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Destination social capital and innovation in SMEs tourism firms: an empirical analysis in an adverse socio-economic context

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Highlights for Twitter:	Our study shows that even in a crisis setting such as Isla Margarita, tourism SMEs manage to innovate for survival, Maintaining close relationships with the community may be crucial for tourism SMEs to innovate, How can tourism SMEs in adverse socio-economic contexts develop any kind of meaningful innovation?, It is important to integrate firm and destination resources to foster the innovative behavior of small tourism companies
Abstract:	This study examines the structural relationships between internal and external resources that explain the innovation of small tourism firms in adverse socio-economic contexts. Specifically, it analyzes two internal resources, human and organizational-technological capital, and the valuable intangible resources derived from social interactions between the agents in the destination (other companies, institutions and community). The research hypotheses are tested by means of structural equation analysis applied to an empirical study of 180 tourism firms located in Isla Margarita (Venezuela). The findings confirm the importance of external resources derived from relationships with destination agents in the innovation behavior of tourism small and medium-sized enterprises (SMEs). While business social capital affects innovative behavior directly, other types of internal intellectual capital mediate the relationship between innovative behavior and institutional and community social capital. It is the first to address the local community's role in the innovation of tourism SMEs. The importance of integrating firm and destination resources should inform SMEs' innovation policies in adverse contexts where the scarcity of resources make vulnerable the economic, social and environmental sustainability.

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Abstract

This study examines the structural relationships between internal and external resources that explain the innovation of small tourism firms in adverse socio-economic contexts. Specifically, it analyzes two internal resources, human and organizational-technological capital, and the valuable intangible resources derived from social interactions between the agents in the destination (other companies, institutions and community). The research hypotheses are tested by means of structural equation analysis applied to an empirical study of 180 tourism firms located in Isla Margarita (Venezuela). The findings confirm the importance of external resources derived from relationships with destination agents in the innovation behavior of tourism small and medium-sized enterprises (SMEs). While business social capital affects innovative behavior directly, other types of internal intellectual capital mediate the relationship between innovative behavior and institutional and community social capital. It is the first to address the local community's role in the innovation of tourism SMEs. The importance of integrating firm and destination resources should inform SMEs' innovation policies in adverse contexts where the scarcity of resources make vulnerable the economic, social and environmental sustainability.

Keywords Innovation, Social capital, Intellectual capital, Tourism SMEs, Tourism destination, adverse context.

Introduction

In uncertain or hostile country environments, small and medium-sized tourism enterprises (SMEs) often lack the knowledge and capacity to stimulate growth and survival, which require the ability to innovate, engage in cooperation and develop change management capabilities overall to adapt (Mattsson & Orfila-Sintes, 2014). In developing economies in particular, which are characterized by scarce resource accessibility and imperfect support

systems, formal institutional resources are not likely to provide sufficient support to SMEs and new ventures (Liu, 2017), and adverse environmental conditions tend to discourage firms from risky innovation (Divisekera & Nguyen, 2018). Nevertheless, the lack of material resources is precisely what makes innovation (associated in tourism with the creation of unique differentiated products) a crucial asset for survival.

The question of how tourism SMEs can innovate to remain in such competitive and global markets has received scant attention (Back, Parboteeah, & Nam, 2014; Booyens & Rogerson, 2016; Carlisle, Kunc, Jones, & Tiffin, 2013), with scholarly research mainly focusing on enterprises in developed countries. Because of this, improving empirical knowledge of the innovation determinants in SME tourism in adverse areas would be critical in ensuring the long-term sustainability of local tourism enterprises, as it is only by adopting innovations that tourism enterprises can survive and confront the limitations of their institutional environment (Divisekera & Nguyen, 2018).

Literature exploring innovation drivers in tourism SMEs affirms that, in comparison with large companies, SMEs struggle with financial requirements, R&D, information technologies, and human capital (Camisón, Forés & Boronat-Navarro, 2017; Hall & Williams, 2008; Pikkemaat, Mike & Chung-Shing, 2018*)*. This puts SMEs at a competitive disadvantage, making the cooperation among SMEs important to their sustainability (Kim & Shim, 2018).

More specifically, research argues that cooperation between companies in a destination drives innovation (Hjalager, 2010; Marasco, de-Martino, Magnotti, & Morvillo, 2018). Destination agents must develop new products and services to attract and satisfy visitors and cooperate together to create and implement services that provide a ‘complete experience’ (Zach, 2012). In the case of SMEs, relationships between agents in the destination itself might be especially

relevant, as agents do not have sufficient resources for more global relationships. Despite this recognition of the importance of the collaboration between the agents of the destination for tourist SME innovation, prior research on this subject is scarce (Zach, 2016). Some studies about the impact of cooperation between the agents of the destination in the development of new products at the level of the destination (Sainaghi, De-Carlo, & D'Angella, 2018), or in the enhancement of competitiveness (Camisón et al., 2016; Martínez-Román, Tamayo, Gamero, & Romero, 2015) exist. But there is a gap when it comes to measuring the impact of destination relationships in the innovative behaviour of SME tourism firms, maybe because of the difficulties in quantifying these external resources.

The concept of social capital has been used to explain the benefits that SMEs in networks can obtain. Social capital involves « actual and potential resources embedded within, available through and derived from » the networks (Nahapiet & Ghoshal, 1998 p.242). Some researchers show the impact that social capital can have in the performance of the organization and its innovation, depending on the characteristics of the networks (dense or disperse) and the type of relationships that enterprises within those networks maintain (García-Villaverde, Elche, Martínez-Pérez, & Ruiz-Hortega, 2017; Kim & Shim, 2018). But some gaps in this literature can be identified. First, most of the studies use social capital as the dependent variable, looking at how to increase the social capital of a destination and thus providing interesting insights for public policy aimed at supporting the competitiveness of the destination. But it is necessary to use it as an independent variable in order to measure its impact in the enterprise. This is, indeed, the second main gap identifiable in the literature about social capital and innovation: the relationship between territorial social capital and innovation behavior in tourism firms is quite unexplored. Social capital has been incorporated as a theoretical construct in explicative models of innovation in hotels (Martínez-Perez et al. 2016), but in its internal dimension (Westlund, 2006), that is, considering the value of the

relationships among an enterprise's employees. The third gap would be studying the joint effect of internal and external resources in innovation.

