Organizational Performance as an outcome of Innovation Capability: Evidence from Systematic Literature Review

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ABSTRACT

Increased global and local competition has led firms to create or sustain a competitive edge by engaging in innovation. A fast-changing environment with constant abrupt changes makes it indispensable for firms to build up their capability to innovate. A growing body of literature indicates that innovation capabilities play vital role in sustainable organization performance to remain competitive. Diverse conceptual and empirical literature are still unintegrated into a coherent theoretical framework and organizational innovation phenomenon is still subject to different interpretations and producing mixed or inconsistent results. A notable conceptual gap exists on concurrent definition of the dimensions and meaning of innovation capabilities, while scholars use different terminology to describe performance across management subfields and levels of analysis. A methodological gap is noted in previous research on the relationship between organizational innovation and performance of public universities in Kenya without specifying the sample size (number of universities) and the respondents. This study aims to review conceptual, theoretical as well as empirical literature on the relationship between innovation capabilities and organizational performance with the view to highlight the knowledge gaps to form basis for future research. The study independent variable is disaggregated into four key dimensions of firm innovation capabilities; organization innovation, business model innovation, cooperative innovation and technological innovation to provide clarity the effects through performance metrics. Technological innovation cuts across most innovation dimensions as an enabler to enable businesses stay relevant and pursue transformation strategies._Expected notable contribution of the study include new additions to the knowledge of strategic management discipline by addressing existing conceptual and empirical gaps in the selected dimensions of innovation capabilities and their effects on organizational performance. Findings and conclusions of the study serve as useful basis for future research work beside equipping entrepreneurs with better understanding of the variables to make informed decisions.

Keywords: ***Business Model Innovation Capability, Cooperative Innovation Capability, Innovation Capability, Organization Innovation Capability, Organizational Performance and Technological Innovation Capability.***

1.0 Introduction

In the evolving global markets characterized by dramatically changing environment and intensive competition, organizations are turning to innovative solutions to pursue growth opportunities and drive organizational performance (Bujang, Abdullah & Hamali, 2021). In order for companies to continue to excel in global competition, they must be able to carry out innovation-oriented strategies (Frank et al., 2016). Competition is getting intensive, requiring businesses to be able to develop and create new values in order to survive through creativity (Suryani, 2021). Organizational performance is an assessment of how effectively and efficiently, organisation managers use existing resources to provide satisfaction to customers and attain business objectives (Jones & George, 2018).

Fundamentally, innovative capability provides firms with a strategic orientation that enables them to gain superior performance in highly competitive and dynamic market environments (Rajapathirana & Hui, 2018; Farzana & Charoensukmongkol, 2023). Thus, innovation capability is the "ability to continuously transform knowledge and ideas into new products, processes, and systems for the benefit of the firm and its stakeholders" (Mendoza-Silva, 2021). In particular, innovative capability is necessary for entrepreneurial firms to create value in their organization, as it allows them to take advantage of market opportunities (Vicente et al., 2018). As a result, firms that successfully develop innovative capability can gain more of an understanding about a customer's needs, which consequently allows them to introduce products or services that truly satisfy their customers (Rajapathirana and Hui, 2018). The concept of innovation is central to economic growth, and it can lead to sustained superior performance, which firms should strive to achieve and it's not only able to create economic efficiency but is also able to improve services and production, both in quality and quantity (Syapsan, 2019).

In general, innovation is the implementation of a novel or drastically improved product, process, marketing or organizational methods in workplace organization, business practices, or external relations, recognized as the growth strategies to enter new markets, to increase market share and to provide the company with a competitive edge (Seyed et al., 2018). Firms increasingly leverage innovation as a strategic tool to outperform competitors (Alon et al., 2015; Pisano, 2015). As recent and rapid changes in technology, consumer behavior and market conditions demand firms to hinge their survival and success on their ability to be innovative (Iddris, 2016), firms must prioritize innovation capabilities (ICs) as important sources of competitiveness (Reichert et al., 2016; Saunila, 2016), firm growth and superior performance (Moreira et al., 2022; Ribau et al., 2017).

Understanding the interplay between innovation capabilities and firm performance is crucial to consider Rajapathir and Hui, (2018). Firms equipped with superior innovation capabilities are more adept at developing unique products and services, which position them favourably within their respective markets (Faroque et al., 2020). Despite the importance of innovation capabilities to the business performance (Barbosa Ferreira, Coelho, and Weersma 2018; Teece 2017), in Kenya, like other developing countries, there is still limited empirical evidence on the subject (Zuñiga-Collazos et al. 2018, 2020).

This study focused to review conceptual, theoretical, and empirical literature on the relationship between organizational learning and competitive advantage to identify knowledge gaps fit for future research. The study is underpinned by three fundamental theoretical models to provide clear

perspectives to the concepts and relationships of the variables. Resource-Advantage Theory (RAT) of Competition which serves as the anchor theory and the Dynamic Capabilities Theory (DCT). The RAT of completion posit that companies must have the courage and ability to reconfigure their resources to improve their performance. Strategic resources are the best assets, to quickly align demand and respond to the market by innovating value-added products and develop effective business strategies to perform (Simanjorang et al., 2023). DCT focuses on a firm's ability to adapt, integrate, and reconfigure internal and external competencies in response to environmental changes to maintain competitiveness (Kero & Bogale, 2023).

1.2 Statement of the Problem

Over the years, organizational innovation has gained prominence as an area of study (Araujo, Modolo, & Carneiro Júnior, 2018). A growing body of literature suggests that innovation capabilities play vital role in boosting firm performance (Ayinaddis, 2023; Issak & Odollo, 2023; Valdez-Juárez et al., 2023; Wijaya & Rahmayanti, 2023). Equally, organizational performance is becoming a strategic point in question for organisations in their quest for addressing imperfections in order to remain competitive in the industry (Oberholzer-Gee and Yao, 2017). Within the body of abundant conceptual and empirical literature

However, the empirical literature has sparked scholarly discussions on innovation capabilities and firm performance, which appear to point in several directions (Aslam et al., 2023) by producing mixed or inconsistent results (Dwikatet al., 2022). The role of innovation capability in improving firm performance, especially during the COVID-19 pandemic, still needs to be identified further (Rumanti, Rizana, Septiningrum, Reynaldo, & Isnaini, 2022). Further, the existing literature on organizational innovation is diverse and not very well integrated into a coherent theoretical framework and organizational innovation phenomenon is subject to different interpretations within different strands of literature.

A conceptual gap exists in the dimensions and meaning innovation capabilities. An example, the Business Model Innovation (BMI) dimension as researchers consider it as a change in business model (Bashir & Verma, 2019). Some researchers have viewed BMI as a process involving search, experimentation and transformation (Foss and Saebi, 2017). Others see BMI as an essential factor contributing to firm performance. In addition, based on existing conceptual literature, despite the prominent role in theories across management domains, there is little consensus on how performance should be conceptualized. Specifically, there are multiple parallel research streams on performance addressing the individual (Campbell & Wiernik, 2015) and firm (Gupta et al., 2020) levels of analysis. Further adding to this conceptual confusion, at the individual level of analysis, it is defined as a behavior or process, an outcome or output (Rajala, Laihonen & Vakkuri, 2018), or both (Aguinis, 2023). It is, therefore, not surprising that scholars use different terminology to describe performance across management subfields and levels of analysis, which may be contributing to the divide.

