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How innovation influence organisational performance among SMEs in Ghana: The mediating role of organisational leadership

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Abstract. The purpose of the study is to investigate the relationship between organisational leadership, organisational performance and innovation among small and medium-sized businesses (SMEs) in Ghana. We hypothesize organisational leadership as a mediator between innovation and organisational performance. Thus, we investigated how innovation and organisational leadership directly influence organisational success. The study uses quantitative methodology and adopts a survey approach to collect data from SMEs (n=380) in Ghana. The results indicate that organisational leadership and performance are positively correlated. Further, we found that organisational leadership within SMEs affects the relationship between innovation and organisational performance. By identifying the positive effects of innovation and organisational leadership on organisational performance, this study encourages SMEs to invest in innovation and develop strong leadership capabilities.

Keywords: Innovation, organisational Performance, SME, Organisational Leadership, SMEs.

1. INTRODUCTION

Innovation has become the bedrock of organisations and has a tremendous influence on economic development [1]. To acquire a competitive advantage, innovation has become an essential component of corporate strategy that helps with market expansion, market share expansion, and customer perception improvement [2]. Innovation also gives the business a strategic viewpoint to overcome obstacles while pursuing a long-term competitive edge. Recently, a lot of businesses have invested a huge amount of money in research and development (R&D) [3]. Motivated by the intensifying global rivalry and the ongoing changes in the difficult market, many industries have begun to recognize the value of innovation and adapt their production processes and systems to strengthen and maintain their competitive advantage [4]. In this regard, an improved and strengthened innovation both in products and services is one potential strategy to increase competitiveness [5].

In this post-COVID era, coupled with a dynamic and complicated business environment, innovation research has been getting more attention as a necessity for business growth in developing countries [6]. Although research on innovation is not a new field, more research is being done as a result of the advent of new invention forms and shifting global conditions such as COVID-19. The worldwide lockdown caused by the coronavirus disease 2019 (COVID-19) pandemic led to the closure of
several key enterprises, a global economic downturn, and a severe problem for businesses [7]. Several business and business processes have undergone significant upheaval, and according to [8], innovation is a crucial tactic for firms to endure and recover from the crisis. Businesses must overcome these obstacles because so many industries have been negatively impacted and markets are unclear. The crisis is also creating waves of innovation initiatives [9].

Several studies [10; 11] have reiterated the importance of leadership in achieving organisational success in the post-COVID era. Leadership entails motivating all team members to work toward a shared goal to create potential and find answers to challenges from fresh ideas. Employee creativity is influenced by leadership and the environment of mutual support at work [10; 11]. Therefore, leadership is an internal predictor of organisational performance, with some leadership styles being more performance-boosting than others [12]. In Ghana, where hierarchy is respected and the chain of command is strictly followed, leadership orientation is a key component of organisational development. Our study therefore addresses this gap by examining the mediating role of leadership in the relationship between innovation and performance in this post-COVID era. Globally, SMEs are known as the driving force of economies, primarily developing and under-developed economies [13]. The SME sector in Ghana contributes a significant portion of the nation’s GDP [14]. About 90% of Ghana’s employment is in this industry, making it the most significant employment level [14]. This indicates Ghana's economy is largely based on its SME sector. However, despite their significant economic contributions, it is suggested that SMEs lack the resources necessary to reach their full potential [15]. SMEs are more likely to fail at a higher rate than big businesses. Reports indicate that the SME failure rate has increased in the post-Covid era [17]. Very few post-covid, innovation and performance nexus research [8; 9] has been focused on large firms mostly in a developed country context, leaving a literature gap, when it comes to SMEs in developing countries like Ghana. Therefore, it is critical to investigate how organisational leadership's innovation orientation offers the strategic fit for innovation strategy to favourably influence SME performance in Ghana.

The study aims to examine the mediating role of organisational leadership in the relationship between innovation and organisational performance. The specific objectives include:

- Investigate the impact of innovation on the organisational performance of SMEs in Ghana.
- Explore the influence of organisational leadership on the organisational performance of SMEs in Ghana.
- Assess the moderating role of organisational leadership in the relationship between innovation and organisational performance in Ghana.