This work aims at filling in those gaps, developing an explicative model of the innovative behavior of the tourist enterprise that allows the integration of internal resources and external territory-based resources to which the business has access in the destination. This research also endeavors to develop a more integrative approach, as no study contemplates internal resources along with external ones derived from the relationships with partners in the destination or discusses the dynamics between these two factors and their influence on innovation (Mei, Arcodia, & Ruhanen, 2012; Sakdiyakorn & Sivarak, 2016).

In order to do this, we find the intellectual capital model especially useful. Recent studies on the sources of innovation indicate that the intellectual capital approach is useful to measure the intellectual resources that influence innovation capacity in tourism (Gomezelj & Smolčić, 2016; Liu, 2017), including the three components of human, organizational and relational capital. Research (Rudež & Mihalič, 2007) divides the last type into customer capital (the value of relationships with customers) and social capital (the value of relationships with commercial partners, governments and non-governmental organizations). Empirical studies on the drivers of innovation in hospitality and tourism have focused on measuring customer capital (Kim et al., 2012; Liu, 2017) but little is known about the value of social capital as determinant factor of innovation in SME tourism enterprises (Sainaghi, Phillips, & Zavarrone, 2017). This paper attempts to fill this and define a construct that we call 'destination social capital' (DSC), since it accounts for the value of the organization's relationships in its local geographic context, determined by access to the resources that other organizations in the destination possess (Nahapiet & Ghoshal, 1998; Subramaniam & Youndt, 2005). We consider social territorial capital as an individual resource, so that

enterprises will decide whether to initiate or not actions to access valuable resources from the partners in the destination, and how to incorporate them in their processes. Because of this, we use the resource dimension of social capital in order to measure it, as proposed by Casanueva, Gallego, & Sancho (2013), that emphasize the capacity to access partner resources, although these authors use them in the context of big airlines and their relationship with global partners, and not with the agents of the destination.

In addition to other companies and local institutions in the sector, this work proposes to include the community as another important stakeholder whose relationship with the company can be valuable for its innovative behaviour. Despite the importance that is given theoretically to community resources –for instance local values, customs, etc.– in the creation of tourist products based on unique experiences, their effect as an influential factor in the generation of innovation behavior at the level of the enterprise has not been measured, which represents an important novelty of this research.

So this study aims to contribute to fill the gaps identified in the literature about innovation in SME tourism firms by combining the intellectual and social capital in its resource dimension to explore antecedents of tourism SME innovation in adverse socio-economic contexts. Specifically, it analyzes the role of two internal resources—human and organizational-technological capital—and the effect of firms' relationships with external agents in their destination (firms, local institutions and community) using structural equation analysis applied to an empirical sample of 180 tourism firms located on Isla Margarita (Venezuela). In doing so, the study empirically tests the role of internal resources and territorial external relationships in innovative behaviour, thus answering the call for more empirical studies (Alsos, Eide, & Madsen, 2014; Hjalager, 2010) focusing on enterprises of various tourism industries (Divisekera & Nguyen, 2018). Given that little debate exists about social capital

and sustainability (Ooi, Laing, & Mair, 2015), this paper should contribute to this debate. The role of innovation in sustainability is pertinent, and should inform innovation policy for SMEs in adverse countries where the scarcity of resources make vulnerable the economic, social and environmental sustainability.

Theoretical background

The development of the tourism sector in the past decades has been accompanied by an increase in competition and a valuation of the role of innovation in the competitiveness of enterprises and destinations. In addition to technological innovations (e.g. online booking), innovations in process, products and organizational structures and models have been crucial (Hjalager, 2010; Nieves & Segarra-Ciprés, 2015) as a means of differentiation to operate in competitive tourism environments (Souto, 2015; Sundbo, Orfila-Sintes, & Sørensen, 2007). Consequently, innovation is a relevant topic in tourism research, due to its importance for the profitability of tourism enterprises (Nicolau & Santa-Maria, 2013).

Research has long argued that innovation in the tourism sector is not very important because of diverse factors such as the limited size of enterprises or the high significance of personalized treatment as a source of competitiveness, at the expense of technological innovation (Gomezelj, 2016). However, tourism enterprises do not innovate in the same way as manufacturing enterprises and other services; they have distinctive characteristics, which is why it is important to define innovation in tourism in a more flexible manner, as more incremental than radical (Camisón & Monfort-Mir, 2012). The complete tourism product is a combination of public and private goods, so developing new innovative products and processes in a destination usually involves incorporating destination-based resources, to generate unique and personalized experiences for tourists (Erkus-Öztürk & Terhorst, 2016). Tourism innovation is linked to differentiation and, in that sense, is imperative for all kinds of

enterprises, not only for the large multi-national chains (Hall & Williams, 2008; Zach, 2016). However, literature has mostly focused on these firms, as they make more use of technological innovations, especially in developed countries. Although literature on innovation in the tourism industry is still limited, research has begun emphasizing the role of innovation in the profitability of certain tourism SMEs such as restaurants (Lee, Hallak, & Sardeshmukh, 2016) or for companies located in mature 'beach-and-sun' destinations (Erkus-Öztürk & Terhorst, 2016), rural areas (McGehee, Lee, O'Bannon, & Perdue, 2010) and other continents (Divisekera & Nguyen, 2018; Kim & Shim, 2018; Liu, 2018).

A more recent body of research has focused on explaining the factors that favor innovation in tourism SMEs, including the internal resources enterprises possess and the external resources accessible to firms in the destination (Camisón et al., 2016). Both internal and external resources for innovation are important (Divisekera & Nguyen, 2018; Souto, 2015), as their inter-connection inside the company is critical to encourage innovation, due to the role of territorial resources in the configuration of a complete tourism product and, therefore, overall tourist satisfaction (Murphy, Pritchard, & Smith, 2000). Sainaghi & Baggio, 2014 measure the effects of structural social capital on the operating performance of the hotels in an alpine destination. Despite the growing attention to collaboration in tourism innovation, there is a gap in exploring its effects on SMEs innovative behaviour (Kim & Shim, 2018; Zach, 2016)

Regarding internal factors, some studies link tourism innovation to the entrepreneurial spirit and leadership of the enterprise (Lee et al., 2016), organizational and human capital (Martínez-Román, et al., 2015; Martínez-Ros & Orfila-Sintes, 2012; Tugores & García, 2015), and technology (Buhalis & Law, 2008; Law & Jogaratnam, 2005). Although there is some consensus on the importance of these resources, contradictions also exist in empirical research. With regard to human capital, for example, Martínez-Román et al. (2015) find that

higher education among SME employees in the hospitality industry does not contribute to innovation.

