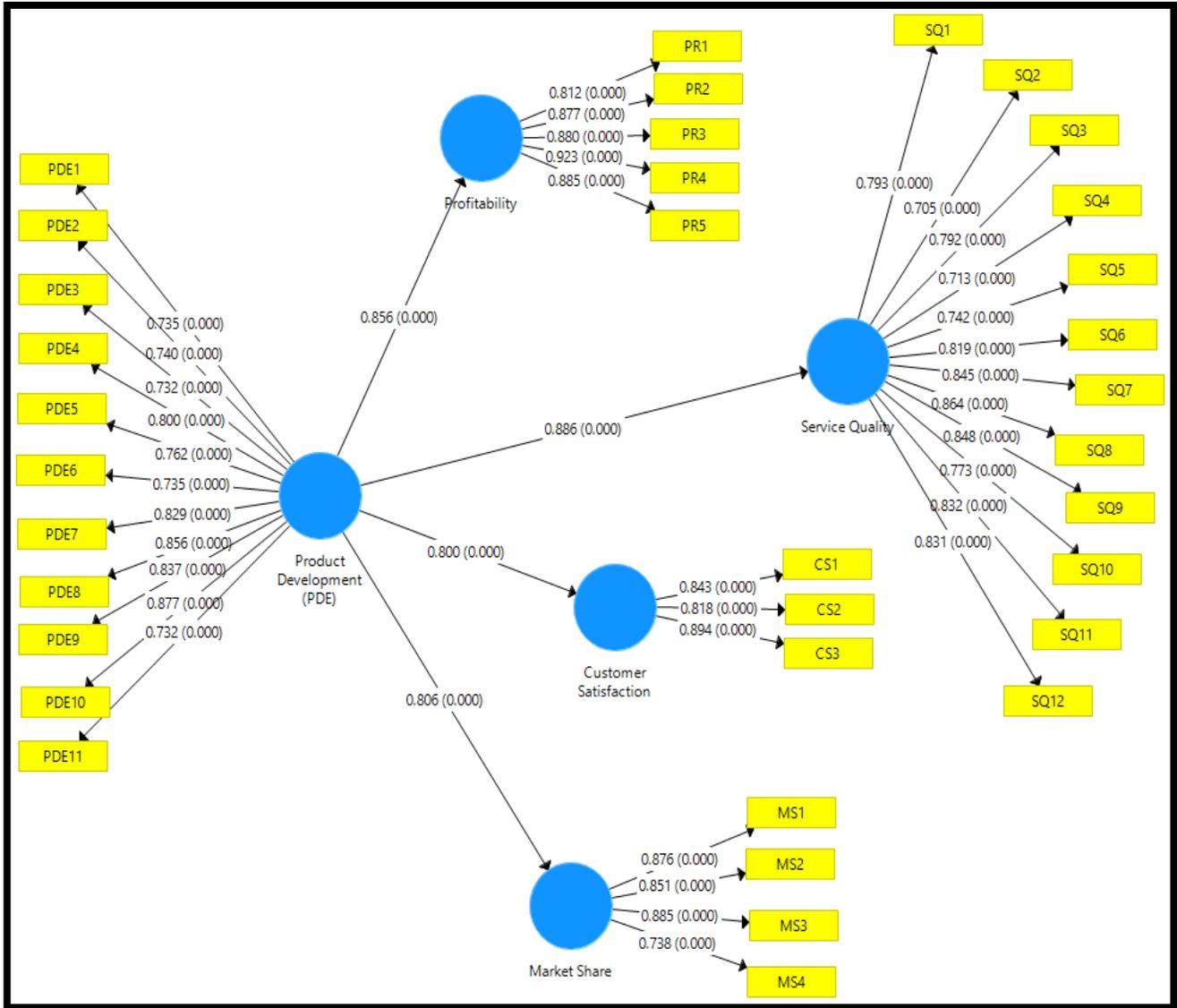
sampling technique was used to select respondents from the NASME (Nigeria association of small and medium enterprise) member lists. This technique is an easy method to implement. Moreso, it gives the members of the population an equal chance of selection, therefore the population is well-represented. Southwest,

### **3.4 Research Instrument, Method of Data Analysis**

The questionnaire was adapted from the already established instrument in the literature. Instruments on product development used by Omasa *et al.*, (2022), service quality and customer satisfaction Bidyut and Shillong (2021), profitability and market share Kanya, (2016) were adopted. A Likert scale rates the opinion or perception on a particular issue. The data collected was analysed using SEM-PLS.

