

# THE IMPACT OF DIGITAL TRANSFORMATION ON INBOUND OPEN INNOVATION: THE ROLE OF KNOWLEDGE PROCESS CAPABILITY, ORGANIZATIONAL AGILITY, AND ENVIRONMENTAL TURBULENCE.

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## **Abstract**

Although innovation is an important driver of economic growth and development, firms in emerging economies face challenges to access the potential of new technologies to master the steps towards the innovation processes. This study seeks to bridge the gap of firms in emerging economies not effectively investing in the appropriate technology to drive innovative capabilities and proposes that effective investment in the right technology drives innovation in firms. This study, therefore, investigates the impact of digital transformation on inbound open innovation. To complement the focus of the study, the relevance of organizational agility and knowledge process capability as mediators, and the moderating effect of environmental turbulence are explored. Founded on the dynamic capability theory and theory of constraints, the research adopted the mixed-method approach and conducted a multiple industry analysis using PLS-SEM for the quantitative analysis with 320 firms in Ghana and case study analysis of 16 firms for qualitative analysis to test eleven (11) hypotheses. The findings indicated a positive relationship between digital transformation and inbound open innovation. Digital transformation and knowledge process capability, digital transformation and organizational agility, knowledge process capability and organizational agility, and knowledge process capability and inbound open innovation, also established positive direct relationships. While knowledge process capability partially mediates the relationship between digital transformation and inbound open innovation, organizational agility did not mediate the relationship and, therefore, suggests that digital transformation does not indirectly enhance inbound open innovation through organizational agility. Environmental turbulence does not moderate any of the relationships and, therefore, does not explain the strength of the direct and moderating relationships. The research outcomes confirm that firms need to adopt digital transformation and promote knowledge process capability to sustain firm-level innovativeness. Digital transformation supports firm- level innovativeness and sustained investments in digital technologies by firms will enhance the innovative capabilities of firms.

**Keywords:** Digital transformation, open innovation, inbound open innovation knowledge process capability, organizational agility; environmental turbulence.