

Effect of Open Innovation on Firm Performance in Sri Lankan Manufacturing Sector: With Innovative Capability and Environmental Turbulence

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Open innovation is about knowledge flows. It helps to achieve sustainable competitive advantages through enhancing firm performance. However, organizations in the Sri Lankan manufacturing sector tend to allocate resources on research and development, firm performance does not improve compared to the investment. Hence this study suggests that firm performance can be increased through open innovation initiatives. But external knowledge cannot be enhanced firm performance automatically. Thus, this study proposes that innovative capability may improve the relationship between open innovation and firm performance. Open innovation approaches are most suitable for dynamic environments. Hence this study suggests that environmental turbulence may strengthen the relationship between open innovation and innovative capability to uplift the firm performance. Accordingly, this study aims to develop an integrated model of open innovation and firm performance with the mediating effect of innovative capability and the moderating effect of environmental turbulence. As a research approach, subjectivism as the ontological position, positivist as the epistemological position, quantitative approach as the methodology and survey as the method will be used. The population will be the senior managers in the research and development department in the manufacturing industries in Sri Lanka. The study will utilize a sample of 200 senior managers based on simple random sampling. The sample frame will be the senior managers in the top performing 50 manufacturing organizations as per the rankings of the Export Development Board in Sri Lanka. For analyzing the impacts predicted in the model, Structural Equation Model will be used.

Keywords: *Innovative capability, Environmental turbulence, Firm performance, Open innovation, Sri Lankan manufacturing sector*

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