2. LITERATURE REVIEW

2.1. Small and Medium Enterprises (SMEs)

Small and medium firms dominate all economies on the planet. Even though SMEs make a commendable contribution to the global economy, there is no universally accepted definition of what qualifies as a micro and small business [18]. Businesses with fewer than 10 employees are categorized as small-scale enterprises by the Ghana Statistical Service (GSS), while those with more than 10 employees are classified as medium- and large-sized organisations. A small-scale enterprise employs no more than nine people. It has plant and machinery worth no more than ten million cedis (US$ 9506 at the time of the 1994 exchange rate or US$ 1419 at the time of the 2000 exchange rate), according to the National Board for Small Scale Industries.
in Ghana (NBSSI) [21]. Small-scale enterprises, however, are defined by [19] companies with less than 30 employees. In this regard, the GSS nor the NBSSI distinguishes between micro-businesses and small businesses in their definitions; rather, they include them as a subset of small-scale organisations. However, [20] divided small businesses into three groups: micro-businesses employing fewer than six people; (ii) very small - businesses employing six to nine people; and (iii) small - businesses employing between 10 and 29 people, indicating that micro and small businesses have fewer than 30 employees. When compared to medium and large-scale businesses, SMEs stand out because they have fewer resources and managerial, marketing, and human capital capabilities. They also have fewer physical assets and financial resources. However, exhibiting the organisational leadership needed for the strategic organisation of their activities efficiently and effectively is difficult due to the heterogeneity of the resource and capability base of SMEs [16]. The fact that SMEs are typically informal is another characteristic of them. For instance, SMEs in Ghana may fall under the urban or rural enterprise category.

2.2. Innovation

Innovation is the creation and effective implementation of a technical, organisational, business-related, institutional, or social solution to a problem that is regarded as ground-breaking and novel, accepted by the target audience, and pursued by innovators in anticipation of success [22]. Based on literature insights, we classify innovation as the process of introducing novel goods and services to a target market and is grouped into five categories a) the development of a new source of supply for raw materials or other inputs, b) a change in industrial organisation, c) the introduction of a new product or a qualitative change in an existing one (product innovation), d) process innovation and e) the opening of a new market (market innovation)[23].

The primary driver of corporate growth and performance is product innovation, which is quantified as a component of new product development. Product innovation is the enhancement of original goods, modification of recognized goods' designs, or application of new materials in the production of recognized goods [24]. Thus, most businesses rely on product innovation to make money in the long run. From a business viewpoint, product innovation includes the creation of new products, enhancing the quality and technical specifications of an existing product, or developing new materials, components, or useful features. It includes improving products and services or creating new categories [25]. Product innovation is typically the result of three major tendencies: intense global competition, a difficult market, and differential and rapid technological change.

Process innovation encompasses improved tools, materials, equipment, and other technologies that have a direct impact on the businesses that are implementing innovations. Process innovations and product innovations—new or enhanced product technologies that a business offers to satisfy customers or its clients—are very different from one another [26]. Implementing a new or minimally improved manufacturing, production, or delivery system is known as process innovation. It makes it possible to produce a certain amount of goods and services using fewer inputs. The latter can be explained in terms of environmental efficiency. Process innovation can involve minor adjustments or more significant ones and can result in significant changes to tools, procedures, or software. Process innovations work to boost value and worth, decrease the unit cost of production or delivery, or create or provide new or improved products [27]. Process innovation has significant strategic potential and makes it possible to formulate something superior to that of rival
companies. Companies can develop a very valuable competitive edge through process innovation [30].

Organisational innovation is the application of a unique organisational technique in the workplace, industrial organisation practices, or external relations [28]. Precisely, organisational innovation is an improvement or change in organisational practices and knowledge management in an organisation [29]. Businesses that participate in organisational innovation or creativity have a variety of goals in mind, including boosting the company’s value, increasing profits, improving organisational performance, and lowering costs. Additionally, it aims to increase labour productivity, improve workplace satisfaction, gain access to non-tradable assets like uncodified information, and reduce the cost of goods. Other elements, such as those relating to the market, goods, quality, and the capacity to learn how to implement changes within the company, maybe the driving forces behind organisational innovation [29].

2.3. Organisational Performance

The performance of an organisation involves the productivity of a firm that is measured by planned productivity or goals. The ability of a company to achieve its aims and objectives with the aid of talented management, sound governance, and a consistent commitment to achieving business objectives has been defined as organisational performance [31]. Organisational performance is a measure of how successfully a company achieves its objectives. One of the key concepts in management research is organisational performance [31]. A very broad notion, "organisation performance" includes all aspects of management excellence, operational excellence, and competitive excellence of an organisation and its operations.

