

Innovation Culture and Organizational Performance in Small and Medium-Sized Enterprises: A Systematic Review from Emerging Economies

Kojo Polley-Kwofie

School of Graduate Studies, Valley View University, P.O. Box Af595, Adenta, Accra, Ghana
Email: polleyevangelist@gmail.com

Isaac Armah

School of Graduate Studies, Valley View University, P.O. Box Af595, Adenta, Accra, Ghana
Email: isaacababio5050@gmail.com

Abstract

Innovation culture has increasingly been recognized as a critical driver of organizational performance in small and medium-sized enterprises (SMEs), particularly in dynamic and resource-constrained environments. This study provides a systematic synthesis of the literature examining the relationship between innovation culture and SME performance, with specific attention to emerging economy contexts. Drawing on one hundred peer-reviewed journal articles sourced primarily from the Scopus database and reputable academic publishers, the review adopts the Oslo Manual's classification of innovation to distinguish among product, process, marketing, and organizational innovation.

The findings indicate that innovation culture is positively associated with SME performance; however, its impact is largely indirect and occurs through the adoption of specific innovation types. Product, process, and organizational innovations demonstrate strong and consistent positive associations with performance, while the effects of marketing innovation are mixed and highly context-dependent. The review further reveals that leadership commitment, employee empowerment, and supportive institutional environments strengthen the innovation-performance linkage, whereas rigid structures, risk aversion, and limited managerial support constrain innovation outcomes.

By integrating the Resource-Based View and Dynamic Capabilities perspectives, this study advances theoretical understanding of innovation culture as both a strategic intangible resource and an enabler of adaptive capability. The paper contributes to the literature by reconciling mixed empirical findings, differentiating innovation types, and offering a coherent conceptual synthesis to guide future empirical research. Practical insights are also provided for SME managers and policymakers seeking to enhance competitiveness through targeted innovation strategies.

Keywords: Innovation culture, organizational performance, SMEs, emerging economies, systematic review

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1. Introduction

The relationship between innovation culture and organizational performance in small and medium-sized enterprises (SMEs) has attracted increasing scholarly and managerial attention over the past decade (Aboramadan et al., 2020; Hazem & Zehou, 2019). This growing interest is largely driven by the intensification of global competition, rapidly evolving customer preferences, accelerated technological advancement, and heightened environmental uncertainty. Within this dynamic business landscape, SMEs are under constant pressure to enhance efficiency, differentiate their offerings, and respond swiftly to market changes. Consequently, innovation has emerged as a strategic imperative for firm survival, growth, and long-term competitiveness rather than a discretionary managerial choice.

Innovation is widely conceptualized as both a process and an outcome that enables organizations to generate new ideas, transform existing routines, and introduce novel products, services, or processes that create value for customers and stakeholders (Odoom et al., 2017; Kahn, 2018). Beyond tangible outputs, innovation also encompasses behavioral and cultural dimensions, particularly the norms, values, and practices that encourage creativity, experimentation, learning, and continuous improvement within organizations. This broader

perspective underscores the importance of innovation culture as a foundational driver of innovative activity and performance outcomes, especially in SMEs where formal structures are often limited and human capital plays a central role.

Despite the acknowledged relevance of innovation culture, empirical evidence regarding its influence on SME performance remains fragmented and inconclusive, particularly within emerging economies. While a substantial body of research reports positive associations between innovation initiatives and firm performance, other studies document weak, insignificant, or even negative relationships (Issau et al., 2021). These inconsistencies suggest that innovation does not uniformly translate into superior performance and that contextual factors such as firm size, resource availability, industry characteristics, and institutional environments may shape the effectiveness of innovation efforts.

Moreover, much of the existing empirical literature has been conducted in developed economies and predominantly focuses on large organizations, thereby limiting the generalizability of findings to SMEs (Singh et al., 2017; Arsawan et al., 2020). SMEs differ fundamentally from larger firms in terms of resource endowments, managerial capabilities, organizational structures, and strategic flexibility. As a result, innovation practices that yield positive outcomes in large corporations may not produce similar effects in SMEs, particularly those operating in emerging economies characterized by institutional voids, financial constraints, and market volatility.