A methodological gap is identified in previous research; for example, Shisia et al., (2014) studied the relationship between organizational innovation and performance of public universities in Kenya, using a descriptive survey design. The population was the public universities in Kenya. The study found that innovation has a positive influence on the performance of public universities in Kenya. The study presented a methodological gap since it did not specify the number of universities

targeted and who the respondents were. Likewise, the study presented little empirical generalization from universities to coffee firms.

1.2 Objective of the Study

The objective of the study is to critically review the conceptual, theoretical as well as empirical literature on the relationship between innovation capabilities and organizational performance with the view of highlighting the knowledge gaps suitable to form basis for future research work.

2.0 Concept of Innovation Capability

Innovation is a multifaceted concept that has been defined in various ways. (Schumpeter, 2021) introduced innovation as a driver of economic development, associating it with "creative disruption". Since its initial conception, innovation has been associated with transforming ideas into reality, resulting in technological advancements, improvements in production processes, and new market opportunities (OECD, 2015). (Mendoza-Silva, 2021) Innovation capability is the ability to continuously transform knowledge and ideas into new products, processes, and systems for the benefit of the firm and its stakeholders. According to Vicente et al. (2018), innovation capability reflects the ability of firms to generate innovative outputs by integrating their innovativeness, strategy and technology.

Firms increasingly leverage innovation as a strategic tool to outperform competitors (Alon et al., 2015; Pisano, 2015). As a result of rapid changes in technology, consumer behavior and market demand, firms must hinge their survival and success on their ability to be innovative (Iddris, 2016) and an important source of competitive advantage (Reichert et al., 2016; Saunila, 2016), firm growth (Saunila et al., 2014) and superior performance (Reichert et al., 2016). Innovation encompasses not only new technologies but also valuable and novel products, services, techniques, and business models which can have significant effects on different elements of a business, including customer service, worker mindset, and value creation for stakeholders (Daneshjo et al., 2022; Oe & Yamaoka, 2022). The capacity of the company to innovate is a major element in the achievement of innovation processes, and it may be assessed using the crucial success criteria that have been discovered in previous studies (Kral & Janoskova, 2021; Oe & Yamaoka, 2022).

Given its pervasiveness, innovation particularly technological innovation is a hallmark of modern society. The scientific literature on technological innovation is dominated by the economic approach, which considers innovation as a process to produce commercial goods, possibly focusing on making innovation processes more acceptable and responsible (Bourban & Rochel, 2021; von Schomberg & Blok, 2021a). There is no comparable amount of research investigating the intrinsic nature of such processes as clearly acknowledged in (von Schomberg & Blok, 2021a), and philosophical investigations of innovation are still in their infancy (Blok, 2021).

2.1 Perspectives of Innovation Capability

The diverse innovation approaches are characterized by differing theoretical perspectives. Using core and supplementary dynamic capabilities, firms can identify and perceive market opportunities and customer needs (Sensing) and capitalize on opportunities to develop innovative products, services or processes (Seizing) and reconfigure their internal resources to adapt to changing conditions through continuous learning, experimentation and adaptation to foster an innovation-oriented organization (Reconfiguring). Saunila and Ukko (2013) and Saunila (2017, 2020). There are various

perspectives with different underlying theoretical frameworks and interpretations of innovation capabilities (ICs). They stem from a variety of constructs used to interpret diverse concepts and differing perspectives of innovation capabilities (Daronco et al., 2023; Saunila, 2020; Vicente et al., 2015).

Mendoza-Silva, (2020) analyzed the determinants and consequences of ICs and proposed an integrated framework examining the determinants and consequences of ICs. Internal determinants (process and organizational innovativeness) and external determinants (product and marketing innovativeness) influence IC, which is aligned with the classical OECD/Eurostat (2018) functional innovation framework. Finally, Mendoza-Silva (2020) claims that environmental conditions (market conditions, competitive intensity and institutional support) moderate both innovation and firm performance.

Individual level innovation perspective can be catalyzed by education, life experiences, and exposure to diverse cultures and disciplines, which promote diverse thinking and the generation of innovative ideas (Calik, 2024). Researches have indicated that environments that encourage experimentation and continuous learning tend to produce higher levels of innovation (Bessant & Tidd, 2019). This level of innovation is crucial, as individual creativity often serves as the foundation for broader organizational and sectoral advancements.

From a service-based perspective, Blommerde (2023) argues that ICs specific to services are not well-understood. There is a lack of consensus on their definitions, antecedents, outcomes, and dimensions. However, client-focused and marketing-focused ICs are identified as essential for service firms to achieve success. Additionally, Blommerde (2023) emphasizes the importance of cultural aspects that support innovation, such as entrepreneurial orientation, market orientation, and a culture of continuous learning.

Product innovation capability perspective refers to the introduction of new products or services to the market (Issak & Odollo, 2023). Scholars opine that product innovation capability is the ability to continuously transform knowledge and ideas into new products, processes and systems for the benefit of a firm and its stakeholders (Thoumrung roje & Racela, 2022). Existent literature posits that product innovation is the launch of a new or improved good or service (Aslam et al., 2022). Innovative products often bring significant added value and create new growth opportunities for companies (Adim & Poi, 2021). Process innovation Perspective is a new mode of producing or delivering a new product or service, for example, innovation in production processes, technological roadmaps or production equipment (Marjanovic, 2016).
Incremental innovations perspectives are minor improvements or simple adjustments in current technology that improve price/or performance advance at a rate consistent with existing technical trajectories (Patrick et al., 2018). An incremental new product involves adapting, refining, and enhancing existing products and production and delivery system (Garcia & Calantone, 2018), rather than radical or disruptive changes. This type of innovation aims to refine and optimize already established elements, enhancing their performance, efficiency, or cost-effectiveness (Kennedy, 2020). An example of incremental innovation can be observed in the automotive industry, where manufacturers implement small improvements, such as increasing fuel efficiency, improving safety features, or integrating new technological functionalities into existing car models. improve

performance and user experience without drastically altering the product's structure (Kennedy, 2020).

Radical or disruptive innovation perspective is frame breaking, discontinuous, disruptive change in technology, product, or process. These cause profound organizational and market changes. Radical innovation is seen by many as a critical future success of organizations (Wash, 2018). Unlike incremental innovation, which focuses on gradual improvements, disruptive innovation introduces something entirely new that transforms entire industries and consumer behavior (Kennedy, 2020). A classic example of disruptive innovation is Netflix, which revolutionized the entertainment market with video-on-demand streaming, surpassing traditional video rental stores.

Exploitative innovation perspective on the other hand is more likely to look familiar to the stakeholders of an organization, lowering pushback and speeding up the adaption of the innovation thus lowering their cost of implementation [Jia, 2017]. Exploitative strategies therefore focus on incremental changes and short-term returns [Berraies, 2019]. On the contrary, exploratory innovation perspective focuses on long-term success, by revolutionary or disruptive innovations. Along with this strategy comes an opportunity for potentially higher returns and at the same time an increased risk of failure [Jia, 2017]. Exploratory innovation has the intention to discover something that was unknown before as well as to create something new

2.2 Dimensions of Innovation Capability

Innovation Capability (IC) is a multi-dimensional construct that encompasses various approaches to how organizations develop internal capabilities and harness in the operations to attain growth and enhance performances (Faiña Medín et al., 2016). For purpose of this study, four primary dimensions of innovation capabilities are examined, namely organizational innovation, business model innovation, cooperative innovation and technological innovation. Organisations that innovate can attain and sustain market advantages if the innovation is based on a strategic resource and if the correct strategy is designed and executed (Quaye & Mensah, 2018).

