

THE EFFECT OF INNOVATION TYPES ON THE PROFITABILITY OF SMEs IN GHANA: A CONTINGENT ANALYSIS.

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Abstract

The main aim of the study was to examine the effect of innovation dimensions on the profitability of firms. The study further assessed the moderating role of organizational culture and human capital in the relationship between the innovation factors affecting profitability of firms. The factors considered were product, process, marketing and organizational innovation. The Resource-Based View and Dynamic Capability theory informed the basis of this study. A sample of five hundred (500) respondents involved in the critical decision of their firms were drawn using a random sampling method. The study employed a mixed-methods approach specifically sequential explanatory research design. The reliability and validity of the constructs were tested using Cronbach Alpha, composite reliability, convergent validity and discriminant validity and ensured they met the acceptable threshold. The results showed that product and marketing innovations and were positively related to firm profitability while organizational innovation affected negatively. The moderating role of organizational culture and human capital played a significant role in the innovation dimensions affecting firm profitability. A key implication of this study was that introduction of new services that are also user friendly in the changing trends of the business environment is likely to increase the market of the firm, consequently enhancing the profitability of the firm. Furthermore, the positive moderating role of human capital in the relationship between the innovation dimensions and firm profitability means that that human capital is a valuable and important asset of an organization. As a result of the findings, the study recommended the need for firms to focus on enhancing product and marketing innovations and invest in the development of human capital and as well enhancing organizational culture.

Keywords: Product Innovation process innovation marketing innovation. organizational innovation, human capital, organizational culture and firm profitability.