### **3.5 Hypothesis Testing**

The influence of product development on the performance of SMEs (profitability, service quality, customer satisfaction, and market share) was investigated. For proper understanding and interpretation of the statistical results, path coefficients, t-statistics, R-square values, and p-values were used to draw inferences from the results. As shown in Figure 1, the path coefficient determines the degree and strength of the relationship between the observed variables. On the other hand, the r-square values determine the amount of variance in the performance of SMEs, as explained by product development.



**Figure 1:Product development and performance of SMEs (profitability, service quality, customer satisfaction, and market share) model**

Figure 1 shows the PLS algorithm model of product development and SMEs performance with the loading values of each item of measurement of the constructs. This depicts the PLS Bootstrapping Model with  $\beta$  and P-coefficient values of SME product development and performance. The p-value determines the amount of probability. Meanwhile, before the p-value can be considered significant, the probability must be less than 0.05. Therefore, at a p-value of 0.05, all the values of SME product development and performance, such as profitability, service quality, customer satisfaction, and market share measurements obtained in the research instrument, are significant.

**Table 1: Construct Validity and Reliability**

	Loading	VIF	P value	AVE	Composite Reliability	Cronbach's Alpha
Constructs	≥ 0.7	<3.0	<.05	≥0.5	≥ 0.8	> 0.7
Product Development (PDE)				0.619	0.947	0.938
PDE1	0.735	1.212	0.000			
PDE2	0.740	1.458	0.000			
PDE3	0.732	2.004	0.000			
PDE4	0.774	1.689	0.000			
PDE5	0.800	2.521	0.000			
PDE6	0.762	1.447	0.000			
PDE7	0.735	2.009	0.000			
PDE8	0.829	1.879	0.000			
PDE9	0.856	1.423	0.000			
PDE10	0.877	1.952	0.000			
PDE11	0.732	2.358	0.000			
Profitability (PR)				0.768	0.943	0.924
PR1	0.812	1.745	0.000			
PR2	0.877	1.987	0.000			
PR3	0.880	2.658	0.000			
PR4	0.923	1.721	0.000			
PR5	0.885	2.120	0.000			
Service Quality (SQ)				0.637	0.954	0.948
SQ1	0.793	1.215	0.000			
SQ2	0.705	2.332	0.000			
SQ3	0.792	1.445	0.000			
SQ4	0.713	2.325	0.000			
SQ5	0.742	1.457	0.000			
SQ6	0.819	2.002	0.000			
SQ7	0.845	1.354	0.000			
SQ8	0.864	2.222	0.000			
SQ9	0.848	1.546	0.000			
SQ10	0.773	2.322	0.000			
SQ11	0.832	1.932	0.000			
SQ12	0.831	1.175	0.000			
Customer Satisfaction (CS)				0.726	0.888	0.811
CS1	0.843	2.554	0.000			
CS2	0.818	1.532	0.000			
CS3	0.894	1.365	0.000			
Market Share (MS)				0.705	0.905	0.858
MS1	0.876	2.774	0.000			
MS2	0.851	2.635	0.000			
MS3	0.885	1.788	0.000			
MS4	0.738	1.886	0.000			

**PDE: Product Development, PR: Profitability, SQ: Service Quality, CS: Customer Satisfaction, MS: Market Share**

Table 1 shows the factor loadings of all the measurement items for SME product development and performance, such as profitability, service quality, customer satisfaction, and market share. The validity and reliability of the instrument

were also assessed using composite reliability, average variance extracted (AVE) computation and Cronbach Alpha. Meanwhile, the recommended requirements for factor loading, composite reliability, AVE, and Cronbach Alpha were met.

Meanwhile, convergent and discriminant validity were also considered for determining construct validity in the study. Convergent validity is evidence of the association between product development and the performance of SMEs.

**Table 2** Heterotrait-monotrait Discriminant

	CS	MS	PDE	PR	SQ
CS					
MS	0.465 [0.541; 0.635]				
PDE	0.580 [0.461; 0.684]	0.770 [0.619; 0.804]			
PR	0.575 [0.663; 0.742]	0.622 [0.567; 0.724]	0.751 [0.609; 0.821]		
SQ	0.670 [0.797; 0.855]	0.680 [0.570; 0.752]	0.700 [0.690; 0.866]	0.663 [0.599; 0.734]	

*PDE: Product Development, PR: Profitability, SQ: Service Quality, CS: Customer Satisfaction, MS: Market Share*

The discriminant validity was assessed using the correlations' heterotrait-monotrait (HTMT) ratio. All of the HTMT values were found to be significantly different from one, and the upper confidence intervals are all less than one. Furthermore, the analysis shows that every value is less than the HTMT<sub>0.85</sub> critical value. Furthermore, the correlation between heterotraits and heteromethods is lower on average than the correlation between monotraits and heteromethods. As a result, discriminant validity is established. The heterotrait-monotrait discriminant value is shown in Table 2.

