INNOVATIVE CAPABILITY AND PERFORMANCE OF SMES IN NIGERIA: A REVIEW OF LITERATURE

Hamza Aliyu Galadanchi
Department ofBusiness Administration, collegeof Social andManagement Sciences, Al-QalamUniversity Katsina
Corresponding Address; hamzaagaladanchi@auk.edu.ng +2348035962716

Abstract

The study examined the impact of innovative capability on the performance of Small and Medium Enterprises (SMEs) within the manufacturing sector in Nigeria. Innovative capability is a critical driver of competitive advantage and growth, particularly in developing economies where SMEs play a pivotal role in economic development. Through a conceptual analysis, this research explores how the adoption of innovative practices influences productivity, profitability, and overall business performance. The analysis is grounded in existing literature and theoretical frameworks that link innovation to business success. The study also highlights the unique challenges and opportunities faced by Nigerian manufacturing SMEs in fostering innovation. Findings indicate that while innovative capability significantly enhances performance, factors such as inadequate infrastructure, limited access to finance, and insufficient government support hinder the full potential of innovation in this sector. Recommendations were proposed to address these barriers, aiming to bolster the innovative capacity of SMEs and, consequently, their contribution to Nigeria's economic growth.

Keywords: Innovation, Performance, SMEs, Innovative Capability, Conceptual analysis

Introduction

Performance of small and medium-scale enterprises (SMEs) is a vital indicator of a nation's economic growth and development. It reflects the market share of SMEs in terms of output and revenue generation (Melo et al., 2023). Efficient SME performance is critical for any economy, as it drives innovation, productivity, and value creation, providing better products and services (Hanifah et al., 2020). Performance supports SMEs in developing innovative ideas through research and development, enhancing operational proficiency (Fitriatia et al., 2020). The success of SMEs hinges on their ability to strategically innovate and outwit competitors and rivals.

In Africa, SMEs are crucial for job creation, poverty alleviation, and technical innovation. They produce 80% of the food consumed in sub-Saharan Africa and account for 80% of jobs, 70% of formal employment, and 90% of informal sector employment (Gakusi et al., 2022). In Nigeria, SMEs represent 96% of businesses, contributing 48% to 50% of GDP, and 84% to employment. Despite this, Nigerian SMEs underperform compared to peers in other developing countries due to challenges like inadequate technology, low capacity utilization, and stiff competition from larger companies (Joseph et al., 2021).

Policies like the Nigerian Vision 20:2020 aimed to improve SME performance through technology adoption and skill enhancement (NCC, 2021). However, Nigerian SMEs still lag behind peers in South Africa 52% to 57%, and Ghana 65% to 70% in terms of GDP contribution (Chege & Wang, 2019). Manufacturing SMEs in Nigeria contribute only 14% to GDP, compared to 30 to 40% in Asian countries (FSS, 2020).

The underperformance of Nigerian SMEs is attributed to an unstable business environment, global economic unrest, the COVID-19 pandemic, and competitive pressures (Akpan et al., 2022). To thrive, SMEs need innovative strategies to navigate these challenges. Innovation capability, the process of applying internal and external resources to generate new ideas and marketable innovations, is crucial for high performance in turbulent environments (Assink, 2006).

Components of innovation capability include participatory leadership, work climate and well-being, ideation, know-how, external knowledge, regeneration, and individual activity (Raghuvanshi & Garg, 2022). These elements enable SMEs to respond to market needs and maintain competitive advantages.

Given the importance of innovation capabilities, this study examines their effect on the performance of SMEs. Despite the relevance, there is limited empirical research on this topic in Nigeria, particularly regarding the combined effect of innovation capability constructs on SME performance. This study adds to the conceptual analysis of these variables by exploring how innovation capabilities impact the performance of manufacturing SMEs in Nigeria.

The main objective of this study is to conceptually analyze the effect of innovation capabilities on the performance of manufacturing SMEs, with particular focus on Nigeria. The study aims to critically examine the convergence effect of various aspects of innovation capabilities, including participatory leadership culture, work climate and well-being, idea generation and organizing structure, know-how development, exploiting external knowledge, regeneration, and individual activity, as they relate to the performance of manufacturing SMEs.

Literature Review

Concept of Small and Medium Enterprises (SMEs)

Small and medium enterprises (SMEs) are globally recognized as crucial for economic growth and development, wealth creation, employment generation, poverty reduction, technological innovation, social status improvement, and sustainable development (Umadia & Kasztelnik, 2020). SMEs are the backbone of both developed and developing economies, accounting for approximately 95% of global businesses and creating around 80% of employment opportunities worldwide (Sawaya & Bhero, 2022). Subhan *et al.* (2013) also estimated that SMEs make up 90% of global enterprises and employ 63% of the global workforce. Governments worldwide increasingly support and promote the development of SMEs as part of their national development strategies (Micheal & Kassahvirginia, 2017).

In Nigeria, SMEs play a vital role in economic growth, poverty alleviation, and achieving national goals by creating employment at low investment costs, developing entrepreneurial capabilities, and fostering indigenous technologies (Onwuchekwa, 2023). Nigerian SMEs significantly contribute to the country's GDP, export earnings, and help reduce rural-urban migration. Ogunode *et al.* (2020) noted that Nigerian SMEs are mostly labor-intensive, capital-saving enterprises established with minimal skills, dominating the majority of existing enterprises in the country.

According to the National Bureau of Statistics (2023), as of December 2023, total employment in the SME sector in Nigeria accounted for 84.02% of the total labor force. Adeosun & Shittu (2022) noted that SMEs constitute 87% of all businesses in Nigeria and significantly contribute to the growth and development of many developed countries in terms of employment, GDP contribution, and exports. Kobe and Schwinn (2018) stated that SMEs contribute up to 46.7% to national GDP in nominal terms in Nigeria. The potentials of SMEs in Nigeria lie in achieving macro-economic objectives such as full

employment, industrialization, reducing rural-urban migration, promoting indigenous technology, and economic self-reliance (Uwadiegwu, 2015).

SMEs are generally considered small to medium-sized companies, but there is no universally accepted definition. The 1971 Bolton Report (Carter & Jones, 2006) attempted to provide a comprehensive definition using quantitative and qualitative methods. Quantitative definitions include criteria such as the number of employees, annual turnover, total assets, and annual sales. For example, the World Bank defines SMEs as enterprises with no more than 300 employees and an annual turnover of no more than US$15 million (Sidek et al., 2020; Ladokun, 2019). In the UK, sections 382 and 465 of the Companies Act 2006 define an SME as a business with a turnover of not more than £22.8 million, a total balance sheet of not more than £11.4 million, and no more than 250 employees.

In Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) defines SMEs based on quantitative criteria. Micro enterprises have fewer than 10 employees and an annual turnover of less than ₦5,000,000.00; small enterprises have 10-49 employees and an annual turnover of ₦5,000,000.00 to ₦49,000,000.00; and medium-sized enterprises have 50-199 employees and an annual turnover of ₦50,000,000.00 to ₦499,000,000.00 (SMEDAN, 2017).

Qualitative definitions use simpler practices and structures to differentiate between SMEs and large enterprises. Müller *et al.* (2021) suggested criteria such as individual and unified leadership and capital principles. Nagy *et al.* (2023) defined SMEs from an economic perspective based on market presence, management style, and independence from larger enterprises.