First dimension of organizational innovation (OI) refers to the implementation of new organizational methods in business practices, workplace organization, or a company's external relations. Process innovation can profoundly transform organizational efficiency and effectiveness. Organizations that adopt a culture of innovation and encourage experimentation tend to be more competitive and adaptable to market changes (Calik, 2024). By optimizing production and delivery methods, companies can reduce operational costs, minimize errors and waste, and increase the speed of response to market demands (Bessant & Tidd, 2019). Oganizational structure, available resources, and the work environment are critical determinants of successful innovation within companies (OECD, 2015). Companies that align their organizational structure with their innovation objectives are generally more effective in introducing new products and processes to the market (Bessant & Tidd, 2019). Structural changes may include adopting new forms of organization, such as creating multidisciplinary teams or implementing more flexible management systems that encourage collaboration and idea exchange between different departments (Calik, 2024).

Second dimension of Business Model Innovation (BMI) entails value creation for the business and stakeholders through interactions and transactions of the involved parties - resources suppliers and

buyers, as well as reduction of transactions costs Andreassen et al., (2018). New forms of competition, technologies, and demands for sustainability are challenging firms' existing business models (BMs) on how firms create, deliver, and capture value (Bocken & Geradts, 2020; Foss & Saebi, 2018). Business model innovation (BMI) therefore allows firms to replace outdated BMs with newer ones to improve or maintain their competitive fitness (Cucculelli & Bettinelli, 2015). Given the severity of external threats or opportunities, managers need to determine the scope of a BMI – how many Business Model (BM) elements need to change – and its degree of novelty (Foss & Saebi, 2018). An emerging research stream offers promising but still limited insights into how boundary-spanning search can help firms overcome organisational inertia and increase the propensity to engage in BMI (Snihur & Wiklund, 2019; Yu et al., 2020; Zhu et al., 2022).

In BMI dimension, many researchers consider it as a change in business model (Bashir & Verma, 2019). However, the extensive review of literature on BMI has revealed that it has not been unanimously defined, which has led to confusion in the understanding of BMI. Some researchers have viewed BMI as a process involving search, experimentation and transformation (Foss & Saebi, 2017) while others view BMI as a potential unit of innovation (Bashir & Verma, 2019). Clauss (2017) and Matzler et al., (2013) identified three dimensions that can be used to assess the BMI, which are value creation, value proposition and value capture innovation. According to Matzler et al. (2013), the profitable BM is the one that consists of high value creation and high value capture. In a study by Visnjic et al. (2016), BMI was divided into product-oriented business model and customer-oriented business model.

Third dimension is the Cooperative Innovation, which entails opening of an organization to its environment in order to include external ideas, inspiration and expertise for its own innovation process. One motivation of this innovation is to overcome limitations in resources and or a lack of know-how within the organizations (Sarpong & Teirlinck, 2017). Furthermore, this cooperative innovation strategy can pursue technological innovation and profit (Zhoua, Yangb, Wangc, 2020). Other cooperative dimensions in the literature explain and theorize about cooperative innovation as knowledge-sharing trajectories (Majchrzak & Malhotra, 2016), or multi-actor cooperation (Torfing, 2019), or building cooperative capabilities among other approaches. cooperation efforts also became a common way of firms to enhance innovations and its technological development with clear determinants about their beneficial effects, and therefore, the literature is well stablished in this subject (Pereira et al., 2018). However, collaboration only succeeds when technological resources and capabilities are combined, and parties define jointly how to enhance and use them accordingly (Snow, 2015). cooperative innovation as a new technological paradigm refers to a network innovation model supported by interactions of multiple parties such as enterprises, universities and research institutions (W. Zhang et al., 2021).

Many theories were considered to explain cooperation phenomena such as resources-based view, organization theory, strategy, information processing theory, the economic theory of complementarities among others. However, technology advances provide new variations in cooperation to innovativeness. For example, cooperative activities with suppliers and customers (Karhade & Dong, 2021), community source projects (Liu et al., 2017) or collaboration with distant partners (T. Cui et al., 2020), corporate engagement with startups (Shankar & Shepherd, 2019), innovation networks (Aarikka-Stenroos et al., 2017), and innovation ecosystems (Granstrand & Holgersson, 2020). Cooperative innovation takes over the existence of an inter-organizational

activities executed by people that together perform with high level of interdependence something innovative (T. Cui et al., 2020). Some authors (T. Cui et al., 2020) highlight that this interdependence is characterized along two dimensions: technological and behavioral. Technological interdependence is linked to knowledge and the exchange of resources for research and development, and behavioral interdependence is associated with the field of communication, social interaction between cooperative actors and the coordination of these relationships to innovate. Technological cooperation as a voluntary inter-firm cooperation involving co-developing technologies through sharing and exchanging of these technologies to meet business needs (W. Zhang et al., 2021).

Fourth dimension is the technological innovation practices considered as a process which is science, technology and systems incorporated into firm's processes to improve its overall performance (Issak & Odollo, 2023). The technological innovation capabilities are the abilities to adapt to unexpected technological change, develop new products and use new technological processes in order to meet current and expected future needs (Su, Mou, & Zhou, 2023). Extant literature posits that technological innovation capabilities make it possible for firms to respond to changes rapidly and to acquire technological innovation strategies and innovative outputs (Tu, Zhang, Sun, & Mao, 2023).

Technological innovation dimension is characterized by various typologies that can be categorized on an increasing scale of change and socioeconomic impact, given by (Coccia, 2020a): incremental innovations (progressive modifications of existing products and/or processes, such as detergents for dark clothes); radical innovations (a drastic change of existing products/processes, or creation of new products to satisfy needs or solve problems in society). Organizations must learn to adapt to innovative technology and processes because of the growing globalization of industries to respond to contemporary trends (Munir et al., 2022). Technological innovative features include many other critical competencies, such as fostering managements' innovation responsibilities, hiring innovative managers and technical expertise and fostering an innovative organizational learning culture with a data-driven decision-making ethos (Henao-Garcia et al., 2021). Static technological innovation ability essentially refers to the knowledge stock resources possessed by enterprises that support the realization of technological innovation activities (Liang, H., Wei, J., & Wan, X. 2018).

2.3 Adoptions of Innovation Capabilities in Strategic Management

Strategic Management has been defined as the art and science of formulating, implementing, and evaluating cross functional decisions that enable an organization to achieve its objectives. It is a set of management decisions and actions that determines the longrun performance of a corporation (Agyapong, Zamore, & Mensah, 2019; Akbari, Kalani, Jokar, Zarezadeh, Hojati, & Dost, 2018). It involves formulating an organization's objectives, implementing, and controlling cross-functional decisions focused on achieving these objectives in the present and future environments (Wambugu, & Waiganjo, 2015).

Firms can use innovation strategically in order to achieve competitive advantage (Hitt et al. 2018; Ireland & Hitt, 2019), compete effectively in local and global markets (Subramaniam & Venkatraman, 2019), adapt their strategy to changing market and customer demands, create value and growth (Amit & Zott, 2021) and achieve superior performance (Grimm & Smith 2017; Lee, 2020; Zahra et al. 2020). Therefore, the strategic management of innovation represents an important component of a firm's strategy (He & Wang, 2019) and a major contributing factor to a firm's

competitive advantage. Consequently, the strategic management of innovation has become a central topic within the strategic management field (Nag et al. 2017). In addition, taking a strategic approach to innovation drives organizational performance and increases growth opportunities (Sandven & Smith 2020).