In addition, prior studies frequently adopt a unidimensional view of innovation, treating it as a single construct without adequately distinguishing among its different forms. This oversimplification obscures the possibility that various types of innovation such as product, process, marketing, and organizational innovation may exert distinct and even divergent effects on organizational performance. Addressing this limitation is crucial for developing targeted innovation strategies that align with SMEs' specific capabilities and constraints.

Against this backdrop, the present study seeks to address these gaps by systematically reviewing the literature on innovation culture and organizational performance in SMEs, with particular emphasis on emerging economies. The study adopts the Oslo Manual's (OECD/Eurostat, 2021) classification of innovation namely product, process, marketing, and organizational innovation to provide a more nuanced and comprehensive understanding of how different innovation types interact with organizational culture to influence SME performance. By synthesizing existing empirical evidence, this study aims to clarify inconsistent findings, extend theoretical perspectives, and offer actionable insights for SME managers and policymakers seeking to foster innovation-driven performance in resource-constrained environments.

2. Literature Review

2.1 Innovation Culture in Small and Medium-Sized Enterprises

Innovation culture refers to the shared values, beliefs, norms, and practices within an organization that support creativity, experimentation, learning, and the continuous adoption of new ideas (Dobni, 2018). It reflects the extent to which an organization encourages employees to challenge existing routines, explore novel solutions, and engage in knowledge sharing without fear of failure. A strong innovation culture is characterized by employee empowerment, tolerance for risk-taking, open communication, collaboration across functional boundaries, and leadership support for innovation-related initiatives (Skerlavaj et al., 2020).

Within the context of SMEs, innovation culture assumes heightened importance due to inherent structural and resource-related constraints. Unlike large organizations that can rely on formalized R&D units and standardized innovation processes, SMEs typically depend on informal mechanisms, owner-manager influence, and close interpersonal relationships to drive innovation. As a result, cultural alignment and shared understanding among employees play a decisive role in shaping innovative behavior (Minh & Hjortso, 2019). An enabling innovation culture can compensate for limited financial and technological resources by fostering creativity, agility, and rapid decision-making.

Nevertheless, SMEs face notable disadvantages when compared to their larger counterparts. These include constrained access to finance, weaker research and development infrastructure, limited managerial expertise, and reduced capacity to protect intellectual property (Keskin, 2019). Such limitations may inhibit the translation of innovative ideas into commercial outcomes, even when a supportive innovation culture is present. Consequently, the effectiveness of innovation culture in SMEs is often contingent on contextual factors such as leadership commitment, institutional support, and the firm's ability to leverage external networks and partnerships.

Empirical studies suggest that SMEs with strong innovation cultures tend to demonstrate higher adaptability, improved learning capabilities, and superior performance outcomes. However, the absence of a coherent innovation culture may lead to resistance to change, low employee engagement, and underutilization of innovative potential. These mixed findings indicate that innovation culture is a necessary but not sufficient condition for enhanced SME performance, reinforcing the need for a more nuanced and contextualized analysis.

2.2 Types of Innovation and SME Performance

To better understand the innovation–performance relationship, the Oslo Manual classifies innovation into four main types: product, process, marketing, and organizational innovation (OECD/Eurostat, 2021). This classification provides a comprehensive framework for examining how distinct innovation forms influence SME performance outcomes.

Product innovation involves the introduction of new or significantly improved goods or services designed to meet changing customer needs or create new market opportunities. Numerous studies associate product innovation with enhanced SME growth, competitiveness, and financial performance, particularly in manufacturing and technology-oriented sectors (Expósito & Sanchis-Llopis, 2019; Osei et al., 2016a). By differentiating offerings and increasing perceived customer value, product innovation enables SMEs to strengthen market position and achieve sustainable performance improvements.