This study considers both quantitative and qualitative criteria for defining SMEs. Therefore, according to this study, SMEs are enterprises that employ fewer than 200 people, have an annual turnover of less than ₦500,000,000, are small in nature, have single ownership and financial structure, are labor-intensive in production, and have highly personalized organizational linkages with no division of labor between management and personnel (Berisha & Pula, 2015).

Concept of Performance

Performance is a major concern in management research, drawing interest from both practicing managers and academic scholars (DeNisi & Smith, 2014). According to Palm (2019), performance is a vague term with no exclusive meaning or definition, as different settings, industries, or firms may measure performance in various ways (Houthoofd, Desmidt, & Fidalgo, 2009). Consequently, many business organizations have developed performance measurement models to evaluate the efficiency of their operations (Bititci et al., 2012). A well-performing company is generally one that achieves its goals efficiently by implementing value creation strategies (Otley, 1999).

Historically, the conceptualization of firm performance determinants has emerged from two major research streams (Hansen & Wernerfelt, 1989). The first is based on economic tradition, emphasizing external market factors in determining firm performance. The second is based on behavioral and sociological models, highlighting organizational factors and their influence on a firm's adaptability and performance.

Hansen and Wernerfelt (1989) suggested specific approaches to measuring firm profitability, including industry characteristics, a firm's competitive position, and unique firm assets. Industrial organization theorists have demonstrated the usefulness of a strategic perspective in understanding the influence of market structure on firm strategy and performance. This economic model posits that a firm's performance depends on the structure of the industry in which it operates (Barney, 1986).

Key elements impacting firm returns include market characteristics such as barriers to entry, the size and number of firms within the industry, product differentiation, and demand elasticity (Barney, 1986). While resource-based theorists argue that value creation strategies depend on unique, inimitable resources, the industrial organization paradigm remains significant for corporate strategy formulation (Porter, 1981).

The current trend in corporate performance determinants focuses on a firm's resource base, suggesting that performance is achieved and maintained by leveraging unique assets and capabilities (Barney, 1986). Unlike models based on industrial market structure and internal organizational structure, the resource-based model emphasizes the rents earned by owners of scarce, heterogeneous resources (Teece et al., 1997).

Performance measurement remains a prime focus for business managers and academic researchers (Spekl & Verbeeten, 2014). Gianni *et al.* (2017) assert that corporate performance measurement has long been of core interest to managers, investors, and management accounting practitioners and researchers. A valid and reliable performance measurement system enables companies to effectively outline and implement strategies, guide and encourage employee behavior, evaluate management effectiveness, and provide a basis for compensation (Shet et al., 2019).

Despite its importance, performance measurement is often discussed but rarely defined (Neely, Gregory & Platts, 1995). Neely *et al.* (1995) consider performance measurement systems as processes that quantify the effectiveness and efficiency of actions leading to performance. This includes meeting customer requirements (effectiveness) and efficiently using organizational resources (efficiency). Recent years have seen the development of new performance measurement systems, such as activity-based costing and shareholder value (Cardos et al., 2014). Essentially, performance measurement systems literature identifies two main performance indicators: financial performance and non-financial performance (Omran et al., 2021).

Concept of Innovation Capability

To understand innovative capability, it's essential to clarify the definition of innovation. Sarkar and Mateus (2022) describe innovation as creating something new and valuable from a novel idea, emphasizing the potential value it must demonstrate. The concept has garnered significant attention from researchers and business managers, focusing on transforming novel ideas into economically beneficial outcomes. Schumpeter (1934) traditionally viewed innovation in terms of economic benefits, focusing on product orientation, monetary profits, and marketability. The idea of innovation has evolved from an industrial to a knowledge and service society, encompassing various forms of innovation beyond just product innovation.

Innovation capability refers to the factors that influence an organization's ability to manage innovation. Ferreira *et al.* (2020) define it as the elements and systems that enable organizations to utilize their innovation potential, leading to product/service and process innovations. Previous definitions often regarded innovative capability as a potential, but more recent perspectives highlight its role in enhancing firm performance through various elements.

Keskin (2006) describes innovation as the ability and willingness to test new ideas and be creative. Zhang and Hartley (2018) focus on leveraging diverse experiences and ideas, while Saunila (2017) identifies multiple dimensions that promote high innovative capabilities, such as leadership, organizational culture, and employee creativity. Different capabilities, such as learning, entrepreneurial, marketing, networking, and resource development, contribute to overall innovative capabilities.

Laforet (2013) states that innovation capabilities are integral part of firms' processes and cannot be separated from other practices. Visnjic (2016) considers it as the potential to generate innovative outputs, while Ferreira *et al.* (2021) view it as an organization's intangible property and ability to perpetually produce new innovations. Engelman *et al.* (2017) emphasize transforming knowledge and ideas into new products, processes, and systems for the firm's benefit. Assink (2006) highlights the driving energy to explore radical ideas and develop them into marketable innovations. Branzei and Vertinsky (2006) define product innovation capability as acquiring and assimilating external knowledge to generate and commercialize new or improved products. This study adopts Lawson and Samson's (2001) definition of innovation capability as the continuous transformation of knowledge and ideas into new products, processes, and systems for the benefit of the company and its stakeholders.

Innovation Capability and Performance

Innovativeness is a key determinant of organizational performance. Tidd (2001) proposed two categories of measures to demonstrate the relationship between innovation and business performance: accounting and financial performance (profitability, return on investment, stock price) and market performance (market share, growth). Early studies have confirmed a positive relationship between innovativeness and business performance (Parra-Requena et al., 2022).

Jalali *et al.* (2022) found that innovations significantly impact financial success, with a strong link between collaboration and financial performance. Organizations using external sources achieve higher revenue growth. Similarly, Ferreira *et al.* (2021) discovered that innovation impacts sales performance and productivity, measured as sales per employee.

Chen *et al.* (2020) found that different types of innovations impact various performance areas. Organizational innovations improve coordination and cooperation, leading to better efficiency results, while technical innovations enhance competitiveness and effectiveness measures (Davila et al., 2019). Rajapathirana and Hui (2018) supported these findings, noting that technological innovations respectively improve efficiency and competitiveness of organizations performance.

Alfawaire and Atan (2021) revealed that organizational innovation facilitates the effective use of technological product and process innovations, providing a competitive advantage. Organizational innovation impacts business performance in terms of productivity, lead time, quality, and flexibility. Prange and Pinho (2017) showed that organizational innovation drives growth, quality drives profit, and both drive market value. They also found that innovativeness indirectly affects profitability through quality.

Thelen *et al.* (2023) provided empirical evidence that system thinking is linked to higher leadership performance, suggesting that the relationship between innovation and performance is complex and multifaceted. Despite extensive research, there is a lack of comprehensive frameworks for measuring innovative capabilities, particularly for SMEs in the manufacturing sector (Troise et al., 2022). Therefore, developing more robust measurement frameworks for innovation capabilities and their impact on firm performance is necessary.

Determinants of Innovative Capability

Based on the review, the level of innovation capability is determined by several factors. These determinants include top management leadership, knowledge development, entrepreneurial orientation (Mendoza-Silva, 2021), and external networks. Saunila (2017) identified specific observable determinants of innovation capability, such as participatory leadership culture, work

climate and well-being, ideation and organizing structure, know-how development, exploitation of external knowledge, regeneration, and individual activity. Empirical evidence from existing literature demonstrates the relationship between these determinants and firm performance (Baláž, Jeck, & Balog, 2023; Ganau & Grandinetti, 2021).