2.4. Innovation and Organisational Performance

The research on innovation and performance points to a favourable relationship between innovation and performance. Organisations with higher levels of innovation respond to the environment more effectively, find it simpler to enhance organisational performance capabilities, and solidify a long-term competitive advantage [32]. Organisational performance is directly impacted by innovation [33] and innovation gives businesses a chance to capture a larger market share. Adopting an innovative culture can create "isolation mechanisms" because competitors cannot access the knowledge created through innovation [34]. This feature enables the organisation to enhance performance, increase profits, and acquire and maintain a competitive advantage. Additionally, innovation significantly contributes to enhancing organisational performance. As a result, increased innovation enables a company to better adapt to its surroundings, enhance its skills, and keep a competitive edge [35].

2.5. Moderating Effect of Organisational Leadership

Good organisational leadership has been identified as one of the important factors that contribute to the success of SMEs [36]. Prior studies posit that the main reasons why SMEs fail are due to inadequate and subpar leadership abilities [37]. Due to this, SMEs must strengthen their leadership behaviours to lead their businesses through all circumstances, even times of crisis. Proper leadership behaviour is a crucial component in preventing organisational failure and having high organisational performance [36]. Organisational success is therefore internally predicted by leadership, with some leadership philosophies more conducive to performance than others [12].

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Based on the review of the literature and research objective, we proposed that there is a relationship between innovation, organisational performance, and organisational leadership. We assume that innovation impacts organisational performance. Fig. 1 shows how organisational leadership moderates the relationship between innovation and organisational performance.

3. METHODOLOGY

In this study, an explanatory study design is employed. The study's target population is registered and active SMEs in Ghana. Ghana’s growing SMEs, which are distributed across the country but concentrated in the Greater Accra region, are the reflection of the country's rising economy. According to [38], there are about 20,000 registered and active SMEs in Ghana, which constitutes the population of the study.

Determining the sample for a study is very important for any study. It determines the portion of members of a population that can represent the entire population. Thus, we estimated 380 out of the 20,000 population manufacturing firms belonging to the Association of Ghanaian Industries.

3.1. Sampling Technique

This study employed a stratified sampling technique to gather data from the sample unit. To ensure full representation of the private sector businesses across all sectors, the study will treat the various sectors of the economy as strata and therefore sample from each stratum. The stratified sampling procedure ensures that each group of the private sector being micro, small, and medium businesses within the various sectors, has adequate representation. A survey method is used to collect primary data from the managers or owners of the sampled SMEs with semi-structured questionnaires. The survey method is considerably easy to build and conduct, as well as being cost-effective due to its ability to be administered online and circumvent geographical limitations.

3.2. Data Processing and Analysis

The data received from the questionnaire is coded and inputted into SPSS version 24. First, the means, standard deviations, and correlation matrix of the four constructs were generated. The study also generated the factor analysis of the four constructs to reclassify each construct into one factor. Next, the reliability of the constructs was examined by computing the Cronbach alpha of the four constructs. The minimum reliability measure for Cronbach’s alpha is 0.70. Furthermore, the Average Variance Extracted (AVE) measure is also generated to account for the discriminant validity of the measurements.

The discriminant validity measure checks whether the constructs are divergent such that no two constructs measure the same concept. For each study objective, the
KMO and Bartlett tests assess all relevant data and give a cohesive answer. A KMO value of over 0.5 and Bartlett's test significance level of less than 0.05 indicate a significant correlation in the data. Furthermore, variable collinearity refers to the degree to which one variable is associated with another. The sampling appropriateness of data to be used for Factor Analysis is determined by a Kaiser-Meyer-Olkin (KMO) test; as a result, researchers employ Factor Analysis to confirm that the variables used to assess a given concept are measuring the concept intended. All factors with loadings less than 0.6 will be excluded to increase the KMO value for this study. Finally, the Structural Equations Model (SEM) is employed to test the hypotheses.

Respondents were not allowed to provide their names or phone numbers on the questionnaire, to ensure anonymity. Thus, respondents were confident that their personal information would not be released to the public or used for any other purpose in the study. The study ensured data confidentiality by assuring participants that all information provided was kept private.