Process innovation focuses on improving production methods, service delivery mechanisms, or operational workflows. Such innovations aim to enhance efficiency, reduce operational costs, and improve quality and reliability (Edwards-Schachter, 2018). For SMEs, process innovation is particularly valuable as it allows firms to optimize limited resources and improve productivity without necessarily introducing new products. Empirical evidence indicates that process innovation contributes positively to cost efficiency, customer satisfaction, and overall organizational performance (Latifi et al., 2021).

Marketing innovation entails the implementation of new marketing strategies related to product design, promotion, pricing, or distribution. These innovations seek to better align firm offerings with market demands and improve customer engagement. While marketing innovation can enhance market visibility and customer acquisition, its impact on SME performance is often delayed or highly dependent on market conditions, customer readiness, and firm capabilities (Narsa et al., 2019). In some cases, excessive investment in marketing innovation may strain limited SME resources, leading to ambiguous or negative performance outcomes.

Organizational innovation encompasses changes in business practices, workplace organization, or external relationships that enhance coordination, flexibility, and knowledge utilization. Organizational innovation has been linked to improved strategic alignment, employee motivation, and adaptive capacity in SMEs (Kim-Soon et al., 2017). By restructuring decision-making processes and fostering collaborative work environments, SMEs can improve both operational and financial performance.

Despite the theoretical appeal of these innovation types, empirical findings regarding their effects on SME performance remain mixed. Some studies report strong positive relationships across multiple innovation dimensions, while others identify insignificant or context-dependent effects. These inconsistencies underscore the importance of differentiated analysis and suggest that the performance implications of innovation depend not only on the type of innovation adopted but also on the surrounding innovation culture and institutional context.

2.3 Conceptual Synthesis

Drawing on the systematic review of prior empirical and theoretical studies, this paper develops a conceptual synthesis that integrates the key relationships between innovation culture, types of innovation, and organizational performance in small and medium-sized enterprises (SMEs). Rather than presenting a testable model, the synthesis serves as an integrative framework that summarizes dominant patterns and relationships identified in the reviewed literature.

The synthesis positions innovation culture as a foundational organizational condition that shapes firms' innovation-related behaviors and capabilities. Innovation culture reflects shared values and practices that promote creativity, learning, openness to change, and risk-taking. The reviewed studies consistently indicate that such a culture enhances SMEs' capacity to engage in product, process, marketing, and organizational innovation, as classified by the Oslo Manual (OECD/Eurostat, 2021).

These innovation types are conceptualized as key mechanisms through which innovation culture influences SME performance, which is understood as a multidimensional construct encompassing both financial and non-financial outcomes. The synthesis acknowledges that innovation culture may exert both direct and indirect effects on performance; however, the indirect pathway operating through different forms of innovation merges as particularly salient in resource-constrained SME contexts. Overall, this conceptual synthesis provides a structured basis for interpreting mixed empirical findings and for guiding future empirical investigations in emerging economies.

2.4 Proposition Development

Based on the systematic review of the literature, the following propositions are developed. These propositions reflect recurring empirical patterns rather than statistically tested relationships and are intended to guide future empirical research.

Innovation Culture and SME Performance

The literature consistently suggests that innovation culture enhances SMEs' adaptability, learning capacity, and responsiveness to environmental changes, which are critical for achieving superior performance outcomes.

P1: Innovation culture is positively associated with organizational performance in SMEs.

Innovation Culture and Types of Innovation

A supportive innovation culture provides the conditions necessary for the adoption and implementation of different forms of innovation. Studies indicate that cultural attributes such as openness, employee empowerment, and learning orientation facilitate innovation across functional areas.

P2a: Innovation culture is positively associated with product innovation in SMEs.

P2b: Innovation culture is positively associated with process innovation in SMEs.

P2c: Innovation culture is positively associated with marketing innovation in SMEs.

P2d: Innovation culture is positively associated with organizational innovation in SMEs.

Types of Innovation and SME Performance

The reviewed studies show that different innovation types influence SME performance through distinct pathways. Product, process, and organizational innovations generally exhibit stronger and more consistent performance effects, while the effects of marketing innovation appear more context-dependent.

