



# The Role of Innovation in Mediation of the Influence of Human Resources Competence and Social Capital on the Sustainability of SMEs in the City of Denpasar, Bali-Indonesia

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## ABSTRACT

This study aims to examine and analyze the effect of human resource competence and social capital on business sustainability by mediating innovation variables. Business sustainability is a form of consistency of the condition of a business where sustainability is a process of on going business both including growth, development, strategies to maintain business continuity and development, all of which aim at the existence (resilience) of the business. RBV theory which states that a business that has resources can make the business have a competitive advantage and be able to direct the business in a good long term (business continuity). The analytical tool used in this research is Smart PLS analysis. The population in this study is the culinary SME business actors in Denpasar City. The results show that 1) Human resource competence has a negative and insignificant effect on the sustainability of the culinary SME business in Denpasar. 2) Social capital has a positive and significant effect on the business continuity of culinary SMEs in Denpasar. 3) Human resource competence has a positive and significant effect on innovation of culinary SMEs in Denpasar. 4) Social capital has a positive and significant effect on innovation of culinary SMEs in Denpasar. 5) Innovation has a positive and significant impact on the business continuity of culinary SMEs in Denpasar. 6) Innovation acts as a perfect mediator on the influence of human resource competence on the business continuity of culinary SMEs in Denpasar.

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**KEYWORDS:** Innovation, human resource competence, social capital, business continuity, culinary SMEs

## INTRODUCTION

The existence of the Covid-19 pandemic has greatly impacted the ravages of various economic sectors in almost most countries in the world, including Indonesia, such as the tourism sector and its supporting sectors. Bali as a tourist destination in Indonesia, supported by the SME sector, has felt the impact of the pandemic, especially with regard to the threat to its business continuity. Dhony (2021) mentions that as many as 2,600 SMEs or 87.5% were negatively affected by the pandemic. The number of SMEs that have an impact is indeed more than those that have no impact. The reason is that there is a policy of restricting people's mobility and has a significant impact on the decline in performance and retail trade, the majority of which are SMEs. The problems faced by SMEs in the midst of the current pandemic include; The people's purchasing power has decreased due to the limited ability of SME actors to build relationships so that it has an impact on declining operating profits, production activities and distribution of goods are hampered due to the regulation

of the Enforcement of Community Activity Restrictions (PPKM), SME actors have difficulty in accessing capital and financing due to the fact that there are still many SMEs have not met the requirements of banks/financial institutions, SME raw materials are difficult to obtain (Pramuki and Kusumawati, 2021, Yuliantari and Pramuki, 2022)

Business continuity is a condition in which business actors are still able to maintain their business operations, including continuously increasing the achievement of operating profits. Sustainability and existence (resilience) in business for business actors are expected to be able to minimize various internal and external obstacles and constraints. The better the performance of the business, the better it can directly affect the sustainability of the business Verdú et al., (2015). SMEs face various challenges in maximizing business performance, especially in the midst of the current pandemic. Based on the description of the problem, it is important for SMEs to improve the internal aspects of SMEs, namely; competence of human resources

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and social capital.

SMEs with good performance will have high competitiveness. To make this happen, resources are needed quality human. Human resource competencies are competencies related to knowledge, skills, abilities and personality characteristics that directly affect their performance (Anwar, 2012). Competence of human resources is one of the factors that influence the performance of SMEs. This is because a business unit is determined by how the individuals involved in managing the business. The quality of human resources is needed, especially in the field of human resource competencies such as knowledge, skills, and abilities in entrepreneurship (Wahyudiati & Isroah, 2018). Fibriyani & Mufidah (2018) in their research found that human resource competence has a positive effect on the performance of SMEs. The better the competence of human resources, the higher the performance of these SMEs. However, different results were found in the research of Ardiana et al., (2010) that knowledge of SME human resources had no effect on the performance of SMEs.

Another main internal factor that plays a role in maximizing the performance of SMEs in social capital owned by business capital actors in this study is social capital. Social capital can strengthen the relationship between SMEs and the surrounding community, making it easier to build good social interactions. The results of research by Rapih, (2015) and (Santoso et al., 2019) state that there is a positive and significant influence between social capital on the performance of SMEs. However, different results were shown in a study conducted by Walenta, (2019). Financial capital owned by SMEs can determine financial sources that can be used and manage finances well. The results of the research by Pramestiningrum & Iramani, (2020), and Rapih, (2015) shows that financial capital affects the performance of SMEs. However, different results were revealed in the research of Sombolayuk et al., (2019).