4. RESULTS AND DISCUSSION

4.1 Demographic Profile

Table 1 depicts the descriptive percentages of the demographics of the respondents.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>200</td>
<td>52.6%</td>
</tr>
<tr>
<td>Female</td>
<td>180</td>
<td>47.4%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-29 years</td>
<td>100</td>
<td>26.3%</td>
</tr>
<tr>
<td>30-39 years</td>
<td>120</td>
<td>31.6%</td>
</tr>
<tr>
<td>40-49 years</td>
<td>80</td>
<td>21.1%</td>
</tr>
<tr>
<td>50-59 years</td>
<td>60</td>
<td>15.8%</td>
</tr>
<tr>
<td>60 years and above</td>
<td>20</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>150</td>
<td>39.5%</td>
</tr>
<tr>
<td>Married</td>
<td>180</td>
<td>47.7%</td>
</tr>
<tr>
<td>Divorced</td>
<td>30</td>
<td>7.9%</td>
</tr>
<tr>
<td>Widowed</td>
<td>20</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Religion</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christian</td>
<td>280</td>
<td>73.7%</td>
</tr>
<tr>
<td>Moslem</td>
<td>50</td>
<td>13.2%</td>
</tr>
<tr>
<td>Traditionalist</td>
<td>30</td>
<td>7.9%</td>
</tr>
<tr>
<td>Others</td>
<td>20</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Highest Educational Level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No formal education</td>
<td>20</td>
<td>5.3%</td>
</tr>
<tr>
<td>Basic/JHS</td>
<td>40</td>
<td>10.5%</td>
</tr>
<tr>
<td>SHS</td>
<td>80</td>
<td>21.1%</td>
</tr>
<tr>
<td>Diploma/HND</td>
<td>100</td>
<td>26.3%</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>100</td>
<td>26.3%</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>40</td>
<td>10.5%</td>
</tr>
<tr>
<td><strong>Number of Years in Operation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than a year</td>
<td>40</td>
<td>10.5%</td>
</tr>
<tr>
<td>1-3</td>
<td>120</td>
<td>31.6%</td>
</tr>
<tr>
<td>4-6</td>
<td>160</td>
<td>42.1%</td>
</tr>
<tr>
<td>7 or more</td>
<td>60</td>
<td>15.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>380</td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
Table 1 presents the distribution of data for various demographic variables collected in the study. The variables analysed include sex, age, marital status, religion, highest educational level, and number of years in operation. The study engaged 380 participants. Regarding the variable of sex, the data indicates that 52.6% of the participants identified as male, while 47.4% identified as female. In terms of age, the majority of the participants fell within the age range of 30-39 years (31.6%), followed by those in the 20-29 years category (26.3%). The distribution of participants across marital status shows that 47.4% were married, 39.5% were single, 7.9% were divorced, and 5.3% were widowed. Regarding religion, most participants identified as Christians (73.7%), followed by Muslims (13.2%), Traditionalists (7.9%), and others (5.3%). The highest educational level attained by participants varied, with the largest group having a Bachelor's degree (26.3%) and Diploma/HND (26.3%). The least represented category was individuals with no formal education (5.3%) or a Master's degree (10.5%). In terms of the number of years in operation, the highest percentage of SMEs (42.1%) had been operating for 4-6 years, followed by 1-3 years (31.6%), 7 or more years (15.8%), and less than a year (10.5%). Overall, the sample is comprised of SME owners and managers with diverse demographic characteristics. This ensured the data was representative of the population. The results are presented below in the various tables.

Table 2 provides the means, standard deviations, and correlation matrix for the variables in the study. Table 2 includes 11 constructs, namely Organisational Performance, Product Innovation, Process Innovation, Organisational Innovation, Marketing Innovation, Innovation, Transformational Leadership, Transactional Leadership, Authoritative Leadership, Laissez-Faire Leadership, and Organisational Leadership.

The mean values represent the average scores for each construct, indicating the participants' ratings of those variables. The variables with the highest means in descending order are Transformational Leadership (4.22), Organisational Performance (4.22), Process Innovation (4.15), Innovation (4.12), Organisational Leadership (4.09), Marketing Innovation (4.08), Organisational Innovation (3.96), Authoritative Leadership (3.94), Product Innovation (3.89), Transactional Leadership (3.87), and Laissez-Faire Leadership (2.98). The standard deviations (SD) provide a measure of variability within each construct, showing how much the responses vary around the mean. The variables with the least standard deviations in descending order are Authoritative Leadership (0.72), Organisational Performance (0.75), Product Innovation (0.76), Innovation (0.79), Process Innovation (0.82), Organisational Leadership (0.83), Laissez-Faire Leadership (0.85), Marketing Innovation (0.88), Transformational Leadership (0.89), Transactional Leadership (0.91), and Organisational Innovation (0.95).