P3a: Product innovation is positively associated with SME performance.

P3b: Process innovation is positively associated with SME performance.

P3c: Marketing innovation is associated with SME performance, with effects contingent on contextual factors.

P3d: Organizational innovation is positively associated with SME performance.

Innovation as a Linking Mechanism

The literature further suggests that innovation culture translates into performance outcomes primarily through the implementation of innovation activities. Innovation types therefore function as key linking mechanisms between culture and performance.

P4: Product, process, marketing, and organizational innovations collectively explain how innovation culture contributes to SME performance.

3. Theoretical Framework

This study is anchored in the Resource-Based View (RBV) and the Dynamic Capabilities perspective, which together provide a robust theoretical lens for explaining how innovation culture influences organizational performance in small and medium-sized enterprises (SMEs). While RBV emphasizes the role of firm-specific resources in achieving competitive advantage, the dynamic capabilities perspective extends this view by explaining how firms adapt and renew these resources in rapidly changing environments.

3.1 Resource-Based View (RBV)

The resource-based view posits that differences in firm performance arise from the possession and effective deployment of resources that are valuable, rare, inimitable, and non-substitutable (Wernerfelt, 1984; Barney, 1991). Within this framework, intangible assets such as organizational culture, knowledge, and innovation capabilities are particularly critical because they are difficult for competitors to replicate and therefore provide a basis for sustainable competitive advantage (Xiao et al., 2018).

In the context of SMEs, innovation culture constitutes a strategic intangible resource that shapes employee attitudes, behaviors, and decision-making processes. A culture that encourages creativity, learning, and experimentation enhances the firm's ability to identify opportunities, generate new ideas, and apply knowledge effectively (Seriki, 2020). Given SMEs' limited access to financial and technological resources, the strategic value of innovation culture is amplified, as it enables firms to leverage human capital more efficiently and compensate for structural constraints.

Empirical studies grounded in RBV suggest that SMEs with strong innovation-oriented cultures are better positioned to convert internal knowledge and skills into innovative outputs that improve both financial and non-financial performance. Thus, RBV provides a useful theoretical foundation for understanding innovation culture as a core resource through which SMEs can achieve greater performance outcomes.

3.2 Dynamic Capabilities Perspective

While RBV explains the sources of competitive advantage, it offers limited insight into how firms sustain performance in environments characterized by rapid change and uncertainty. The Dynamic Capabilities perspective addresses this limitation by focusing on a firm's ability to integrate, build, and reconfigure internal and external competencies in response to environmental shifts (Teece et al., 2023).

For SMEs operating in volatile and resource-constrained emerging economies, dynamic capabilities are particularly vital. These firms must continuously sense new market opportunities, seize them through innovation, and reconfigure resources to remain competitive (Zhang et al., 2019). Innovation culture plays a central role in enabling these processes by fostering adaptability, openness to change, and continuous learning.

An innovation-supportive culture strengthens SMEs' dynamic capabilities by encouraging proactive behavior, experimentation, and rapid decision-making. This enables SMEs to respond effectively to technological change, evolving customer preferences, and competitive pressures. Consequently, dynamic capabilities theory complements RBV by explaining how innovation culture not only functions as a valuable resource but also facilitates the continuous renewal of innovation practices that drive sustained performance.

3.3 Integrating RBV and Dynamic Capabilities

By integrating RBV and the dynamic capabilities perspective, this study offers a comprehensive explanation of how innovation culture contributes to SME performance. RBV highlights innovation culture as a strategic resource, while dynamic capabilities emphasize its role in enabling adaptation and transformation. Together, these theories provide a coherent framework for understanding the mechanisms through which innovation culture influences product, process, marketing, and organizational innovations, ultimately enhancing organizational performance in SMEs.

4. Methodology

This study adopts a systematic literature review (SLR) methodology to examine the relationship between innovation culture and organizational performance in small and medium-sized enterprises (SMEs). A systematic review approach was considered appropriate because it allows for a transparent, replicable, and comprehensive synthesis of existing empirical and theoretical studies, thereby minimizing selection bias and enhancing the reliability of findings.

