RELATIONSHIP BETWEEN INNOVATION CAPABILITIES AND INNOVATION PERFORMANCE IN SME TOURISM IN KELANTAN

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LIST OF SYMBOLS AND ABBREVIATIONS

Symbols

%	Percent
α	Alpha
≥	More than or equal to
>	More than
(-)	Negative
n	Frequency
r	Pearson Correlation Coefficient
N	Population Size
S	Sample Size

Abbreviations

SME	Small and Medium Enterprise
TSME	Tourism Small and Medium Enterprise
UNWTO	United Nations World Tourism Organization
DOSM	Department of Statistic Malaysia
R&D	Research and Development
CEO	Chief Executive Officer
COO	Chief Operating Officer
CFO	Chief Financial Officer
DMO	Destination Marketing Organization
HR	Human Resource
SPSS	Statistical Package for the Social Sciences

ABSTRACT

This study is about the relationship between innovation capability and innovation performance among Smes tourism in Kelantan. In order to improve innovation performance, there is an emphasis on structure, culture, human resource and system. A quantitative study is utilised to carry out this study. A simple random sampling method is used and responses from 102 respondents are collected. to analyze all the data, descriptive analysis, reliability analysis and Pearson correlation are used. The result supports all the variables. This research contributes to determinants of the relationship between innovation capability and innovation performance among tsme in kelantan. This research and data can be used by industry stakeholders to provide a better service by determining the association between innovation capability and innovation performance among Smes tourism in kelantan.

Keywords: innovation performance, innovation capability, structure, culture, human resource, system

CHAPTER 1

LITERATURE REVIEW

1.1 INTRODUCTION

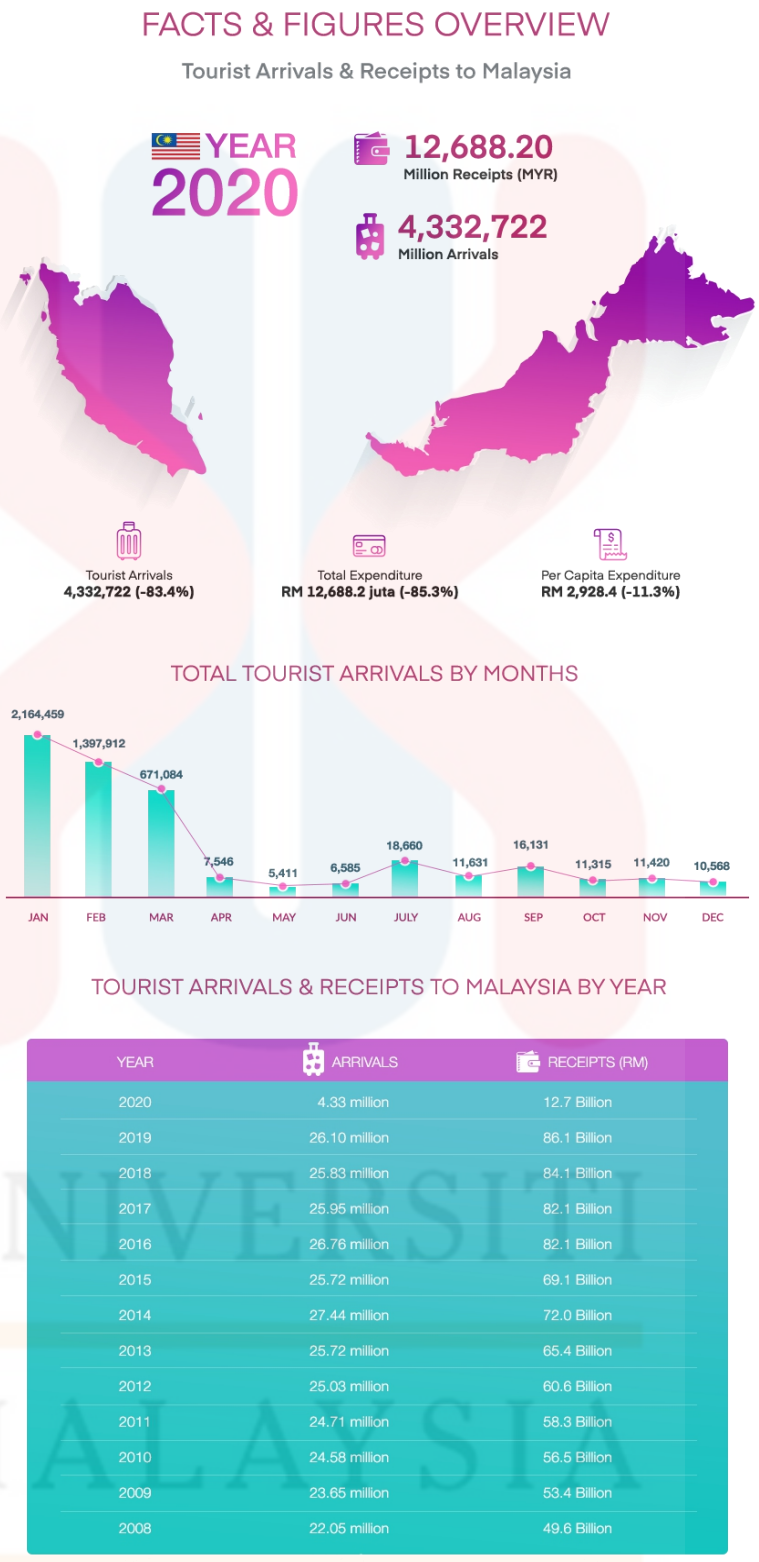
This chapter will cover the following topics: the study's background, the issue statement, the research aims, the research question, the study's relevance, the definition of terminology, and the chapter's summary.

1.2 BACKGROUND OF THE STUDY

The tourist industry is a sector of key importance that helps to boost job creation and economic growth in Europe during a financial crisis and world economy insecurity, promotes and creates jobs, develops investment, increases government income and financial state incomes (Thompson, 2011; Kim et al., 2016., Du et al,. 2016). According to UNWTO (2020) travel defines as the activity of moving between different locations often for any purpose. Sectors that involve with industry of tourism is lodging, transportation, food and beverage, entertainment, and other related businesses.

The tropical climate in Malaysia allows travelling all year round. Malaysia has diversified tourist resources that are unique in character, going from sea shores, urban areas, culture, legacy, wilderness, gastronomy, resorts, wellbeing and business. After production and commodity products, tourism is the third largest contributor to Malaysia's GDP (Hirschmann, 2020). The tourism industry is a significant sector in Malaysia's economy. In 2018, the tourism sector contributed around 5.9 percent to the total GDP (Hirschmann, 2020).

Figure 1.1 shows the tourist arrival and receipts to Malaysia in 2020 that set a record of 4,332,722 tourists compared to 2019 that set a record of 26.10 million tourist



arrivals.

Figure 1.1: Facts & Figures overview tourist arrival & receipt to Malaysia

Source: Malaysia Tourism

The definition of a small and medium-sized enterprise (SME) varies by country. In Egypt, for example, a SME is defined as having more than 5 but fewer than 50 employees (Dalberg, 2011., Nurhazani & Azlan, 2020). For Vietnam, SME can be defined as having more than 10 and 300 employee in the organization. SMEs are characterized by the National SME Development Council (NSDC) in light of the quantity of full-time representatives or the all out deals or income. For manufacturing, the business turnover isn't surpassing RM50 million or full-time representatives not surpassing 200 specialists. For service and the other sectors sales, the turnover is not exceeding RM20 million or full-time employees which is not exceeding 75 workers.

The continuous efforts from Malaysian government to stimulate the tourism industry bring a positive impact on Tourism SMEs business activities. TSMEs in Malaysia are about 85 percent of tourism business (Kalsitinoor, 2013).

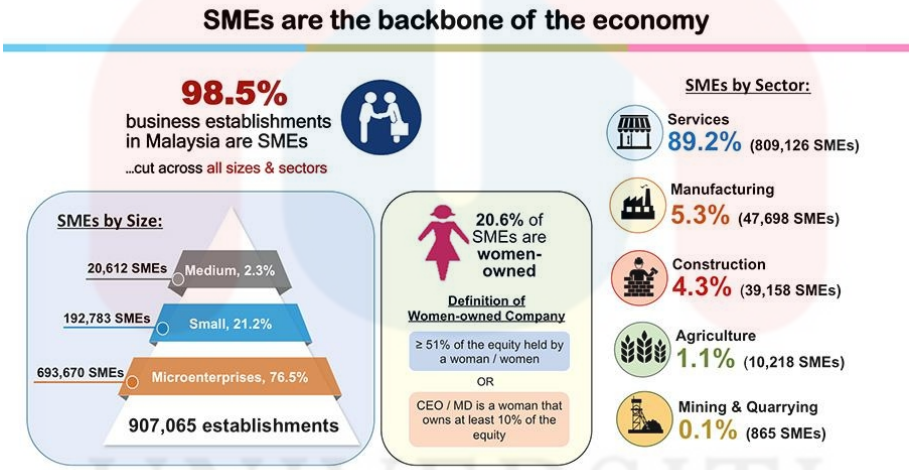


Figure 1.2 Percentage SMEs by sector

Source: Economic Cencus 2016, Department of Statistic Malaysia(DOSM)

In figure 1.2 Smes in the services sector have a highest percentage over than other sectors. According to reports, many SMEs in Malaysia are in the administrations area, with in excess of 33% of the organizations engaged with the travel industry in 2010 (Department of Statistic, 2012). The tourism small and medium-sized enterprise (TSMEs) have a significant portion of SMEs and play a big role as a backbone in Malaysia tourism industry.

In general, the augmentation of the tourism industry greatly relies on micro, small and medium enterprises existing in various related sectors. At the present and within the near

future, the tourism industry has and can show an enormous influence in Malaysia economic development.

Many countries, including the Malaysian government, have implemented various schemes, incentives, campaigns, assistance, and programmes to encourage more people to get involved in entrepreneurship, particularly in SME sectors and enterprises, based on the significant contributions made by SMEs to the formation of a country.

Schumpeter's (1934) innovation theory describes the idea of innovation as an outcome or innovative success, in which he notes development of latest knowledge or latest combinations of existing knowledge is converted within the organization into innovation. Innovation, understood as efficiency, can be a noticeable consequence of the ability to acquire information and its application, combination and synthesis for the implementation of or dramatically improved goods, methods, markets or new types of organizations. Innovation is characterized as a characteristic inexhaustible source open to all limited exclusively by human exertion. It is additionally confirmed that innovation make a positive effect of the association ability. The capacity of innovation is a significant factor for the monetary exhibition of the travel industry organizations, the elements of development ability specifically: information, association, and human variables, (Martínez-Román et al. 2015).

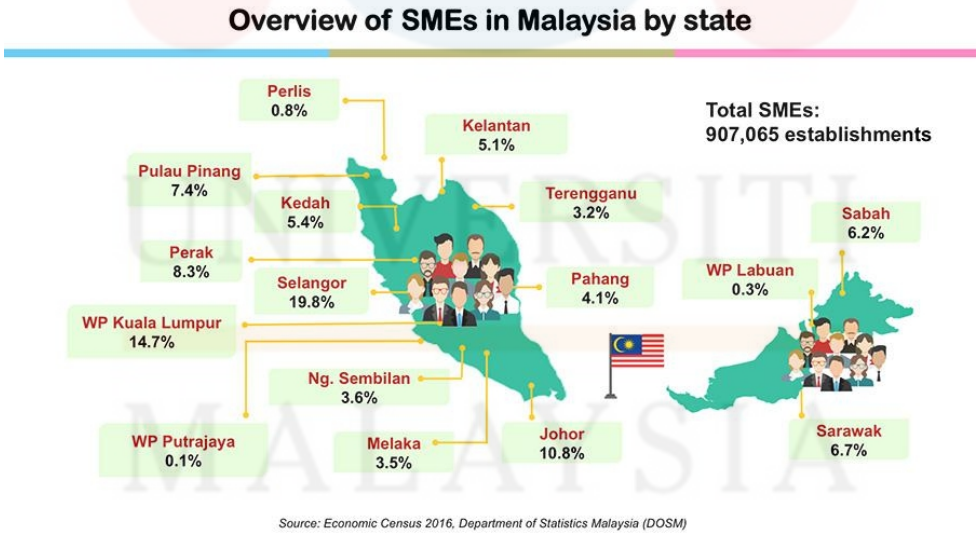


Figure 1.3 Overview of SMEs in Malaysia by state

Source: Economic Cencus 2016, Department of Statistic Malaysia(DOSM)

Kelantan state known as the 'cradle of Malay culture' for having an overwhelming population of Malays with 93 % and the rest being Chinese, Indian and Thai. Tourism in Kelantan is growing as more people tend to visit to see the rich Malay culture that inherent in Kelantan's people. Based on the Department of Statistics in Figure 1.3, Kelantan recorded 5.1% of SMEs in Malaysia. There are 46260 of Tourism Small and Medium Enterprise (TSME) in Kelantan. This paper aims to explore which variable of innovation capabilities describe the best innovation performance in TSME in Kelantan.

1.3 PROBLEM STATEMENT

Recognizing the positive effects of tourism, a substantial significant quantity of study has been carried out on small enterprises in the tourism sector (Thomas, 2000; Sharma & Upneja, 2005; Rogerson, 2004; Hanqin & Morrison, 2007). Regardless of these instances, the direct influence of tourism on company performance has been largely overlooked. (Pazim & Rosli, 2011). According to Planet Bank (2004), small and medium-sized businesses account for over 90 percent of businesses in the SSA area (as part of the services sector)are small and medium-sized businesses (SMEs). As a result, tourism has the potential to be used as a tool for long-term socioeconomic development, especially because the redistribution of wealth from developed countries is becoming increasingly being taken into account in development plans (currently known as Poverty Reduction Strategies – PRS) between donor and aid organization and the nations they help.

There was no strategy for the integration of tourism variables into past research's market performance model. Malaysia is also involved, as there is minimal evidence of literature in this field in general, and in particular, on the impact of tourism on small businesses. Given that the Malaysian government has paid more attention to small businesses, including tourism-related businesses, the lack of research on small tourism businesses is surprising. Tourism is widely recognized as a catalyst for entrepreneurial growth, and it would be interesting to empirically study its effect on small business performance.