Studies on various dimensions and concept of strategic management and innovation have been documented in extant literature (Agyapong, Zamore, & Mensah, 2019; Akbari, Kalani, Jokar, Zarezadeh, Hojati, & Dost, 2018; Koko & Zuru, 2019). Although scholars suggest that strategy unfolding and implementation are vital for firm innovation capability and performance; the interaction between strategic management factors such as high-performance working system on innovation process still remains unclear. Strategic management of innovation has become a central topic within the strategic management field (Krisada & Kittisak, 2019; Yang, 2019; Zaidi, Zawawi, & Nordin, & Ahnuar, 2018).

3.0 Concept of Organizational Performance

The concept of performance is the outcome of all the processes undertaken by the organisation and reflects how the organisation deploys its resources and investments in a manner that enables it to achieve its goals (Almaaitah et al., 2020). Alaaraj, et al., (2018) In the context of business, organisational management compares its planned goals with the actual results of its work. Therefore, Organizational Performance (OP) stands out as a universally acknowledged managerial concept that is unanimously recognised for its importance in determining organizational outcomes. Organisations can create new markets and increase their market share by employing environmentally friendly activities and practises (Berrone et al., 2017).

Organizational Performance is at the hub of each management endeavour, as there is no point for an organisation to exist if it does not operate according to specific goals and objectives. Therefore, organisations must seek all possible avenues to help keep up and/or enhance their performance (Khalid et al., 2019). In a study conducted by Akman and Yilmaz (2019) on software firms, a positive association between innovation capability and firm performance was identified. The researchers emphasized that software companies with strong innovative capabilities are more inclined to develop cutting-edge software solutions, adapt to technological advancements (Boeing et al., 2022), and cater to evolving customer needs, thereby experiencing enhanced performance in terms of customer satisfaction (Choudharya et al.), market share (Lian et al., 2022), and financial outcomes (El Chaarani et al., 2022).

Enterprise performance construct has taken a central place in the study of organizational management for decades and is a key pillar in the seminal work. This renewed focus is driven by the growing recognition that sustainability and business performance are linked in ways that are not yet fully understood Serafeim, G. (2019). The performance construct is a multidimensional phenomenon in business literature as it consists of the actual outcomes of the organization measured against desired results, objectives, and goals (Al Khajeh, 2018). In this regard, organisations need to understand the drivers of organizational performance and establish a balanced system for organisational growth. Therefore, organizations with self-motivation and dynamism adopt multi-faceted strategies simultaneously, seeking to achieve organizational goals and accelerate performance (Abbas & Kumari, 2021).

The relationship between various organizational factors such as management (Shafiq, M.; Lasrado, F.; Hafeez, K., 2019), technology (Kamble, S.; Gunasekaran, A.; Dhone, N.C.,2020), innovation, and the performance of companies is a much-studied topic in corporate governance and sustainability. The efforts made by various theorists to extend the study on the concept of performance, highlight the fact that its definition is made differently depending on the users of financial-accounting information (Guo et al., 2017). Therefore, managers pursue the overall performance of their enterprise, investors perceive performance as remuneration of invested capital, employees will show interest in the profitability of the enterprise, creditors will consider solvency, and customers' stability Mueller et al., 2018; Munro).

3.1 Perspectives of Organizational Performance

Balanced Scorecard Model (BSC) was developed as a guiding model to enable organizations implement chosen strategy into their corporate strategy while monitoring activities of the organization with the intent of achieving strategic objectives. BSC model translates strategy into a set of organizational performance perspectives or indicators that offer performance measurements tools (Taouab & Issor, 2019). BSC provides a framework for measuring performance while helping managers to identify what should be done and measured (Osewe, 2019). There are four elements of performance, which are financial, customer, internal process and learning growth perspectives.

Financial perspective deals with factors which can create sustainable growth of the shareholders' value as they evaluate profitability of the strategy (Iyibiadiren & Karasciglu, 2018). Thus, it highlights financial measures used to summarize the results of historical activities and the measurable outcomes of the current situation with respect to past work. Under this perspective, the goal of the organization is to ensure that it earns returns on the investments made. Such returns include revenue, profits, assets and turnover (Cignitas, Arevalo, & Vilajosana, 2022) which are financial performance measures (Kefe, 2019).

Customer perspective identifies the value proposition of target market segment and measures success in those segments (Pan & Nguyen, 2017), and the goals of this perspective are development of new products, response to suppliers and customer partnership, and these are measured using sales of products, delivery to customers, share of key accounts and client which are measures of market share.

Internal process perspective allows the organization to know how efficient they are doing the business. This perspective identifies areas of internal excellence required to deliver customer satisfaction, and therefore the leading indicators of process improvement, quality optimization and capacity utilization. The goal of this perspective is operational performance through efficient processes (Tuan, 2020) and the internal processes are mechanisms through which performance expectations are achieved. Using the BSC framework, businesses can determine which internal processes require improvement and implement the required modifications to meet their financial and customer satisfaction targets (Indeed Editorial Team, 2023).

Learning growth perspective outlines the internal elements that an organization must prioritize in order to succeed and improve over the long run. People, systems and organization procedures which the perspective examines (Madsen & Stenheim, 2015). The perspective examines three areas: people, systems, and organizational procedures. Indicators used in assessments involving people

include satisfaction, variation, productivity, training, and skill development (Chimtengo, Mkandawire & Hanif (2017).

3.2 Measurement of Organizational Performance

Organizational performance is crucial in strategic management, and close attention is given on how it is conceptualized and measured. The measurement can be in financial or non-financial terms in tandem with the organization's mission and goals (Siepel & Dejardin, 2020; Coad et al., 2017; Baba, 2019). The financial measures of performance have historically formed the basis of the organizational performance measures, in terms of its economic objectives (Conţu, 2020; Richter et al., 2017). However, because performance is multidimensional, a variety of performance metrics are required such that organizational performance is measured financially, operationally, or behaviorally (Almujaini, Hilmi, Abudaqa & AlZahmi, 2021).

Financial performance is a metric used to evaluate how effectively an organization uses resources from its main line of business to produce revenue, and is an indicator of a company's long-term financial stability. These financial measures of organizational performance include; profitability in terms of return on assets, return on equity, return on sales, and revenue (Mishra & Mohanty, 2014). The financial goal can be reached either by maximizing profits or by maximizing shareholders' wealth. The shareholders' wealth is comprised of dividend income and the market value of ordinary shares held by the ordinary shareholders (Garcia-Castro & Aguilera, 2015).

Market performance is the outcome of organization regulations, including the relationship between selling price and costs, volume produced, production efficiency, revenue growth, market dominance, innovation in processes and goods (Arokodare & Asikhia, 2020). Marketing performance metrics help gauge the extent to which marketing expenditures contribute to profits to demonstrate a return on investment on their activities. The market performance aligns itself well with non-financial measures of performance as conceived in the balanced scorecard and widely used by researcher in the field management (Kinyua, 2015; Kinyua, Muathe & Kilika, 2015; King'oo, Kimencu & Kinyua, 2020; Muthoni & Kinyua 2020; Njiru & Kinyua, 2022; Mwarenge & Kinyua, 2022).

According to Richter et al. (2017), the financial indicators represent a particularly narrow conceptualization of organizational performance while operational performance represents the outer limit of organizational performance. Operational performance, which is based on an organization efficiency, also helps predict how effective an organization will ultimately be (Almujaini, Hilmi, Abudaqa & AlZahmi, 2021). In this context, these indicators are interconnected, where operational indicators of organizational efficiency concentrate on those crucial success factors that may result in market effectiveness and financial performance (Venkatraman & Ramanujam, 1986; Richter et al., 2017).