INNOVATIVE CAPABILITIES

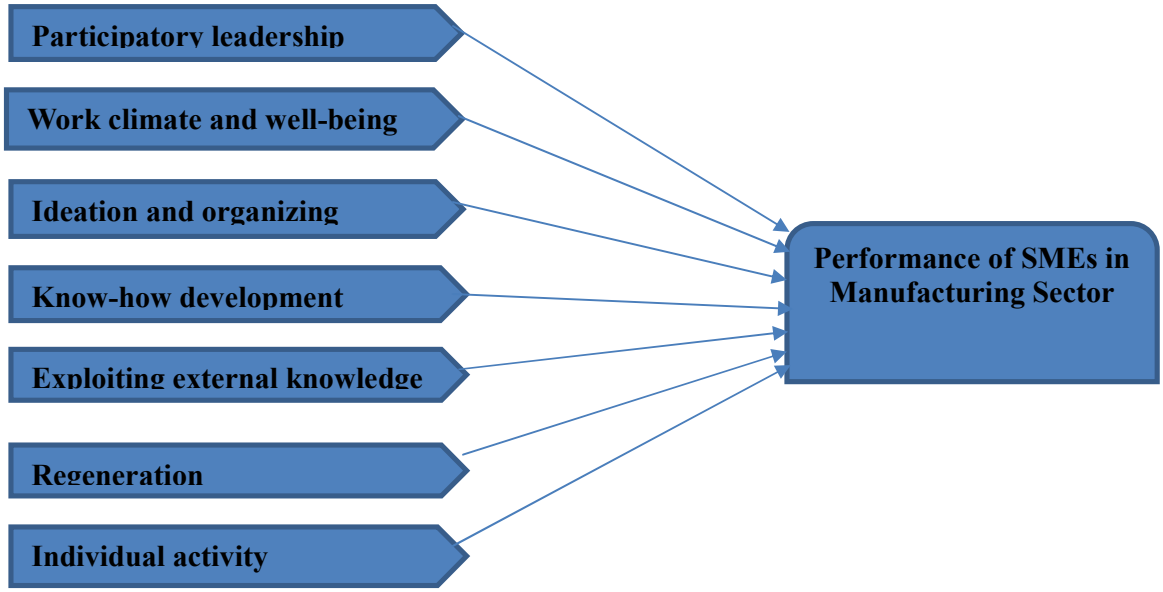

Figure 1 conceptual Framework

Participatory leadership culture

Participation defines the extent to which leaders in various departments actively involve their members in the decision-making process (Mwambi et al., 2020). Under participative leadership, department members are regularly consulted, and their input is considered before making critical decisions (Owusu-Agyeman, 2021). This approach motivates members and fosters a sense of ownership and responsibility for departmental work.

Participative leadership behaviors encourage followers to influence decisions and unit operations by consulting them and considering their opinions and suggestions during decision-making (Wang et al., 2022). These behaviors encompass four aspects:

1. Clarifying the path-goal relationship between effort and work goal achievement, as well as work goal realization and extrinsic rewards.
2. Aligning subordinate goals with organizational goals, since subordinates will impact the goals assigned to them and choose goals they prioritize.
3. Enhancing subordinates' autonomy and capacity to achieve their intentions, leading to greater effort and performance.
4. Increasing pressure for organizational performance by boosting follower involvement and commitment and raising social pressure on colleagues (Wang et al., 2022; Zhou & Wu, 2018).

A participative leadership style promotes shared problem-solving, decision-making approaches and knowledge integration skills for managers and their teams (Wong et al., 2018). In cross-functional teams, where members bring diverse skills and expertise from different departments, participative

leadership actively unleashes the full potential of these teams by involving all members in the decision-making process, thus creating a motivating environment (Zhang & Guo, 2019). This environment supports cross-functional collaboration, allowing teams to identify, assimilate, transform, and deploy valuable knowledge (Dyson, 2020). Firms that cultivate a participative leadership style among department leaders can enhance cross-functional collaboration capabilities (Cyfert et al., 2022).

Additionally, participative leaders encourage open communication and free exchange of information, reducing interdepartmental grievances and communication barriers. This enhances the quality and quantity of interdepartmental relationships and promotes cross-departmental interaction (Chang et al., 2019). Consequently, firms adopting participative leadership styles can positively influence their performance intensity (Baig et al., 2021).

Participative leadership also fosters an environment where open debate is encouraged, rather than avoiding potential conflict (Mayer, 2021). Employees, accountable for shared decisions and solutions, are willing to accept contentious debate and conflicts if it aligns with task success (Paret et al., 2019). Open inter-functional conflict, particularly on task-related issues, can be beneficial to project outcomes (De Clercq et al., 2013). Therefore, participative leadership is expected to encourage interdepartmental competition.

In summary, participative leadership is critical for innovation. Leadership is a key driver for improving company performance, bringing high levels of cohesion, commitment, trust, motivation, and performance in new organizational environments (Wang et al., 2022). Innovative leadership, which encourages individual initiative, provides clear performance feedback, and fosters trust, is positively related to organizational economic performance, relationship/process performance, and product performance (Carmeli, Gelbard, & Gefen, 2010).

Idea generation and organizing structures

Generating new ideas is crucial for businesses as they form the foundation for innovation. Companies can approach innovative ideas in various ways (Donner et al., 2020). Past research has focused extensively on creativity, with individual employees and teams being primary sources of ideation (Kier & McMullen, 2020). However, the often-untapped potential of external creative sources is becoming increasingly important due to advancements in information and communication technologies and the growing significance of communities (Stieler & Henike, 2022). This highlights the need for businesses not only to identify ideas but also to actively stimulate their generation and articulation. Utilizing different knowledge management tools, such as systems for idea sharing and cross-functional teams, is essential for fostering new ideas (Berners-Lee et al., 2023).

The most critical aspect of ideation is choosing which ideas to protect and invest in, aligning with the firm's efforts to achieve high performance. Key considerations include the assessment methods used and the common criteria for evaluating ideas (Wyrtki et al., 2021). The traditional view of the innovation process as a funnel can sometimes lead to an overemphasis on low-risk ideas, limiting potential for future change. While solutions to this problem have been proposed (Beretta et al., 2018), companies still struggle to balance steady state innovative ideas with more radical, breakthrough innovations.

Simply identifying and selecting ideas is not enough for innovation; combining ideas with existing resources for business activities is also necessary (Priyono et al., 2020). Integrating something new into an established framework poses challenges, requiring improved integration capabilities to achieve sustainability and enhanced performance (Tidd & Bessant, 2020).

The ability to align innovative values and behaviors with organizational context, such as structures and procedures, is crucial for driving innovative activities across organizational boundaries (Purc & Laguna, 2019). Supportive structures play a significant role in enhancing communication within organizations (Dixit & Nanda, 2011). Organizational structure can positively impact firm performance by promoting conditions that facilitate incremental innovation (Varadarajan, 2009). Age allows companies to develop routines that improve effectiveness and performance (Naranjo-Valencia et al., 2011).

Combining insights from dynamic capabilities and innovation management literature, it is evident that ideation is fundamental to continuous innovation, necessary for sustaining competitive advantage under dynamic conditions (Cui et al., 2018). Consistent with Eisenhardt and Martin's (2000) view of dynamic capabilities are resource creation, integration, combination, identification, selection and implementation of ideas. Thus, ideation capabilities are forms of management and organizational processes that stimulate, identify, select, and implement ideas.