Among external factors, research identifies external knowledge as a key factor of innovation (Camisón & Monfort-Mir, 2012; Hjalager, 2010). This knowledge can come from relationships with organizations in the tourism value chain or from those with other organizations, either inside or outside the destination. Research has fundamentally assessed collaboration with partners for the development of innovations in tourism from the viewpoint of networks with agents of the value chain outside the destination (Aarstad, Ness, & Haugland, 2015). At the level of the destination, research has examined innovation systems and clusters (Gomezelj, 2016; Weidenfeld, Williams & Butler, 2010). Recently, Sainaghi et al. (2018) studied the relevance of intangible assets in the new product development process in a destination. Most empirical studies have treated the cluster as the unit of analysis, assuming the homogeneity of the enterprises that compose it. However, according to resource-based theory (Barney, 1991), enterprises located in a cluster are heterogeneous and make different use of the opportunities derived from agglomeration.

Limited research has focused on the role of inter-organizational collaboration for innovation success at the firm level; thus, there is a need to adopt a firm-based approach (García-Villaverde et al., 2018; Sainaghi & Baggio, 2014) to measure the impact of territorial relationships in the innovative behavior of tourism SME.

The social capital approach is recognized as a valuable asset for SMEs because it allows the enterprise to access the resources that its social network possesses (Inkpen & Tsang, 2005; Westlund, 2006). It is a multidimensional concept, as shown by Nahapiet & Ghoshal (1998) when they propose using the three social capital dimensions (structural, relational and cognitive). These authors, however, measured the intensity and characteristics of the relationships maintained with other agents, as a kind of collective view of social capital

as something that is shared equally by all members of a network. By contrast, this paper posits that not all enterprises in a network obtain the same resources from their relationships.

According to Gomezelj (2016), social capital is a source of innovation, in the form of accessible resources of the enterprise by virtue of its commitments in different relationships. The social capital derived from local networks in which the enterprise participates can have positive effects on its innovative behavior, providing knowledge, complementary resources and identification of new opportunities (Casanueva et al., 2013). However, studies also warn of the negative effects from the redundancy of information, short-sightedness and inertia (Inkpen & Tsang, 2005) in these networks. Therefore, the relationship between social capital and innovation may not always be positive. Previous findings show a disparate effect of cooperation with other firms on the development of new processes (Alsos et al., 2014; Thomas & Wood, 2014), and research has called for more empirical studies analyzing the effect of cooperation on the innovative capability of tourism firms (Martínez-Román et al., 2015).

Collaboration may thus have a different impact on innovation depending on the interacting agents and the resources and capabilities of the company. It is necessary to further examine the precedents of innovation in enterprises located in clusters (Camisón et al., 2017), while combining the role of the company's internal resources and the external resources to which it has access from its relationships with other agents in the cluster. The combination of social and intellectual capital approaches may be useful for measuring the impact of these resources on innovation.

Many studies have found that intellectual capital affects innovation capability in general (Wu & Sivalogathasan, 2013), but only a few studies focus on intellectual capital as a key factor for innovativeness in tourism (Gomezelj & Smolčić, 2016; Kim et al., 2012; Liu, 2017). The results of those studies highlight the importance of the company's intellectual

resources (human and organizational capital) as drivers for innovation, while relational capital is seldom measured. Along with the intellectual capital approach to apprehend the set of resources explaining an enterprise's innovative performance, this study incorporates the external resources to which it has access in its destination network of relationships, to measure relational capital. Thus, this study employs the social capital approach (Inkpen & Tsang, 2005; Nahapiet & Ghoshal, 1995; Westlund, 2006) to affirm that destination social capital is an economic asset with the possibility to complement other types of capital on which enterprises rely.

Despite collaboration in tourism being a fruitful line of research, there are some gaps with regard to the role of cooperation with partners in innovation (Sainaghi et al., 2017; Zach, 2012). Given this inconsistency in the literature, this research aims to define a theoretical model of the relationship between internal and external resources with a territorial base and innovative behavior.

Model development and hypotheses

The concept of innovative behavior in tourism SMEs is related to the perspective of innovation used in the theory of strategic management, which regards a product or process as innovative for an enterprise when adopted for the first time, even if it has been implemented before in another company. Innovation, then, does not necessarily mean something new to the world (Li & Atuahene-Gima, 2001; Pikkemaat & Peters, 2005); rather, innovations represent firm activities of creating new products and marketing strategies, introducing new distribution and supply solutions, offering specialized service and so on. Herein, innovation in tourism SMEs mainly represents innovation in products or processes (e.g. production, marketing, organizational). Most innovations do not strictly belong to one type or the other, but are complementary in several aspects. For example, differentiating innovation in products

and non-technological processes is difficult.

The study of tourism enterprises' innovative behavior has recently begun to incorporate resource-based theory (Barney, 1991) to identify the determining factors of innovation. Research has also incorporated the intellectual capital approach specifically, to quantify the impact of many of those determining factors (Gomezelj & Smolčić, 2016; Kim et al., 2012). Three dimensions of intellectual assets are commonly accepted (Edvinsson & Sullivan, 1996): human capital, based on skills and experience; organizational capital (e.g. databases and other technological capital, manuals, organizational structures); and relational capital, stemming from network relationships of customers, providers, competitors, and so on.

Research has demonstrated that some intellectual assets have an impact on innovative behavior, showing a strong positive relationship to human and organizational-technological capital but not with relational capital (Thomas & Wood, 2014). Relational capital indeed presents unique challenges because of the difficulties in measuring it. To overcome this hurdle, this study uses the social capital approach in the resource dimension (Casanueva et al., 2013) to measure the resources the enterprise obtains from its relationships with others in its most immediate environment. Drawing from the literature on innovation, intellectual capital, tourism and social capital, this study adopts a comprehensive integrated framework to examine the drivers of innovation in tourism SMEs.

To innovate, tourism companies may rely on intellectual capital—that is, human capital, organizational-technological capital and destination social capital (i.e. the value of the resources obtained from relationships with other agents in the destination). Specifically, this study proposes that companies access resources through three types of agents with whom they can create relationships (business, institutional, and community) and suggests that these relationships influence innovation in different ways.