Considering three distinct dimensions (financial, market, shareholder) of organizational performance proposed by Richard et al., (2015), the Balanced Scorecard Model (BSC) and the comparable performance model (accounting profitability, wealth maximization, and financial value) by Rothaermel (2017), the measures of organizational performance for this study that balance between financial and strategic objectives, tangible and intangible assets, and overall performance are profitability (financial performance), market share (market performance), organization

efficiency(operational performance) and stakeholder performance. More so, Mihaela (2017) posits that value addition is yet another crucial element in assessing an organizational performance.

According to Mihaela (2017) depending on stakeholder expectations, performance can be described and measured in terms of: profitability, growth, market value, total return on shareholder, economic value addition. This summarizes the measures of organizational performance as; financial measures, market measures and operational; hence financial performance, market performance and operational performance (Mihaela, 2017; Kaplan & Norton, 2004).

4.0 Theoretical Review

This section seeks to provide a firm theoretical basis for the current empirical study. The section delves into the key theories that underpin the set of research variables adopted for the purpose of this study. The two theories selected for this purpose are the Resource-Advantage Theory (RAT) of Competition as the lead theory and the Dynamic Capability Theory (DCT) complimenting it.

4.1 Resource-Advantage Theory of Competition

Resource-Advantage (R-A) theory of Competition proposes that the main objective of a firm is to realize superior performance from its resources that are both heterogeneous and perfectly immobile, implying that firms aim to exceed some set target or benchmark. The heterogeneous resources, according to Kor and Mesko (2013) assert that a firm can include knowledge base repository about markets and other types of indigenous expertise. Similarly, organizational competency for being creative and coming up with innovate new products or the capacity to transform market intelligence into new market offerings, cannot be easily accessed in the marketplace. Yitmen (2013), reinforce that one of the indigenous resources in a firm is the capacity to combine internal resources in a manner to improve the organizational performance through effective alignment of internal assets with a view to capturing external opportunities.

R-A theory proposes that the improved performance of a firm result from a comparative advantage in resources, which might take the form of either tangible and/or intangible entities available to firms that might be associated with improved efficiency in the firm offerings that have value for some market segments (Bell, 2013). Consequently, it can be viewed that the inability of a firm to achieve its objectives in a particular market is as a result of an ongoing process of constant struggle among firms for a comparative advantagein resources. Beckmann, Hielscher and Pies (2014), asserts that the competitive processes in a market is a result of five environmental factors, namely; the societal resources on which firms draw, competitor actions, the societal institutions that frame the "rules of the game, public policy decisions and the behaviours of consumers. All these factors need to be assessed from an organizational view and consequently come up with appropriate responses.

Market exploitation is the capacity to build knowledge and resource capabilities to produce products (Li & Wang, 2019; Rengkung, 2022). In addition, market exploitation also encourages resources to respond quickly to market needs and develop products for future customers (Solís-Molina et al., 2018; Zhang et al., 2015). The ability to survive and compete depends on the quality of strategic resources in exploring market opportunities (Ozkaya et al., 2015; Rakthin et al., 2016). Therefore, it is essential for companies to consistently encourage resources to exploit the market to respond to

market changes quickly, anticipate strategies, and align market demand in future.

Porter and Kramer (2019) highlight that R-A theory appreciates organizations creativity and internal resources that lead to firm performance. The capacity of an organization to develop strategies that are compatible with the external environment and that continuously adapt to environmental demands, explains the capacity to achieve improved performance. Further, capabilities in the form of firm alignment of its process can contribute to efficiency in developing market offerings in such a way that result in marketplace positions realisation superior financial performance. This theory therefore is relevant to the ability of organizations to acquire or develop innovative capabilities through strategic application of internal resources.

4.2 Dynamic Capabilities Theory

The Dynamic Capabilities Theory (DCT) is used to explain the effect of innovation capabilities on organizational performance. According to Teece et al., (1997), DCT refers to ability of firms to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. DCT posits that organizations with innovative capabilities adapt quickly to changing business environments. The theory further gives firms an advantage over rivals, leading to superior performance (Pisano, 2017).

Like the dynamic capability, innovation capability (IC) is the firm's ability to transform ideas and knowledge into new unique products for the market (Zulkiffliet al., 2022). The DCT is concern with how firms can sustain and enhance their competitiveness, notably when facing changing environments (Solem, Fredriksen, & Sørebø, 2023). Therefore, the DCV is a relevant theoretical framework that can be used to explain the effect of product innovation, process, marketing and technological innovation capabilities on performance of organizations. It has been argued that Innovation Capability (IC) is a source of comparative advantage and superior firm performance (Exposito & Sanchis-Llopis, 2018). In this respect, the DCT is relevant to this study because IC is viewed as dynamic organizational capability that gives firms a sustainable competitive advantage, leading to superior performance even in a highly dynamic and competitive business environment.

This theory is significant to this study as it is related to study independent variable, innovation capabilities and how they influence performance of organizations. It gives a brief description of resources allocation and their effective utilization to enhance performance of an organization, which is the dependent variable of the study. According to the RBV, tangible or intangible resources that can enable firms to create superior values for the business operations and products/services (Duan et al., 2023; Vaitoonkiat & Charoensuk mongkol, 2020a) are strategic internal resources to outperform competitors.

5.0 Empirical Review

This chapter provides an extensive review of empirical literature concerning innovation capability (independent variable) in association with organizational performance (dependent variable). The empirical examination focuses on pre-existing studies pertinent to the two variables. The review encompasses the analysis of relevant global and local studies with their identified research gaps used as the basis of this study.

5.1 Innovation Capability and Organization Performance

In the study examining the effect of product innovation, process innovation, market innovation and technological innovation capabilities on performance of manufacturing firms in Nairobi by Abdalla, Evelyn and Titus (2023), the findings were in harmony with the findings of past studies by (Gyeduet al., 2021; Issak & Odollo, 2023; Wongsansukcharoen & Thaweepaiboonwong, 2023). The Pearson's correlation analysis results indicate that product innovation, process innovation, marketing innovation and technological innovation capabilities have positive significant relationship with performance of manufacturing firms. However, the results were inconsistent with the results of some prior studies by Mung'ora, (2020) and Ringo et al., (2023).

Saunila, Pekkola & Ukko (2014) studied the relationship between innovation capability and performance in small-and medium-sized enterprises (SMEs) through web-based survey. Findings of the study are consistent with the predictions - the link between innovation capability and firm performance is significant in the presence of performance measurement. Performance measurement can thus be used as a tool for improving the performance of SMEs through innovation capability. Practical implications - using the results of this study, practitioners can improve their innovation capability through performance measurement by taking better account of various aspects.

A research undertaken by Simon and Abubaker (2024) on the relationship between innovation capabilities and performance of Zimbabwean listed manufacturing firms to examine effects of innovation capabilities (namely work climate and wellbeing, ideation and organising structures, participatory leadership culture, and know-how development) on firm performance. Results of the study show that four constructs of innovation capability, (work climate and wellbeing, ideation and organising structures, participatory leadership culture, know-how development) have a significant effect on overall performance of firms. Gaps for future research include to comprehend the long-term durability of the links between inventive characteristics and business success, use a longitudinal approach, comparative study of industries that may highlight subtleties unique to a certain industry and use qualitative research to provide contextual insight in addition to quantitative facts.

