

The strategic fit between innovation strategies and business environment in delivering business performance

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Abstract

This paper examines the role business environments (in terms of dynamism and competitiveness) as contingency factors which affect the effectiveness of different types of innovation strategies (in terms of product and process) in delivering business performance. Using the data of 207 manufacturing firms in Australia, this study shows that dynamic environments strengthen the effect of product innovation on business performance. Competitive environments, on the other hand, weaken the effect of product innovation on business performance, but strengthen the effect of process innovation on business performance. Overall, this study demonstrates the strategic fit between dynamism and product innovation strategy as well as between competitiveness and process innovation strategy. On the other hand, competitiveness also shows a strategic mismatch with product innovation. The theoretical and practical implications are discussed.

Keywords: *innovation strategies, business environment, strategic fit, business performance*

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