Tourism SMEs have high fixed costs and relatively high unit costs because to a lack of economies of scale Globalization and wealth concentration in a few corporations would imperil their future. It is difficult for small and medium-sized companies to attain overall cost leadership, which requires productive infrastructure, tight costs and above management. Area

savings can be created by the internalization and sharing of services and goods that cannot be manufactured on at the same price or level on the market of quality

Functional organisations are deemed unsuitable for innovation since their high standard of formalisation and control clashes with the nature of innovation processes. Organic structures are universally favoured because they are more adaptable and versatile. Individual speech and the creation of advocates of products are enabled by organic structures (Saunila et al., 2014).

Other than that, Human Resource Management administrators often understand the importance of expertise as an intangible commodity that encourages organizational creativity. Few research, however, investigates human resource management's role in cultivating the capacity for information that leads to further company innovation. To this end, this paper explores the impact of human resource management policies and practices on creativity in the relationship between information management capabilities. Human Resources Management (HRM) skills are linked to Knowledge Management (KM) skills, which lead to innovation. HRM Capabilities also benefit from direct and indirect innovation mediated by KM Capabilities.

Previous research has only uncovered evidence that firm innovation has a significant impact on business performance. Performance and inventiveness, on the other hand, are not characterized by a single criteria. No studies have looked into whether the hotel business requires different innovation management methodologies depending on the goal of each project (Ottenbacher, 2007). It is impossible to overlook the necessity to explore which dimensions of innovation capability and performance are linked, and which dimension of innovation capability maximizes firm performance. Furthermore, there is no actual study on which aspects of innovation capability are the most important.

1.4 RESEARCH QUESTION

1. What is the relationship between culture and innovation performance?

2. What is the relationship between structure and innovation performance?

3. What is the relationship between human resources and innovation performance?

4. What is the relationship between system and innovation performance?

1.5 RESEARCH OBJECTIVE

1. To examine the relationship between culture and innovation performance

2. To examine the relationship between structure and innovation performance

3. To examine the relationship between human resources and innovation performance

4. To examine the relationship between system and innovation performance

1.6 SCOPE OF STUDY

This study is covered in Kelantan and focuses on SMTE that are directly involved in the tourism industry which is approximately 46260 in total. The organization includes travel agent, hotel/resort, and tourist guide and transportation provider. In order to get an adequate demographic representation, 46260 samples are chosen for the research

The respondent's select are organizations that are directly involved in the tourism industry. Our investigation focused on the relationship innovation performance towards innovation capability on Tourism SMEs in promoting the state of Kelantan as the tourist destination. Among the elements that need to be analysed are heritage products, promotion and infrastructure. The model of our investigation is displayed in the theoretical framework.

1.7 SIGNIFICANT OF STUDY

In the end of the research, this study is expected to contribute to the innovation performance in SMEs Malaysia. Regardless of the wealth of writing on SME innovation, this interlinked and complex idea requires further examination. As a general rule, innovation is viewed as a powerful method to upgrade execution, particularly monetary execution as it is exceptionally useful for SMEs in a developing business sector. In any case, it is conceivable that advancements may be viewed as a weight instead of an innovation for SMEs.

Besides that, the finding of this research will be beneficial to the government which will enhance their awareness about the importance of the relationship between innovation performance and innovation capability on Tourism SMEs. In addition, this study will contribute to the next researcher in order to explore more about the relationship between innovation performance and innovation capability in SMEs.

1.8 DEFINITION OF STUDY

1.8.1 Tourism SME

SME is a broad term that denotes a degree of ambiguity in an organization's classification and placement, since the scale of a business may be expressed in a range of methods (Atkins and Lowe 1997, Cross 1983, Ganguly 1985, Keasey and Watson 1993, Storey et al. 1987, Australian Bureau of Statistics 1988, Bolton 1971, NUTEK 2004). The word “SME” clouds the fact that the size of the company should be regarded relative to the age of the industry. Either the number of workers or the amount of turnover is represented by the word “size”. However, it is a misleading word because of the complexities of the modern, distributed economy (Polenske 2002). Instead of focusing on improving their development and maximizing their returns, numerous tourists' way of life Entrepreneurs benefited from local monopolies and could afford to live happy lives. (Williams et al., 1989). SMEs in the tourism industry are typically resource-oriented. Effective utilisation of resources leads to high levels of performance and drives tourism SMEs to improve their innovative capabilities.

1.8.2 Innovation Performance

Innovation is critical to a company's long-term viability and improved performance. Damanpour and Evan (1984) indicated that innovation is a key ingredient in building high performance organizations especially in the fast changing and complex environment. Therefore, Firms' ability to adapt to changing limitations and take advantage of new opportunities is determined by their ability to innovate. Consequently, today's competitive edge is innovation, which is backed up by mainstream skills in quality, efficiency, speed, and adaptability. (Lawson & Samson, 2001).

1.8.3 Innovation Capability

The capacity of a company to generate new products and/or markets by matching its strategic innovative orientation with innovative behaviors and processes is referred to as innovation capability. (Wang and Ahmed, p. 38, 2007). Innovation capability is regarded to be precious assets for the firms to provide and maintain a competitive advantage, and carry out the complete strategy. Firms' ability to innovate allows them to quickly produce new items and implement new processes. rather it is important to factor for feeding the ongoing competition.

1.8.4 Structure

The concept of innovation capability has been presented as a micro construct.. It is difficult to explicitly conceptualize innovation power, as intangibles in general. However, it is possible to do so by identifying dimensions that are closely connected to it. The innovation potential dimension can also be seen as a source of innovative inputs. Inputs, according to Davila et al. (2006), are assets used to create inventions. The inputs, such as inspiration, expertise, and organizational culture, can be physical, such as people, resources, time, and equipment, or intangible, such as inspiration, expertise, and organizational culture.

1.8.5 Human Resource

Firms should respond to market demands for innovation by developing new market requirements and anticipating technological advancements. According to Cooper (2011), businesses should be able to extend the life cycle of their products or develop something new through innovation. Firms must innovate to survive, develop, and flourish, as well as have a substantial impact on industry direction (Davila et al 2006; Trott 2008; Crossan and Apaydin, 2010).

1.8.6 Culture

The shared beliefs and assumptions that guide an organization's behaviour are referred to as organisational culture (Schein 1990). Organizational culture provides a competitive advantage at both the personal and organizational levels and has an impact on the growth of worker relationships (Doney, Cannon and Mullen 1998, Kotter and Heskett 1992).

1.8.7 System

A management system intended to oversee development should address the whole advancement measure and not just the nature of the R&D office. SIMS rules plan to expand on this agreement by overseeing advancement measures efficiently and deliberately that happen inside R&D offices as well as different divisions (Mir and Casadesus, 2011a.b). Several authors have expressed the necessity to organise the value cycle in R&D contexts (Robins et al., 2006; Jayawarna and Holt, 2009) in order to promote information flow and possible outcomes use (Mathur-De-Vré, 1997, 2000).

1.9 SUMMARY

This chapter has discussed the background of study that describes SME tourism in Malaysia and abroad. Followed by problem statements that explain about expenditure spent by the government and next followed by research questions and research objectives, then scope of study and significance of study where explains about the meaning of terms used in this study.

CHAPTER 2
LITERATURE REVIEW

Instead of focusing on improving their development and maximizing their returns, many tourism leisure businesses benefited from state monopolies and were able to live happy lives. (Williams et al., 1989). Tourism SMEs are also geared towards capital. Efficient useful resource utilization contributes to high performance levels and pushes SMEs in tourism to improve their capacity for innovation. Non-economically driven entrepreneurs limit the growth of their organization and the expansion of tourist attractions (Shaw and Williams, 1990, 1998, 2004; Ateljevic and Doorne, 2000; Burns, 2001). Strategy formulation will stay missing as long as market performance is adequate. Market changes are either overlooked or misinterpreted by the founder. Companies founded by an entrepreneur in the traditional Schumpeterian setting to expand and increase sales, on the other hand, are the polar opposite (Schumpeter, 1961).

2.1 INNOVATION PERFORMANCE

Innovation is a core determinant of the success of an enterprise (Calantone et al., 2002; Hult et al., 2004). The Oslo Manual defines innovation as the introduction in business practice, workplace organizations or external relationships of a replacement and significantly improved product (good or service), or procedure, a replacement marketing system, or a replacement organizational method (European Commission, 2005:46). Although the literature acknowledges a broad variety of forms of innovation within the business (product/process, radical/incremental, technological/managerial, market pull/technology drive, or competence enhancement/competence-destroying), most analytical works use the typology of the merchandise process (Verde et al., 2011). The success of innovation is often explained as a combination of capital and assets. Therefore, a wide range of resources, assets and skills are needed to drive success in a rapidly changing climate (Sen&Egelhoff, 2000). There are several empirical studies evaluating the effect of imagination and company performance. The relation between innovation and the success of organizations is predominant. Innovation impacts the efficiency of the company profoundly and directly. The central measure of organizational success is innovation strategy. Thanks to intangibility, perishability, inseparability, and variability, the effect of innovation on business results in commission companies will be more complicated and distinct than the manufacturing sector (Lin, 2011Scholars have been

committed to identifying the connection between innovation and firm performance over the past few decades. Innovations linked to radical or incremental have provided a stimulating contribution to company success in line with the Oke (2007). Innovation processes are also seen as productive drivers for improving the organization's Performance in innovation and market (Lendel & Varmus, 2014). Integrity, exceptionality, and newness Their competitors resulted in product/service from creativity rather than maximizing the overall effectiveness, of the firm, including marketing and financial, to increase the quality of latest goods or services (Langerak, Hultink, & Robben, 2004; Rosli & Sidek, 2014).

Findings have shown that previous research has explored the impact on organizational efficiency of technologies and innovation (See, for example, Calantone et al., 2002; Cainelli et al., 2004; Keskin, 2006; Bowen et al., 2010; Rheea et al., 2010; Gunday et al., 2011; Jiménez-Jiménez and Sanz-Valle, 2011; Jiménez-Jiménez and Sanz-Valle, 2011). To innovate businesses are discovered to have higher efficiency and global economics process levels than non-innovating companies (Cainelli et al., 2004). The critical conditions for improving efficiency and increasing the value of the company are not only technological developments, but also organizational innovations (Lloréns Montes et al., 2005; Bowen et al., 2010). Management practices not only provide a favourable environment for the opposing types of invention, but they also have a direct and immediate impact on creative efficiency. (Gunday et al. 2011). In addition, the overall success of a corporation and organizational innovations are specifically and positively connected to each other (Mazzanti et al., 2006). Managers should then consider and handle the developments in order to spice up their organizational efficiency (Gunday et al., 2011). A successful evaluation of top innovation that contributes to improved organizational results is an excellent number of studies that specialize in the relationship between innovation and success. (Gunday et al., 2011). However, research investigating the moderating influence of measurement on the connection between innovation capacity and efficiency are few.

Innovation is a significant determinant of the performance of an enterprise (Calantone et al., 2002; Hult et al., 2004). Thus, in addition to other factors, organizational efficiency can be enhanced by technological and administrative creativity (Llore'ns Montes et al., 2005). The effects of creativity and innovation on organizational success have been examined in previous studies (see Calantone et al., 2002; Cainelli et al., 2004; Keskin, 2006; Bowen et al., 2010; Rheea et al., 2010; Gunday et al., 2011; Jime'nez-Jime'nez and Sanz-Valle, 2011). It has been

found that creative companies have higher productivity and economic growth rate than no innovative companies (Cainelli et al., 2004). The critical conditions for improving efficiency and increasing the value of the company are not only technological developments, but also organizational innovations (Llore'ns Montes et al., 2005; Bowen et al., 2010). Organizational innovations also have a strong and direct impact on creative progress, in addition to preparing an effective environment for other types of innovation (Gunday et al. 2011). Moreover, the overall success of a corporation and operational developments are positively and strictly connected to each other (Mazzanti et al., 2006). Managers should also consider and manage technologies to improve their organizational efficiency (Gunday et al., 2011).

Innovation debate includes new or enhanced offers (product or service) that are delivered to the consumer and add enhanced worth to the customer, respectively, through improved quality or reduced prices. Eurostat, which provides European statistics studies in accordance with international standards, defines innovation (OECD, 2005), as a substitute or substantially enhanced product (goods or services) that appears on the market. Likar (2006) sharing capabilities as a substitute or substantially enhanced item, operation, or provider that emerges on the business and constitutes a substantial shift in the successful implementation by consumers of inventions that increase added value, increase market profitability, and provide a market edge.

Furthermore, creativity is the drive of adaptation, where processes respond to internal changes or environmental changes. Business is the only field where innovation occurs, society, community, social and personal life, making them a vital concern for economic growth. Hall (2008) defined innovation as a way to create and implement new ideas, products, and processes to solve a problem. Each country's innovative features are distinct. The travel industry, in general, and each travel industry supplier and client/client/buyer, as its essential unit, ought to follow the developmental cycle in our general public, see and assess the systems that permit it to exist (Schumpeter, 1961; Sundbo et al., 2007). The travel industry development can be an idea that falls inside the extent of administration and advancement and can't be straightforwardly clarified by broad ideas of development (Tintore et al., 2003; Hall, 2008; Camisón and Monfort-Mir, 2012; Križaj et al., 2014).

Many producers of logical and expert work in the sphere of improvement and the travel industry point out the contradiction between general and administration-based growth. Taking into account the various attributes and factors, there is a need to live and portray

distinctive development models inside the business (Sundbo 1997; Stevens and Dimitriadis, 2005; OECD, 2005; Thomas and Wood, 2014). Križaj (2009) characterizes advancement in the travel industry as quality arranging and effectively presents developments and upgrades that contain components of curiosity, inventiveness and orderly business thinking.

Innovation is in this manner turning into a vital thought for financial turn of events and achievement, which is likewise getting progressively apparent in the travel industry. The travel industry development can likewise be characterized as upgrades to specialized, useful or business highlights (Bieger and Weinert, 2006). Hjalager (2010) proposed five unique sorts of developments in the travel industry: item or administration advancements, measure advancements, the executive's developments, the board advancements and institutional developments. Macerinskiene and Mikaliuniene (2014) utilize the Oslo Manual classes: item, cycle, showcasing and hierarchical developments.