Work climate and well-being

Work climate and well-being encompass aspects such as collaboration, values, well-being, comfort, and employee motivation, which are conducive to innovation and employee welfare. The role of employee well-being on performance has attracted significant attention over the past decade (Baer et al., 2018). Pradhan & Hati (2022) define employee well-being as a subjective assessment of individual employees' cognitions and emotions about their lives, often focusing on general life satisfaction or work-life satisfaction. Well-being is an umbrella term that includes happiness, positive emotions, mental health, and the absence of negative effects, which may be viewed as either traits or stable states (Wijngaards et al., 2021). The goal of measuring personal happiness is to assess how individuals evaluate their lives and their feelings of satisfaction. Levels of well-being can be influenced by personal and social contextual factors (Brüggen et al., 2017).

Kim *et al.* (2019) describe employee well-being as encompassing mental and emotional health, positive attitudes, and job satisfaction within an organizational setting. Contemporary organizations view work climate and well-being as broader issues, incorporating work-related safety, physical activity, job satisfaction, and personal development (Ray, 2021). The purpose of evaluating employee well-being is to complement occupational safety and health measures, ensuring employees are safe, healthy, satisfied, and engaged at work (Fraboni et al., 2023). Authentic leadership has been shown to predict employee well-being, thereby promoting workplace engagement and innovative work behaviors.

A positive work climate, supported by sufficient resources, promotes the development, adoption, and implementation of new products and processes. Work climate includes subjective, personal, and social dimensions, such as motivations, interpretations, and perceptions related to personal and contextual factors within the company (Boyatzis & Rochford, 2020). Norms, practices, and values within a company influence individuals' perceptions, social interactions, and knowledge, affecting the quality of top-down and bottom-up relationships and behavior patterns.

Innovation is more likely to occur when individuals perceive others as having high levels of integrity, competence, reliability, loyalty, and openness, treating others as equals. Creating this enabling environment requires employees to understand their roles clearly and develop their creativity and independence (Dobni, 2008). Leadership practices that promote a positive emotional climate significantly impact firm performance and company growth (Saha et al., 2020). Therefore, a positive work climate and employee well-being is expected to influence firm performance.

Know-how development

Know-how is defined as the practical knowledge required to efficiently convert inputs into outputs. Sofologi *et al.* (2023) describe knowledge as action-oriented, partially tacit, and acquired through practice, making it difficult to transmit and requiring separate development. Collaborative knowledge specifically refers to understanding how to communicate ideas and work effectively in a team, integrating one's actions and knowledge with others. Brown and Palincsar (2018) view collaborative knowledge as knowledge integration.

Research has documented challenges in knowledge integration, such as differing communication practices and interpretations (Kotlarsky et al., 2015). Leaders play a crucial role in integrating analysis results into new design iterations and facilitating design discussions. Their techniques include gathering feedback from each team member and integrating it to create a new design version for further discussion (Morrison-Smith & Ruiz, 2020).

Habermas's (1985) theory of communicative action introduces a cognitive-emotional model of communication, emphasizing the sharing of situational information in knowledge development. This model includes three dimensions of organizational communication: inputs to the communication process, which reveal the organizational context; communication impacts, which involve mutually, agreed purposeful actions and the collaborative profession knowledge development concept; and the cognitive-emotional communication process, which involves selecting communication strategies and their IT support (Strecker, 2017).

Empirical studies have shown that a continuous learning orientation is central to innovation (Sawaean & Ali, 2020). Organizations committed to learning strive to understand their environment, including customers, competitors, and emerging technologies (Wujiabudula & Zehir, 2016). Literature also suggests that developing employee expertise positively impacts firm performance (Ho & Kuvaas, 2020). Dubey *et al.* (2019) proposed a resource-based theory, demonstrating a positive relationship between internal and external learning and manufacturing performance. Additionally, Schunk (2023) and Niati *et al.* (2021) confirmed a positive and significant association between learning and performance.

Regeneration

Regenerative innovation encompasses a wide range of practices and methods that enable businesses to create regenerative impacts. For newly established businesses, it forms the core purpose, defining the fundamental idea on which the organization is built (Edwards et al., 2024). In larger, established businesses, regenerative innovation facilitates large-scale change by promoting regeneration at every structural level (Thelisson & Meier, 2024). Such businesses recognize their interdependence with systems, communities, industries, and entire ecosystems (Hahn & Tampe, 2021), using this awareness to guide strategic decisions.

Shifting from traditional to regenerative innovation encourages businesses to adopt new approaches to organizational change (Hahn & Tampe, 2021). These approaches are successful when they benefit the wider networks and ecosystems in which the business operates. For a startup to be successful in regenerative practices, or for an existing business to transform effectively, impact goals must be integral to the innovation process from the outset. This mindset is crucial for creating significant innovations, addressing global challenges, and contributing to universal business development (Dziallas & Blind, 2019).

Businesses should adhere to three interrelated regenerative principles in every decision: collaboration within the system, prioritizing human and environmental wellbeing over financial profit, and considering future generations as stakeholders (Sanhokwe, 2024; Hahn & Tampe, 2021). These principles mean recognizing the interconnected roles of individuals and businesses, ensuring employee wellbeing as vital to business success, and considering the long-term impact of innovations on future lives.

It is expected that businesses will need to tolerate errors and allow for recovery and learning from failures to achieve higher innovation capabilities (Sanhokwe, 2024). Innovative firms are noted for their willingness to take risks and exchange ideas, which are critical for innovation (Gibbons, 2020). Empirical literature indicates that a firm's ability to regenerate impacts its innovativeness and performance (Coskun-Setirek & Tanrikulu, 2021). According to Shih (2018), cannibalization intention, future orientation, and risk tolerance drive radical product innovation, positively affecting financial performance. Companies that regularly try new ideas, seek new ways of doing things, develop new products or services, and strive for creativity in their operations tend to be more profitable, achieving higher market shares and growth rates (Hu & Hughes, 2020).

External knowledge

Knowledge is a crucial input to economic processes and a key prerequisite for successful participation in the global business environment by businesses, communities, and individuals (Abualoush et al., 2028). Both resource-based and knowledge-based theories emphasize knowledge as a strategic resource essential for maintaining corporate competitiveness (Barney, 1991). New knowledge can stimulate business opportunities and provide valuable inputs and outputs for economic activity, even in poor countries (Paillé & Halilem, 2019). Numerous studies have shown that new knowledge significantly impacts firm survival, innovation, and maturity (Putra et al., 2021).

Innovation revolves around applying new knowledge that enables companies to better meet customer needs by introducing new or improved products and services. Efficient utilization of existing knowledge and effective acquisition and assimilation of new knowledge from external sources are vital for company growth. Since knowledge is critical to innovation, organizations must absorb, assimilate, and exploit knowledge from all available sources (Ogutu et al., 2023; Hollen et al., 2013).

A firm's ability to innovate is influenced by both internal and external factors. External factors relate to a company's environment, including interactions with other companies, the nature of the market, production processes, and knowledge spillovers (Segarra-Ciprés & Bou-Llusar, 2018). Internal factors include the company's inherent capabilities, such as employees' skills, experience, and intrinsic motivation (Webster, 2004). External knowledge sources play a crucial role in a company's innovation process by providing valuable ideas and expanding the pool of technological opportunities, thereby enhancing innovation outcomes (Hao et al., 2019).