Research has found a positive relationship between *human capital* and tourism innovation (Dakhli & De Clercq, 2004). Having highly educated employees with specific training is a crucial requirement to introduce new technologies into the company, offer new services and meet tourists' needs. Employees play a fundamental role in identifying new customer tendencies and supporting firm initiatives related to service customization. Much of the knowledge involved in innovation is tacit and due to past experiences (Souto, 2015; Sundbo et al., 2007).

Organizational-technological capital refers to the knowledge the company accumulates in databases, technology, procedures, organizational structures, culture and strategies (Bontis, 1998). The connection between organizational-technological capital and innovation behavior is well recognized (Divisekera & Nguyen, 2018; Pikkemaat et al., 2018; Wu & Sivalogathasan, 2013). The increasing use of Internet-based technologies may boost both product and process innovations (Mattsson & Orfila-Sintes, 2014). For example, Moriarty, Jones, Rowley, & Kupiec-Teahan (2008) found that tourism SMEs experienced less innovation when their use of digital marketing was low. Lee et al. (2016) also showed that SMEs need to focus on innovation in the area of marketing, using social networking sites or other digital tools such as apps

Business destination social capital encompasses the value of the production relationships the company maintains with its providers and competitors (clients are not considered here as part of the internal stakeholders in the destination), providing dependability, accessible pricing, quality and various inputs, among other competitive advantages. Research reports a significant correlation between the degree of cooperation among tourism firms in a destination and innovation (Pikkemaat et al., 2018; Pikkemaat & Weiermair, 2007). In the case of providers, Reed, Lubatkin & Srinivasan (2006) and Youndt, Subramaniam, & Snell (2004) posit that the knowledge resources service providers develop,

share and codify are crucial in the service value that the receiving company gives to clients. Indeed, the technological innovations that are changing the distribution and organization processes in tourism are mainly supplier-dominated. Therefore, promoting good relations with providers can contribute to the acquisition of new technology, leading to the adoption of innovation in the firm (Nieves & Diaz-Meneses, 2018; Zach, 2012). This paper proposes that this type of social capital does not bear a direct relationship to human and organizational-technological capital, because companies tend to avoid sharing valuable information (that may be used to increase internal capabilities) with potential competitors. Rather, enterprises introduce innovations by directly incorporating new technologies or other change proposals arising from their relationships with providers-allies, which give access to resources such as high-quality inputs or technologies adapted to the enterprises' needs.

Institutional destination social capital takes into account the resources derived from relationships with local universities, public institutions and business associations that provide information, training, research and development (R&D), tourism promotion, and so on (Rudež & Mihalič, 2007). Public institutions play a particularly noteworthy role in promoting information communication technology (ICT) applications that make internal processes more efficient (Mei et al., 2012). These processes are crucial for small firms that lack adequate financial resources (Camisón et al., 2017). However, although companies may have the capacity to use these resources, the knowledge obtained does not automatically generate innovations (Molina-Azorin, Pereira-Moliner, & Claver-Cortés, 2010). Instead, enterprises need employees and organizational routines (e.g. internal communication, work processes) to achieve their assimilation and subsequently incorporate them into innovation (Nieves & Diaz-Meneses, 2018; Thomas & Wood, 2014). Thus, human and organizational-technological capital act as mediators between institutional social capital and innovative behavior. Research often affirms that academic and research institutions are indispensable in

innovation systems (Camisón & Monfort-Mir, 2012), but many empirical studies contradict this assertion, establishing that their impact is more limited than expected (Cooper, 2006).

Finally, research justifies the inclusion of community into a destination's planning (Jamal & Getz, 1995; Queiroz & Rastrollo-Horrillo, 2015), but it does not usually incorporate *community destination social capital* into intellectual capital models. This study adds the contribution of the community (and civil society associations) to the production of tourism activity. Many valuable resources stem from local communities, such as traditions, culture and hospitality. By maintaining strong relationships with the local community, enterprises gain more knowledge about their immediate environments, enabling them to incorporate this into products and services. Indeed, innovation clearly needs more advanced products and services that include autochthonous cultural resources to improve tourists' experiences beyond mass products (Stamboulis & Skayannis, 2003). Tourism SMEs may also develop corporate social responsibility practices in different areas of activity by, for example, encouraging the consumption of local products, promoting educational or cultural products or supporting local economic initiatives (Scheyvens, 2012). Thus, human capital and organizational-technological capital mediate the contribution of community destination social capital to the company's innovative behavior.

Given this discussion, the following hypotheses are formulated:

H1. Human capital positively affects tourism SMEs' innovative behavior.

H2. Organizational-technological capital has a positive impact on tourism SMEs' innovative behavior.

H3. Business destination social capital has a direct positive relationship to tourism SMEs' innovative behavior.

H4. The greater the institutional destination social capital, the more important is tourism SMEs' human capital.

H5. The greater the institutional destination social capital, the more important is tourism SMEs' organizational-technological capital.

H6. The greater the community destination social capital, the more important is tourism SMEs' human capital.

H7. The greater the community destination social capital, the more important is the organizational- technological capital of tourism SMEs'.

Method

Study site and data collection

An insular, 'beach-and-sun' destination, Margarita, was chosen for this study because it is a destination with mature and standardized mass products, with no large multinationals, and in an underdeveloped country (Venezuela). This island of the state of Nueva Esparta, in Venezuela, is 1.071 km2 and has 11 municipalities, four of which, the most economically dynamic ones, were chosen (Mariño, Maneiro, Díaz and Antolín) as area of study for this research. It had a population of 491,610 inhabitants, according to the last census (2011). Its insularity favoured the consolidation of tourism as the economic activity driving the development of the rest of economic sectors (fishing, agriculture and commerce). At the end of the XXth century, it managed to receive 3 million annual visitors, and the 'Margarita brand' was known internationally as a place where the cultural 'tourist experience' was linked to arts, handicrafts, cuisine, musical traditions, and so on. So this locale had valuable tangible and intangible assets (e.g. typical tourist facilities, such as ports, malls and natural resources), and these assets were being transformed into tourist experiences.

The state economic policy was characterized by its centralist orientation, based in foreign currency control, confiscations and nationalisation, with scarce stimulus to technological development. During the realization of the empirical study in 2012, food and funding scarcity, aerial and maritime connectivity problems, a perception of insecurity, and a

lessening of the fundamental public services of support to tourism (electricity, environmental clean-up, drinking water, sanitation) were beginning to be felt. The main hotel chains abandoned the island, so that the entrepreneurial tourism landscape was made up of SMEs.