The correlation matrix presents the pairwise correlations between the constructs. The correlation coefficients range from -1.00 to 1.00 and provide insights into the relationships between the variables. The asterisks indicate the significance levels of the correlation coefficients, with *** representing p < 0.001 and ** representing p < 0.05. Analysing the correlation coefficients, several important findings emerge. Firstly, Organisational Performance exhibits a strong positive correlation with Product Innovation (0.70*), Process Innovation (0.65*), Organisational Innovation (0.61*), Marketing Innovation (0.55*), and Innovation as a whole (0.76*). These findings suggest that higher levels of innovation are associated with better organisational performance among SMEs in Ghana.

Regarding the leadership styles, Transformational Leadership demonstrates positive correlations with all innovation constructs, ranging from 0.49* to 0.67*. This suggests that Transformational Leadership may play a crucial role in fostering and promoting innovation within SMEs. Transactional Leadership and Authoritative

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Leadership also show positive correlations with innovation constructs, albeit to a lesser extent. Laissez-faire leadership exhibits weaker positive correlations with innovation constructs. Furthermore, when examining the correlations with Organisational Leadership, it shows positive associations with all other constructs. Notably, Organisational Leadership exhibits moderate to strong positive correlations with Product Innovation (0.76*), Process Innovation (0.80*), Organisational Innovation (0.72*), Marketing Innovation (0.76*), and Innovation as a whole (0.80*). These findings indicate that effective organisational leadership is closely related to promoting innovation within SMEs.

Overall, the results highlight the importance of innovation and leadership in enhancing organisational performance among SMEs in Ghana. The positive correlations indicate that higher levels of innovation, particularly in product, process, and organisational domains, are associated with better organisational performance. Additionally, the correlations suggest that Transformational Leadership may be particularly influential in fostering innovation within SMEs.

Table 2. Mean, Standard Deviation, and Correlations Table

<table>
<thead>
<tr>
<th>Latent Construct</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational Performance</td>
<td>4.22</td>
<td>0.75</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Process Innovation</td>
<td>4.15</td>
<td>0.82</td>
<td>0.65*</td>
<td>0.80*</td>
</tr>
<tr>
<td>Innovation</td>
<td>4.12</td>
<td>0.79</td>
<td>0.76*</td>
<td>0.80*</td>
</tr>
<tr>
<td>Marketing Innovation</td>
<td>4.08</td>
<td>0.88</td>
<td>0.55*</td>
<td>0.76*</td>
</tr>
<tr>
<td>Organisational Innovation</td>
<td>3.96</td>
<td>0.95</td>
<td>0.61*</td>
<td>0.72*</td>
</tr>
<tr>
<td>Product Innovation</td>
<td>3.89</td>
<td>0.76</td>
<td>0.70*</td>
<td>0.76*</td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>4.22</td>
<td>0.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational Leadership</td>
<td>4.09</td>
<td>0.83</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Transactional Leadership</td>
<td>3.87</td>
<td>0.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laissez-Faire Leadership</td>
<td>2.98</td>
<td>0.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authoritative Leadership</td>
<td>3.94</td>
<td>0.72</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p=<0.05*, <0.01**

4.2. Discriminant Validity Assessment

Discriminant validity is a measure of construct validity that investigates the extent to which two theoretically unrelated constructs are unrelated. To calculate the average variance derived from the CFA data, according to the immediate authors, the sum of the squared standardised loadings should be computed and then divided by the total number of indicators. To determine the discriminant validity, it is first necessary to compute the square root of the extracted average variance and then to evaluate the correlation coefficients between the various constructs. The results of the Average Variance Extracted are displayed in Table 3.

Table 3. Average Variance Extracted

<table>
<thead>
<tr>
<th>Latent Construct</th>
<th>The sum of the Squared of the Standardized Loadings</th>
<th>Number of Indicators</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>2.861</td>
<td>4</td>
<td>0.715</td>
</tr>
<tr>
<td>Organisational Leadership</td>
<td>2.921</td>
<td>4</td>
<td>0.730</td>
</tr>
<tr>
<td>Organisational Performance</td>
<td>6.192</td>
<td>9</td>
<td>0.688</td>
</tr>
</tbody>
</table>
The convergent validity of a particular latent construct is supported by an average variance expected greater than 0.5. All of the latent constructs demonstrated convergent validity, as their AVEs were greater than 0.50, as shown in Table 3.

4.3 Reliability Test

Cronbach’s Alpha, the metric used to quantify the test’s reliability, demonstrates the degree of internal consistency among the constructs. Cronbach alpha values between 0.7 and 0.8 are acceptable, those with a Cronbach alpha between 0.8 and 0.9 are good, and values greater than 0.9 are exceptional. The reliability test results for the numerous constructs were extracted.