The travel industry associations with a straightforward situation that recognizes them from rivalry will consequently turn out to be progressively significant suppliers of the travel industry market. Clear situating and separation are both basic achievement factors, which are a significant test for the travel industry associations. The accomplishment of unmistakable points of interest regarding rivalry inside the travel industry area is getting increasingly requested. Advancement by the travel industry organizations regarding uniqueness assumes a vital job in acquiring unmistakable focal points over rivalry. Advancement in the travel industry business tasks is a key and restrictive examination needed until the impersonation of different suppliers starts. Verifiably, we will feature creative travel items conceived of ordinary deduction, presented by Thomas Cook (Hjalager, 2010), which formulated an exhaustive idea of all around estimated coordinated travel and diversion for a brand new portion of visitors (Brendon, 1991; Garay and Cànoves, 2011). Essentially, Disney Corporation's advancement in the travel industry development in connecting the entertainment world and the media has given the idea of worldwide amusement parks to worldwide crowds (Weth, 2007; Ford et al., 2012).

Innovation examines, which additionally incorporate non-mechanical advancements. Drejer (2004), among others, has additionally perceived the significance of hierarchical advancements in assembling and administrations. The Synthesis Approach shares this thought of a more extensive perspective on advancement by recommending that administration development features a portion of the failed to remember parts of development that are pertinent to all areas (Drejer, p. 553); its reasonable model incorporates advancement input

(limit) and yield (as mechanical and non-innovative developments). This more extensive idea doesn't infer an adjustment in the idea of development. Drejer (p. 553) cautions that "a disease of development with ordinary everyday business" could be brought about by an exorbitantly extended idea of advancement. All advancement (innovative or non-mechanical, execution or ability) should hence confirm the Schumpeterian states of being new and reproducible, just as creating a monetary effect. The principle endeavor to build up a Schumpeterian way to deal with the examination and estimation of development in all areas, regardless of their disparities, is a typical manual for the OECD Oslo Manual. The main release of this rule is from 1995, expected to evaluate development across ventures and countries, while its present 2005 update takes a more extensive conceptualization point of view zeroed in on the standard of division. The production of this all inclusive guide has profited by the accessibility of improved Innovation Scoreboards, which advance the appraisal of development at public and territorial levels using total measures to survey progress after some time and the arrangement of normalized development measurements for worldwide positioning purposes.

2.2 INNOVATION CAPABILITY

Lawson and Samson (2001) suggest that it is possible to view innovation management as a form of organizational capacity. Technology management creates new products, services, and procedures, as well as higher levels of corporate efficiency. The authors conclude that SIMS is a sort of organizational capacity in the form of an innovation control system, process, or structure (that is implemented according to the guidelines and requirements of a standard). The capacity for innovation is characterized as the skills and knowledge required to effectively absorb, master and enhance existing technologies and develop new technologies (Lall, 1992). Current studies on the subject include many recommendations on different variables that can be expected to lead to the growth of innovation potential. First of all, the skills and abilities brought into the business by the entrepreneur(s) and the employees, which they gained from previous experience, are factors internal to the company. In order to absorb new technologies, change them, create and transfer new technological knowledge, especially scientists and engineers, companies need a sufficient stock of technically qualified personnel (Hoffman et al., 1998; Wignaraja, 1998). Innovation capacity is characterized as "the capacity of the company to create new products and/or markets by aligning strategic innovative orientation with innovative behaviors and processes "(Wang and Ahmed, 2007, p. 38). In KM

and innovation research, several converging views are given to shed insight on the development of interactive capability and its link to KM and innovation (Liao et al., 2009; Wang and Ahmed, 2007; Ramaswami et al., 2009; Cris Lawer, 2003; Lettl and Herstatt, 2004).

Innovation capability is seen as a valuable asset for businesses to provide and retain a competitive edge and to execute the whole strategy. Innovation capability makes it easier for firms to rapidly launch new products and implement new systems, rather it is necessary to factor in feeding the ongoing competition. Innovation capability is characterized, according to Adler and Shenbar (1990), as (1) the ability to develop new products to meet consumer needs; (2) the ability to apply suitable process technologies to produce these new products; (3) the ability to develop and implement new products and processing technologies to meet future needs; (4) and the ability to respond to accidental technology. Innovation in product/service is a key success factor that provides the opportunity to grow into the new market and sectors (Damanpour & Gopalakrishnan, 2001) and allows the opportunities to earn abnormal profits to be explored and the route for firms to earn profits (Nambisan, 2003). Adler and Shenbar (1990) emphasized that the opportunity to innovate makes it easier for firm to apply acceptable process technology to produce new products that meet consumer demands and remove competitive threats. Dadfar, Dahlgaard, Brege and Alamirhoor (2013) have found that superior capacity for creativity appears to introduce and expand the current product range with a new product variety. Dahlgaard-Park and Dahlgaard (2010) clarified that before introducing the original innovation process and new product creation, firm must strengthen the leadership, people, collaboration and organizational power. Vicente, Abrantes, and Teixeira (2015) have conceptualized that the potential to produce new products through the combination of innovation actions, strategic power, and internal technical processes is the capacity for innovation.

It is possible to describe a company's innovation capacity at many on a variety of levels and from a variety of perspectives (Olsson et al., 2010). Akman and Yilmaz (2008) define creative capacity as an essential factor that promotes an internal promotional initiatives, and the ability to appropriately perceive and react to the external environment are all examples of creative organizational culture. A company's capacity for innovation can also be characterized as its capacity to continuously develop innovations as a result of the changing environment (Olsson et al., 2010). Tuominen and Hyvönen (2004) suggest that the ability for organizational innovation should be separated into two distinct entities: management innovation and technology innovation. Innovation capacity is divided by MartínezRomán et al. (2011) into three variables: knowledge, organisation, and human factors, all of which have a

point of view of managerial innovation. Human factors include individuals and social habits as components for organizational performance. The term 'potential for business innovation' has also been used to describe the most important success criteria in the innovation process. (Perdomo-Ortiz et al., 2006). These critical variables can be viewed as dimensions of the ability to innovate in business; the ability can therefore be measured with the variables. Furthermore, the variables that impact an organization's ability to handle innovation are characterized as innovation capacity in this study. Innovation capacity was divided into seven determinants in this study, in agreement with previous literature and the previous Saunila and Ukko (2011) report: participatory leadership culture, ideation and organisational structures, working environment and well-being, understanding exactly growth, regeneration, external knowledge, and individual behaviour. The development of know-how refers to the development of the skills and expertise of employees that are required to improve the potential for innovation. The necessity of properly harnessing external networks and knowledge for the entire potential of organizational innovation is highlighted by the aspect of external knowledge. Regeneration implies the capacity of a company to learn from previous experience and to use that experience to produce ideas and improve their activities. The individual activity of employees in developing technologies is often expected to shape the overall capacity for innovation of the organization. The willingness to innovate is seen as crucial to achieving superior results in innovation. Innovation potential is feasible by economic practice by Burgelman et al. (2004). The concept encompasses a variety of things, from the ability to invent to the ability to reinvent to the ability to expand current technologies beyond the original design parameters (Kim, 1997:9). Innovation capacity was described by Wallin et al., (2011) as the ability to systematically produce innovative results. The ability to innovate is also critical for sustainable competitive benefits.

An organization's innovation potential may be assessed on a number of levels and from a variety of angles (Olsson et al., 2010). Creative capability, according to Akman and Yilmaz (2008), is an important feature that supports an innovative organizational culture, as well as the features of internal support activities and the ability to consider and respond effectively to the external environment. A company's innovation capacity may also be described as its ability to produce new products on a continuous basis in response to changing conditions (Olsson et al., 2010). According to Tuominen and Hyvonen (2004), organizational innovation should be separated into two categories: management innovation and technology innovation. Knowledge, organization, and human factors, according to Mart'nez-Roman et al. (2011), all of which have a management approach to innovation. Another method is to

compare and contrast the technological and human aspects that influence innovation management (Prajogo and Ahmed, 2006). As components of organizational performance, human factors include people and social activities. Furthermore, the phrase "business innovation competence" is a term that has been used to describe the important success factors in innovation processes. (Perdomo-Ortiz et al., 2006). These important aspects may be viewed as dimensions of a company's ability to innovate, and so the capacity may be quantified. It has been stated that the route to organisational innovation is not unique, but rather a combination of sensible management efforts, direct and indirect worker engagement, and cooperative labour relations (Mazzanti et al., 2006). Similarly, the capacity for innovation is described in this study as a set of factors that impact an organization's ability to manage innovation. These determinants have been distinguished by a writing body shared by inventive associations (cf. Lawson and Samson, 2001; Romijn and Albaladejo, 2002; Bessant, 2003; Tidd et al., 2005; Perdomo-Ortiz et al., 2006; Martensen et al., 2007; Skarzynski and Gibson, 2008; Smith et al., 2008; Tura et al., 2008; Paalanen et al., 2009; Laforet, 2011; Saunila and Ukko, 2011). In accordance with the past writing and the past investigation of Saunila and Ukko (2011), advancement limit was isolated into seven determinants of this examination: participatory initiative culture, plan and association of structures, work atmosphere and prosperity, improvement of ability, recovery, outside information and individual action. In this investigation, participatory administration culture alludes to activities and perquisites made by administrators to encourage and propel advancement. Create and put together structures identified with the structures and frameworks needed for effective advancement, which means the creation, improvement and execution of developments, and how the association's work undertakings are coordinated. Work atmosphere and prosperity speak to the prosperity of representatives and the working atmosphere for the advancement of development. Ability improvement alludes to the advancement of the aptitudes and information on representatives expected to build up the limit with regards to development. Outer information features the significance of the legitimate directness of the abuse of outside organizations and information to the general limit with respect to authoritative advancement. Recovery implies the readiness of an organization to gain from past experience and to utilize that experience to create advancements and improve its activities. The individual movement of workers in creating advancements is regularly expected to shape the general limit with respect to development of the association.

Innovation is an important organizational capacity, because the success of new products is a driving force for growth, which has an impact on increasing sales, profits and

competition for many organisations (Battor & Battor, 2010; Sivadas & Dwyer, 2000). Some study discoveries concur that there is an immediate and positive relationship among advancement and predominant execution (Calantone, Cavusgil, and Zhao, 2002; Hult, Hurley, and Knight, 2004; Keskin, 2006; Panayides, 2006; Thornhill, 2006). Be that as it may, the disappointment of new items in certain territories is somewhere in the range of 40% and 75%, and half of new items are presented yearly. Hult et al. (2004) depict advancement as a cycle, an item and an association of novel thoughts. Advancement is characterized as a cycle that starts with the thought, results, improvement discoveries and the presentation of new items, cycles and administrations available (Thornhill, 2006). The effect of advancement on execution has been seriously tried by a portion of the current investigations and the discoveries significantly affect Romijn and Albaladejo (2000) in their observational investigation of 50 little and medium-sized undertakings in the United Kingdom (organizations with under 250 workers), clarifying that inward factors, for example, the degree of training and the organization's own insight, consider and create. Meanwhile, outside variables, for example, government monetary help for studies and improvement, correspondence or connection with outer gatherings (clients, providers, contenders, monetary foundations, and innovative work establishments, industry affiliations) additionally assume a significant job in deciding the limit of authoritative development.

Although the estimation of unmistakable resources is by and large perceived, chiefs need to see how their elusive resource ventures are connected to organization returns (Wu et al., 2006). The test for scholarly capital clients, regardless of whether chiefs or speculators, is to make these sorts of resources significant, to connect them to corporate targets to comprehend their effect on monetary returns (Leitner, 2005). Here is the place where our model looks to give a missing connection between scholarly capital and worth creation, considering firm development. Thus, the second piece of the model identifies with inventiveness, which has additionally been the focal point of specific logical writing because of its significance for firm endurance and achievement. The investigation and understanding of this wonder, notwithstanding, keeps on making conversation (Subramaniam and Youndt, 2005). Advancement can be depicted as finding and taking advantage of lucky breaks to grow new products, administrations or cycles, as per these creators. In spite of the fact that writing (Tushman and Nadler, 1986; Van de Ven, 1986; Hill and Rothaermel, 2003; Stieglitz and Heine, 2007 among others) perceives a wide scope of advancement types inside the organization (item/measure, revolutionary/steady, mechanical/overseeing, market

pull/innovation push, or skill improving/capability annihilation), most exact works use item measure typology.

Last but not least, they would all be able to be led by essential and optional exploration instruments. Essential experimental reviews ordinarily attempt to uncover the travel industry advancement propensities by zeroing in on the inside authoritative structure and give multidimensional scales to estimating imaginative execution and capacities at the firm or other miniature level. As per their rules, a total 'combination' development estimation approach would in this way incorporate markers of concealed measurements and pointers of creative execution and capacities. The last incorporates firms' authoritative learning capacities and their capacities to fortify the assets along with cultivating information improvement (on the same page.). Such extra estimations ought to particularly involve different strategies for information dispersion: epitomized information (remembered for the obtained and got to hardware), immaterial information (accessible through open and free sources) and information accomplished straightforwardly from others along with staff preparing and individual and hierarchical learning (Jacob et al., 2003; Orfila-Sintes et al., 2005; Pikkemaat and Peters, 2005; Perez et al., 2006; Volo, 2006).

2.2.1 Structure

The ability to innovate is a dynamic talent that may be measured in a variety of ways (Sáenz et al., 2009) (for example an ability which permits the association to coordinate, form, and reconfigure inner and outside skills to address quickly evolving conditions (Teece et al., 1997). It has been recommended that development capacity is a multi-aspect structure . It is hard to expressly concise advancement ability, as intangibles all in all, however it tends to be accomplished by recognizing measurements firmly identified with it. It is likewise conceivable to respect the elements of advancement ability as contributions for development exercises. As indicated by Davila et al. (2006) Inputs are resources given to the creation of innovations. The sources of info, for example, motivation, aptitude and authoritative culture, might be substantial, specifically individuals, resources,time, hardware, etc.,or theoretical. These measurements incorporate, for instance, administration as a blend of earlier literature. (Bessant, 2003; Martensen et al., 2007; Skarzynski and Gibson, 2008; Kallio et al., 2012), representatives' aptitudes and ingenuity (Martensen et al., 2007; Skarzynski and Gibson, 2008; Tura et al.,2008; Kallio et al., 2012), advancement measures (Lawson and Samson, 2001; Skarzynski and Gibson, 2008; Kallio et al., 2012), hierarchical culture that upholds

advancement (Lawson and Samson, 2001; Wan et al., 2005; Martensen et al., 2007; Skarzynski and Gibson, 2008; Kallio et al., 2012), outer hotspots for data (Romijn and Albaladejo, 2002; Tidd et al., 2005; Kallio et al., 2012), and the improvement of the individual information on workers (Bessant, 2003; Tidd et al., 2005).Innovation capacity, nonetheless, may not be a unitary set ascribes and the properties don't work independently, yet are interrelated. (Francis and Bessant, 2005; Smith et al., 2008; Kallio et al., 2012).Different sort of associations may utilize various determinants in improving their potential for innovation(Saunila et al., 2012). In this investigation, the conceptualization of advancement capacity is shaped by using the past work of Kallio et al. (2012) and Saunila et al. (2012).

