

The Significance of Intellectual Capital and Strategic Orientations on Innovation Capability in Malaysian ICTSMEs

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Abstract : Innovation capability is recognized as a critical factor that contributes to promoting firm growth and wealth creation. While studies on innovation are in abundance, few empirical studies have been undertaken to examine the relationships of intellectual capital with innovation capability, and research investigating the combinations of strategic orientation dimensions is limited and virtually nothing in regard to the Malaysian context. This research investigates the impact of intellectual capital and three strategic orientations on the innovation capability and firm performance of Malaysian ICT SMEs. Data was collected from 213 firms relating to intellectual capital and the three strategic orientations; market orientation, learning orientation and technology orientation. Using partial least squares structural equation modelling (PLS-SEM) to analyse the data, results indicate that while market orientation has a direct negative relationship to firm performance, it is positively related to performance through the mediating effect of innovation capability. Learning orientation and technology orientation are mediated by innovation capability, while intellectual capital was found to be partially mediated by innovation capability. Findings indicate that firm performance is positively and significantly related to innovation capability and that market orientation, learning orientation, technology orientation and intellectual capital are all significant and positively related to innovation capability. The developed model indicates that Malaysian ICT SMEs would perform better with greater emphasis on developing innovation capability through enhancement of intellectual capital and the strategic orientations measured in this study.

Keywords : innovation capability, intellectual capital, strategic orientations, PLS-SEM

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