Two particularities of the political-institutional landscape of Isla Margarita were a lesser intensity of socio-political conflicts due to it being far from the country's capital, and the fact that the regional government was in the hands of the opposition parties. Institutional support for tourism mainly came from the regional and local governments: alongside three regional research and development centers, the four main municipalities had tourism offices, and there was a tourism corporation in the Nueva Esparta state; there were also five training centers, of which two were public university centers with specialised tourism training, as well as four entrepreneurial associations.

Tourism was a major strategic industry on Isla Margarita, but political instability problems had inhibited generation of planning and development policies, explaining the irregularities in the growth of this destination. Although international tourism had significantly decreased for this reason, Isla Margarita remained a preferred destination among domestic tourists. This destination provided a suitable setting for discussion in an area that research has previously overlooked, and the fact that it is an island made the measurement of destination social capital easier.

Tourism enterprises from different sub-sectors of activity were selected. The cross-sectional nature of the production of complete tourist experiences helped in addressing the relationship among destination social capita, intellectual agents and innovation among the diversity of tourism enterprises, instead of focusing on a single industry. In contrast with research on the relationship between innovation and intellectual agents in a single sector (e.g. hotels; Souto, 2015), this work argues that a representative sample of the heterogeneity of the tourist activities in a destination better reflects the nature of the relationship among

destination social capital, intellectual capital and tourism innovation. The target population consisted of tourism SMEs (accommodation, food and beverage services, travel agencies, and tourist transportation).

A list of 484 firms came from the directory of tourism enterprises accredited by the Corporación de Turismo del Estado Nueva Esparta (Tourism Corporation of the Nueva Esparta State). To ensure that the sample was representative of the population in terms of productive activities and geographic location, a stratified random sampling with proportional allocation was undertaken. Data was collected through a questionnaire that was previously tested with four company managers of the selected municipalities and a panel of five scholars in 2012. The questionnaire contained four sections: basic profile of the company, destination social capital, intellectual capital and innovative behavior. A representative sample of 180 valid responses was obtained (a response rate of 37.2%). The sample size is higher than the minimum required to estimate the structural model through partial least squares (PLS) (Hair, Ringle & Sarstedt et al., 2011). Table I lists the sample characteristics.

Table I here

Variable description/measures

The uniqueness of tourism SMEs resources and innovative behavior suggested the need to adapt and create specific scales, after an extensive literature review. A focus group with actors in Isla Margarita's tourism sector was held to operationalize the three components of destination social capital, because no validated scales for a resource-based approach existed. In the focus groups meetings, the difficulties of local entrepreneurs in having a clear understanding of the terminology and the scope of the research constructs became clear. Because of this, it was decided that the interviews with SME owners would be conducted face-to-face, an approach that ensured that the questions, about a complex and relatively new

subject, would be answered correctly. In this way, perceptions were gathered of the positive value derived from the relationship with agents (destination social capital) and its impact on human capital, organizational-technological capital, and innovative behavior. The measurement of each item was a 5-point Likert-type scale (1 = not at all important, 5 = extremely important).

The innovative behavior variable refers to the capacity to generate new tourism services or processes, understood as entrepreneurs' perceptions of their own products' innovativeness over their competition's. This subjective perspective was considered to be suitable following previous studies (Martínez-Ros & Orfila-Sintes, 2009; Venkatraman & Ramanujan, 1986) and has been used afterwards, for instance by Camisón & Forés, (2015). Relevant and successful innovation not only means inventing something entirely new but also includes incremental progress that enhances customer satisfaction and firm competitiveness (Pikkemaat & Peters, 2005). In tourism, innovation entails mainly applying knowledge and/or technology to meet customer needs, so it is the result of what knowledge or technology is applied and how it is applied. New technology by itself is not an innovation, but its implementation into particular situations is what creates products or process that are better adapted to new consumer demands. This work evinces the existence of two factors as posited by Lee et al. (2016): the improvement in processes and in products. The former contains two items: whether the use of new ICTs on the one hand and innovation in booking systems and commercialization on the other hand (Yli-Renko, Autio, & Sapienza, 2001) were superior to competitors'. The latter involves whether the company offered personalized products to enhance clients' experiences (Bilgihan & Nejad, 2015; Zach, 2012).

Human capital refers to employees' competences, including education, engagement and advanced training and experience (Tugores & García, 2015), developed largely by providing employees with specific training in core service and back-office operations

(Martínez-Ros and Orfila-Sintes 2012; Mattsson & Orfila-Sintes, 2014) to increase the exploitation of knowledge. It was measured according to whether the SMEs believed they were active in upgrading employees' knowledge on different areas, such as new technologies, administrative processes and industrial security (Hill & Rothaermel, 2008; Kim et al. 2012; Liu, 2017).

Organizational capital usually consists of aspects related to organizational structures, routines and processes (Sundbo et al., 2007), comprising management philosophy, culture, business processes and information technology (Rudež & Mihalič, 2007). In the case of SMEs, research suggests that the lack of technological processes in commercialization, communication and production is the main obstacle to innovation in products and specialized services and to taking advantage of the possibilities brought by ICTs (Buhalis & Law, 2008; Law & Jogaratnam, 2005; Stamboulis & Skayannis, 2003). This concept, as define herein, is closest to Hsu & Wang's (2012, p. 181) view of organizational capital as the "knowledge created by and stored in an organization's information technology systems and processes that speeds the flow of knowledge through the organization". Inspired by these and other studies, (Hall & Williams, 2009; Kim et al., 2012; Hu, Horng, & Sun, 2009; Xiang, Wöber & Fesenmaier, 2008) the construct was measured with seven items, corresponding to the use of technology in product commercialization and the website as a tool for promotion and commercialization, as can be seen in Table II.

Destination social capital was measured with the three types of social capital noted previously. First, business destination social capital represents the quality of the resources derived from relationships with providers and allies, which allow SMEs to acquire knowledge.The proposed scale was created on the basis of several studies: Chen et al., 2004; Inkpen & Tsang, 2005; Nahapiet & Ghoshal, 1995; Reed et al., 2006; Subramaniam & Youndt, 2005; Yli-Renko et al., 2001; Youndt et al. 2004. It assesses the advantages provided

by relationships with providers for the development of solutions that improve the quality, costs, variety, and so on, of products and by relationships with allies via the knowledge resources derived from the sharing of technology.