Furthermore, mechanisms for innovation, organizational culture, leadership, the use of external knowledge, and individual creativity are separated into five aspects that can either be drivers or impediments to the potential for innovation. Such definitions are listed below in depth. To satisfy current needs, it is important for pioneers to modify old practices by embracing novel thought (Börjesson and Elmquist, 2012). This requires appropriate structures for advancement exercises, which has been featured in the current writing (for example Dobni, 2008; Wan et al., 2005). Advancement measures are identified with the age, improvement and usage of developments (Smith et al. 2008). A community oriented climate is vital for the way toward making and moving information (Van Winkelen and Tovstiga, 2009), and it likewise upgrades inventive and novel thoughts (Pournaras and Lazakidou 2008). Likewise Subramanian and Nilakanta (1996) suggest that the adaptability and receptiveness of structures help to empower groundbreaking thought ages. Development requires supporting devices, cycles and components to empower thought ages and to transform advancement into a resource for the firm (Skarzynski and Gibson, 2008).

2.2.2 Culture

Organizational culture can be characterized as the normal qualities and suppositions that oversee an association's activities (Schein 1990). It is accepted that authoritative culture presents an upper hand at both the individual and hierarchical level and impacts the production of worker director connections (Doney, Cannon, and Mullen 1998; Kotter and Heskett 1992). Hofstede's (2001) social structure is usually used to operationalize authoritative culture since it has gotten the best consideration from the board scholastics as of

late and is notable and broadly utilized in administration and hierarchical science (e.g., Waarts and van Everdingen 2005; Van Everdingen and Waarts 2003; Sivakumar and Nakata 2001).

Power distance thinks about how much individuals from the organization feel good conveying across progressive levels. At the point when force distance is high, staff feel that it is the obligation of the administrator to have the ability to settle on the decisions, and when force distance is negligible, staff feel that they ought to be associated with dynamically with the chief. The evasion of disarray concerns how much individuals from the organization decide to limit vagueness and vulnerability for explicit needs and working rules. Independence/cooperation follows the degree to which individuals want to be treated as special people as opposed to as a component of a gathering. In collectivist societies, individuals discover solace and energy in a gathering setting, while in individualistic societies, individuals need to have the option to stand apart as people and not be kept down by a gathering. Community lies toward one side of the continuum with independence at the other.
Instead of feeling like they should be more nurturing, less concentrated and more receptive to emotions, masculinity/femininity focuses on the degree to which individuals believe they should be focused and insensitive to emotions. We tend to mark the masculinity/femininity aspect as the subject of Randolph and Sashkin's assertiveness (2002). As a result, people in high assertiveness cultures appear to be results-oriented and dismissive of others, whereas people in low assertiveness cultures prefer strong working relationships and prioritise personal needs over workplace demands..

Therefore, for national and organizational cultures, recent research has utilized comparable measurements, as hierarchical culture is viewed as a portrayal of public culture (see House et al. 2002; Aycan et al. 2000; Sigler and Pearson 2000; Dorfman and Howell 1988). In this examination, authoritative culture is centered around basic convictions related with laborers that are influenced by culture at the social level. Culture of authoritative culture and development Capability Culture impacts a network or association's potential for advancement. The ownership of positive social highlights gives the organization the imperative elements for advancement (Ahmed 1998). There are various elements in culture that may assist with reinforcing or frustrate the inclination to enhance. The hierarchical advancement writing stresses the significance of culture as a critical determinant in the achievement of development (Çakar 2006; Herbig and Dunphy 1998; Branen 1991; Feldman 1988).

2.2.3 Human Resource

These firms ought to satisfy the requests for advancement to address market issues, making new requirements for the market and foresee improvements in innovation. Cooper (2011) clarified that organizations ought to have the option to broaden tla life pattern of its items or to make something new with advancement. Firms likewise need to improve to develop and endure and furthermore dominate just as essentially impacting industry courses (Davila et al 2006; Trott 2008; Crossan and Apaydin, 2010). Skarzynski and Gibson (2008) revealed that in order to have a good organization's development execution, they must have the capacity to develop. Davila et al (2006) made a similar evaluation, stating that in order to achieve good growth, companies must establish advancement capacities based on certain behaviour, inspiration, and competitiveness among administrative positions and representatives. Lawson and Samson (2001) depicted the development capacity as the ability of a firm to change information and thoughts into new items, new cycles to assist the firm and furthermore for its partners. While Madanmohan (2003) characterizes advancement capacity as the association's capacity to create and reconfigure their assets and hierarchical abilities to enhance. In view of Madanmohan (2003), there are three elements of development capacity which are detecting ability, blend capacity and social (organizing) ability.

2.2.4 System

Past studies that have analyzed the impacts of the executive's guidelines on development have zeroed in on quality administration norms (QMS), natural administration principles (EMS) and coordinated administration frameworks (IMS). These investigations have been generally talked about within the writing, as well as their good and negative aspects, decisions in advancement, inventiveness and R&D have already been featured. Nonetheless, as inconsistencies emerge at the level of operations, there is inescapable understanding that TQM, and thus the executive's norms, effects affect advancement at the essential level (Kondo, 1996, 2000; Prajogo and Sohal, 2004, 2006; Prajogo and Hong, 2008). Quality administration frameworks are restricted in overseeing development when applied to substantial assignments associated with advancement measures (Prajogo and Hong, 2008). Besides, past investigations have zeroed in barely on R&D offices, however advancement stretches out past R&D creation and cycles. The current all-encompassing comprehension of development measures (Lawson and Samson, 2001) recognizes the presence of four sorts of advancement: item, cycle, association and promoting development (OECD, 2005).

An administration framework intended to oversee development should address the whole advancement measure and not just the nature of the R&D division. SIMSs rules plan to expand on this arrangement by overseeing development measures methodically and deliberately that happen inside R&D divisions, yet additionally in any remaining offices (Mir and Casadesús, 2011a, b). The need to structure the quality cycle in R&D settings has been expressed by a number of creators. (Robins et al., 2006; Jayawarna and Holt, 2009) to encourage information movement for the conceivable use of results (Mathur-De-Vré, 1997, 2000). Addressing this need includes keeping up vaults and records to abstain from losing information while persistently enhance R&D measures (Pellicer et al., 2008, 2010), correspondence in multidisciplinary groups (Valcarcel and Rios, 2003; Robins et al., 2006) and development task arranging. This training is additionally perceived to outfit organizations with association, control and the executive's frameworks (Pellicer et al., 2008) that profit by clear objectives, assigned assets and vital ways to deal with decreasing natural vulnerabilities during the underlying phases of advancement. Systemization of advancement ought to be sought after through the cycle of executives (Pellicer et al., 2010). This, thus, is accepted to expand the productivity (as expected and cost) of ventures while foreseeing the changing requirements of customers and financial conditions. This is basic given that SIMSs systems give guidelines to dealing with the development cycle (Pellicer et al., 2008) that can be coordinated into other administration frameworks due to their comparable structure (Pellicer et al., 2008; Law, 2010; Mir and Casadesús, 2011a, b; Mir and Bernardo, 2012). Notwithstanding, the handiness of SIMSs structures and the advantages that these frameworks give according to inventive ability and business execution have not yet been illustrated (Mir and Casadesús, 2011a, b) until the present time.

Moreover, as SIMS is an administration framework given to deal with the development cycle all the more proficiently, it is evident that it might prompt quicker flexibility. In addition, it might likewise prompt utilization of changes that may build the troubles to 28 M. Mir et al. /Journal of Engineering and Technology Management 41 (2016) 26–44 impersonate the firm VRIN assets and keep up or upgrade upper hand by executing development schedules (Eisenhardt and Martin, 2000, for example, the ones characterized in a SIMS. Likewise, Lawson and Samson (2001) suggest that development of the executives can be seen as a type of hierarchical ability. Furthermore, they contended that magnificent organizations contribute and sustain this capacity from which they execute compelling advancement measures. Albeit ongoing exploratory examinations in the development area have been led, they acted as a solitary organization contextual investigation (Pellicer et al.,

2012, 2014; Yepes et al., 2016). Hence, provoking calls to observationally direct investigations with a bigger number of organizations (Pellicer et al., 2014; Yepes et al., 2016). In addition, the writing should be examined in light of the Resource-Based View (RBV) and Dynamic Capabilities (DC) perspectives to determine the seriousness of Innovation Capability (IC). RBV hypotheses revolve around assets from one standpoint. Specifically, the amassing of VRIN assets (Valuable, Rare, and Inimitable as well as Nonsubstitutable) as a foundation of big business seriousness and monetary lease. (Barney,1986). As indicated by Newbert (2007), the worth and uncommon assets are identified with upper hand and upper hand is identified with execution. DC, on the other hand, is defined as an organization's ability to integrate, learn, and reconfigure internal and external assets. (Teece et al., 1997) were demonstrated to be considered as inert capacities or abilities (Helfat et al., 2007; Teece, 2007). Be that as it may, Eisenhardt and Martin (2000) remember them as cycles or schedules. Additionally, Zollo and Winter, (2002) According to the author, the only way these adaptive abilities can be used to gain an advantage is if they are used "sooner, more insightfully, or all the more serendipitously." Obviously, the ability to apply dynamic capacities "sooner or even more keenly" is itself a limit. Given that in a rapidly advancing business sector, a couple of firms will undoubtedly be flexible, more prepared to change quickly and more mindful of changes in their genuine environment, they will have the choice to acclimate to changing monetary circumstances more rapidly than competitors and thusly can obtain advantage. To the extent that the ability to change quickly, and consciousness of changes in the market are excessive for others to imitate, these limits can be a wellspring of upheld high ground (Eisenhardt and Martin, 2000). All the more as of late, Lin and Wu (2012) concentrate on exactly evaluating both the impacts of RBV and DC on execution and recommended that the essential administration ought to consider DC and RBV in blend rather than independently. In this specific circumstance, SIMS and IC might be viewed as kinds of DC to the degree that it might help the organizations not exclusively to know about the climate changes (market and innovation) yet in addition to learn idle capacities and aptitudes for advancement (Helfat et al., 2007; Teece, 2007). Furthermore, advancement of executives prompts developments in new items, administrations and cycles just as unrivaled business execution results. Drawing on that, the creators accept that SIMS is additionally a type of authoritative ability as a framework or a component or a structure for advancement of the executives (that is actualized by the rules and necessities of a norm). In this manner, as it is a precise administration framework, it isn't static. Unexpectedly, it is dynamic as it is much of the time inspected and upgraded by a nonstop improvement procedure (under Deming PDCA reasoning). Much the same as ISO 9000 and

ISO 14000, it could be considered as a sort of authoritative learning framework. As Lawson and Samson, (2001) and others, guarantee that the capacity to learn and the capacity to change are probably going to be among the main abilities that a firm can have. As the UNE 166002 standard intends to organize and deal with the development cycle in a proficient way to improve advancement capacity and business execution (Mir and Casadesús, 2011a, b), there is a requirement for exact assessments of the impacts of this norm on organizations.

Moreover, the finishes of this investigation will be vital for the forthcoming principles for advancement of the board. Aside from contextual investigations of the Spanish norm (Mir and Casadesús, 2011a,b; Pellicer et al., 2014; Yepes et al., 2016), exploratory examination of SIMSs systems in different nations, for example, Mexico (Pedroza et al., 2013) and Portugal (Peetri et al., 2013) have been led. The SIMSs structures set up in these nations are as yet in their outset and are not yet adult enough to warrant experimental investigation of their effects. Notwithstanding, the quantity of declarations being conceited is expanding. In Portugal, for instance, more than 150 organizations are presently affirmed under their public norm for advancement the executives NP 4457:2007 (Peetri et al., 2013). In rundown, past examinations on administration guidelines and the impacts of those norms on development have zeroed in on quality administration principles and frameworks. While such guidelines are as yet being talked about (Kondo, 2000; Prajogo and Sohal, 2006; Prajogo and Hong, 2008), no exact investigations have inspected the job of development of the board principles. One purpose behind this nonattendance is the absence of information assortment to date, and information has been deliberately accumulated without precedent for the current examination. UNE 166002 is an open door for research, since affirmation with this standard is developing; more than 500 testaments have been given to organizations (Mir et al., 2012, 2014). Nonetheless, the quantity of past examinations breaking down the effect of UNE 166002 is restricted by the modest number of contextual analyses that have been performed (Mir and Casadesús, 2011a, b; Pellicer et al., 2014; Yepes et al., 2016). Presentation of SIMSs in Europe (CEN, 2013) is in its outset stage, and public principles for advancement the board have been distributed in various nations lately, including Brazil, Colombia, Denmark, France, Ireland, Mexico, Portugal, Russia, Spain and the United Kingdom, yet no observational investigations of their effect on organizations have been created.

2.3 HYPOTHESES

H1 There is relationship Structure significantly influences performance capability

TSMEs should be versatile and creative, follow conventional lifestyle driven approaches and be unwilling to change. It has been proposed that creativity capacity is a multi-faceted construction. It is difficult to explicitly concise innovation power, as it is difficult to do with intangibles in general, but it may be done by finding characteristics that are strongly connected to it. Potential aspects in novation may also be thought of as inputs to innovation efforts. Inputs are resources committed to the generation of innovations, according to Davila et al. (2006). The resources can be both material and intangible, such as people, money, time, and equipment, as well as motivation, knowledge, and corporate culture. The latest advancements highlighted the importance of agency costs (Jensen and Meckling, 1976; Myers, 1977; Harris and Raviv, 1990), signalling (Ross, 1977), and adverse selection (Myers and Majluf, 1984; Myers, 1984) as factors of a firm 's capital structure and the funding decisions of its lenders. Some researchers, however, have pointed out that the theoretical implications of capital structure may also be applied in the context of a small firm. Ang (1991), Holmes and Kent (1991), and Cosh and Hughes (1994), for example, have underlined the ease with which the pecking order theory may be used in small and medium-sized businesses.