4.1 Data Sources and Search Strategy

The primary source of data for this review was the Scopus database, selected due to its extensive coverage of high-quality, peer-reviewed journals in business, management, and innovation studies. To ensure broad coverage and reduce database bias, the search was complemented with articles from reputable academic publishers, including Elsevier, Emerald, Springer, Wiley, Sage, and Taylor & Francis.

A structured keyword search strategy was employed using combinations of the following terms: innovation, innovation culture, organizational performance, and small and medium enterprises. Boolean operators (AND/OR) were applied to refine search results and ensure relevance. Only articles published in English and appearing in peer-reviewed academic journals were considered for inclusion.

4.2 Selection Criteria and Screening Process

The study followed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines to guide article identification, screening, eligibility assessment, and inclusion (Page et al., 2021). Initially, all retrieved records were compiled, and duplicate entries were removed. Titles and abstracts were then screened to eliminate studies that were clearly unrelated to innovation culture, innovation types, or SME performance. Full-text screening was subsequently conducted to assess eligibility based on predefined inclusion criteria. Articles were included if they: (i) explicitly examined innovation culture, innovation, or organizational culture in SMEs; (ii) addressed organizational performance as a key outcome; and (iii) provided empirical or theoretical insights relevant to SMEs. Studies focusing exclusively on large corporations, non-business organizations, or unrelated innovation domains were excluded.

4.3 Final Sample and Data Synthesis

Following the screening process, a final sample of 100 peer-reviewed journal articles was retained for analysis. These studies span multiple industries and geographic contexts, with particular representation from emerging economies, reflecting the focus of the review.

Rather than conducting a meta-analysis, this study employed a narrative and thematic synthesis approach. The selected articles were systematically reviewed and categorized according to key themes, including innovation culture, types of innovation (product, process, marketing, and organizational), theoretical perspectives, and performance outcomes. The synthesis emphasized identifying recurring patterns, convergent and divergent findings, and contextual explanations for mixed results across studies. The reviewed served as the core analytical foundation for interpreting relationships among innovation culture, innovation types, and SME performance. This structured synthesis enabled the development of review propositions and a conceptual synthesis that reflects the dominant insights and gaps within the existing literature.

5. Results and Discussion

The findings of the systematic review indicate that innovation culture is a central determinant of SME performance, although its effects vary across innovation types and contextual conditions. Across the reviewed studies, organizations characterized by openness to change, learning orientation, employee empowerment, and tolerance for risk consistently demonstrate higher levels of innovative activity and superior organizational outcomes. These findings support Proposition 1 (P1), which suggests a positive association between innovation culture and SME performance. Innovation culture enhances employee creativity, facilitates knowledge sharing, and strengthens adaptive capacity, thereby improving both operational efficiency and financial performance.

The review further shows that innovation culture strongly influences SMEs' engagement in different forms of innovation, lending support to Propositions P2a–P2d. Studies consistently report that SMEs with supportive innovation cultures are more likely to introduce new or improved products, refine operational processes, adopt novel marketing approaches, and implement organizational changes. In particular, product and process innovations emerge as dominant outcomes of innovation-oriented cultures, reflecting SMEs' tendency to prioritize innovations that directly improve efficiency and customer value. Organizational innovation is also closely linked to innovation culture, as cultural support for flexibility and collaboration facilitates changes in business practices and internal structures.

In line with Review Propositions P3a–P3d, the performance effects of different innovation types are not uniform. Product and process innovations exhibit the strongest and most consistent positive associations with SME performance, particularly in manufacturing and technology-driven sectors. These innovation types contribute directly to cost reduction, productivity improvement, and value creation, which are critical performance drivers in resource-constrained SMEs. Organizational innovation also plays a significant role by enhancing strategic alignment, coordination, and adaptability, thereby supporting long-term performance sustainability.