Furthermore, as shown in Table 1, the variance inflation factor (IVF) was used to test for common method bias (CMB). Most researchers recommend a VIF value of ten as the cutoff, even though a VIF value of one indicates that collinearity is completely absent. Others agreed that a 2.5-to-5-point cutoff was more conservative (James et al., 2017; Kock, 2015). All VIF values for each item in each variable measurement are well below the conservative threshold of 5.

Also, to determine the PLS-SEM predictive relevance of the constructs of measurement and the data points of indicators, the Q<sup>2</sup> values were used. The Q<sup>2</sup> values for CS, MS, PR and SQ are 0.454, 0.444, 0.547 and 0.487, larger than zero. This suggests that the PLS path model has predictive relevance for the constructs. Similarly, the F square was used to determine the effect size. The f-square values for CS, MS, PR and SQ are 1.780, 1.857, 2.736 and 3.633, as indicated in Table 4.16. This implies that the sample effect is considered large.

**Table 3 Coefficient Value**

	Variables	Co-Path efficient	SE	T-Statistics	P Values	R <sup>2</sup>	F <sup>2</sup>	Q <sup>2</sup>	Decision
H <sub>01</sub>	PDE →CS	0.800	0.048	16.561	0.000	0.640	1.780	0.454	Significant
H <sub>01</sub>	PDE →MS	0.806	0.057	14.237	0.000	0.650	1.857	0.444	Significant
H <sub>01</sub>	PDE →PR	0.856	0.048	17.646	0.000	0.732	2.736	0.547	Significant
H <sub>01</sub>	PDE →SQ	0.886	0.037	23.968	0.000	0.784	3.633	0.487	Significant

**PDE: Product Development, PR: Profitability, SQ: Service Quality, CS: Customer Satisfaction, MS: Market Share**

Table 3 depicts the smart partial least squared statistical results of hypothesis one, which focused on the relationship between product development and the performance of SMEs (profitability, service quality, customer satisfaction, and market share).The findings show that product development significantly influences the performance of SMEs (customer satisfaction, market share, profitability, and service quality).

Specifically, the findings revealed that product developments significantly influences customer satisfaction at ( $\beta= 0.800, R^2=0.640, t\text{-statistics}=16.561>1.96, P\text{-value} =0.000 <0.05$ ). The Path coefficient of 0.800 implies a substantial relationship between product development and customer satisfaction. The R<sup>2</sup> value of 0.640 indicates that a 64.0% variance in customer satisfaction can be explained by product development.

Product development was also discovered significantly influences market share at ( $\beta= 0.806, R^2=0.650, t\text{-statistics}=14.237>1.96, P\text{-value} =0.000 <0.05$ ). The Path coefficient of 0.806 suggests a strong relationship between product development and market share. The R<sup>2</sup> value of 0.650 suggests that a 65.0% variance in market share can be explained by product development. The findings also revealed that product development significantly influences profitability at ( $\beta= 0.856, R^2=0.732, t\text{-statistics}=17.646>1.96, P\text{-value} =0.000 <0.05$ ). The Path coefficient of 0.856 implies a substantial degree of relationship between product development and profitability. The R<sup>2</sup> value of 0.732 indicates that a 73.2% variance in profitability can be explained by product development.

Similarly, it was revealed that product development significantly influences service quality at ( $\beta= 0.886, R^2=0.784, t\text{-statistics}=23.968>1.96, P\text{-value} =0.000 <0.05$ ). The Path coefficient of 0.886 implies a considerable degree of relationship between product development and service quality. The R<sup>2</sup> value of 0.784 indicates that a 78.4% variance in service quality can be explained by product development. Further to the statistical analysis presented in Table 4.16, it was discovered that service quality has the most predictive value, followed by profitability, market share and customer satisfaction in that order.

**4. Discussion of Finding**

The hypothesis examined the influence of product development and SME performance (profitability, service quality, customer satisfaction, and market share). The findings show that product development has a substantial relationship with all the dimensions of SME performance, i.e., profitability, service quality, customer satisfaction, and market share covered by this study.