The results of several studies that show differences and vary, motivate researchers to develop this research by adding an extra variable that can clarify the relationship between human resource competence and social capital on the sustainability of SME business, namely the innovation variable. Empirical evidence shows that innovation has an influence on the performance of SMEs. An increase in innovation can have an effect on improving performance, so that if entrepreneurs often innovate to create new products, it can be better to develop their business, on the contrary if there is a lack of innovation in entrepreneurship, it will also be difficult to develop a business. (Hendriyanto, 2015; Mandala & Raharja, 2012; Utaminingsih, 2016; Wahyuni et al., 2015).

### LITERATURE REVIEW

#### *Resources Based View (RBV)*

This RBV theory tries to explain why in the same

industry there are companies that are successful while many are not. According to Barney (1991), the success or failure of a company will be largely determined by the strengths and weaknesses that exist within the company's internal, not its external environment. SMEs are business entities that consist of a set of resources with unique capabilities, capable of supporting the implementation of a strategy to face competition and achieve business goals optimally. This set of resource capabilities continues to dynamically evolve to earn above-average returns. This view became known as the resource based view (RBV) or resource based theory (RBT) Sombolayuk et al., (2019).

#### **SME sustainability**

Business sustainability is something that is used to develop and protect the resources within it, which allows people to find a way to meet current and future needs, from a combined environmental, economic and societal perspective ( Verdú, et al., 2015). While there are those who state that business continuity leads to the success of a business to survive in dynamic competition seen from how well the business meets the needs of stakeholders (Hengky, 2013).

#### **The Influence of Human Resource Competence on SME Innovation and Sustainability**

Human resource competencies are competencies related to knowledge, skills, abilities and personalities that directly affect business performance. Human resource competence reflects the productive capacity of human resources, including various skills (literacy, numeracy, cognitive and analytical) to produce economic added value (Rapih, 2015). In an effort to maximize the performance of SMEs, the competence of human resources plays a very important role in it. This is because business continuity is determined by the level of education of the owners and employees of SMEs, the experience of SMEs in the business world, and the managerial and marketing competencies of each individual involved in maximizing the performance of SMEs. The increasing level of education and experience of employees can encourage employees to maximize creativity in innovation to improve performance. Better performance can maintain the sustainability of SMEs. A business that has adequate human resource competencies will have a positive impact on improving the performance of SMEs. In addition, the competence of good human resources if owned and maintained in the long term can be an investment for the progress of SMEs. The results of research by Ardiana et al (2010) show that the competence of the human resources of SMEs has a positive and significant effect on the performance of SMEs in Surabaya. Better performance can maintain the sustainability of SMEs. A business that has adequate human resource competencies will have a positive impact on improving the performance of SMEs. In addition, the competence of good human resources if owned and maintained in the long term can be an investment for the

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H1. Human resource competence has a positive effect on SME innovation.

H2. Human resource competence has a positive effect on the sustainability of SMEs.

### **The Effect of Social Capital on SME Innovation and Sustainability**

Social capital is the ability of the community to work together, in order to achieve common goals, in various groups and organizations. If an attachment in a particular community has occurred, then social capital will also be formed in such a way that the impact will provide positive benefits in all fields. Social capital also plays a very important role in various areas of people's lives, because with social capital the community will be able to work together in realizing the goals to be achieved. Social capital is a very important thing owned by SMEs in an effort to maximize the performance of SMEs. This is due to good relations that come from togetherness, kinship, the mutual trust and understanding that is built between SME owners and stakeholders can become social capital for SMEs. In addition, the social capital owned by SMEs can also be seen from several indicators, namely the ability to build cooperation and trust, the participation of SMEs in the local community, prioritizing the interests of customers and having an extensive business network. The better it is owned by SMEs, it will encourage employees to innovate both with process innovation and product innovation in order to improve their business performance. Empirical evidence shows that social capital variables have a positive influence on marketing performance (Astuti, et.al, 2019; Khoirriini & Saskara, 2017), SME business performance (Santoso, 2019, Rapih, 2015) Social capital owned by SMEs can also be seen from several indicators, namely the ability to build cooperation and trust, participation of SMEs in local communities, prioritizing customer interests and having an extensive business network. The better it is owned by SMEs, it will encourage employees to innovate both with process innovation and product innovation in order to improve their business performance. Empirical evidence shows that social capital variables have a positive influence on marketing performance (Astuti, et.al, 2019; Khoirriini & Saskara, 2017),