Vikas (2020**)** study in a study on the impact of innovation capability on performance of firms found out that, cconsistent with the conclusion of Bourne et al. (2003) and Pavlov and Bourne (2011), that the link between innovation capability and firm performance is significant in the presence of performance measurement. Performance measurement can thus be used as a tool for improving the performance of SMEs through innovation capability. The study limitation is a methodological gap due to narrow study scope covering single sector (large banks) and one country (Jordan). Future studies should focus on collecting evidence from other service organisations in multiple countries to have a comprehensive understanding of innovation capabilities in variety of business settings.

Researchers José and Claudia (2020) conducted a systematic literature review based on the Web of Science database on capability of organizational innovation. This study presents several research results regarding the capability of innovation in organizations, divided into internal, external and determinant aspects of innovation capability, as well as the collection of propositions for guiding a research project in depth in questions to be tested in future research. The study also brings practical contributions, as it shows in which context each study on determinants of identified innovation capability is applied, and points out the importance of innovation capabilities in small companies

and in countries. Limitation of the study was seen in over relying on the Web of Science as it's database to search for publications. Therefore, it was suggested that future researchers broaden research on innovation capability to other databases, such as Scopus and Emerald.

A research by Isabel and Alexander (2023) on the empirical analysis of the innovation capabilities, innovation strategies and performance within SMEs in the context of Colombia. This study demonstrated positive relationships between innovation capabilities and innovation strategy, as well as between these two variables and financial performance. The results indicate that not all strategies generate good performance and although cooperation is one of the best performing strategies, other findings are discussed in the study. In summary, the findings are consistent with what is described by Asseraf and Shoham (2015) who state that the development of innovation capabilities is a determining factor of performance and that the strategic orientation depends on the level of innovation capabilities. It also contributes to the work of Rajapathirana and Hui (2018) who consider capacity for innovation as a valuable asset to generate and maintain competitive advantages, as well as for the implementation of the strategy, which constitutes the central indicator of organisational performance. Study has limitations such as the use of a population limited to a specific region of a developing country. In addition, access to the sample was affected by the Covid-19 pandemic and therefore it was recommended to expand it in subsequent studies.

Sasinipa, Sujinda and Kritcha (2023). Researching innovation capability enhancing and business performance of small hotels in Thailand, aiming to examine the causes and outcomes of innovation capability enhancing the business performance. Results revealed that when considering the innovation capability model enhancing the competitive advantage and business performance of small hotels in Thailand, it was found that causal variables directly influenced the competitive advantage. For future researches, the review to find variables that affect competitive advantage and business performance should be done by bringing the correlation model of this variable to try out with other business groups to confirm that the results of this study can be referred to other industries. It also includes a comparison of the difference between the size of the business.

5.2 Information Technology Alignment and Organization Performance

Raymond et al., (2019) studied aligning information technology (IT) investment in growth orientated applications with business strategy for small and medium enterprises (SMEs) to gain strategic value concluded that SMEs with the ability to integrate IT strategy with business plans can achieve substantive benefits. Du & Temouri, (2015) highlight that the reason why SMEs gain business value from IT is because they employ strategic IT planning for their future. Results further suggest that top managers play a prominent role in integrating future-oriented IT planning into strategic planning processes in order to achieve substantive benefits (Bergeron et al., 2020). Quality managerial skills of SME managers not only effectively adjust IT plans in accordance with changes in business strategy but also enable firms to seek out, find, and recognize strategic opportunities (Cragg et al. 2013).

A research by Rui (2020) studying impact of IT-business alignment on SME performance. Although prior studies suggested the enabling role of IT-business alignment on firm performance, understanding of the processes through which such gains are achieved in the SME context still remains unclear. Using structural equation modelling analyses of survey responses collected from high growth SMEs, results show a positive, significant, and impactful linkage between IT-business

alignment, and SME performance. Future research can consider obtaining data from different groups of respondents such as managers across production, marketing, and operation functions.

The study by Masume & Neda (2022) undertook research on the impact of IT resources and strategic alignment on organizational performance using qualitative approach to examine the relationship between the studied variables. Findings confirmed the positive impact of strategic alignment on organizational performance, which is consistent with the findings of Slim et al. (2021), Ghonim et al. (2020) and Ilmudeen et al. (2019). Given that many internal and external factors are effective in IT investment and acquisition of its value, it is suggested that future studies examine the moderating role of other variables inside and outside the organization, including culture, the level of senior management support among others.

Malcolm, Paul and Husnayati (2017) studied relationship between IT alignment and organisational performance in small firms. Study findings showed that SMEs gained IT support for their business strategy, particularly in the areas of service quality, production efficiency and product quality. Study further identified a positive association between IT alignment and organisational performance, confirming earlier studies by Slim et al., (2021) and Charoensuk, Wongsurawat, and Khang (2014), and the positive impact of IT alignment on firm performance. Limitations of the study concern the cause and effect relationship between IT alignment and organisational performance. There are potentially other factors that could influence alignment and business performance. A cross-sectional study such as this cannot prove cause and effect relationships. Future researchers may choose different approaches to examine the cause and effect relationship.

5.3 Business Model Alignment and Organization Performance

Study conducted by Juneho, Tonci and Asad (2018) on aligning product variety with supply chain and business strategy to demonstrate the strategic alignment between product variety and supply chain (SC) focusing through cost leadership or differentiation to improve business performance. Study questionnaire considering the product variety issues was sent to companies identified as manufacturers to collect data from two countries (Britain and Korea) with the aim of conducting a cross-examination and comparison. Results demonstrated importance of strategic alignment between product variety and SC focus, and suggested a theoretical justification for the choice of business strategies through the proposed model. Study also demonstrated the importance of strategic alignment between product variety and SC focus, and suggested a theoretical justification for the choice of business strategies through the proposed model. First, it investigated exclusively manufacturing industries in the UK and Korea. This particularity limits the generalisability of the findings to other populations with different competitive, environmental, economic and cultural characteristics (Antonio et al., 2015).

Margherita, Andrea and Thorsten (2018) studied framework for the alignment of new product development and supply chains with aim of explaining how new product development and supply chain variables are related to one another and how they affect performance. It was found that innovations have a stronger effect than variety on supply chain complexity. In addition, there was evidence that matching product features with supply chains improves performance. The study raised many questions that can serve as directions for future research. First question worth investigating, concerns the product features and their impact on alignment. In order for a firm to achieve alignment, is it actually helpful not to set up all product design variables at their extreme values.

Another question worth examining, relates to the impacts of variety on the supply chain network. In our analysis, we could not isolate the effects of variety on supply chain configuration and collaboration. Designing multiple case studies with different levels of product variety can help answer this question.

Dawit and Admasu (2023) Examined the impact of strategic alignment on organizational performance: Case of Ethiopian universities. Strategic alignment in this study takes assumption of goal setting theory stressed on importance of clarity of the goal to perform at the highest level and achieve success. Clarity in the aim, role clarity, and process clarity were discovered and examined for the measurement of organizational strategic alignment. According to the study's findings, goal clarity, role clarity, and process clarity all have a significant and favorable effect on organizational performance in higher education. Findings of the study reveal also that organizational performance varies among study institution based on implementation level of strategic alignment. This study was limited to higher educational institutions in Ethiopia. Future researchers need to widen geographical and institutional scope to include other countries or other sectors. Further study should include other dimensions of business model alignment.