Research has highlighted that external knowledge searches can significantly enhance an enterprise's incremental innovation capabilities (Du, 2021). From a knowledge-based perspective, external search strategies involve acquiring knowledge in specific areas that are not available within the firm (Wu et al., 2019). This specialization allows companies to better understand customer needs and expand their knowledge base for innovation (Wang et al., 2020).

External partners, such as suppliers, customers, industry associations, and competitors, are crucial to a firm's innovative capacity. These interactions provide essential external inputs that the organization cannot generate internally (Horvat et al., 2019). However, superior performance requires transforming internally generated or externally acquired knowledge into new products or processes (Hameed et al.,

2021). Organizations that leverage external resources tend to achieve higher revenue growth (Jiang et al., 2019). Research shows that focusing on open innovation and interacting with external parties, rather than developing all technologies internally, can lead to higher performance (Hervas-Oliver et al., 2021). Additionally, building network agility, comprising customer, cooperation, and operational agility, improves operational performance and, consequently, financial performance (Kurniawan et al., 2021).

Individual activity

Innovative work performance at the individual level involves two key stages: generating novel and useful ideas and implementing them. Although it is theoretically important to distinguish between these stages, past research has not adequately done so (Anderson et al., 2014). Idea generation encompasses both mental and public expression of new ideas which can take the form of verbal suggestions, written comments, or formal documents, reflecting the concept of employee creativity (Abbas & Raja, 2015). Idea implementation, on the other hand, involves putting these new ideas into practice to create tangible changes in a product, service, process, or other organizational aspects (Baldassarre et al., 2020).

To innovate effectively, ideas must be put into practice, and research indicates that different factors influence idea generation and implementation (Fraaije & Flipse, 2020; Baldassarre et al., 2020). For instance, a study by Valtonen et al. (2023) found that individual factors are more strongly related to idea suggestion, whereas group and organizational factors are more relevant to idea implementation.

Amabile (1983) componential theory posits that employees' creative performance is influenced by intrapersonal components and one external component; the social environment. This model suggests that all three components must be present simultaneously for creativity to occur. The first component, creative-thinking skills, involves an individual's ability to think divergently and generate new, original ideas while analyzing their qualities. Amabile and Pillemer (2012) further elaborate on this, including a flexible cognitive style, personality traits like openness to experience, skills in using creative thinking heuristics, and a perseverance work style. The second component, domain-relevant knowledge/skills, includes expertise, technical skills, and talents in the relevant area, enabling individuals to understand where and how creative contributions can be made. The third component, intrinsic task motivation, arises from the perceived value of participating in the task itself (Amabile, 2011).

Empirical evidence suggests that individuals who are creative and intrinsically motivated are crucial in creating a work environment that supports innovation (Zhu et al., 2018). Research by Shafi *et al.* (2020) and Dixit and Nanda (2011) found that employee motivation is a key factor in creative organizations. As business realities shift due to effective innovation, employee behavior and actions must adapt accordingly to maintain a competitive advantage (Flavián et al., 2019). Employee innovation is vital for a company's future success and provides a competitive edge (Nayal et al., 2022). Consequently, employees' personal activities are expected to significantly impact firm performance.

Theoretical Framework: Resource Based View Theory (RBV)

The Resource-Based View (RBV) theory has become a cornerstone in management sciences, widely used by researchers to explore the connection between organizational resources and performance. RBV posits that a firm's competitive advantage and performance are primarily determined by its ability to leverage internal resources (Tajvidi & Karami, 2017).

According to RBV, organizational resources encompass assets, capabilities, processes, attributes, and knowledge controlled by the enterprise, enabling it to conceive and implement strategies to enhance efficiency and effectiveness (Assensoh-Kodua, 2019). These resources are classified into three categories: physical capital resources, human capital resources, and organizational capital resources.

Physical capital resources refer to tangible assets and organizational capabilities utilized by a firm, such as land, buildings, plants, equipment, and technology (Bhattacharjee & Akter, 2022). Human capital resources are the personal attributes and collective skills of individuals within the organization, including training, experience, judgment, and relationships (Collins, 2021). Organizational capital resources encompass formal structures, planning systems, informal networks, values, norms, and knowledge embedded within the organization (Battaglia, 2021).

The study incorporates seven constructs derived from RBV: participatory leadership culture, work climate and well-being, ideation and organizing structure, know-how development, exploiting external knowledge, regeneration, and individual activity as innovative capability. Participatory leadership involves involving employees in decision-making and problem-solving to foster innovation (Lythreatis et al., 2022). Work climate and well-being relate to positive psychological states and conducive conditions for innovation (Jia et al., 2022). Ideation focuses on structures and systems facilitating innovation (Cui et al., 2018). Know-how development concerns leveraging implicit knowledge for innovative resource utilization (Pittaway & Montazemi, 2020). Exploiting external knowledge involves open innovation to enhance product and process innovations (Radicic, 2021). Regeneration entails learning from past experiences to drive innovation (Saunila & Ukko, 2013). Individual activity pertains to employees' innovation capabilities contributing to overall organizational innovation (Saunila & Ukko, 2013).

Previous studies have utilized RBV to explore the relationship between innovation capability and firm performance. This study also employed RBV to investigate how participatory leadership culture, work climate and well-being, ideation and organizing structure, know-how development, exploiting external knowledge, regeneration, and individual activity influence the performance of manufacturing firms.

Methodology

In this study, a conceptual methodology was employed, which does not involve data collection and analysis but instead relies on a thorough literature review of previous studies relevant to the constructs under investigation. This approach was used to critically justify the proposed relationships between the variables under study. Therefore, the study is conceptual in nature.

Finding, Conclusion and Recommendation

Based on the findings of this conceptual analysis, the literature confirms positive relationships between innovative capability proxies and firm performance (Chatterjee et al., 2024; Parra-Requena et al., 2022; Suifan, 2021; Ferreira et al., 2021). Therefore, it is concluded that innovative capability contributes to firm performance either directly or indirectly, as supported by the literature. The following recommendations are made:

1. Organizations should review their capabilities to ensure they achieve a competitive advantage.

2. Managers of manufacturing firms are strongly advised to focus on these innovative capability proxies to become more innovative, seize new opportunities, and address current and future challenges.

3. Researchers and students should consider including or excluding certain variables or adding intervening variables within this existing construct to empirically examine the relationships between the variables.

References

Abualoush, S., Bataineh, K., & Alrowwad, A. A. (2018). The role of knowledge management process and intellectual capital as intermediary variables between knowledge management infrastructure and organization performance. *Interdisciplinary Journal of Information, Knowledge, and Management*, *13*(2), 279-309.

Adeosun, O. T., & Shittu, A. I. (2022). Small–medium enterprise formation and Nigerian economic growth. *Review of Economics and Political Science*, *7*(4), 286-301.

Adian, I., Doumbia, D., Gregory, N., Ragoussis, A., Reddy, A., & Timmis, J. (2020). *Small and medium enterprises in the pandemic: impact, responses and the role of development finance*. The World Bank.

Akpan, I. J., Udoh, E. A. P., & Adebisi, B. (2022). Small business awareness and adoption of state-of-the-art technologies in emerging and developing markets, and lessons from the COVID-19 pandemic. *Journal of Small Business & Entrepreneurship*, *34*(2), 123-140.