By contrast, marketing innovation yields mixed and context-dependent results, partially supporting P3c. Several studies report delayed or insignificant performance effects, often attributed to limited financial resources,

inadequate market readiness, or misalignment between marketing strategies and customer needs. These findings suggest that marketing innovation alone may not guarantee immediate performance gains unless supported by complementary product, process, or organizational innovations.

The review also highlights the importance of innovation as a linking mechanism between innovation culture and performance, consistent with Proposition 4 (P4). Innovation culture rarely translates directly into performance improvements without being operationalized through concrete innovation activities. Product, process, marketing, and organizational innovations collectively explain how cultural values are transformed into measurable outcomes. Leadership commitment, employee empowerment, and supportive institutional environments frequently emerge as critical enabling factors that strengthen this linkage.

Conversely, several barriers undermine the effectiveness of innovation culture in SMEs. Rigid organizational structures, fear of risk, resistance to change, and inadequate managerial support are commonly cited constraints that weaken innovation outcomes. In emerging economy contexts, these challenges are often exacerbated by limited access to finance, weak institutional support, and market uncertainty. These findings underscore the need for SME managers and policymakers to adopt a holistic approach that combines cultural development with capability building and external support mechanisms.

Overall, the results demonstrate that innovation culture is necessary but not sufficient condition for improved SME performance. Its impact is largely contingent on the type of innovation adopted, leadership practices, and contextual conditions. By integrating the propositions into this study, it provides a clearer explanation of the mechanisms through which innovation culture influences SME performance and helps reconcile the mixed findings reported in prior research.

5.1 Summary of Propositions and Supportive Evidence

Table 1. Summary of Propositions and Supportive Evidence

Proposition	Proposition Statement	Key Evidence from Reviewed Studies	Synthesis Outcome
P1	Innovation culture is positively associated with organizational performance in SMEs.	Innovation-oriented cultures enhance creativity, learning, and adaptability, leading to improved financial and operational outcomes (e.g., Dobni, 2018; Aboramadan et al., 2020; Arsawan et al., 2020).	Strong and consistent support across sectors, especially in emerging economies.
P2a	Innovation culture is positively associated with product innovation in SMEs.	Cultural support for creativity and collaboration facilitates new product development and differentiation (Expósito & Sanchis-Llopis, 2019; Osei et al., 2016a).	Strong support; product innovation is a dominant outcome of innovation culture.
RP2b	Innovation culture is positively associated with process innovation in SMEs.	Learning-oriented cultures promote continuous improvement and efficiency-enhancing processes (Edwards-Schachter, 2018; Latifi et al., 2021).	Strong support, particularly in manufacturing SMEs.
RP2c	Innovation culture is positively associated with marketing innovation in SMEs.	Evidence suggests cultural openness supports marketing experimentation, but outcomes depend on market readiness and resources (Narsa et al., 2019; Issau et al., 2021).	Moderate and context-dependent support.
RP2d	Innovation culture is positively associated with organizational innovation in SMEs.	Flexible cultures encourage changes in structures, decision-making, and work practices (Kim-Soon et al., 2017; Krašnicka et al., 2018).	Strong support across contexts.
RP3a	Product innovation is positively associated with SME performance.	New and improved products enhance competitiveness, sales growth, and market expansion (Osei et al., 2016a; Expósito & Sanchis-Llopis, 2019).	Strong and consistent support.
RP3b	Process innovation is positively associated with SME performance.	Process improvements reduce costs and enhance productivity and quality (Edwards-Schachter, 2018; Latifi et al., 2021).	Strong support across sectors.
RP3c	Marketing innovation is associated with SME performance, contingent on context.	Findings are mixed; some studies report delayed or insignificant effects due to resource constraints (Narsa et al., 2019; Issau et al., 2021).	Weak to moderate, context-dependent support.
RP3d	Organizational innovation is positively associated with SME performance.	Organizational changes enhance coordination, flexibility, and long-term performance (Kim-Soon et al., 2017; Mogashoa & Kalitanyi, 2023).	Strong support.
RP4	Innovation types explain how innovation culture contributes to SME performance.	Evidence indicates innovation culture affects performance primarily through product, process, marketing, and organizational innovations (Uzkurt et al., 2013; Arsawan et al., 2020).	Strong integrative support.