Table 4. Reliability Statistics Output

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>.869</td>
</tr>
<tr>
<td>Organisational Leadership</td>
<td>.818</td>
</tr>
<tr>
<td>Organisational Performance</td>
<td>.922</td>
</tr>
</tbody>
</table>

From Table 4, it is evident that Innovation and Organisational Leadership are good constructs, while Organisational Performance is an excellent construct. Hence, all constructs in this study have strong internal consistency.

4.4 Hypotheses Testing

Hypotheses testing in the Structural Equations Modelling (SEM) involves evaluating whether the proposed relationships between variables are statistically significant. This study tested three hypotheses to determine the relationships between Innovation and Organisational Leadership on Organisational Performance.

From the analysis, we found a significant relationship between innovation and organisational performance and organisational leadership and firm performance. Table 5 reflects the result of the hypotheses testing.

Table 5. Hypotheses Testing

<table>
<thead>
<tr>
<th>Independent Variable – Dependent Variable</th>
<th>Unstandardized Estimate</th>
<th>S.E</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation – Organisational Performance</td>
<td>.451</td>
<td>.170</td>
<td>&lt;.000</td>
</tr>
<tr>
<td>Organisational Leadership – Firm Performance</td>
<td>.319</td>
<td>.139</td>
<td>&lt;.000</td>
</tr>
</tbody>
</table>

Table 5 provides the results of the hypotheses testing for the relationship among Innovation, Organisational Leadership, and Organisational Performance. The hypotheses test the relationship between the independent variables and the dependent variable. The first hypothesis tests the relationship between Innovation and Organisational Performance. The related a priori hypothesis states that Innovation has a positive and significant impact on Organisational Performance. The result shows that Innovation has a significant positive effect on Organisational Performance, with an unstandardized estimate of .451 (S.E = .170, p < .000). This result suggests that higher levels of innovation lead to better organisational performance. Therefore, the hypothesis that Innovation positively influences Organisational Performance is supported.

The second hypothesis tests the relationship between Organisational Leadership and Organisational Performance. The related a priori hypothesis states
that Organisational Leadership has a positive and significant impact on Organisational Performance. The result shows that Organisational Leadership has a significant positive effect on Organisational Performance, with an unstandardized estimate of .319 (S.E = .139, p < .000). This result suggests that higher levels of leadership within the SMEs lead to better organisational performance. To wit, the hypothesis that Organisational Leadership positively influences Organisational Performance is supported.

Squared Multiple Correlations (SMCs) quantify the proportion of the variance in the dependent variable that can be attributed to the independent variables in a multiple regression analysis. It is the proportion of variance in the dependent variable that can be predicted by the squares of the independent variables. Higher SMC values indicate a stronger association between the independent and dependent variables. Squared Multiple Correlations (SMCs) for "Organisational Performance" as the dependent variable is .703. SMC is a measure of the proportion of variance in the dependent variable that is explained by the independent variables included in the model. In this case, the SMC of 0.703 indicates that about 70.3% of the variance in Organisational Performance can be explained by the combination of independent variables in the model, which include Innovation and Organisational Leadership.

4.5. The Moderation Effect of Organisational Leadership on the Relationship between Innovation and Organisational Performance

In this sub-section, the hypothesis to capture the moderation effect of Organisational Leadership on the relationship between Innovation and Organisational Performance is tested.

<table>
<thead>
<tr>
<th>Independent Variable – Dependent Variable</th>
<th>Unstandardized Estimate</th>
<th>S.E</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation x Organisational Leadership – Organisational Performance</td>
<td>.392</td>
<td>.065</td>
<td>&lt;.039</td>
</tr>
</tbody>
</table>

The third hypothesis of this study states that there is a moderating effect of Innovation on the relationship between Innovation and Organisational Leadership. The result in Table 6 shows that Organisational Leadership has a significant positive moderating effect on the relationship between Innovation and Organisational Performance, with an unstandardized estimate of .392 (S.E = .065, p < .05). This implies that higher Organisational Leadership levels strengthen the relationship between Innovation and Organisational Performance. Therefore, the third hypothesis is supported by the empirical results.

The squared multiple correlations for the moderating effect of Organisational Leadership on the relationship between Innovation and Organisational Performance is .591. The SMC of 0.591 indicates that about 59.1% of the variance in Firm Performance can be explained by Organisational Leadership as a moderator in the relationship between Innovation and Organisational Performance.

4.6 Discussion of Findings

In this section, the findings of the study are discussed in line with extant literature.