Alfawaire, F., & Atan, T. (2021). The effect of strategic human resource and knowledge management on sustainable competitive advantages at Jordanian universities: The mediating role of organizational innovation. *Sustainability*, *13*(15), 8445-8540

Amabile, T. (2011). *Componential theory of creativity* (pp. 538-559). Boston, MA: Harvard Business School.

Amabile, T. M., & Pillemer, J. (2012). Perspectives on the social psychology of creativity. *The Journal of Creative Behavior*, *46*(1), 3-15.

Anderson, N., Potočnik, K., & Zhou, J. (2014). Innovation and creativity in organizations: A state-of-the-science review, prospective commentary, and guiding framework. *Journal of management*, *40*(5), 1297-1333.

Abbas, M., & Raja, U. (2015). Impact of psychological capital on innovative performance and job stress. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, *32*(2), 128-138.

Assensoh-Kodua, A. (2019). The resource-based view: A tool of key competency for competitive advantage. *Problems and Perspectives in Management*, *17*(3), 143-174

Assink, M. (2006). Inhibitors of disruptive innovation capability: a conceptual model. *European journal of innovation management*, *9*(2), 215-233.

Baláž, V., Jeck, T., & Balog, M. (2023). Firm performance over innovation cycle: evidence from a small European economy. *Journal of Innovation and Entrepreneurship*, *12*(1), 1-23.

Baldassarre, B., Keskin, D., Diehl, J. C., Bocken, N., & Calabretta, G. (2020). Implementing sustainable design theory in business practice: A call to action. *Journal of cleaner production*, *273*, 123113.

Barney, J. B. (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academy of Management*, *11*(3), 656–665.

Battaglia, P. (2021). *Organizational innovativeness and eco-innovation* (Doctoral dissertation, Politecnico di Torino).

Berisha, G., & Pula, J. S. (2015). Defining Small and Medium Enterprises: a critical review. *Academic Journal of Business, Administration, Law and Social Sciences,1*(1). 17- 28.

Berners-Lee, T., Cailliau, R., Luotonen, A., Nielsen, H. F., & Secret, A. (2023). The world-wide web. In *Linking the World's Information: Essays on Tim Berners-Lee's Invention of the World Wide Web* (pp. 51-65).

Bhattacharjee, S., & Akter, R. (2022). Intellectual capital efficiency and firm performance: evidence from an emerging knowledge-economy. *International Journal of Learning and Intellectual Capital*, *19*(1), 30-52.

Boyatzis, R. E., & Rochford, K. (2020). Relational climate in the workplace: Dimensions, measurement, and validation. *Frontiers in Psychology*, *11*920, 20-32.

Branzei, O., & Vertinsky, I. (2006). Strategic pathways to product innovation capabilities in SMEs. *Journal of Business Venturing*, *21*(1), 75-105.

Brown, A. L., & Palincsar, A. S. (2018). Guided, cooperative learning and individual knowledge acquisition. In *Knowing, learning, and instruction* (pp. 393-451). Routledge.

Brüggen, E. C., Hogreve, J., Holmlund, M., Kabadayi, S., & Löfgren, M. (2017). Financial well-being: A conceptualization and research agenda. *Journal of business research*, *79*, 228-237.

Chatterjee, S., Chaudhuri, R., & Vrontis, D. (2024). Does data-driven culture impact innovation and performance of a firm? An empirical examination. *Annals of Operations Research*, *333*(2), 601-626.

Chen, Q., Wang, C. H., & Huang, S. Z. (2020). Effects of organizational innovation and technological innovation capabilities on firm performance: evidence from firms in China's Pearl River Delta. *Asia Pacific Business Review*, *26*(1), 72-96.

Chong, S., Hoekstra, R., Lemmers, O., Van Beveren, I., Van Den Berg, M., Van Der Wal, R., & Verbiest, P. (2019). The role of small-and medium-sized enterprises in the Dutch economy: an analysis using an extended supply and use table. *Journal of Economic Structures*, *8*(2), 1-24.

Coskun-Setirek, A., & Tanrikulu, Z. (2021). Digital innovations-driven business model regeneration: A process model. *Technology in Society*, *64*, 45-62.

Cudilla, E. (2020). World Bank Group Support for Small and Medium Enterprises-A Synthesis of Evaluative Findings.

Cui, T., Wu, Y., & Tong, Y. (2018). Exploring ideation and implementation openness in open innovation projects: IT-enabled absorptive capacity perspective. *Information & management*, *55*(5), 576-587.

Cyfert, S., Szumowski, W., Dyduch, W., Zastempowski, M., & Chudziński, P. (2022). The power of moving fast: responsible leadership, psychological empowerment and workforce agility in energy sector firms. *Heliyon*, *8*(10). 45-55

Davila, G., Varvakis, G., & North, K. (2019). Influence of strategic knowledge management on firm innovativeness and performance. *BBR. Brazilian Business Review*, *16*, 239-254.

Del Baldo, M. (2023). OECD Guidelines for SMEs. In *Encyclopedia of Sustainable Management* (pp. 1-5). Cham: Springer International Publishing.

DeNisi, A., & Smith, C. E. (2014). Performance appraisal, performance management, and firm-level performance: A review, a proposed model, and new directions for future research. *Academy of Management Annals*, *8*(1), 127-179.

Dixit, G. K., & Nanda, T. (2011). Strategic alignment of organizational culture and climate for stimulating innovation in SMEs. *International Journal of Innovation, Management and Technology*, *2*(1), 77-82.

Dobni, C. B. (2008). The DNA of innovation. *Journal of Business Strategy*, *29*(2), 43-50.

Dubey, R., Gunasekaran, A., Childe, S. J., Blome, C., & Papadopoulos, T. (2019). Big data and predictive analytics and manufacturing performance: integrating institutional theory, resource based view and big data culture. *British Journal of Management*, *30*(2), 341-361.

Dyson, T. (2020). A revolution in military learning? Cross-functional teams and knowledge transformation by lessons-learned processes. *European Security*, *29*(4), 483-505.

Dziallas, M., & Blind, K. (2019). Innovation indicators throughout the innovation process: An extensive literature analysis. *Technovation*, *809*(2), 3-29.

Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: what are they? *Strategic Management Journal*, *21*(10&11), 1105-1121.

Engelman, R. M., Fracasso, E. M., Schmidt, S., & Zen, A. C. (2017). Intellectual capital, absorptive capacity and product innovation. *Management Decision*, *55*(3), 474-490

Ferreira, J., Coelho, A., & Moutinho, L. (2020). Dynamic capabilities, creativity and innovation capability and their impact on competitive advantage and firm performance: The moderating role of entrepreneurial orientation. *Technovation*, *92*(1), 102-112.

Fitriatia, T. K., Purwanab, D., & Buchdadic, A. D. (2020). The role of innovation in improving small medium enterprise (SME) performance. *innovation*, *11*(2), 232-250.

Fraaije, A., & Flipse, S. M. (2020). Synthesizing an implementation framework for responsible research and innovation. *Journal of Responsible Innovation*, *7*(1), 113-137.

Fraboni, F., Brendel, H., & Pietrantoni, L. (2023). Evaluating organizational guidelines for enhancing psychological well-being, safety, and performance in technology integration. *Sustainability*, *15*(10), 81-95.

Fund, J. T. (2022). European Commission. *Government of the Republic of Croatia (2021a). National Recovery*.