This implies that if the SMEs in the southwest of Nigeria continue to pay attention to policy governing the product development process, follow due process before the development of products, and be intentional about product development with the adoption of best practices, it will not only foster firms' expansion but also help the SMEs to stay ahead of competitors, increase the customer base that will culminate into improved profitability with appreciating the return on investment. In a related development, if SMEs in Southwest Nigeria continually give attention to innovation and promote creativity among departments and intrapreneurship by investing in idea development with functional and well-funded research and development units, it will not only birth good products development but the product sales will be greatly increased; thus, the bottom-line of the firms will also be enhanced.

These findings validate similar findings from Liu and Wand (2020). They noted that the increased performance and competitiveness of the firms are a function of well-planned and innovative product development. This was also corroborated by another similar finding by Mohammed (2019). He discovered that sale growth is affected by product development. This implies that SMEs' profitability, service quality, customer satisfaction, and market share could be improved through the instrumentality of innovative and creative product development.

Meanwhile, Hallencreutz and Parmler (2021) found that product development improves the existing product to meet customers' needs or creating new ones to meet the taste of the customers enhances the performance of a business in terms of customer satisfaction with the firm's products. This implies that SMEs should give attention to the existing products innovatively for possible rebranding where necessary and as well fund their research and development base for product development that will satisfy customers' needs. Similarly, this study's finding is similar to Chaerudin and Syafarudin (2021) submission. They discovered a significant relationship between product quality, customers' decision to purchase a particular product, service quality, and customer satisfaction.

In a nutshell, profitability, service quality, customer satisfaction, and market share of SMEs could be improved if attention is given to policy governing product development process, due process before the development of products, encouragement intrapreneurship and well-funded research and development unit of the firms.

## 5. Conclusion and Implication

This study concluded that SMEs could experience expansion and stay ahead of competitors with an appreciable increase in customer base that will culminate into improved profitability. Thus, it will lead to an appreciable return on investment if the due process for product development is followed. Policies around product development are regularly reviewed in line with the business trends in the immediate and global business environment. Therefore, continuously updating policies on product development coupled with innovation, well-funded research and development, and intentional advertisement could foster product sales and increase the profitability of SMEs. Product development in terms of due process, policies, adoption of best practices in developing products, promotional appeal and advertisement contribute significantly to the performance of SMEs in terms of profitability, service quality, customer satisfaction, and market share. Efforts should be made by the owners of SMEs to regularly update their due process policies on product development to reflect the best practices around the world. Also, owners should be committed to innovation, promote creativity among the employees, invest in research and development and create an enabling environment that will encourage intrapreneurship. These will not only birth good product development but will positively impact product sales volume, boost the bottom line, enhance customer satisfaction, increase market share, and promote service quality.

**Author Contributions:** Conceptualization, D.A; methodology, T.N.; investigation F.H.; writing—original draft preparation, O.A; S.O, writing—review and editing; A.O; supervision, O.K. All authors have read and agreed to the published version of the manuscript

**Funding:** Our deep appreciation to Covenant University for the funding of this research work

**Informed Consent Statement:** Informed consent was obtained from every participant.

**Acknowledgements:** The authors sincerely appreciate Covenant University Center for Research, Innovation and Discoveries (CUCRID) for their support towards this article's publication.

