

FACTORS AFFECTING THE SUCCESS OF PRODUCT/SERVICE INNOVATION AMONG SMEs IN GHANA: THE MODERATING ROLE OF FUNCTIONAL DIVERSITY AND STRATEGIC ALIGNMENT.

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Abstract

The focus of the study was to examine the factors that affect the success of product/service innovation among SMEs in Ghana as well as the moderating role of functional diversity and strategic alignment in the relationship between the factors affecting product/service innovation success among SMEs in Ghana. The factors considered were organizational capabilities, competitive environment and product/service characteristics. A sample of five hundred (500) respondents involved in the innovation activities of their firms were drawn using a purposive sampling method. The study employed a mixed methods approach. The reliability and validity of the constructs were met. The results showed that organizational capabilities and product/service characteristics were positively related to innovation success while competitive environment influenced innovation success negatively. The moderating role of functional diversity and strategic alignment played a significant role in the factors affecting innovation success relationship. A key implication of this study was that in as much as functional diversity create an environment for searching, scanning, interpreting, and selecting process for new product development, uncertainty and unfavorable environment tends to impedes functional diversity of different ideas, skills, and knowledge needed to develop unique products. Furthermore, the positive moderating role of strategic alignment in the relationship between innovation factors and the success of product/service innovation means that SMEs can align all their strategies, which gives them a competitive advantage. As a result of the findings, the study recommended the need for firms to strengthen the capabilities of the organization, capitalize on product/service characteristics and customize the implementation of best innovation practices in their own organization.

Keywords: organizational capabilities, competitive environment and product/service characteristics, functional diversity and strategic alignment.