Gakusi, A. E., Scola, B., Khimdjee, Z., & Coulibaly, M. (2022). Statistical and Qualitative Evaluation of the Effectiveness of the African Development Bank's Financial Sector Development Operations, 2011-2018. *Modern Economy*, *13*(4), 483-518.

Ganau, R., & Grandinetti, R. (2021). Disentangling regional innovation capability: what really matters? *Industry and Innovation*, *28*(6), 749-772.

Habermas, J. (1985). *The theory of communicative action: Volume 2: Lifeword and system: A critique of functionalist reason* (Vol. 2). Beacon press.

Hahn, T., & Tampe, M. (2021). Strategies for regenerative business. *Strategic Organization*, *19*(3), 456-477.

Hameed, W. U., Nisar, Q. A., & Wu, H. C. (2021). Relationships between external knowledge, internal innovation, firms' open innovation performance, service innovation and business performance in the Pakistani hotel industry. *International Journal of Hospitality Management*, *92*(4), 45-62.

Hanifah, H., Halim, H. A., Ahmad, N. H., & Vafaei-Zadeh, A. (2020). Can internal factors improve innovation performance via innovation culture in SMEs?. *Benchmarking: An International Journal*, *27*(1), 382-405.

Hansen, G. S., & Wernerfelt, B. (1989). Determinants of firm performance: The relative importance of economic and organizational factors. *StrategicMunagement*, *10*(5), 399–411.

Hao, Q., Shi, Y., & Yang, W. (2019). How leader-member exchange affects knowledge sharing behavior: understanding the effects of commitment and employee characteristics. *Frontiers in Psychology*, *10*(3), 27-42.

Hervas-Oliver, J. L., Sempere-Ripoll, F., & Boronat-Moll, C. (2021). Technological innovation typologies and open innovation in SMEs: Beyond internal and external sources of knowledge. *Technological Forecasting and Social Change*, *162*(1), 120-136.

Horvat, D., Dreher, C., & Som, O. (2019). How firms absorb external knowledge: Modelling and managing the absorptive capacity process. *International Journal of Innovation Management*, *23*(1), 195-212.

Hu, Q., & Hughes, M. (2020). Radical innovation in family firms: a systematic analysis and research agenda. *International Journal of Entrepreneurial Behavior & Research*, *26*(6), 1199-1234.

Jalil, M. F., Ali, A., & Kamarulzaman, R. (2022). Does innovation capability improve SME performance in Malaysia? The mediating effect of technology adoption. *The International Journal of Entrepreneurship and Innovation*, *23*(4), 253-267.

Jia, K., Zhu, T., Zhang, W., Rasool, S. F., Asghar, A., & Chin, T. (2022). The linkage between ethical leadership, well-being, work engagement, and innovative work behavior: the empirical evidence from the higher education sector of China. *International Journal of Environmental Research and Public Health*, *19*(9), 55-75.

Joseph, T., Obikaonu, P., Ariolu, C., Nwolisa, C., & Aderohunmu, A. (2021). Smes intervention programmes in nigeria: evaluating challenges facing implementation. *Applied Journal of Economics, Management and Social Sciences*, *2*(1), 16-25.

Kier, A. S., & McMullen, J. S. (2020). Entrepreneurial imaginativeness and new venture ideation in newly forming teams. *Journal of Business Venturing*, *35*(6), 25-42.

Kim, M., Kim, A. C. H., Newman, J. I., Ferris, G. R., & Perrewé, P. L. (2019). The antecedents and consequences of positive organizational behavior: The role of psychological capital for promoting employee well-being in sport organizations. *Sport Management Review*, *22*(1), 108-125.

Kurniawan, R., Budiastuti, D., Hamsal, M., & Kosasih, W. (2021). Networking capability and firm performance: the mediating role of market orientation and business process agility. *Journal of Business & Industrial Marketing*, *36*(9), 1646-1664.

Laforet, S. (2013). Organizational innovation outcomes in SMEs: Effects of age, size, and sector. *Journal of World business*, *48*(4), 490-502.

Lythreatis, S., El-Kassar, A. N., Smart, P., & Ferraris, A. (2022). Participative leadership, ethical climate and responsible innovation perceptions: evidence from South Korea. *Asia Pacific Journal of Management*, *6*(5), 1-28.

Mayer, C. (2021). The future of the corporation and the economics of purpose. *Journal of Management Studies*, *58*(3), 887-901.

Melo, I. C., Queiroz, G. A., Junior, P. N. A., de Sousa, T. B., Yushimito, W., & Pereira, J. (2023). Sustainable digital transformation in small and medium enterprises (SMEs): A review on performance. *Heliyon*.

Mendoza-Silva, A. (2021). Innovation capability: A systematic literature review. *European Journal of Innovation Management*, *24*(3), 707-734.

Micheal, M. E. E., & Kassahvirginia, R. A. (2017). Conceptualizing Small and Medium Scale Enterprises; It's Implications to the Economic Growth of Nigeria, 1999-2016.

Müller, J. M., Buliga, O., & Voigt, K. I. (2021). The role of absorptive capacity and innovation strategy in the design of industry 4.0 business Models-A comparison between SMEs and large enterprises. *European Management Journal*, *39*(3), 333-343.

Mwambi, M., Bijman, J., & Mshenga, P. (2020). Which type of producer organization is (more) inclusive? Dynamics of farmers' membership and participation in the decision-making process. *Annals of Public and Cooperative Economics*, *91*(2), 213-236.

Nagy, M., Lăzăroiu, G., & Valaskova, K. (2023). Machine intelligence and autonomous robotic technologies in the corporate context of SMEs: Deep learning and virtual simulation algorithms, cyber-physical production networks, and Industry 4.0 based manufacturing systems. *Applied Sciences*, *13*(3), 1681-1696.

Nayal, P., Pandey, N., & Paul, J. (2022). Covid-19 pandemic and consumer-employee-organization wellbeing: A dynamic capability theory approach. *Journal of Consumer Affairs*, *56*(1), 359-390.

NBS (2017). Small and medium scale enterprises (SMEs) in Nigeria; 017. Available:the nationonlineng.net/smescontribute-48-gdp

Ogunode, P. O., Abereola, S. N., & Oloyede, A. O. (2020). Entrepreneurship marketing and performance of SMEs in Nigeria. *International Journal of Small Business and Entrepreneurship Research*, *8*(1), 39-52.

Onwuchekwa, F. (2023). SMES and sustainable employment: a path to economic renewal in Nigeria. *Interdisciplinary Journal of Linguistics, Marketing and Communication (IJLMC)*, *10*(3), 1-15.

Owusu-Agyeman, Y. (2021). Transformational leadership and innovation in higher education: A participative process approach. *International Journal of Leadership in Education*, *24*(5), 694-716.

Paillé, P., & Halilem, N. (2019). Systematic review on environmental innovativeness: A knowledge-based resource view. *Journal of cleaner production*, *211*(3), 1088-1099.

Palm, T. (2019). Performance assessment and authentic assessment: A conceptual analysis of the literature. *Practical assessment, research, and evaluation*, *13*(1), 45-61.

Paret, C., Goldway, N., Zich, C., Keynan, J. N., Hendler, T., Linden, D., & Kadosh, K. C. (2019). Current progress in real-time functional magnetic resonance-based neurofeedback: Methodological challenges and achievements. *NeuroImage*, *202*(1), 25-43.