The positive relationship between Innovation and Organisational Performance implies that as SMEs in Ghana embrace and implement innovative practices, they are more likely to achieve better performance outcomes. Innovation can manifest in various forms, including product innovation, process innovation, organisational...
innovation, and marketing innovation [22]. By introducing new and improved products or services, optimizing operational processes, implementing innovative organisational structures or practices, and adopting effective marketing strategies, SMEs can enhance their performance.

The findings highlight the importance of fostering a culture of innovation within SMEs in Ghana. Encouraging and supporting innovation initiatives can lead to increased competitiveness, improved market position, and enhanced financial performance, as agreed by [39]. SMEs should invest in research and development, promote creativity and idea generation among employees, and create an environment that nurtures and rewards innovation. This may involve providing resources, training, and incentives to employees, fostering collaboration and knowledge sharing, and being open to experimentation and learning from failures.

Additionally, the results emphasize the need for SMEs to develop innovation capabilities and continuously adapt to changes in their business environment. Keeping pace with technological advancements, market trends, and customer preferences is crucial for SMEs to identify opportunities for innovation and stay ahead of the competition [40]. Engaging in partnerships or collaborations with external entities such as universities, research institutions, or industry networks can also facilitate access to expertise, resources, and networks that can support innovation efforts.

Overall, the significant positive relationship between Innovation and Organisational Performance suggests that SMEs in Ghana can enhance their performance by embracing innovation as a strategic driver. By fostering a culture of innovation, investing in research and development, and continuously adapting to changes, SMEs can position themselves for sustainable growth and success in the dynamic business landscape of Ghana.

The positive relationship between Organisational Leadership and Organisational Performance implies that effective leadership within SMEs in Ghana is crucial for achieving better performance outcomes. Organisational Leadership refers to the ability of leaders to influence and guide their teams toward achieving organisational goals [36]. Effective leadership practices, such as transformational leadership, transactional leadership, authoritative leadership, and laissez-faire leadership, can significantly impact the performance of SMEs [41].

The findings highlight the importance of strong leadership capabilities within SMEs in Ghana. Leaders who exhibit transformational leadership qualities, such as inspiring and motivating their employees, fostering innovation and creativity, and providing individualized support, can create a positive work environment that enhances employee engagement and performance [42]. Transactional leaders who establish clear goals, provide rewards and recognition, and maintain effective communication channels can ensure that tasks are executed efficiently, leading to improved performance outcomes [43]. Moreover, the results emphasize the significance of authoritative leadership in SMEs. Leaders who exhibit authoritative leadership behaviours, such as providing clear direction, making informed decisions, and effectively communicating the vision and goals of the organisation, can create a sense of purpose and direction among employees, ultimately driving improved performance.

The findings have important implications for SMEs in Ghana. It highlights the need for SME leaders to invest in developing their leadership skills and competencies. Leadership development programs, mentoring, and coaching initiatives can help SME leaders enhance their abilities to inspire, motivate, and guide their teams effectively. By improving their leadership capabilities, SME leaders can create a positive and conducive work environment that fosters employee engagement, innovation, and productivity.
Additionally, the results highlight the need for SME leaders to adopt a flexible leadership approach based on the context and needs of their organisation. Different leadership styles may be more effective in specific situations, and leaders should be adaptable and responsive to the dynamic nature of their business environment.

Overall, the significant positive relationship between Organisational Leadership and Organisational Performance suggests that effective leadership is a critical factor in driving performance outcomes for SMEs in Ghana. By developing strong leadership capabilities, SMEs can create a motivated and engaged workforce, foster a culture of excellence, and improve overall organisational performance and competitiveness. This result confirms the empirical findings by [36].

The moderating effect suggests that the relationship between innovation and organisational performance is influenced by the level of organisational leadership within SMEs. Thus, the effect of innovation on firm performance varies depending on the level of organisational leadership exhibited by the organisation. This finding highlights the importance of considering the joint effect of both innovation and organisational leadership in understanding and predicting performance outcomes.

The implication of this result for SMEs in Ghana is that the effectiveness of Innovation in driving performance depends on the level of Organisational Leadership implemented by the organisation. SMEs that have strong and effective leadership practices in place are better equipped to harness the potential of innovation and translate it into improved performance outcomes. Specifically, the result implies that a high level of transformational leadership can enhance the positive impact of innovation on performance by promoting employee engagement, creativity, and commitment to organisational goals among Ghanaian SMEs. Also, by providing structure, incentives, and accountability, transactional leaders can ensure that innovations are effectively implemented, leading to improved performance outcomes among Ghanaian SMEs. In the case of authoritative leadership, by centralizing decision-making and controlling employee autonomy and creativity, such leaders may harness innovation and prevent tunnel vision resulting in improved organisational performance among Ghanaian SMEs. Last, in the case of laissez-faire leadership, subordinates may be empowered to develop their creative abilities as observed in intrapreneurship resulting in improved organisational performance among Ghanaian SMEs.