Second, for institutional destination social capital, we measured three aspects: a) whether the enterprises shared knowledge and experience with universities and research centers, using four items: information systems, staff training, R&D and quality based on Pikkemaat & Weiermair (2007); Yli-Renko et al. (2001), Schilling & Phelps, 2007; Siegel et al. 2003; b) whether they shared knowledge and experience with entrepreneurial associations; c) the perceived efficiency of the local government in planning and participative management in terms of tourism training and promotion was taken into account (Hall & Williams, 2008).

Third, enterprises can take advantage of their relationships the organized community (e.g. civil associations, non-governmental organizations, community leaders). In this study, it was measured according to the entrepreneurs' assessment of the productive relationship their company maintains with the community, through the development of joint projects and social initiatives based on mutual agreement (Decelle, 2006; Gómez & Luis-Bassa, 2005; Savall & Zardet, 2005)

Data analysis

PLS SEM (structural equation modeling) was the statistical technique applied. PLS is appropriate for exploratory research when the theory is in the early stages of development, as is the case with a study on the relationships among destination social capital, intellectual assets and the innovation behavior of tourism SMEs.

The statistical software used in the estimation of PLS-SEM was SmartPLS (2014; 2.0.M3). The analysis involved a two-step approach: (1) validation of the measurement models and (2) assessment of the structural relationships among the latent factors.

Results

Analysis of reflective measurement model

In this study, all the constructs are reflective, so the evaluation of the measurement model involves assessing the reliability (indicator reliability and internal consistency reliability) and validity (convergent and discriminant validity) of construct measures. In Table II, the factor loading for each item ranged from 0.6370 to 0.9305. According to Liu (2018), factor loadings should be greater than 0.6 to ensure indicator reliability; all the indicators exceed this minimum value. The reliability of the construct checks the consistency of all indicators, using Cronbach's alpha and composite reliability for reflective constructs. In exploratory research, values of composite reliability/Cronbach's alpha between 0.6 to 0.7 are acceptable, while in more advanced stages the values should be above 0.7 (Hair, Hult, Ringle & Sarstedt, 2014). In this sense, all constructs are reliable.

Table II here

Convergent validity helps determine whether construct indicators really measure the same concept, requiring them to be highly correlated. We calculated average variance extracted (AVE) and found that all constructs have AVEs over 0.5, except business destination social capital, which is slightly below the recommended value of 0.5 (Bagozzi & Yi, 1998). Therefore, the results summarized in Table II show that the constructs in the measurement model have acceptable levels of reliability and convergent validity. Nevertheless, it is still necessary to check whether there is some redundancy among the constructs. *Discriminant validity* means that each construct must be significantly different from the other constructs. To verify the discriminant validity, the square root of the AVE must be superior to the correlation between the construct and all the others (Chin, 1998). The results show that the constructs are clearly mutually exclusive and thus satisfactorily differentiated (Table III).

Table III here

Evaluation of the structural model

To assess the structural model proposed, Tenenhaus et al. (2005) suggest a criterion of global goodness of fit (GoF) for PLS structural models, by analyzing the positive square root of the product of the arithmetic mean of the AVE and the arithmetic mean of the variance explained by endogenous variables (R2): GoF $= \sqrt{\overline{AVE}} \times \overline{R^2}$. As Table IV shows, the estimations of path coefficients, β, are all significant at 5% (T>1.6479), and such estimations exceed the minimum acceptable value of 0.2 (Chin, 1998). Moreover, some exceed 0.3, corresponding to the ideal value.

Table IV here

In addition, the GoF of the model is 0.3830, satisfying the empirical criterion that the value of this index must vary between 0 and 1; the larger the value, the better is the index (Tenenhaus et al., 2005), with 0.2236 being the minimum acceptable value. Thus, the global model is acceptable.

Figure 1 depicts the structural model that explains the empirical observations in this study. The final model explains 27.54% of the variance of innovative behavior, exceeding the criteria Falk and Miller (1992) established. The results show that tourism SMEs' innovations were significantly related to destination social capital and firm-internal intellectual capital. The relationships between the firm-internal factors and innovation are confirmed, so H1 and H2 are statistically accepted.

Business destination social capital has a direct significant relationship to innovation behavior, and institutional destination social capital exerts an impact on human and organizational-technological capital. Thus, H3, H4 and H5 are empirically supported. However, a weak community destination social capital–human capital relationship is evinced,

so H6 is only weakly accepted. Finally, the results of the structural model show a negative relationship between community destination social capital and organizational-technological capital. The coefficient is significant, but the relationship is different than expected. The sign of the relationship means that the greater the community destination social capital, the lesser is the organizational-technological capital. Thus, H7 is rejected.

Figure 1 here

Discussion and implications

The positive benefit of a tourism SME's location on its competitiveness is evident, as the location makes attracting tourists and exploiting natural and tangible public goods easier. Less empirical evidence shows the impact of the destination on the development of intellectual assets that stimulate innovation behavior. This paper aims to reduce knowledge gaps regarding innovation in tourism SMEs. Analyzing innovation in a context of extreme resource scarcity and lack of institutional support could also offer insights into tourism innovation in a more global perspective. Previous research has shown that innovation widely occurs in tourism (Booyens & Rogerson, 2016; Clausen & Madsen, 2014; Mattsson & Orfila-Sintes, 2014), but this paper offers a clearer picture of the intangible internal and external resources that favor an innovation behavior in tourism SMEs in adverse contexts.

As a main contribution, this works sheds light on the role of destination social capital in companies' innovation, and it contributes to extending the sources of innovation in SMEs, by providing, for the first time, empirical evidence of the impacts of DSC on innovation at a firm level. The combined use of social capital and the intellectual capital approaches enabled the definition and measurement of relational territory-based capital (generating a construct called 'destination social capital'). In doing so, this study contributes to interpreting the

contradictions in previous research regarding the role of external agents in tourism innovation.

The results of this study largely back the preliminary model: the most innovative tourism enterprises were those that were able to create more human and organizational-technological capital, as posited by literature regarding developed contexts. Our novel contribution is to show the heterogeneity of impacts of DSC on innovation, depending on the types of agents with which SMEs may interact. This paper empirically establishes the direct impact of business destination social capital on tourism SMEs' innovative behaviour, which is revealed as a valuable asset of the enterprise, a capital that increases its innovation results. In this way, the innovation factors of tourism SMEs are amplified by including the external resources that BDSC provides, about which the enterprise can make strategic decisions regarding their use, and on occasion, their planning and enhancement. In a context of material scarcity and weak institutional support, with the added difficulty of accessing foreign currency for imports, maintaining close relationships with providers may be crucial to obtain higher-quality raw materials and introduce technological solutions for increased efficiency. Building alliances with other enterprises can also be a competitive advantage rather than a hindrance. These results contradict Guisado-Gonzalez, Guisado-Tato, & Sandoval-Pérez's (2011) assertion that the purchase of technological knowledge from outside the firm does not necessarily result in more innovation, as well as Camisón & Monfort-Mir's (2012) claim that collaboration with other firms may be counter-productive to innovation. Indeed, the ideas arising from the collaboration among companies are important for incremental product innovation (Nieves & Díaz-Meneses, 2018).