**Conflicts of Interest:** The authors declare no conflict of interest

## References

1. Abolarinwa, S. I., Asogwa, C. I., & Ezenwakwelu, C. A. (2020). Economic effects of growth strategies on the performance of quoted manufacturing firms in Nigeria. *International Journal of Business Performance Management*, 21(3), 363-383.
2. Adeosun, O. T., & Shittu, A. I. (2021). Small-Medium enterprise formation and Nigerian economic growth. *Review of Economics and Political Science*.
3. Afroz N. N. (2018). Effect of service quality on customer satisfaction evidence from banks in Tangail. *Management studies and Economic System (MSES)*; (4(2), 145-159.
4. Ali B. J., Saleh P.F., Akoi S., Abdulrahman A.A., Muhamed A.S., Noori H.N., & Anwar G. (2021). Impact of service quality on the customer satisfaction: Case study at online meeting platforms. *International Journal of Engineering, Business and Management (IJEBM)*; 5(2), 65-78
5. Benedict, A., Gitonga, J. K., Agyeman, A. S., & Kyei, B. T. (2021). Financial determinants of SMEs performance: evidence from Kenya Leather Industry. *Small Business International Review*, 5(2), E389.
6. Bhattacharya A., Morgan N.A., and Rogo, L.L. (2022). Examine why and when market share drives firm profit. *Journal of Marketing*, 86(4), 73-99.
7. Bidyut, J., & Shillong, I. (2021). Influence of service quality and trust in spreading positive WOM and increasing loyalty of a tourist location. *Academy of Marketing Studies Journal*. 25(2). 1-13.
8. Boru, T. (2018). Chapter five research design and methodology 5.1. Introduction Citation: Lelissa TB (2018); *Research Methodology*. University of South Africa, PHD Thesis.
9. Chaerudin, S. M., and syafarudin A. (2021). The effect of Product quality, Service quality, price on product purchasing decisions on consumer satisfaction. *Ilomata Internaitonal Journal of Tax and accounting (IJTC)*, 2(1), 61-70.
10. Chattopadhyay P. (2019). A study on the impact of service quality on consumer satisfaction and customer loyalty with reference to service marketing context: Theoretical Approach. *Iconic research and engineering Journals (Ire)*; 3 (1), 89-96.
11. Duggah S.I., Aki I., & Isaac S.O. (2018). Impacts of Growth Strategies on Business Profit: A Study of Ashakacem Plc, Gombe-Nigeria. *IOSR Journal of Business and Management (IOSR-JBM)*, 20 (2), 23-29.
12. Gogoi B.J., & Shillong IIM (2021). Influence of service quality and trust in spreading positive wom and increasing loyalty of a tourist location. *Academic of Marketing Studies Journal*; 25(2). 1-14.
13. Hallencreutz, J., & Parmler, J. (2021). Important drivers for customer satisfaction—from a product focus to image and service quality. *Total quality management & business excellence*, 32(5-6), 501-510.
14. Ismanu, S., & Kusmintarti, A. (2019). Innovation and firm performance of small and medium enterprises. *Review of Integrative Business and Economics Research*, 8, 312.
15. Iqbal, M., & Suzianti, A. (2021). New product development process design for small and medium enterprises: A systematic literature review from the perspective of open innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(2), 153.
16. Kamyra, M. (2016). Market research and sales performance of selected SMEs in Makindye division, Kampala. *Disertation*. Kampala International University
17. Liu, Y. & Wang, M. (2022), "Entrepreneurial orientation, new product development and firm performance: The moderating role of legitimacy in Chinese high-tech SMEs". *European Journal of Innovation Management*, 25 (1), 130-149.

18. Micah, E. E. M., Adekunle, M. K., & Adeboye, A. (2019). *Survival Strategies and the Growth of Small and Medium Scale Enterprises (SMEs) In Federal Capital Territory (FCT), Abuja. Survival, 11(30).*
19. Mustafa, H. K., & Yaakub, S. (2018). *Innovation and technology adoption challenges: Impact on SMEs' company performance. International Journal of Accounting, Finance and Business, 3(15), 57-65.*
20. Nankok, S. (2022). *Firm performance indicators as a fundamental analysis of stocks and a determinant of a firm's operation. International Journal of Economics & Business Administration (IJEBA), 10(1), 190-213.*
21. Nwachukwu, C. (2018). *The impact of different types of innovations on customer satisfaction in microfinance bank in Nigeria.*
22. Omasa, M., James, M., & Omari, S. (2022). *Role of product development strategy on performance of TEA factories in Kenya. Global Journal of Management and Business Research: Administration and Management. 22(2). 1-10*
23. Schlichter, J., Klyver, K., & Haug, A. (2021). *The moderating effect of ERP system complexity on the growth-profitability relationship in young SMEs. Journal of Small Business Management, 59(4), 601-626.*
24. Siedlecki, S. L. (2020). *Understanding descriptive research designs and methods. Clinical Nurse Specialist, 34(1), 8-12.*
25. Siepel J. & Dejardin M. (2020). *How do we measure firm Performance? A review of issues facing entrepreneurship researchers. Handbook of Quantitative Research Methods in Entrepreneurship. G. Saridakis and M. Cowling, eds.*
26. Tahardoost, H., & Brard, A. (2019). *Analyzing the process of supplier selection criteria and methods. Procedia Manufacturing, 2019(32), 1024-1034.*
27. Ufua, D., Olujobi, O., Ogbari, M., Dada, J., Edafe, O. (2020). *Operations of small and medium enterprises and the legal system in Nigeria. Humanity and Social Sciences. 7(1). 1-7*