H2 There is relationship Culture significantly influences performance capability

Organizational culture has a profound effect on the potential of a community or an institution for innovation. The possession of positive cultural features gives the company the requisite ingredients for innovation (Ahmed 1998). There are different factors in culture that may help to strengthen or hinder the tendency to innovate. Organizational innovation literature stresses the importance of culture as a significant determinant of the success of innovation (Çakar 2006; Herbig and Dunphy 1998; Branen 1991; Feldman 1988). Exploration (Hofstede 2001; Shane 1992) has indicated that nations with low force distances are bound to improve. Because of incorporated position, totalitarian initiative, and numerous progressive levels, the development limit of powerful associations is required to be exceptionally frail (Hofstede 1991). Lower paces of advancement appropriation have been discovered to be related with elevated levels of centralization and formalization (Waarts and van Everdingen 2005).

Imaginativeness is bound to happen at a low force distance and a less regulatory climate, since administrative noise decreases innovative movement. Associations with a powerful distance rating will in general have more standards and cycles-based control frameworks that restrain innovativeness and imagination (Herbig and Dunphy 1998).

H3 There is relationship Human Resources influences performance capability

Firms ought to satisfy the requests for advancement to make new requirements for the market, meet the market and envision improvements in innovation. Cooper (2011) clarified that organizations ought to have the option to broaden a daily existence pattern of its items or to make something new with development. Firms likewise need to advance to endure and develop and furthermore to dominate just as altogether affecting industry heading (Davila et al 2006; Trott 2008; Crossan and Apaydin, 2010). Skarzynski and Gibson (2008) revealed that in order to have a good advancement execution, the company must have the ability to grow.Davila et al (2006) made a similar evaluation, stating that companies must establish advancement capabilities based on the positive conduct, talent, and inspiration of administrative positions and workers in order to achieve satisfactory growth.Lawson and Samson (2001) defined advancement capability as a company's ability to transform ideas and information into new products and cycles that benefit the company and its partners.

H4 There is relationship System significantly influences performance capability

An administration framework intended to oversee advancement should address the whole development measure and not just the nature of the R&D division. SIMSs rules plan to expand on this agreement by overseeing development measures efficiently and deliberately that happen inside R&D divisions, yet additionally in any remaining offices (Mir and Casadesús, 2011a,b). This training is likewise perceived to furnish organizations with association, control and the executives' frameworks (Pellicer et al., 2008) that profit by clear objectives, assigned assets and key ways to deal with decreasing intrinsic vulnerabilities during the underlying phases of development. Systemization of advancement ought to be sought after through the cycle of the board (Pellicer et al., 2010). SIMSs structures give norms to dealing with the development cycle (Pellicer et al., 2008) that can be incorporated into other administration frameworks due to their comparable structure (Pellicer et al., 2008; Law, 2010; Mir and Casadesús, 2011a,b; Mir and Bernardo, 2012). SIMS is an administration framework given to deal with the advancement cycle all the more proficiently, it is obvious that it might

prompt quicker flexibility. Nonetheless, the value of SIMSs structures and the advantages that these frameworks give are comparable to inventive capacity and business performance. Dynamic Capabilities that can be characterized as association capacities to coordinate, learn and reconfigure inward and outside assets (Teece et al., 1997) were demonstrated to be considered as inert capacities or aptitudes (Helfat et al., 2007; Teece, 2007). Likewise, advancement of executives prompts developments in new items, administrations and cycles just as prevalent business performance results.

2.4 THEORETICAL FRAMEWORK

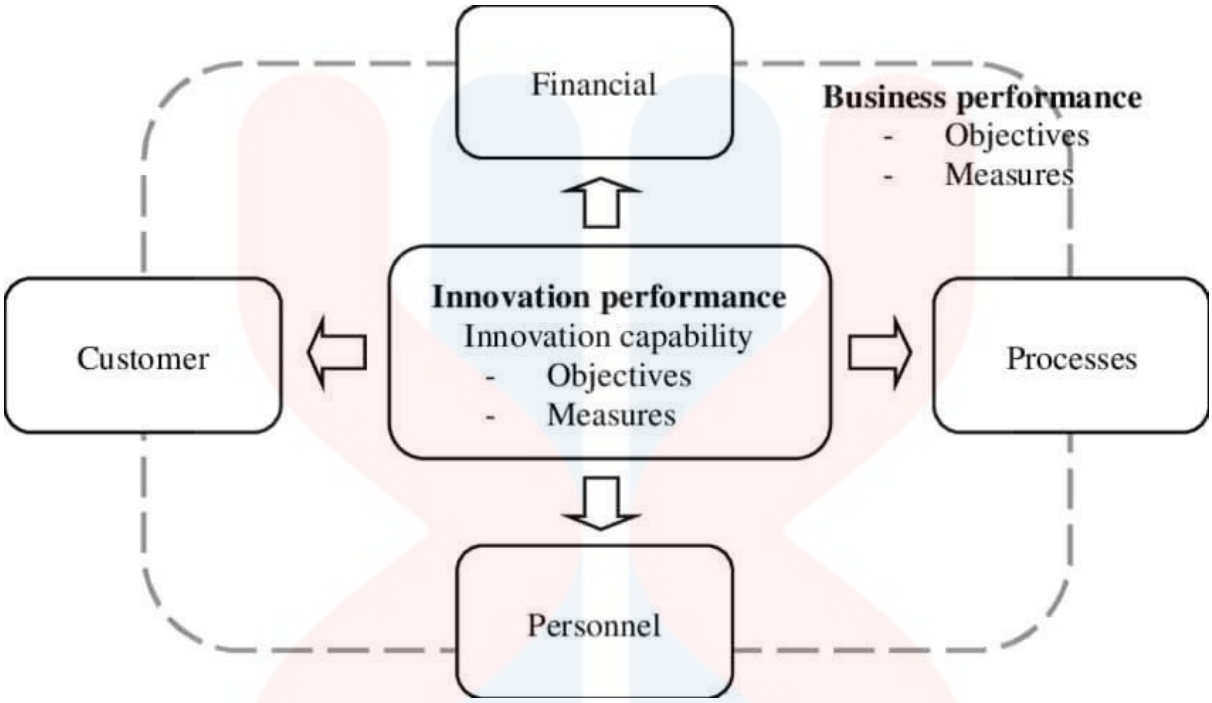


Diagram 1: Innovation Performance (Saunila Minna, Ukko Juhani, 2012)

Author , title and publication	findings	objective	methodology
Saunila Minna, Ukko Juhani *A Conceptual Framework For The Measurement Of Innovation Capability And Its Effects* (2012)	The paper explains the idea of capacity for innovation and provides a method for performance assessment for assessing capacity for innovation and its impact. In light of this, a conceptual framework is provided with five perspectives for assessing the relationship between potential for creativity and business efficiency. The relationship between an organization's creative potential and its business performance is shown.	The aim of the research is to debunk the concept of innovation capability and show how the two are related. It is possible to develop capability and measure performance.	The analysis is focusing on previously published research on innovation capabilities and performance measurement., as well as a comparison of the two to determine how innovation capability assessment should be arranged.

2.5 CONCEPTUAL FRAMEWORK

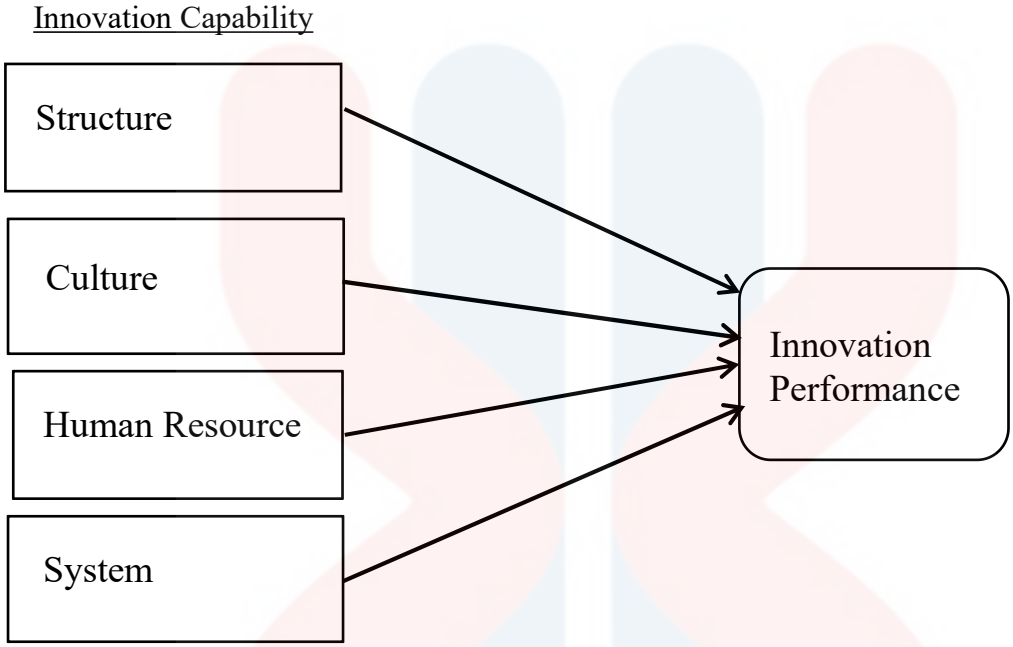


Diagram 2: Framework of Innovation Performance

The study concentrating on the development execution relationship gives a positive evaluation of bigger advancement bringing about expanded corporate execution (Gunday et al., 2011). Be that as it may, in the connection between development capacity and effectiveness, there is an absence of studies looking at the directing effect of estimation. The positive effects of estimation have likewise been investigated previously, yet the examinations generally focus just on the constructive outcomes of estimation(Saunila et al., 2014).

Innovative is a significant component of an association's exhibition (Calantone et al., 2002; Hult et al., 2004). In this manner, authoritative execution can be improved through specialized and regulatory advancement other than different variables (Lloréns Montes et al., 2005). Past examination has contemplated the impacts of developments and imaginative on hierarchical execution (c.f., Calantone et al., 2002; Cainelli et al., 2004; Keskin, 2006; Bowen et al., 2010; Rheea et al., 2010; Gunday et al., 2011; Jiménez-Jiménez and Sanz-Valle, 2011). Advancing firms have been found to have more significant levels of efficiency and financial development than non-enhancing firms (Cainelli et al., 2004).

According to the literature, the framework encourages innovation by allowing engagement and retention across departments and units. The study describes a typical example in which the organizational framework of the matrix was realized to help harness the innovation potential of the organization. The research aims to find out whether creativity is assisted by a newly developed matrix structure. (Saunila et al., 2014). fitting hierarchical structures for development exercises. The network infrastructure is often regarded as appropriate for development activities, since it aims to capture both the practicality and specialty of a practical organisation, as well as the customer focus and adaptability of a multi-divisional organisation (Saunila et al., 2014).

Organizational culture is built at the basic level as an example of common management principles, values, and assumptions (House et al. 2002; Schein 1992). In addition, a significant factor discussed by some researchers is cultural consistency and coherence between organizations and the community within which they work (Aycan et al. 2000; Aycan, Kanungo, and Sinha 1999). The cultural fit model suggested by those researchers indicates that through the mediation of internal organizational culture, social values influence organizational activities. The model therefore argues that the culture of organization is ultimately affected by the culture of society.

Culture has a surreal effect on the capacity of a society or an organization to innovate. The possession of positive cultural features gives the company the requisite ingredients for innovation (Ahmed 1998). There are different factors in culture that may help to strengthen or hinder the tendency to innovate. The organizational innovation literature stresses the important of culture as a significant component in the success of innovation (Çakar 2006; Herbig and Dunphy 1998; Branen 1991; Feldman 1988).

Human factors include individuals and social practices as fixings in authoritative achievement, Henri (2006) shows that the intuitive estimation cultivates company's direction toward market prerequisites. Numerous analysts who are keen on the subject of development characterized it for the most part in comparative manners in spite of some minor contrasts. Gopalakrishnan and Damanpour characterized development as projects, strategies, frameworks, gear, administration, item, and conduct or thought which is recently adjusted to association (Shanthi and Fariborz, 2000: 15). Advancement speaks to the improvement of an altogether new item, administration classification, or creation framework, where information experience is restricted (Damanpour, 1988; Wolfe, 1994; Christensen and Raynor, 2003). Wang, et al., communicates that advancement is adroitly a cycle that starts with an original

thought and closes with the market. In this investigation we utilize the term advancement extensively that incorporates the improvement of items, projects or benefits and furthermore a cycle including various stages. As such development can be (Lopez- - 486). The vast majority of the scientists and experts consider development as a positive and beneficial change however then again, a troublesome errand to prevail since it includes individuals, cycle and innovation. It is a generally acknowledged thought that, if firms wish to expand their degree of advancement, they ought to perceive the estimation of their representatives as generators of thoughts. Asset Based View recommends that basic authoritative abilities regularly are implanted in HR, which incorporates people's non-classified assemblage of mastery and aptitudes amassed through experience, as are exceptionally uncommon and hard for contenders to emulate (Wei and Lou, 2005: 1902). Their uniqueness rises up out of the trouble in duplicate information, capacities, experience and conduct totally. HRM practices, strategies and frameworks can upgrade inventive and creative practices of people by Santana, and Sierra, 2010; Lopez-Cabrales - Cabrera, 2009; Ishak, Eze and Ling; 2010). Along these lines, directors should perceive the test of creating and actualizing HRM rehearses that favor the cycle by making the right setting for people to feel propelled and focused on learning, and articulating and sharing the information that they have obtained with others, with the expectation of applying it to the formation of new items and cycles (Perez et al, 2010; 1652).