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### **The Effect of Innovation on the Sustainability of SMEs**

In entrepreneurship, innovation is seen as a machine that is able to make a company exist and achieve sustainable competitive advantage. Innovation is the result of creativity. Innovation and creativity are indispensable in the development of new products and services. Agarwal (2007) states that entrepreneurship is a creative and innovative process of creating added value for goods and services which then gives rise to various advantages including advantages in winning the competition. Larsen (2007) states that innovation is the most important character in entrepreneurship. Innovation keeps the company durable in the midst of changing times. Innovation encourages companies to adjust the goods and services offered according to the very dynamic needs of consumers. Consumers do not always consume similar products. Consumers can look for other products from other companies that are felt to be more capable of satisfying their needs. Therefore, continuous innovation is needed in order to maintain the company's existence in the market.

H.5 Innovation has a positive effect on the sustainability of SMEs.

**The Effect of Innovation Mediation on the Relationship of Human Resource Competence and Social Capital with the Sustainability of SMEs**

Innovation is the main function in the entrepreneurial process. With innovation, entrepreneurs can create both new production resources and the management of existing resources. Product innovation is needed to survive in the business world, so that product saturation does not occur among consumers (Sari, 2016). Innovation as a form of organizational change. Innovation includes creativity in creating new products, services, ideas or new processes. Innovation can be interpreted as a process of adapting products, services, ideas, or processes that already exist within the organization or are developed from outside the organization (Jannah, 2014). The results of research by Mustikowati and Tysari (2014) are that innovation has a direct and positive effect on performance. In order to

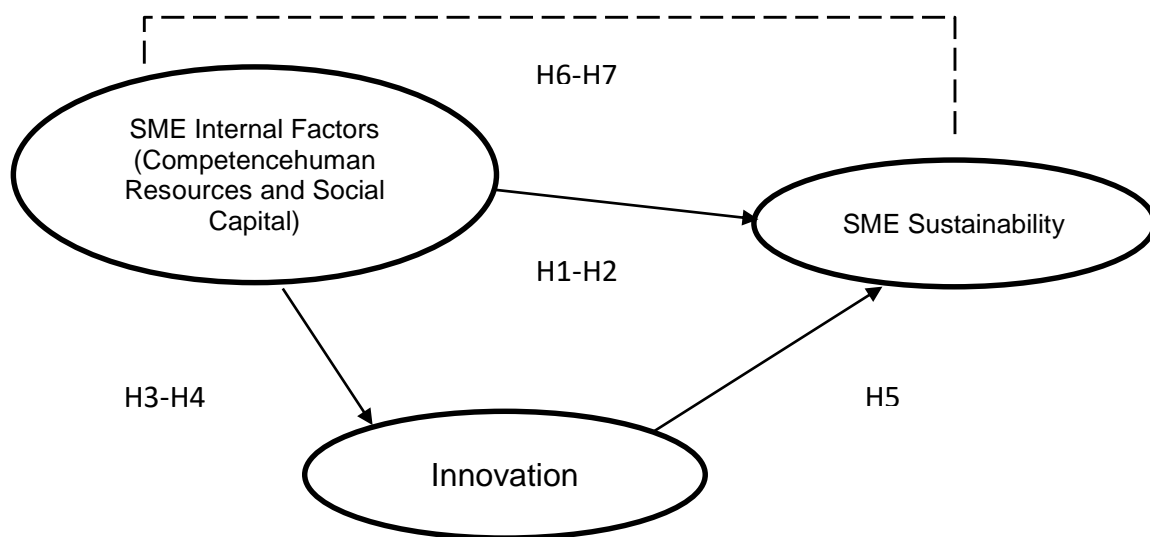
support employees in creativity which is realized through process innovation and product innovation, employee leadership can go through a training process, continuous training is carried out and ultimately improve their experience. In addition, the role of social capital is also very important in innovating for each employee.

H6. Human resource competence has a positive effect on the sustainability of SMEs through innovation.

H7. Social capital has a positive effect on the sustainability of SMEs through innovation.