This study also confirms the relationship between institutional destination social capital and human and organizational-technological capital, which in turn affects companies' innovative behavior. Given that most tourism SMEs experience a scarcity of intangible

resources, it is good news that in such an adverse institutional environment, it is shown that enterprises can use those institutional resources to increase their human capital (for instance, by using specialized training programs) and the organizational-technological capital (for instance, using the institutional support in providing information on technological and market trends, business opportunities with other agents, new work methods using ICTs and so on). Only when this knowledge is incorporated into its structures can the firm develop new products and processes.

In this destination, a dynamic of collaboration and innovation has been maintained despite the political and economic crisis, highlighting the importance of the innovation policy at the local/regional level (Watkins, Papaioannou, Mugwagwa, & Kale, 2015) and at the level of the enterprises themselves and their associations, to escape the determinism of adverse national environments. This finding is in line with the finding that firms experiencing market uncertainty tend to reinforce existing relationships, as they seek stability and trust to exploit the current situation (Aarstad et al., 2015). Collaboration is consubstantial to tourist production, but it is not natural between SMEs (Camisón & Monfort, 2012; Hjalager, 2010) and it seems that in the face of adverse environmental factors that negatively influence the propensity of a firm to innovate (Divisekera & Nguyen (2018), cooperation is an efficient way to foster SME innovation. Finally, another novel contribution of this paper to the tourism innovation literature is to measure the impact of the local community in tourism SMEs. The social capital derived from the local community has a positive, though weak, impact on human capital. This feeble impact may me explained by the fact that an important part of tourism working force is external to the destination and the seasonality and turnovers are high (Camisón et al., 2016), making it more difficult for SMEs to appropriate community resources (e.g. value, culture). As noted, the expected sign of the relationship between community destination social capital and organizational-technological capital was not

confirmed, though there may be many reasons for this result. For example, the community may not have the technological capabilities that tourism SMEs require to engage in new forms of communication using ICT (Back et al., 2014). Another explanation may be that the companies linked more to the community are those whose productive processes are more labor-intensive (Jamali, Lund-Thomsen, & Jeppesen, 2017) and that invest the least in developing organizational-technological capital. Further research could provide more conclusive empirical evidence of the impact of communities on enterprises' organizational capital.

Because of this, the theoretical implications of this study are several. It contributes to the theory on innovation in tourism SMEs by defining a new intangible resource, the DSC, and showing how external resources can be turned into innovation inside tourism SMEs. In this sense, the theory on intellectual capital is also renewed, by contributing to measuring a part of the relational capital. Finally, the DSC emerges as a precedent of the destination's sustainability in adverse contexts (Ooi, et al., 2015), helping to resolve some challenges in the economic and social sustainability of these destinations. An innovative dynamic based on the valuation of external territory-based resources (derived from the relationships between enterprises, the community and the institutions), offering opportunities to generate employment, mitigate the community's fragmentation and reducing the extreme economic inequality. Developing social responsibility practices could improve the knowledge required to innovate productive and marketing processes, incorporating the values and traditional knowledge of the local community, and contributing to maintaining the traditions and increasing the economic impact of tourism.

In practical terms, these research findings have informed the Sustainable Tourist Development Plan of the Nueva Esparta Estate 2018-2021, and the municipal program *Maneiro Productivo* 2019, both resting on innovation and social capital as a strategy for

sustainable development of tourism. One of the authors has participated in these plans, and has been collaborating for many years with NGOs aiming at developing the endogenous development of tourism in Margarita. Moreover, these findings are also inspiring collective actions, such as the collaboration between restaurant enterprises and NGOs, among which is Rednetur, that collaborated in the field work if this research and has enabled the generation of innovative products associated to arts and local gastronomy, and that have been replicated in other municipalities and even in other states like Sucre and Bolívar.

This study is exploratory in nature, given the specificity of the sample, with only one territory in an especially socio-economically adverse context included in the analysis, and the need for a more complete measurement of the variables related to intellectual and social capital. However, as this is the first time that destination social capital is measured from a resource-based perspective, the findings make important contributions to the understanding of the drivers that determine tourism SMEs' innovative behavior. However, further research is necessary to enhance the design of scales for destination social capital, replicate the results in other destinations, and perhaps include the role of social capital coming from outside the destination to account for relationships with clients and more global business ties.

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Table I. Sample characteristics

Number of employees	%	Industry	%	Years in business	%
< 20	24	Accommodation	32.5	< 5	29.7
20-50	60	Food and Drinks	29.1	6-10	26.2
> 50	16	Travel Agencies	22.3	11-20	34.0
		Tourist Transport	16.1	> 20	10.1

Table II. Construct reliability and validity

	Loadings	Cronbach's α	AVE	CR
Business destination social capital		0,680	0.4407	0.7879
• The appropriate relationship with providers allows us (the company) to reduce the costs of inputs.	0.7218			
• The appropriate relationship with providers facilitates our financing.	0.7838			
• The appropriate relationship with providers allows us to increase the quality of the inputs.	0.7533			
• The appropriate relationship with providers increases the availability and diversity of the inputs.	0.7035			
• We access to important technological and knowledge resources when working closely with allies.	0.9305			
Institutional destination social capital		0.828	0.5417	0.8755
• We share experience and knowledge with universities and research centers about information systems.	0.6370			
• We share experience and knowledge with universities and research centers about staff training.	0.7704			
• We share experience and knowledge with universities and research centers about research & development.	0.8314			
• We share experience and knowledge with universities and research centers about quality management.	0.8157			
• Our organization shares knowledge and experience with entrepreneurial associations.	0.6958			
• The local government is effective in favoring the participation in tourism training and promotion.	0.6466			
Community destination social capital		0.827	0.9196	0.9196
• Our organization maintains a good relationship with the local community and we develop joint projects.	0.9232			
• Our organization develops social initiatives with the local community, based on mutual agreement.	0.9232			
Organizational-technological capital		0.840	0.5104	0.8793
• Our organization has invested in access to the Internet for commercialization purposes.	0.6648			
• Our organization has incorporated technology into its booking process.	0.6628			