In an organisation, a system is a set of actions organised as a sequence of stages to achieve a certain objective. Each company has a variety of processes, ranging from the fundamental – how to sort and distribute mail – to the more complicated – how to onboard and train a new employee. The innovation measure is viewed as a basic corporate cycle (Matias and Coelho, 2011) that must be overseen appropriately to benefit from it. Standardized Innovation Management Systems can now be used to monitor progress (SIMSs). These frameworks, which have as of late showed up on the development scene, are sets of guidelines intended to assist organizations with exploring the mind-boggling cycle of advancement, arrange their exercises and upgrade productivity of its administration. Prior to the new rise of SIMSs, no particular norm for dealing with the corporate advancement measure was accessible. The establishment of Total Quality Management (TQM) frameworks, which are still widely used today, was commonly employed to overcome this shortage of assets. (Kanji, 1996), or the ISO 9001 quality management standard. At the authoritative level, a few precise studies have revealed a crucial beneficial relationship among Quality management, quality, and development (Prajogo and Sohal, 2003).

2.7 SUMMARY

This chapter has discussed Tourism SME and the impacts of developments and ingenuity on hierarchical execution. Structure, culture, human resource and system as autonomous variable and development execution as reliant variable. This chapter discussed the relationship between these two and the effect toward tourism SME.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discussed the process of data collection and data analysis. This chapter covers research design, target population, sample size, sampling method, data collection, research instrument and data analysis.

3.2 RESEARCH DESIGN

In actuality, the study design was a master plan that included the methodologies and processes for gathering and interpreting the data (Zikmund, 2003). The goal is to make sure that the information gathered is relevant to the problem's solution (Zikmund, 2003). According to Cooper and Emory (1995), the study design serves three functions. To begin, it lays out a thorough approach for selecting sources and categories of information that may be utilized to address the main research question. Second, the study design clarified the link between the variables being studied. Finally, it was utilized to debate and understand the creation of hypotheses and recommendations, as well as data analysis.

There are two methods of collecting data, which are quantitative and qualitative. Quantitative research design produces statistics using methods such as questionnaire or structured interviews meanwhile qualitative research design investigates behavior, attitudes and experiences through methods such as interviews or focus groups.

The research design was a quantitative method. Data can be collected in a variety of ways using quantitative research methods, For example, online surveys, and questionnaires with Google forms, manual paper surveys, face-to-face interviews, phone calls, website browsers or online surveys. Quantitative methods is an approach to testing the objective theory by examining relationships between variables (Creswell, 2014).

3.3 TARGET POPULATION

A population is a group of subjects, variables, concepts or phenomena. Population can be determined by nature using the question (Morissan, 2012). The population will be a generalized area of research result (Mulyatiningsih, 2011). The population of this research is the Tourism Small Medium Enterprise (TSME) in Kelantan.

Researchers choose Kelantan because they want to measure the link between innovation capabilities and innovation performance in TSME. Kelantan holds 5.1 % from SMEs in Malaysia which is 46260 entrepreneurs.

3.4 SAMPLE SIZE

Sample size is the subset of population (Kumar, 2013).The interpretation gathered from a population may be characterized as sample size. The sample size is used in market research to calculate the number of persons who should be included in a sample. Using the proper sample size is critical when statistically studying a significant result (Qualtrics, 2019). The sample of this study is the TSME is involved in travel agencies, food and beverage, accommodation, transportation and others that are related to tourism. Refer to the sample size table by Krejcie & Morgan (1970, as the population of TSME Kelantan 46260, the sample used by the researcher is 381. From the data collection, the sample size of this study is 102 TSME Kelantan as our respondents.

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size.
S is sample size.

Figure 3.1: Table for Determining Sample Size from a Given Population

(Source: Kejcie and Morgan, 1970)

3.5 SAMPLE METHOD

Sampling is the procedure of choosing an adequate amount of rudiments from the population (Kumar, 2013). In the process of sampling, the researcher are selecting some elements of the population as the subjects of the sample. The sampling method can be categorized in two types which are probability sampling and non-probability sampling.

In this study, the researcher selected probability sampling techniques which are simple random sampling. The sample is drawn from the target population which is Tourism Small Medium Entrepreneurs in Kelantan that every of them have an opportunity to be selected.

3.6 DATA COLLECTION

Data collection might collect from primary data or secondary data. Primary data research entails gathering information from actual sources, such as consumers, users, or other entities involved in the research, for the purpose of the study at hand. The primary data collected through the questionnaires. The questionnaire was designed by using Google form and shared through social media which is WhatsApp, Instagram, Telegram and Facebook to reach the target population. The questionnaire answering session is conducted through online due to the Covid-19 that hit the world right now. Questionnaire used to measure the innovation performance, human resource, culture, system and structure. As a result of the rapid growth of social media, the researcher could share the Google Form and get the respondents from Kelantan.

Researcher also use secondary data. Secondary data research involves any information from published sources which has been specifically collected for the current research problem. Researcher use the website, books, previous study and journals to support the research.

3.7 RESEARCH INSTRUMENT

Research instrument are tools for assessing such as questionnaires, test or scales that are developed to assist researchers get the data on the topic of importance from research subjects. Depending on the nature of the research, studies used a variety of measurement methods, such as surveys, case studies, and questionnaires (Umoh, 2019).

The questionnaire in this research was separated into three sections where it was Section A, Section B and Section C. Section A covered the business profile that included demographic segmentation. Demographic segmentation is the area of organization, types of

business ownership, income, and number of workers, main activity and length of services. Section B focused on the innovation performance and Section C focused on innovation capabilities such as human resources, culture, system and structure in TSME Kelantan.

The 5-Likert Scale being used in this study because the reactions are effectively quantifiable and abstract to calculation of some scientific investigation. The researcher will use a five-point ranging from strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5). The researcher distributed the questionnaire among Tourism SME in Kelantan.

3.7.1 PILOT STUDY

Before completing the final questionnaire, a pilot test will be undertaken to detect any flaws in the questionnaire, such as unclear and confusing questions. It enables researchers to identify and address a wide range of potential difficulties that may develop throughout the questionnaire development process, and to fix them before the final questionnaire is administered.

In this study, 25 surveys were presented to students at University Malaysia Kelantan, and the responses were utilized to improve the questions' specificity. Following the completion of the questionnaire collection, a reliability test was conducted using SPSS Statistic 26. Cronbach's Alpha is the most often used reliability measurement method for determining a scale's intrinsic accuracy. Cronbach's Alpha is the value of the cumulative reliability coefficient calculated from standardized items in a study. The reliability of Cronbach's Alpha for the variables is shown in Table 4.3.1.

Table 3.8.1 : Results of reliability Cronbach's Alpha for the variables.

Variables	Cronbach's Alpha	Number of Items	N
Innovation Performance	0.859	5	25
Innovation Capability of Structure	0.786	5	25
Innovation Capability of Culture	0.808	5	25
Innovation Capability of Human Resource	0.707	5	25
Innovation Capability of System	0.728	5	25
Overall Variable	1.962	5	25

Table 3.8.1 shows the questionnaire's internal consistency was good to outstanding, with Cronbach's Alpha ratings ranging from (0.8) to (0.9). (0.9). Cronbach's Alpha reliability was used to examine a large number of factors. First is the dependent variable which is Innovation Performance found to be excellent (7 items; $\alpha = 0.9$). Next is independent variables. The independent variables which are Innovation Capability of Structure and Culture are found to be excellent (7 items; $\alpha = 0.9$). The last independent variable is Innovation Capability of Human Resource and System found to be good with (7 items; $\alpha = 0.8$). All the variables have seven (7) items as the current Cronbach's Alpha result is already above the acceptable level.

3.8 DATA ANALYSIS

In the end of the studies, the researchers use Statistical Package for the Social Sciences (SPSS) to analyses the collected data. The Statistical Package for the Social Sciences (SPSS) is statistical analysis software that is meant to be interactive or batch. This programme is one of the most well-known statistical tools, capable of presenting complex data manipulation and testing in a straightforward manner. Meanwhile, it is user friendly software. The Statistical Package for the Social Sciences (SPSS) could take nearly any type of data and turn it into tabulated reports with graphs and plots of distribution. The data is analysed using Pearson Correlation Coefficient analysis. One of the most important analyses

that can assess the strength of the linear relationship between the independent variables (IV) and the dependent variable is the Pearson Correlation Coefficient analysis (DV). This analysis is to identify if the correlations exist between the independent variables (IV), which are human resource, culture, system and structure and dependent variable (DV) which is innovation performance in Tourism SMEs in Kelantan.

3.9 CONCLUSION

It was possible to interpret the data and then fulfill the objective of study by carrying the above-mentioned analysis. It will provide producers and policy makers with some useful feedback as a way to find ways to boost their companies. It can also enable SMEs in tourism to strengthen their current competitive positivity and to be more equipped to meet foreign market challenges. The findings can provide policy makers with awareness of how to develop their services to help tourism SMEs become more competitive.

CHAPTER 4

4.1 INTRODUCTION

The descriptive analysis, usability evaluation, inferential analysis, and study purpose will all be covered in this chapter. The study questions will be interpreted and answered in each report. To help the interpretation of the result, tables and graphs are used. The demographic profile of the respondents will be defined using descriptive analysis. The Cronbach's Alpha methodology would be used for the reliability test since it is necessary to determine if the samples obtained are true and accurate. Inferential tests, on the other hand, are rarely used to determine how the survey data impacts the independent and dependent variables.

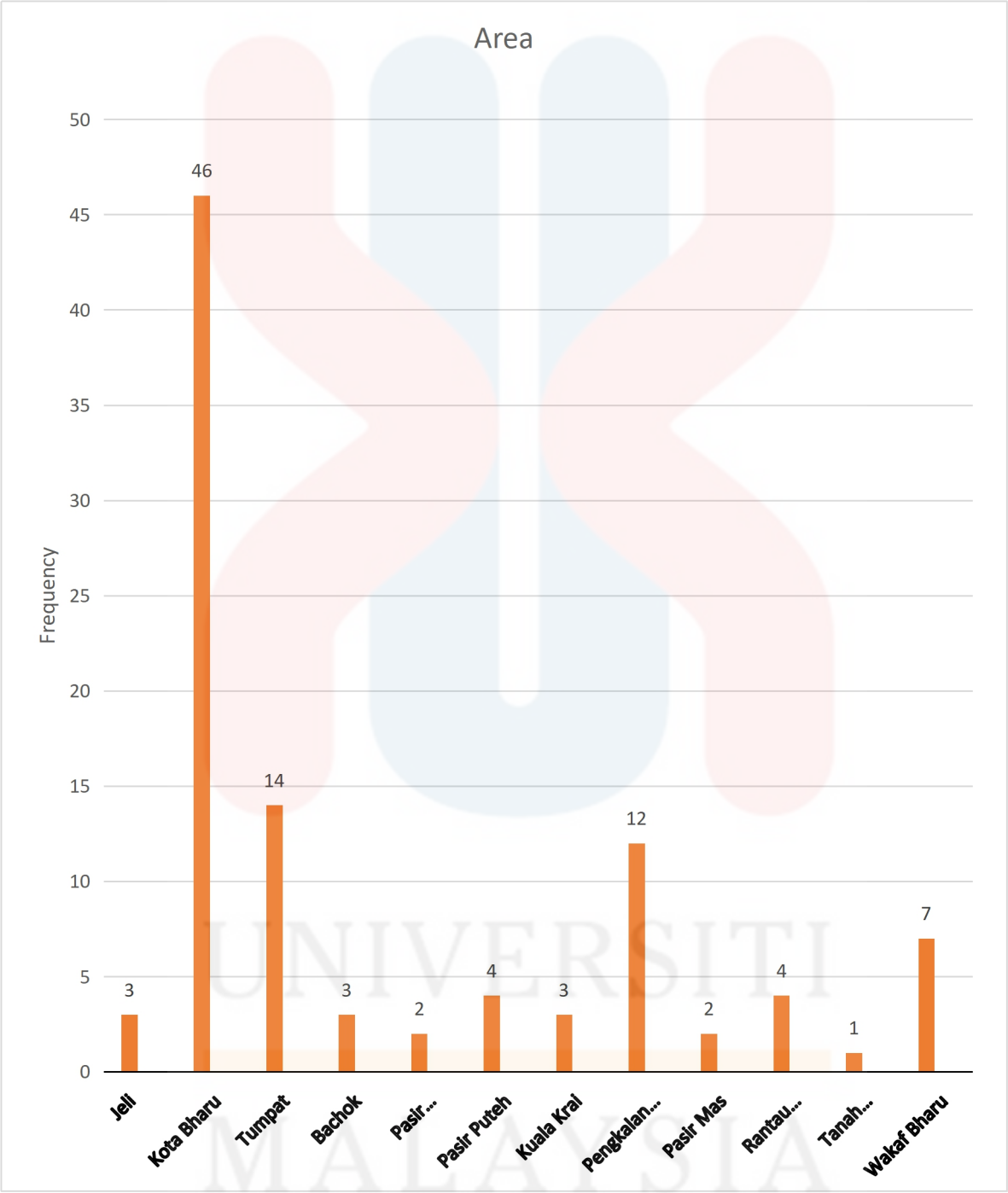
4.2 RESULT OF DESCRIPTIVE ANALYSIS

Descriptive statistics are used to describe the fundamental characteristics of a study's results. It's also known as a summary statistic because it quantitatively describes or outlines the key characteristics of a set of results. A detailed analysis was conducted for context information summaries in respondents' demographic profiles based on the data collected from the 102 respondents in Section A.

4.2.1 Area

Table 4.1 shows the area distribution of 102 respondents collected from the data collection.

Area	Frequency (n)	Percentage (%)
Kota Bharu	46	45.5
Tumpat	14	14.0
Bachok	3	2.97
Pasir Tumboh	2	2.0
Pasir Puteh	4	4.0
Kuala Krai	3	3.0
Pengkalan Chepa	12	12.0
Pasir Mas	2	2.0
Rantau Panjang	4	4.0
Tanah Merah	2	1.9
Wakaf Bharu	7	7.0
Total	102	100.0



Based on Figure 4.1 above, the graph shows the area distribution of 102 respondents. Kota Bharu is clearly shown the highest number of respondents in Kelantan with frequency 123 at 32.4 percent. Tumpat and Pengkalan Chepa show slight differences between respondents where Tumpat frequency is n=14 (14.0 percent) and Pengkalan Chepa frequency

12 at 12.0 percent. The following area is Kota Bharu where the frequency is 46 at 45.5 percent then followed by Wakaf Bharu n=7 and 7.0%. The third number from the bottom is Pasir Puteh and Rantau Panjang where the frequency of respondents is 4 at 4.0 percent. The second last lowest is Jeli, Bachok and Kuala Krai n=3, 3.0 percent. The lowest area of respondents is Pasir Tumboh and Paisr Mas, n=2 2.0 percent.