5.4 Cultural Alignment and Organization Performance

Anamanjia and Maina (2022). Studying Strategic alignment and performance of Kenya Revenue Authority (KRA) with aim of seeking to determine the effect of strategic alignment on the performance of the organization with the response variables being structural, cultural, resource and business environment alignment. Notable findings were that structural alignment, cultural alignment, resource alignment and business environment alignment had a positive and significant effect on the performance of Kenya Revenue Authority. Cultural alignment has also enabled the entire KRA workforce to have shared values that help in the strategic decision making. Major limitations of the study include the fact that some respondents were hesitant to give some information, which they regard as confidential and personal in nature. This research was conducted at KRA and whether its findings are in agreement with other state departments and parastatals is subject to verification on the basis of other studies. Therefore, it will be necessary to test the study findings on different regions and sectors including the private sector.

In related studies, Kim and Mauborgne (2019) observed that the organization aligns its value chain accordingly, creating manufacturing, marketing, and human resource strategies in the process. On the basis of these strategies, financial targets and budget allocations are set. According to Lumineau and Malhotra (2020), when the structural conditions of an organization is attractive and it has the resources and capabilities to carve out a viable competitive position, the structural alignment approach is likely to lead to better performance.

Pawirosumarto and Khumaedi (2017) Assessed the influence of organizational culture on the performance of University employees. Two variables, consistency and adaptability do not have significant influence on the performance of employees at the University. Simultaneous testing on variables, namely, involvement, consistency, adaptability and mission, has significant influence on the employee's performance. The findings of the research indicated that organizational culture had an indirect impact on organizational performance through the mediation of employee's organizational commitment that the extent of indirect impact was significantly higher than direct impact. The study focused on employee performance at a single university which limits findings generalization to other universities. However, the study used correlational research design which

cannot give a conclusive finding. For this study, one-time survey cross-sectional data were used, therefore, new researchers can use longitudinal design.

5.5 Human Resource Alignment and Organization Performance

A Research on 'Strategic human resource management (SHRM)-Review of aligning HR with business objectives' by critically examining the existing literature published between 2012 and 2019. Study aimed at providing insights into best practices and challenges associated with aligning HR strategies with organizational goals. Researchers also focused on theoretical frameworks, challenges, strategies for effective alignment, case studies, and future trends. The paper found the successes of companies with aligned HR practices to business objectives and exploring future trends, including the impact of technology, globalization, and HR analytics. Research by Collins and Smith (2017) suggests that aligning recruitment practices with business needs can lead to higher employee performance and organizational success. Performance management systems are essential for aligning individual and team goals with organizational objectives (Aguinis, 2019).

Suman, Dipak and Deepak (2023). Undertook a research in Strategic human resources (HR) management: Study the alignment of HR practices with overall business strategy and its impact on organizational performance, aiming to explore the effects of Human Resource Management (HRM) on organizational performance, the influence of work format (position), and the impact of years of expertise. The study found no significant differences in HRM effects based on work format. Years of expertise significantly influenced HRM dynamics and performance indicators, indicating its crucial role. Overall, expertise had a more substantial impact than work format on HRM-related outcomes. The current investigation makes significant enhancements to the reservoir of information at both the scientific and pragmatic stages, and it offers substantial suggestions that will improve HRM, which will enhance the overall success of the organization.

Study analysis by Parajuli, et al., (2023), revealed there were no statistically significant differences in HRM policies, roles, or their effect on performance indicators among different groups. Secondly, the format of work did not significantly affect HRM-related variables. However, thirdly, years of expertise had a substantial and statistically significant impact on HRM policies, roles, and their influence on performance indicators. Future research can be done on how HRM practises can be changed based on an employee's years of experience. May also look into how certain HRM strategies can be changed to have the most positive effect on the success of an organisation, taking into account different levels of experience in the workforce.

6.0 Proposed Conceptual Model

The conceptual model review delves into the scholarly literature to scrutinize the definitions and frameworks concerning the two study constructs: innovation capability (independent variable) and organizational performance (dependent variable). The model review aims to distill the essence and commonalities of these constructs, thereby providing a robust basis for empirical investigation. The section discusses the intersection of the literature on organization innovation capabilities in in the context of organizational performance. Each dimension of the independent variable uses different theory from a particular stream of literature, even though they all deal with the subject of innovation capability.

The model is a structure that attempts to clarify the connection between variables and demonstrates them using a diagram. It is a hypothesized model that identifies the ideas and relationships. The

conceptual model suggests that organizational performance is conceptualized as the dependent variable. The study variables' connection is as illustrated in Figure 1.

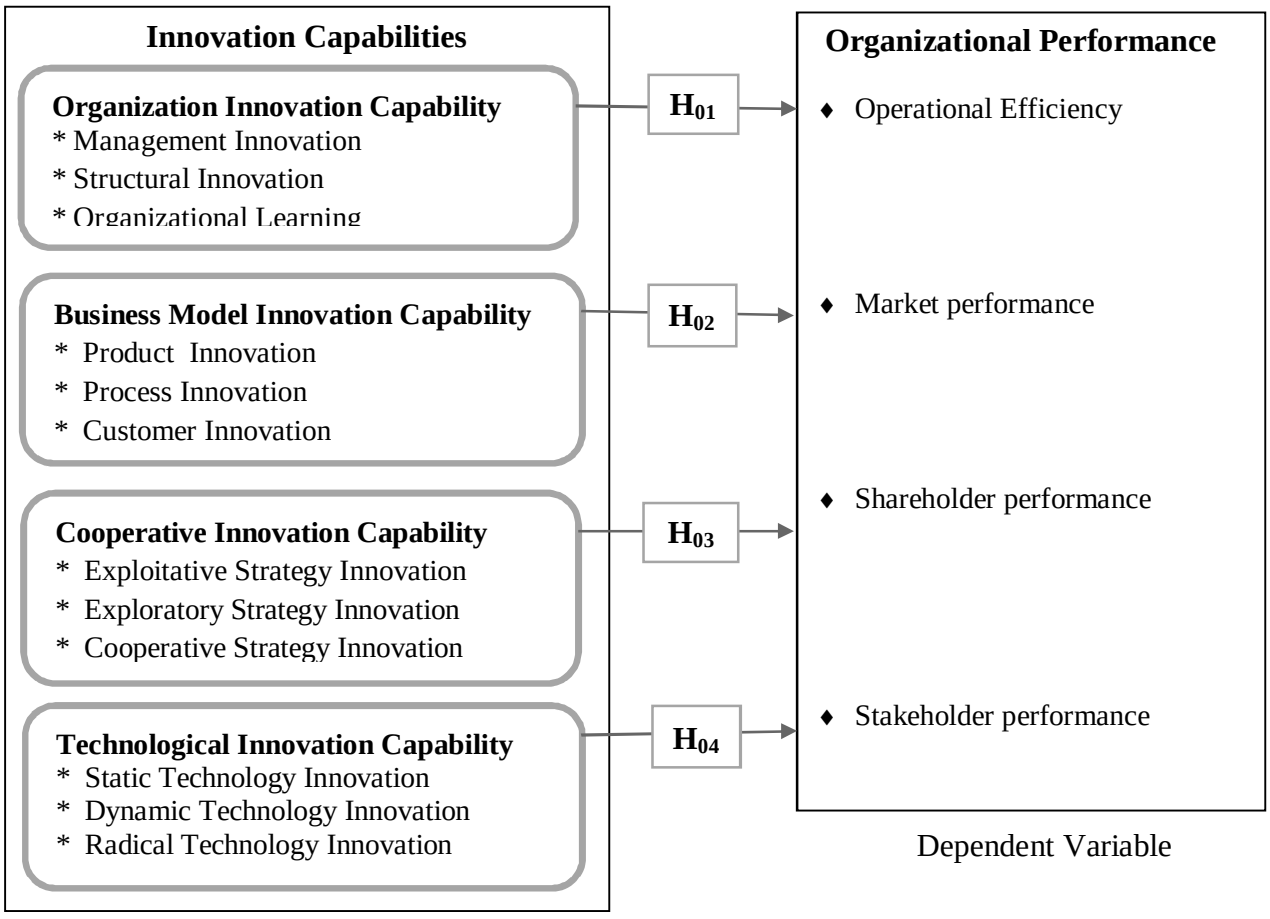

Figure 1: Proposed Conceptual Model
Source: Author (2024)

An organizational innovation is the execution of the novel organizational procedure in the industry organization practices, workplace business, or outside relations (Angel, Meroño-Cerdan, & López-Nicolas, 2013). Organizational innovation is like outsourcing, partnership, subcontract plus organization work practice such as quality management, reengineering, and lean management. Organizational innovation is serious outcome for the business and a foundation to create value (Thakur, Hsu, & Fontenot, 2012). The organizational innovation is wide theory or thought that include many concepts such as strategic, structural and behavioral scope (Mothe & Nguyen-Van, 2015).