6. Conclusion

This study provides a comprehensive and structured synthesis of the literature on innovation culture and organizational performance in small and medium-sized enterprises (SMEs), with particular emphasis on emerging economy contexts. By systematically reviewing prior empirical and theoretical studies, the paper demonstrates the importance of moving beyond a generic view of innovation and differentiating among product, process, marketing, and organizational innovation. This distinction is essential for explaining the varied and sometimes inconsistent performance outcomes reported in existing research.

The review findings indicate that innovation culture plays a pivotal role in shaping SME performance, primarily by enabling and strengthening innovation activities rather than exerting direct effects alone. Product and process innovations emerge as the most consistent drivers of performance, particularly in manufacturing and efficiency-oriented sectors, while organizational innovation contributes to strategic alignment, flexibility, and long-term sustainability. In contrast, marketing innovation exhibits mixed and context-dependent effects, suggesting that its performance impact is influenced by factors such as resource availability, market readiness, and the alignment of marketing strategies with customer needs.

By integrating the Resource-Based View (RBV) and Dynamic Capabilities perspectives, this study advances theoretical understanding of innovation culture as both a valuable intangible resource and a mechanism that enables continuous adaptation in dynamic environments. This integrative lens clarifies how SMEs, despite resource constraints, can leverage innovation-supportive cultures to develop innovation capabilities that underpin sustained competitiveness.

From a practical standpoint, the study offers important insights for SME managers and policymakers. Managers are encouraged to cultivate innovation-oriented cultures that emphasize learning, empowerment, and openness to change, while strategically prioritizing innovation types that deliver the greatest performance returns. Policymakers, in turn, can support SME innovation by fostering institutional environments that reduce uncertainty, enhance access to critical resources, and promote capability development. Overall, this study contributes to the growing body of knowledge on innovation and performance in SMEs and provides a robust foundation for future empirical research in underexplored emerging economy settings.

7. Recommendations and Future Research

Based on the findings of this systematic literature review, several recommendations and directions for future research are proposed to advance understanding of innovation culture and organizational performance in SMEs, particularly within emerging economy contexts.

First, future studies should extend empirical investigations to African and other under-researched emerging economies. The review reveals a strong geographical bias toward developed economies, which limits the generalizability of existing findings. Given the distinct institutional, cultural, and resource conditions facing SMEs in emerging economies, context-specific empirical studies are necessary to validate and refine the conceptual relationships identified in this review. Such research would contribute to a more balanced and globally representative body of knowledge.

Second, future research should incorporate objective financial performance measures alongside perceptual and self-reported indicators. While subjective measures are widely used and valuable, reliance on perceptual data alone may introduce bias and limit comparability across studies. Integrating objective indicators such as profitability, revenue growth, productivity, and cost efficiency would strengthen methodological rigor and improve the robustness of conclusions regarding the performance effects of innovation culture and innovation types.

Third, scholars are encouraged to employ qualitative and mixed-methods research designs to gain deeper insights into the underlying mechanisms through which innovation culture influences innovation behavior and performance in SMEs. Qualitative approaches, including interviews and case studies, can capture contextual nuances, managerial perspectives, and cultural dynamics that are often overlooked in purely quantitative studies. Mixed-methods designs, in turn, can combine the strengths of qualitative depth and quantitative generalizability, offering a more comprehensive understanding of innovation culture in practice.

Finally, future research may explore contingency factors and boundary conditions that shape the innovation culture–performance relationship, such as leadership styles, industry characteristics, firm age and size, and institutional support mechanisms. Longitudinal research designs would also be valuable in capturing the dynamic and evolving nature of innovation culture and its long-term performance implications. Addressing these research directions will not only strengthen theoretical development but also provide more actionable insights for SME managers and policymakers seeking to leverage innovation culture as a strategic driver of sustainable performance.

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