The fact that Kota Bharu has the most respondents is due to the fact that it is a fast-growing region and city with many tourism-related SMEs. As a result, Kota Bharu residents are eligible to participate in our survey.

4.2.2 Number of Employees

Table 4.2 shows the number of employees in TSME based on the total of 102 respondents collected from the data collection.

	Frequency (n)	**Percent (%)**
Less than 5	20	19.8
5 until 20	36	35.6
21 until 50	43	42.6
100	1	1.0
Others	2	1.9
Total	102	100.0

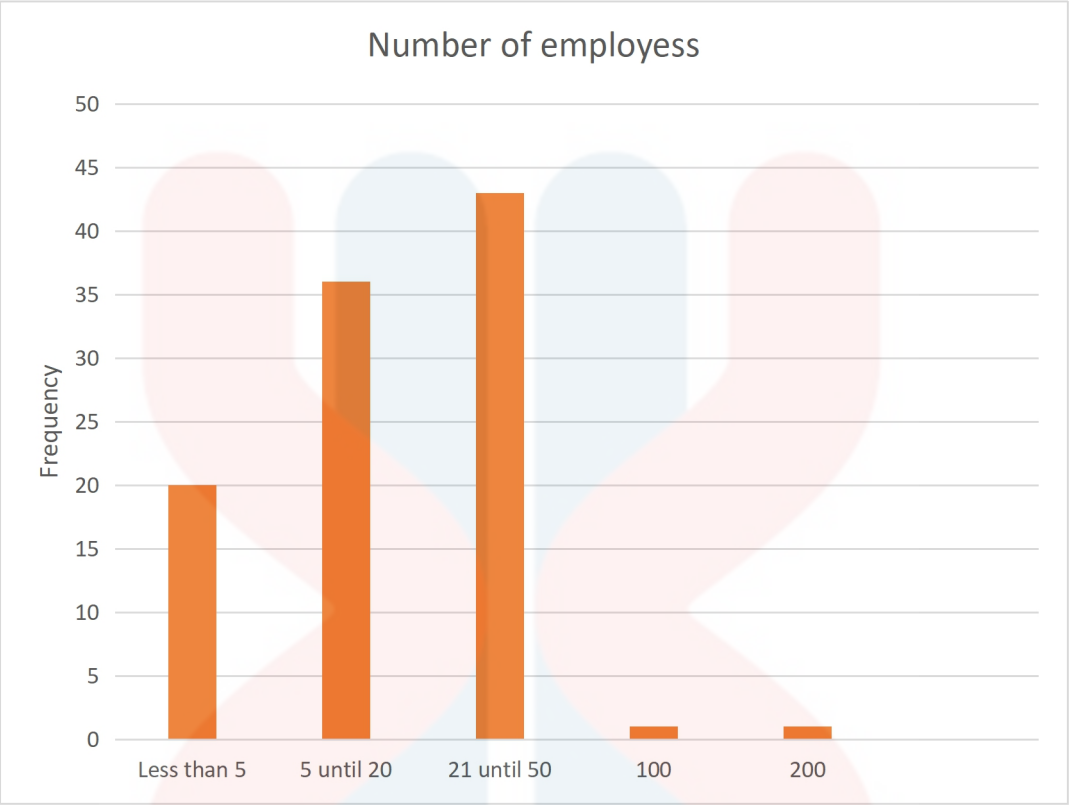


Figure 4.2: The Number of Employees

Figure 4.2 shows the number of employees in TSME, collected from 102 respondent data collections. The highest frequency was 21 until 50 employees of which 42.6% was 43 frequency. The second-highest number followed was 5 until 20 employees were 35.6% and frequency 36. The third highest was Less than 5 employees at 19.8% and a frequency of 20. The lowest number of employees was 100 and 200 employees at 1.0% and a frequency of 1.

4.2.3 Company's Total Revenue

Table 4.3 shows the total revenue from the last year of finance from the 102 respondents collected from the data collection.

	Frequency (n)	Percent (%)
RM0 – RM20,000	17	16.8
RM20,001 - RM100,000	6	5.8
RM100,001 – RM300,000	34	33.7
RM500,001 – RM1,000,000	26	25.7
RM1,000,001 – RM20,000,000	19	18.8
Total	102	100.0

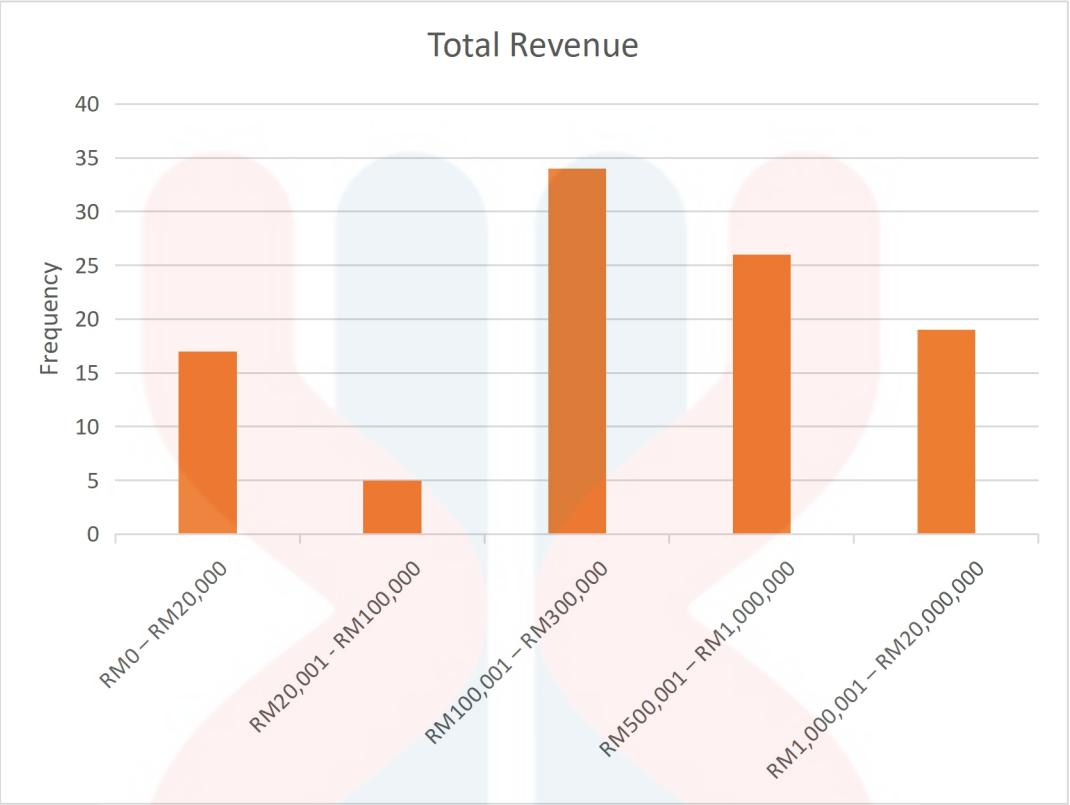


Figure 4.3 above shows the frequency of total revenue from the last year of finance of the respondents. The highest total revenue collected from the data collection is RM100,001–RM300,000, the frequency is 34 (33.7%). The second and third highest are slightly different where the second is RM 500,001-RM 1,000,000 where the frequency is n=26 (25.7%) and the third is RM1,000,001-RM20,000,000 (n=19)(18.8%). The second lowest of total revenue is RM20,002-RM100,000 where the frequency is 5 (4.9%). The lowest total revenue is RM0-RM20,000 the frequency is 5 (4.8%).

4.2.4 Registration Status Of TSME Owned Business

Table 4.4 shows the registration status of TSME owned business with a total of 102 respondents collected from the data collection.

	Frequency (n)	Percent (%)
Sole Proprietorship	60	59.4
Private Limited Company	8	7.9
Partnership	32	31.7
others	2	1.9
Total	102	100.0

The graph in Figure 4.4 shows the registration status of TSME owned business . The highest percentage is 59.4% (n = 60) which is sole proprietorship. The second highest is partnership where the percentage is 31.7% (n = 32). Then followed by private limited company (7.9%) which is 8 frequency.

4.2.5 Company's main activity

Table 4.5 shows the company's main activity distribution of a total of 102 respondents collected from the data collection.

	Frequency	Percent
Accommodation	18	17.8
Travel agency	38	37.6
Transportation	13	12.9
Food & beverage	32	31.7
Total	102	100.0

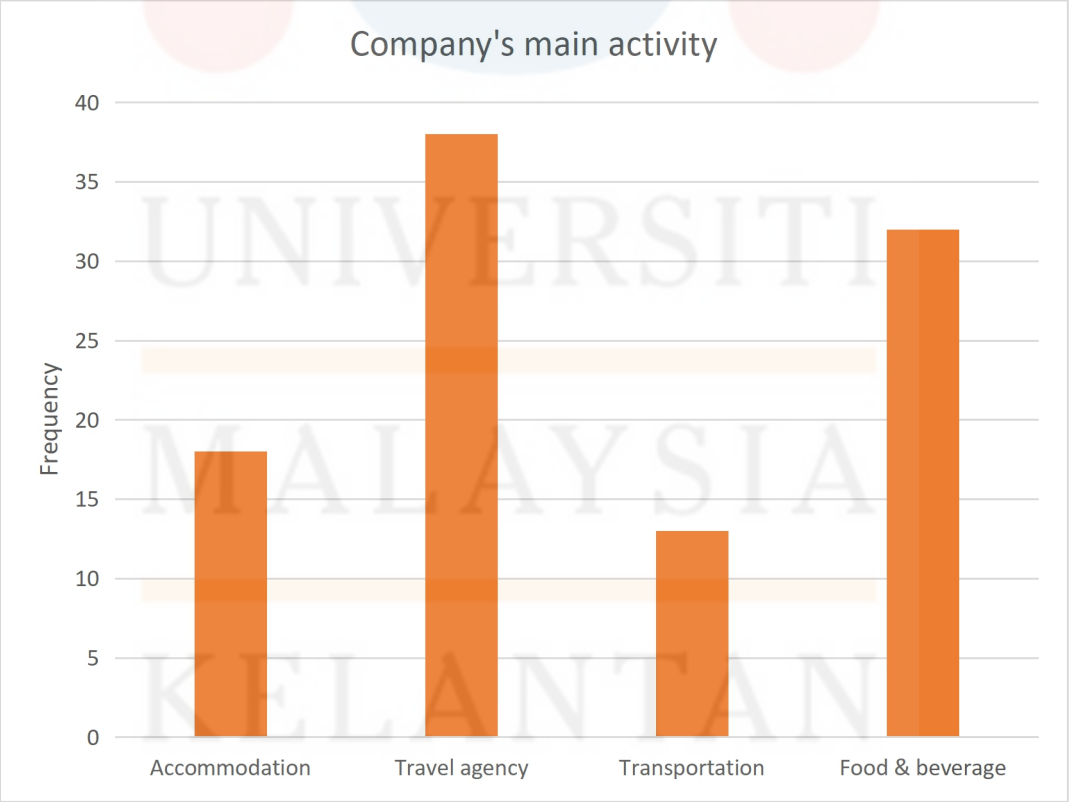


Figure 4.5 shows the frequency of main activities performed by a TSME collected from 102 data collection respondents. The highest frequency and percentage is Travel agency where n = 38 37.6%. Others are slightly different with food & beverage, which is n 32 and 31.7%. For accommodation and transportation there are 2 frequency differences namely n = 18 (17.8%), n = 13 (12.9%).

4.3 RESULT OF RELIABILITY TEST

Reliability is a metric for determining the measure's internal consistency, which is concerned with the measure's homogeneity. When many efforts at measuring something yield the same result, a measure is called dependable (Zikmund et al, 2013). Cronbach's Alpha is a frequently used approach for assessing the internal consistency of multiple-item scales by measuring the dependability of the variables. The alpha coefficient varies from 0 to 1, with 0 suggesting no consistency and 1 indicating maximum consistency (Zikmund et al, 2013). Reliabilities smaller than 0.60 are called low reliability, those over 0.60 and in the region of 0.70 are considered satisfactory, and those above 0.80 are considered good reliability. The Coefficient of Cronbach's Alpha of more than 0.70 will be included in the study. The higher the Cronbach's Alpha value, which should be close to 1, the more reliable the internal consistency is.

4.4 RESULT OF INFERENTIAL ANALYSIS

4.4.1 Univariate analysis

The findings of the univariate analysis done on the items for each variable are shown in this part as a frequency distribution, mean, and standard deviation. All of the Independent Variables were assessed using a five-point Likert scale with the following values: Strongly Disagree (SD), Disagree (D), Moderate (M), Agree (A), and Strongly Agree (SA) (SA). The mean and standard deviation for sections B and C of the questionnaires were examined in this study.

4.4.1.1 Innovation Performance

No	Item Description	N	Mean	Standard Deviation
1	Over the past 3 years, the company's trading volume has increased as a result of innovation.	102	4.78	.480
2	Over the past 3 years, the company's profit margins have increased as a result of innovation.	102	4.75	.460
3	Over the past 3 years, the business has been able to reduce operating costs as a result of innovation	102	4.71	.573
4	Over the past three years, the business has introduced many products as a result of innovation	102	4.74	.544
5	Over the past 3 years, the business has been able to increase the impact revenue from innovation	102	4.76	.470

Table 4.4.1.1 shows the mean and standard deviation analysis on the independent variable which is innovation performance. Based on the table, the highest mean value is item 1 which was 4.80, whereby respondents agreed that Over the past 3 years, the company's trading volume has increased as a result of innovation. The lowest mean value is item 3 which is 4.71 where the respondent slightly agreed Over the past 3 years, the company has been able to reduce operating costs as a result of innovation. For the data set from 102 respondents with the standard deviation most of the values lower than 1, it indicated the values close to mean.