• Our organization has incorporated technology into its commercialization process.	0.7599			
• Our organization incorporates technology into its communication process.	0.7398			
• Our organization uses the web for booking.	0.7720			
• Our organization uses the web to develop electronic commerce.	0.7108			
• Our organization uses the web for publicity and promotion.	0.6897			
Human capital		0.761	0.8068	0.8930
• The company provides training programs on new technologies.	0.8982			
• The company provides specific training in administrative processes and industrial security.	0.8982			
Innovative behavior		0.639	0.5892	0.8075
• Our use of new ICTs to improve the relationship with the client is superior to our competitors'.	0.7539			
• Our use of new booking systems and commercial processes is superior to our competitors'.	0.8997			
• The company offers new personalized products to enhance the client's experience.	0.7584			

Note: AVE=average variance extracted. CR=composite reliability.

Table III. Discriminant validity

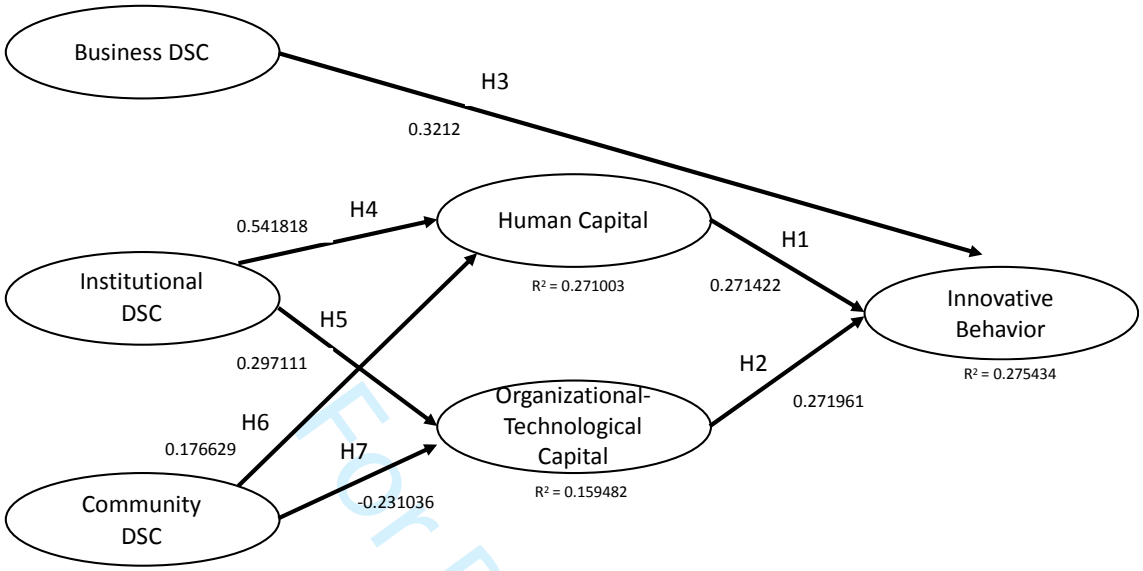
	Innovative behavior	Community DSC	Institutional DSC	Business DSC	Org-Tech CaP	Human Capital
Innovative Behavior	0.7676					
Community DSC	0.0149	0.9226				
Institutional DSC	0.2057	-0.2238	0.7360			
Business DSC	0.3127	0.3877	-0.0727	0.6638		
Org-Tech Cap	0.2940	-0.2832	0.3378	-0.0557	0.7144	
Human capital	0.3623	0.0530	0.4929	0.1154	0.1475	1.0000

Note: DSC=destination social capital. Org-Tech CaP=organizational-technological capital.

Table IV. Structural model path coefficients

	Coefficient β	SD	SE	t-statistics
Human capital → Innovative behavior	0.271422	0.098719	0.098719	2.925864
Org-tech capital → Innovative behavior	0.271961	0.145346	0.145346	1.842781
Business DSC → Innovative behavior	0.3212	0.097532	0.097532	3.017531
Institutional DSC → Human capital	0.541818	0.080594	0.080594	6.593069
Institutional DSC → Org-tech capital	0.297111	0.094105	0.094105	3.06989
Community DSC → Human capital	0.176629	0.082106	0.082106	2.093628
Community DSC → Org-tech capital	-0.231036	0.113555	0.113555	1.924559

Figure 1. Results of the research model



ANSWER TO REFEREE 1:

Thank you very much for your valuable suggestions.

1. We really appreciate your suggestions about references. They have been very stimulating, we have added some of them in this paper, and the others would be very useful to further publications we are preparing.
2. Figure 1 have been changed to report the hypothesis

Thank you for helping us improve our work.

Yours sincerely

The authors

ANSWER TO REFEREE 2

Thank you very much for your time and generosity in sharing your valuable comments.

1. First, we appreciate especially your very pertinent comments about the need to better outline the gaps. The introduction section has been reformulated, to make more explicit the gaps filled and the need for the research, and we hope that our new additions make up for this previous lack.
2. Second, in regards to the description of the study site we have added new paragraphs to make more visible the political, institutional and economic context of the setting.
3. Regarding your remarks about the measurement of the variables, you were right in considering that we needed to make more of a reference to the studies which inspired the measurement of the variables used, and so we introduced changes reflecting this need for clarification. The date of the data collection was 2012 (July-October).
4. Finally, following your advice we have further developed and articulated the theoretical implications of the study, to better address the unique contributions to the literature. We thank you very much for making us reflect further on how to better present our conclusions and implications. Following the advice of another Reviewer and the Editor, we have enriched the conclusions making a more explicit link between social capital and sustainability, and explaining how the results of this research have had positive impact in the destination, inspiring political and entrepreneurial projects.

Thank you for helping us improve our work.

Yours sincerely

The authors

ANSWER TO REFEREE 3

Thank you very much for your valuable comments and for making us reflect further on how to better present our conclusions and implications.

1. Following your advice we have further developed and articulate the theoretical implications of the study, to better address the unique contributions to the literature.
2. We have enriched the abstract, introduction and conclusions making a more explicit link between social capital and sustainability, and explaining how the results of this research have had a positive impact in the destination, inspiring political and entrepreneurial projects.

Thank you for helping us improve our work.

Yours sincerely

The authors