Pittaway, J. J., & Montazemi, A. R. (2020). Know-how to lead digital transformation: The case of local governments. *Government information quarterly*, *37*(4), 55-70.

Porter, M. E. (1981). The contribution of industrial organization to strategic management. *The Academy of Management Journal*, *6*(4), 609–620. Retrieved from http://www.jstor.org/stable/257639

Prange, C., & Pinho, J. C. (2017). How personal and organizational drivers impact on SME international performance: The mediating role of organizational innovation. *International business review*, *26*(6), 1114-1123.

Priyono, A., Moin, A., & Putri, V. N. A. O. (2020). Identifying digital transformation paths in the business model of SMEs during the COVID-19 pandemic. *Journal of Open Innovation: Technology, Market, and Complexity*, *6*(4), 104-119.

Purc, E., & Laguna, M. (2019). Personal values and innovative behavior of employees. *Frontiers in psychology*, *10*(2), 45-62.

Radicic, D. (2021). Breadth of external knowledge search in service sectors. *Business Process Management Journal*, *27*(1), 230-252.

Raghuvanshi, J., & Garg, C. P. (2022). Shaping the handicraft cluster through innovation capability. *International Journal of Innovation Studies*, *6*(2), 102-117.

Rajapathirana, R. J., & Hui, Y. (2018). Relationship between innovation capability, innovation type, and firm performance. *Journal of Innovation & Knowledge*, *3*(1), 44-55.

Ray, T. K. (2021). Work related well-being is associated with individual subjective well-being. *Industrial health*, *60*(3), 242-252.

Saha, R., Shashi, Cerchione, R., Singh, R., & Dahiya, R. (2020). Effect of ethical leadership and corporate social responsibility on firm performance: A systematic review. *Corporate Social Responsibility and Environmental Management*, *27*(2), 409-429.

Sanhokwe, H. (2024). Reimagining the SME failure phenomenon: incorporating regenerative effects and predicting Enterprise regenerative capacity. *Journal of Entrepreneurship in Emerging Economies*, *16*(3), 767-783.

Sarkar, S., & Mateus, S. (2022). Value creation using minimal resources–A meta-synthesis of frugal innovation. *Technological Forecasting and Social Change*, *179*, 120-132.

Saunila, M., & Ukko, J. (2013). Facilitating innovation capability through performance measurement: A study of Finnish SMEs. *Management Research Review*, *36*(10), 991-1010.

Sawaean, F., & Ali, K. (2020). The impact of entrepreneurial leadership and learning orientation on organizational performance of SMEs: The mediating role of innovation capacity. *Management Science Letters*, *10*(2), 369-380.

Sawaya, A., & Bhero, S. (2022). Financial Support, Indispensable for Smes Growth in Mozambique. *Archives of Business Research*, *10*(10). 125-141

Segarra-Ciprés, M., & Bou-Llusar, J. C. (2018). External knowledge search for innovation: the role of firms' innovation strategy and industry context. *Journal of Knowledge Management*, *22*(2), 280-298.

Shafi, M., Lei, Z., Song, X., & Sarker, M. N. I. (2020). The effects of transformational leadership on employee creativity: Moderating role of intrinsic motivation. *Asia Pacific Management Review*, *25*(3), 166-176.

Shih, T. Y. (2018). Determinants of enterprises radical innovation and performance: Insights into strategic orientation of cultural and creative enterprises. *Sustainability*, *10*(6), 45-63.

Sidek, S., Rosli, M. M., Hasbolah, H., & Khadri, N. A. M. (2020). An overview on criteria of Small and Medium Enterprises (SMEs) across the economies: a random selection of countries. *Journal of Critical Reviews*, *7*(4), 1312-1321.

Sofologi, M., Foutsitzi, E., Papantoniou, A., Kougioumtzis, G., Zaragas, H., Tsolaki, M., & Papantoniou, G. (2023). The effect of secondary education teachers' metacognitive knowledge and professional development on their tacit knowledge strategies. *Journal of Intelligence*, *11*(9), 179-195.

Stieler, M., & Henike, T. (2022). Innovation nudging—A novel approach to foster innovation engagement in an incumbent company. *Creativity and Innovation Management*, *31*(1), 35-48.

Strecker, D. (2017). The theory of society: the theory of communicative action (1981): a classic of social theory. In *The Habermas Handbook* (pp. 360-382). Columbia University Press.

Subhan, Q. A., Mehmood, M. R., & Sattar, A. (2013, January). Innovation in Small and Medium Enterprises (SME's) and its impact on Economic Development in Pakistan. In *Paper was presented in 6th International Business and Social Sciences Research Conference* (pp. 3-4).

Tajvidi, R., & Karami, A. (2021). The effect of social media on firm performance. *Computers in Human Behavior*, *115*(2), 15-32.

Tidd, J. (2001). Innovation management in context: environment, organization and performance. *International journal of management reviews*, *3*(3), 169-183.

Tidd, J., & Bessant, J. R. (2020). *Managing innovation: integrating technological, market and organizational change*. John Wiley & Sons.

Troise, C., Corvello, V., Ghobadian, A., & O'Regan, N. (2022). How can SMEs successfully navigate VUCA environment: The role of agility in the digital transformation era. *Technological Forecasting and Social Change*, *174*, 125-142.

Umadia Sr, K., & Kasztelnik, K. (2020). The financial innovative business strategies of small to medium scale enterprises in developing country and influence for the global economy performance.

Uwadiegwu., (2015). Globalization and Industrial Development in Nigeria. *IOSR Journal of*.

Varadarajan, R. (2009). Fortune at the bottom of the innovation pyramid: The strategic logic of incremental innovations. *Business Horizons*, *52*(1), 21-29.

Wang, C., Chin, T., & Lin, J. H. (2020). Openness and firm innovation performance: the moderating effect of ambidextrous knowledge search strategy. *Journal of Knowledge Management*, *24*(2), 301-323.

Wang, Q., Hou, H., & Li, Z. (2022). Participative leadership: a literature review and prospects for future research. *Frontiers in psychology*, *13*(2), 95-111.

Webster, E. (2004). Firms' decisions to innovate and innovation routines. *Economics of Innovation and New Technology*, *13*(8), 733-745.

Wijngaards, I., King, O. C., Burger, M. J., & van Exel, J. (2021). Worker well-being: What it is, and how it should be measured. *Applied Research in Quality of Life*, 3(2), 1-38.

Wu, W., Guo, Z., Zhou, X., Wu, H., Zhang, X., Lian, R., & Wang, H. (2019). Proactive human-machine conversation with explicit conversation goals. *arXiv preprint arXiv:1906.05572*.

Wujiabudula, A., & Zehir, C. (2016). The effects of organizational learning on firm performance through product innovation. *Journal of Global Strategic Management*, *10*(1), 79-88.

Wyrtki, K., Röglinger, M., & Rosemann, M. (2021). Opportunity-led ideation: How to convert corporate opportunities into innovative ideas. *Creativity and Innovation Management*, *30*(3), 523-541.

Zhang, L., & Guo, H. (2019). Enabling knowledge diversity to benefit cross-functional project teams: Joint roles of knowledge leadership and transactive memory system. *Information & Management*, *56*(8), 103156.

Zhu, Y. Q., Gardner, D. G., & Chen, H. G. (2018). Relationships between work team climate, individual motivation, and creativity. *Journal of management*, *44*(5), 2094-2115.