4.4.1.2 Innovation Capability of structure

No	Item Description	N	Mean	Standard Deviation
1	We conduct our business in a typical manner, with hierarchical structure	102	4.81	.439
2	We conduct our business in a typical manner, with hierarchical structure. It is necessary to construct an organisational framework	102	4.75	.455
3	My company's system is well-organized (financial department, production department and etc.)	102	4.72	.490
4	My company's creative operations are greatly supported by a well-organized corporate structure	102	4.73	.492
5	My business has straightforward hierarchical structure	102	4.76	.449

Table 4.4.1.2 shows the mean and standard deviation analysis on the independent variable which is structure. Based on the table, the highest mean value is item 1 which was 4.81, whereby respondents agreed that the company's conduct their business in a typical manner, with no hierarchical structure. The lowest mean value is item 3 which is 4.72 where the respondent slightly agreed the company system is well-organized (financial department, production department nd etc) . For the data set from 102 respondents with the standard deviation most of the values lower than 1, it indicated the values close to mean.

4.4.1.3 Innovation capability of System

No	Item Description	N	Mean	Standard Deviation
1	My company runs a business that has system?	102	4.80	.423
2	My company has a business system that is too weak to generate ideas for innovation?	102	4.80	.399
3	My company only innovates business systems based on customer requirements?	102	4.75	.460
4	Reverse engineering (buying a competitor product to understand the characteristics of the innovation used) is used in my company?	102	4.73	.467
5	My company is constantly upgrading the business system according to a set timeline?	102	4.80	.423

Table 4.4.1.3 shows the mean and standard deviation analysis of respondents on the independent variable which is the system. Based on the table, item 1, 2, and 3 scores the highest mean value, which was 4.80, where the respondents not agreed the organization is has system .The lowest mean item 4, with the mean value of 4.73, where the respondent somewhat agreed that organization is Reverse engineering (buying a competitor product to understand the characteristics of the innovation used) is used in their company. From the data set from 102 respondents with the standard deviation most of the values which were lower than 1, indicated the values close to mean.

4.4.1.4 Innovation Capability of Human Resource

No	Item Description	N	Mean	Standard Deviation
1	I expect my employees to innovate?	102	4.89	.342
2	I encourage employees from other companies to join together to spark more innovative ideas?	102	4.78	.413
3	I have an innovative workforce?	102	4.80	.508
4	I don't have many employees to create an environment of an innovation?	102	4.74	.486
5	My company is looking for new employees who are innovative and able to develop the country towards innovation?	102	4.84	.392

Table 4.4.1.4 shows the mean and standard deviation analysis on the independent variable which is networking. Based on the table, the highest mean value is item 1 which was 4.89, whereby respondents agreed that their employees to innovate. The lowest mean value are item 3 which is 4.80, where the respondent slightly agreed that many an innovative workforce. For the data set from 102 respondents with the standard deviation most of the values lower than 1, it indicated the values close to mean

4.4.1.5 Innovation Capability of Culture

No	Item Description	N	Mean	Standard Deviation
1	My company does not bother about innovation activities	102	4.89	.345
2	My company will think twice (several considerations) before innovate	102	4.74	.465
3	My company will tolerate with unsuccessful innovation	102	4.80	.423
4	There is a reward system for innovation effort	102	4.83	.400
5	The Company expect employee to innovate.	102	4.82	.383

Table 4.4.1.5 shows the mean and standard deviation analysis on the independent variable which is networking. Based on the table, the highest mean value is item 1 which was 4.89, whereby respondents agreed that their company does not bother about innovation activities. The lowest mean value are item 2 which is 4.74, where the respondent slightly agreed that the company will think twice (several considerations) before innovate. For the data set from 102 respondents with the standard deviation most of the values lower than 1, it indicated the values close to mean.

4.4.2 Pearson Correlation Analysis

One of the most essential analyses is the Pearson Correlation Coefficient analysis, which assesses the ability of the linear relationship between the dependent variables (DV) and independent variables (IV) (IV). The purpose of this study is to see if there's a link between the dependent variables (innovation performance) and the independent factors (Innovation Capability: structure, culture, system, and human resource). If the researchers find a connection, they must identify the frequency and direction of the association between the variables. As a result, the strength of the linkage decides whether or not the link is acceptable.

Size correlation	Interpretation
0.90 to 1.0 (-0.90 to 1.0)	Very high positive (negative) correlation
0.70 to 0.90 (-0.70 to -0.90)	High positive (negative) correlation
0.50 to 0.70 (-0.50 to -0.70)	Moderate positive (negative) correlation
-0.30 to 0.50 (-0.30 to -0.50)	Low positive (negative) correlation
0.00 to 0.30 (-0.00 to -0.30)	Negligible correlation

Table 4.4.2: Strength Interval of Correlation Coefficient

4.5 SUMMARY BASED ON RESEARCH OBJECTIVE

Table 4.6 shows the summary for hypothesis testing in this study.

Table 4.6: Hypotheses test

	Hypothesis	Pearson's Correlation Results
H_1	The relationship between structure and performance capability	0.547**
H_2	The relationship between culture and performance capability	0.526**
H_3	The relationship between human resource and performance capability	0.544**
H_4	The relationship between system and performance capability	0.520**

According to table 4.7, the direction of the relationship is a high positive between all the independent variables and performance capability. Structure, culture, human resource and system are positively correlated with performance capability. The respondents agreed that structure is good. Hence, the hypothesis is accepted. The first objective is to study the relationship between capability of structure and innovation performances among SMEs Tourism in Kelantan

The second independent variable relationship between culture and performance capability, also shown to be statistically significantly correlated with 0.526 innovation capability of culture indicated a high positive correlation on its correlation coefficient which the r value lies in-between the range of 0.70 to 0.90.

In terms of the last independent variable- relationship between human resource and performance capability, they were also statistically significantly correlated with 0.544 and Its correlation coefficient suggested a somewhat positive connection.

To sum up, all of the independent variables (innovation capability of structure, culture, human resource, and system) in conjunction with the dependent variable (innovation performance) all of the variables were statistically significantly associated. As a result, each increment or decrement on one of the variables has a substantial effect on the next variable at the same rate (increase or decrease).

4.6 SUMMARY

In short, this chapter discussed the result of the reliability test, the result of descriptive analysis, discussion based on research objective and the result of inferential.

CHAPTER 5

5.1 INTRODUCTION

In this chapter, the research discussed and explained the result shown in chapter 4. The conclusion was written in accordance with the problems raised in Chapter 2. Researchers also have discussed about the hypothesis test either the research hypothesis was accepted or rejected. This chapter also discussed the limitation researcher face during research conduct and conclusion of the result objective according to the research objective that presented in chapter 1.

5.2 RECAPITULATION OF THE FINDINGS

The chapter is about the research findings that relate in chapter 2. To find the determined factor innovation capabilities towards innovation performance in Smes Tourism in Kelantan is the main aim of this study. The objective of the relationship between factor innovation capabilities towards innovation performance is important in this research. The result regards the objectives shown in Table 5.1 and the results are significant for this research.

According to the findings of this study, the structure, culture, human resource, and system are all factors that influence innovation performance. It is corroborated by a previous research by Saunila Minna and Ukko Juhani (2012), who concur that innovation is carried out by all types of businesses, regardless of size, because it has been demonstrated that innovative firms have higher profits and market share.

Table 5.1: Hypothesis and the result

No	Hypothesis	Result
1	H1: There is a significant relationship between structure and innovation performance.	Supported
2	H2: There is a significant relationship between culture and innovation performance.	Supported
3	H3: There is a significant relationship between human resource and innovation performance.	Supported
4	H4: There is a significant relationship between system and innovation performance.	Supported

5.2.1. Structure

In the first sector analysis, researcher assume that there is a relationship between structure and innovation performance. Firstly, the researcher found a significant relationship between structure and innovation performance in SMEs Tourism in Kelantan. Structure is a multi-aspect development capacity that is being recommended. It is hardly expressly concertizing advancement ability, as intangible all in all, however it tends to be accomplished by recognizing measurements firmly identified with it. Most of the respondents agreed that structure influences innovation performance. Structures are highly positively correlated with innovation performance. Saunila Minna and Ukko Juhani (2012) also proved that there is a relationship between structure and innovation performance.

5.2.2 Culture

Other than that, culture also assumed a relationship with innovation performance. In the same study, culture has proven to be in relationship with innovation performance in SMEs Tourism in Kelantan. Organizational culture plays a role that oversees an association's activity and represents an upper hand for either individual or hierarchy level. Respondents think that culture gives a big impact to the innovation performance and makes them give an honest response through this study. Saunila Minna and Ukko Juhani (2012) also proved that there is a relationship between culture and innovation performance.

5.2.3 Human Resource

The human resource and the third objective is to investigate the relationship between human resources with innovation performance. Based on study, there is a significant relationship between human resource and innovation performance. The important role in an organization is human resource. Without the human resource the firm can be in chaos because of the uncertain role in developing, reinforcing and changing the culture of an organization. With the importance of human resource, respondents positively give a significance of relationship innovation performance. Saunila Minna and Ukko Juhani (2012) also proved that there is a relationship between human resource and innovation performance.

5.2.4 System

Lastly, systems also have a certain relationship with innovation performance. Based on research, there is a significant relationship between innovation performances. The respondents agree that systems play a role in innovation performance in their firms. A system is a well-organized collection of elements that work together to achieve a common objective. System has various inputs to process a certain output in an organisation to accomplish goals desired. Saunila Minna and Ukko Juhani (2012) also demonstrated that there is a link between systems and innovation performance.

5.3 LIMITATIONS

The researcher was always aware that their study has some limitations. The first limitation is the field of approach respondents. Due to arise case Covid-19 in Kelantan, government have implemented Movement-Control Order (MCO) 2.0 in order to prevent disease from spreading. Many of company have to work from home and the limit of worker limited due to the capacity of workplace. This pandemic caused the researcher cannot carried the study through face to face or physically. The questionnaire was spread using Google form through social media like What Apps, Instagram, Facebook and others.

Other than that, spreading the questionnaire through Google form is quite inconvenient since the population size of Kelantan also quite large for the researcher to reach the respondent and the data collection takes a lot of time to reach the target respondents needed.

The process of the research being going through online due to the pandemic. All the activities that researchers need to do together must by online and the internet connection in

some of researcher place not strong enough to support. Researcher also have limited sources to use during the study conducted. That caused the interruption during the research.

5.4 RECOMMENDATION

The study's first suggestion is that the researchers do further studies on creativity capability and its effect on SMEs. Researchers need to do more research on this subject, including reading more blogs, books, interviews, and so on, in order to get a better understanding of it.

The researchers will then construct the same analysis but in a different setting and place, as well as re-evaluating and extending the hypothesis, structure, and model that has been discussed in this study.

Build on the results of the next report. This may be related to unexpected results from this report. Furthermore, prospective studies to discuss unsolved facets of this research issue are suggested.

Lastly, future studies may include subjective investigation, in which respondents are met or given the opportunity to make comments at the end of the review or address any open-ended questions.

5.5 SUMMARY

The study's objective is to find the relationship between innovation capability and innovation performance among SMEs in Kota Bharu. In this study, the innovation capability that researchers focus are culture, structure, human resource and system. The innovation capability was presented as independent variable while the dependent variables are innovation performance. Both of the dependent and independent variables are analyzed by Spearman's Rank Correlation Coefficient. The analysis demonstrates that the independent variable has an impact on the dependent variable. Then the result shows the correlation between the SMEs industry and the innovation performance are highly significant. Finally, the findings of this investigation demonstrated that there is a link between the culture, structure, human resource and system with innovation performance among SMEs in Kota Bharu.

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APPENDIX

SECTION A: DEMOGRAPHIC PROFILE

Please tick (✔) in the answer below.

1. In which area do you currently work?
_____(Write your answer)_____

2. What is the Registration Status of Your Owned Business?
- Sole Proprietorship
- Private Limited company
- Partnership
- Limited Liability Partnership

3. What is your company's approximate number of employees?
- Less than 5
- 5 until 20
- 21 until 50
- Others

4. What is your company's main activity?
- Accommodation
- Transportation
- Food & beverage
- Travel agencies
- Others ____

5. What was your company's approximate total revenue?
- RM0 - RM20,000
- RM 20,001 - RM 100,000
- RM 100,001 - RM 300,000
- RM 300,001 - RM 500,000
- RM 500,001 - RM 1 000,000
- RM 1 000,001 - RM 10 000,000
- RM 10 000,001 - RM 20 000,000
- More than 20 million

SECTION B: INNOVATION PERFORMANCE (DV)

Scale - 1: Strongly disagree
Scale - 5: strongly agree

1. Over the past 3 years, the company's trading volume has increased as a result of innovation.
2. Over the past 3 years, the company's profit margins have increased as a result of innovation.
3. Over the past 3 years, the company has been able to reduce operating costs as a result of innovation
4. Over the past three years, the business has introduced many products as a result of innovation
5. Over the past 3 years, the business has been able to increase the impact revenue from innovation

SECTION C: INNOVATION CAPABILITY (IV)

Scale - 1: Strongly disagree
Scale - 5: strongly agree

STRUCTURE

1. We doings our business in a typical manner, with hierarchical structure?
2. We conduct our business in a typical manner, with hierarchical structure. It is necessary to construct an organizational framework?
3. My company's system is well-organized (financial department, production department nd etc.)?
4. My company's creative operations are greatly supported by a well-organized corporate structure?
5. My business has straightforward hierarchical structure?

SYSTEM

1. My company runs a business that has system?
2. My company has a business system that is too weak to generate ideas for innovation?
3. My company only innovates business systems based on customer requirements?
4. Reverse engineering (buying a competitor product to understand the characteristics of the innovation used) is used in my company?
5. My company is constantly upgrading the business system according to a set timeline?

HUMAN RESOURCE

1. I expect my employees to innovate?
2. I encourage employees from other companies to join together to spark more innovative ideas?
3. I have an innovative workforce?
4. I don't have many employees to create an environment of an innovation?
5. My company is looking for new employees who are innovative and able to develop the country towards innovation?

CULTURE

1. My company does not bother about innovation activities?
2. My company will think twice (several considerations) before innovate?
3. My company will tolerate with unsuccessful innovation?
4. There is a reward system for innovation effort?
5. The Company expect employee to innovate?

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