Ndesaulwa and Kikula (2016) argued that organizational innovation, rather than process and product innovation, is the most vital factor for total sales. Sharing the same view, Makó et. al. (2015) disclosed that organizational innovation could encourage and promote robust organizational

learning and skills processes. In addition, Abdilahi et. al., (2017) identified organizational innovation positively and significantly influences achieving SMEs performance in terms of sales volume. Yavarzadeh et. al., (2015) also revealed that organizational innovation has a positive and significant effect on organizational performance in terms of financial, growth, customer, and internal process. However, Atalay et. al., (2013) contrasted this finding, affirming that no significant and positive link exists between organizational innovation and firm performance. If the null hypothesis is rejected, it would mean that organizational innovation plays a significant role in impacting organizational performance which ensures it remains competitive over competitors and be adaptive to market demands.

Business Model (BM) is denoted as novel behaviors applied to the dimensions of business model, like resources, stakeholders and marketing related functions (Marolt et al., 2018). To survive and thrive, businesses must respond to disruptions within their industry. Often the technological changes that are driving disruption can also be harnessed as enablers of innovation and change. New forms of competition, technologies, and demands for sustainability are challenging firms' existing business models (BMs): how firms create, deliver, and capture value (Amit & Zott, 2012; Bocken & Geradts, 2020; Foss & Saebi, 2018). Business model innovation (BMI) allows firms to replace outdated BMs with newer ones to improve or maintain their competitive fitness (Cucculelli & Bettinelli, 2015; Massa & Tucci, 2014).

Business Model Innovation (BMI) was introduced to enable organizations to achieve objectives such as creating new markets to gain a long-term profitability (Kastalli & Van Looy, 2013) and to improve business performance (Kranich & Wald, 2018). BMI was operationalized as new methods utilized by firms to create, deliver and capture value (Spieth et al., 2014). According to Bucherer et al., (2012), BMI is a process that initiates change in the principal elements of the firm. As a key source of the firm's innovativeness, BM helps the firm to create a new market for its products and services or help it to create or invest market opportunities (Amit and Zott, 2010). Where the hypothesis is rejected, it would denote the proposition that business model innovation significantly contributes to organization performance through steady change to the business model including structure, culture, strategies and processes.

In an increasingly open and dynamic global market, in which resources are frequently changing, it is difficult for a single firm to achieve a high level of performance in innovation consistently (Davis and Eisenhardt, 2011; Yildiz et al., 2021). The focus of firms has, accordingly, shifted away from purely individual innovation practices to a more Cooperative approach (Mueller et al., 2020; Xie and Wang, 2020). Cooperative innovation denotes two or more external actors, such as suppliers, customers, competitors, or research organisations, that share knowledge with each other and work jointly to conduct research and Development (R&D) in collaborative networks (Najafi-Tavani et al., 2018). Cooperative innovation describes the structured joint process for designing and developing new products, services or processes that requires information sharing, joint planning, joint problem solving, and integrated activities.

Cooperative innovation can help firms leverage the expertise of internal and external actors, increase the volume and variety of their innovation activities, and foster stronger engagement in such activities (Kafouros et al., 2020; Wang and Hu, 2020). Hence, firms engaged in Cooperative innovation can both reduce R&D costs and risks and improve innovation performance (Wang and

Hu, 2020). Overall, Cooperative innovation has become an essential strategy that enables firms to overcome challenges to successful performance (Kafouros et al., 2020; Mueller et al., 2020). If the null hypothesis is rejected, it would prove the proposition that cooperative innovation significantly contributes to organizational performance by building synergy through sharing of expertise, resources and technologies to cope with environmental volatilities.

Today, the global competitive business environment has been rapidly changing due to intense competition, increasing changes in consumers' preferences, and a shorter product life cycle. In response to this dynamic environment, technological innovation has become a global issue for business firms (Ukpabio et al., 2017). Regardless of their size, all firms use their resources to add customer value and meet the firm's goals by using creative innovation strategies (Qui & Yu, 2020). Technological innovation enables firms to respond to external changes to gain and sustain competitive advantage and thereby increase competitiveness (Huseyin et al., 2016). Technological development empowers manufacturing firms to reduce production costs, shorten production process times, and improve firms' productivity (Kasongo et al., 2023).

Technological innovation improves productivity, which further improves the overall firm's achievement (Nanhong, 2023; Asghar et al., 2023). Further, through investing in research and development of products and processes, firms can enhance their profitability (Ben-Khalifa, 2023). They argue that greater success in technological innovations leads to a superior chance of outcompeting firms with fewer technological innovations. Accordingly, despite many studies that confirmed the positive association among the constructs, some investigations revealed that innovation cannot directly affect business performance (Kusuma et al., 2021; Riswandari et al., 2023). This lack of consistency in the relationship between the constructs is due to the fact that innovation success involves a combination of different resources, such as human, financial, technological, and organizational capabilities, that may impose limitations on the relationship (Trinugroho et al., 2022). If the null hypothesis is rejected, it would indicate the proposition that technological innovation significantly contributes to organizational performance by acquiring cutting edge technologies for superior processes and products.

7.0 Conclusion

The interplay of between innovation capabilities and organizational performance is evident that a firm's ability to innovate significantly enhances its performance. The study concludes technologically driven innovation capabilities guarantees efficiency of processes or production leading to cost savings, better products or services, create unique value for consumers and gain market share.

A fast-changing environment with constant abrupt changes makes it indispensable for firms to build up their capability to innovate. A growing body of literature indicates that innovation capabilities play vital role in sustainable organization performance to remain competitive. However, there exists diverse conceptual and empirical literature on the study area is still unintegrated into a coherent theoretical framework on the relationship between innovation capabilities and firm performance, hence subject to different interpretations, producing mixed or inconsistent results. A notable conceptual gap exists on clear definition of the dimensions and meaning of both variables. Different scholars continue to use different terminology to describe and operationalize them.

From the theoretical point of view, this study contributes to the literature on the nexus between innovation and the organizational performance by investigating the influence of four innovation capabilities: Organizational innovation, business model innovation, cooperative innovation and technological innovation on the performance of firms. Such findings are, therefore, important, because they equip policymakers and owners of MSEs with applied knowledge of how innovation affects firms' performance. In addition, this study provides valuable insights in reconciling seemingly inconsistent and mixed findings in previous studies

The main conclusion is that with the review of conceptual, theoretical and empirical strongly contributes to validation and integrated understanding of the concepts or constructs and clarify their relationship, thereby enrich existing knowledge by providing evidential answers to the study gaps.

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