To leverage this moderating effect, SMEs in Ghana should focus on developing and nurturing effective leadership capabilities that support and facilitate the implementation of innovative practices. This involves fostering a leadership culture that encourages open communication, collaboration, and empowerment of employees. Leaders should provide clear direction, set strategic goals, and provide the necessary resources and support to foster innovation within the organisation [44].

Additionally, SME leaders should actively promote a learning and adaptive mindset within the organisation. This includes promoting continuous learning, experimentation, and a willingness to embrace change. Leaders should encourage employees to generate new ideas, provide platforms for knowledge sharing and collaboration, and create a supportive environment that encourages risk-taking and learning from failures. Furthermore, SMEs should invest in leadership development programs and provide training opportunities for their managers and leaders to enhance their skills in areas such as innovation management, strategic thinking, and change management. By developing strong leadership capabilities, SMEs can effectively guide and nurture the innovation process, ensuring that it aligns with the overall goals and objectives of the organisation [11].

To sum up, the significant moderating effect of Organisational Leadership on the relationship between Innovation and Organisational Performance highlights the importance of effective leadership in driving the impact of innovation on performance.
outcomes for SMEs in Ghana. By fostering a culture of strong leadership and providing the necessary support for innovation, SMEs can enhance their competitive advantage, drive growth, and achieve sustainable success in the dynamic business landscape.

5. CONCLUSION

In conclusion, the study examined the effect of innovation on organisational performance among SMEs in Ghana, with a particular focus on the mediating role of organisational leadership. The research findings provide valuable insights into the relationships among innovation, organisational leadership, and performance outcomes in the context of Ghanaian SMEs. The results of the study indicate that innovation positively influences organisational performance in SMEs. This implies that SMEs that prioritize and embrace innovation in their products, processes, marketing strategies, and overall organizational practices are more likely to achieve better performance outcomes. Innovation plays a crucial role in enhancing competitiveness, customer satisfaction, and overall business success in the dynamic and competitive landscape.

Furthermore, the study highlights the significance of organizational leadership in driving organizational performance. Effective leadership, characterized by transformational and transactional leadership styles, was found to have a positive impact on performance outcomes in SMEs. Strong leadership practices that inspire and motivate employees, encourage collaboration, and provide guidance and support contribute to improved performance levels.

The study also identified the moderating role of organisational leadership in the relationship between innovation and organisational performance. Transformational and transactional leadership styles were found to enhance the impact of innovation on performance outcomes. This highlights the importance of aligning leadership practices with innovation initiatives to maximize the benefits of innovation within SMEs.

The implications of the research suggest that SMEs in Ghana should place a strong emphasis on fostering a culture of innovation and developing effective leadership practices. By creating an environment that encourages and supports innovation and by cultivating leadership styles that inspire and engage employees, SMEs can achieve sustainable growth and competitive advantage in the market.

The findings of the study may have practical implications for SME owners and managers in Ghana. They underscore the need for strategic decision-making that prioritizes innovation and the development of leadership capabilities. SMEs should invest in innovation programs, provide training and development opportunities for leaders, and create supportive structures and processes that facilitate innovation implementation. Overall, the research highlights the importance of innovation and organisational leadership in driving performance outcomes in Ghanaian SMEs.

Despite the valuable insights obtained from the study on the effect of innovation on organisational performance among SMEs in Ghana, several limitations should be considered. The study may be limited in its generalizability due to the specific context of SMEs in Ghana. The study focused on Accra, Ghana, and may not fully capture the diverse characteristics and dynamics of SMEs in other countries or regions. Therefore, caution should be exercised when extrapolating the results to SMEs in different contexts.

While the study examined the mediating role of organisational leadership in the relationship between innovation and organisational performance, it did not thoroughly explore the underlying mechanisms or boundary conditions. Further research could delve into the specific leadership behaviours or strategies that mediate or moderate this relationship, providing a deeper understanding of the dynamics involved.

The study relied on self-developed measurement instruments for assessing innovation, organisational leadership, and organisational performance. While efforts
were made to ensure the validity and reliability of these instruments, using established and validated scales would enhance the rigour and comparability of the study's findings.

REFERENCES


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