**Conceptual Framework**

The conceptual framework model in this study is described from the background problems and theoretical studies that have been discussed with PLS-SEM as the data analysis method.



Information  
 ———→ : Direct Influence  
 - - - -> : Indirect Effect

**Figure 1. Conceptual Framework**

**ANALYSIS METHOD**

This study uses primary data types, by collecting data from Culinary SMEs business actors in Denpasar, so that the population in this study is Micro culinary SMEs in Denpasar. To obtain the data used in this study, judgmental sampling was used. This study amounted to 80 respondents. Judgmental sampling is a sampling technique by determining certain criteria, namely a). Have a maximum sales turnover of IDR 300,000,000 per year b). Have a minimum of 3 employees c). Is a micro business d). The business has been established for at least 2 years e). The business is located in Denpasar City. In this study, the sample used by the researcher was 80 respondents of micro-scale culinary business actors in Denpasar. The sample size for SEM with the maximum likelihood estimation model is 100 – 200 samples (Ghozali, 2018), or five times the number of

indicators (5 x 16 indicators = 80 samples). Data was collected through a questionnaire instrument (with a Likert scale) which had been tested for validity and reliability. The data collected was then tabulated and analyzed using the SEM-PLS analysis technique (SmartPLS application).

All variables were measured using a 5-point Likert scale from the lowest score of 1, namely strongly disagree to a score of 5, strongly agree with reference to Gordon in Sutrisno (2011, Wibowo (2014, Cox (1995), Doh & Zolnik, (2011), Lawang). (2004) and Granovetter (1983). The indicator of SME sustainability is measured by 3 indicators, namely the sustainability of capital, the sustainability of human resources, the sustainability of production, and the sustainability of marketing. The variable of human resource competence is measured by 6 indicators, namely knowledge, understanding, ability, value, attitudes and interests Social

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capital variables are measured by 3 indicators, namely trust, respiratory norms and networks, and innovation variables are measured by 3 indicators, namely process innovation, product innovation, and market innovation.

**RESULTS AND DISCUSSION**

**Summary of Respondents Characteristics and Description of Research Variables**

The total respondents collected in this study were 80 respondents who were sent directly to the location of SMEs. Most of the respondents in this study were dominated by women as many as 60 people (62.5%), were in the age range of 25-30 years as many as 30 people (37.5%). The most recent education of the majority of respondents is SMA/SMK with a total of 40 people (50%). The overall sustainability variable of SMEs is obtained by an average respondent's response is classified as very good as evidenced by the mean value of 3.94. The overall human resource competency variable has a high average of respondents' responses with a mean value of 4.17. The overall social capital variable obtained the average respondent's response was classified as very high as evidenced by the mean value of 3.94.

**Outer Inferential Analysis Model**

In this study, data analysis used the PLS-SEM method with SmartPLS.3 software. The outer model or

usually called the outer relation or measurement model. The outer model is more specific on the relationship between latent variables and their indicators. The measurement of the model consists of a validity test and a reliability test. In this study, the validity test was measured through convergent validity and discriminant validity. The indicator is said to be valid if the convergent validity seen from the loading factor value is more than 0.7 and the average variance extracted (AVE) value is greater than 0.5. In addition, the indicator is said to be valid if the discriminant validity is done by comparing the square root of the AVE for each construct with the correlation value between the constructs in the model. The reliability test is measured through composite reliability and Cronbach's alpha which can be seen in the view of latent variable coefficients. The indicator is said to be reliable if the value achieved by composite reliability and Cronbach's alpha is greater than 0.7 (Ghozali, 2021). Based on the test results several times, it shows that the results of all indicators of this study are valid, this is because the loading factor value meets the criteria, namely 0.6 and the AVE value > 0.5 so that the requirements for measuring convergent validity are met and the value of the square root of the AVE is each. Besides that, each latent construct is greater than the correlation between latent constructs so that the test results can be said to have met the discriminant validity requirements.

**Table 1.** Outer Loading Value Estimated After Execution

Indicator	Coefficient	t test	P Values
X1.1 <- Human Resources Competence	0.603	2,624	0.009
X1.4 <- Human Resources Competence	0.889	6,245	0.000
X1.6 <- Human Resources Competence	0.910	5.355	0.000
X2.2 <- Social Capital	0.767	13,355	0.000
X2.3 <- Social Capital	0.941	61,699	0.000
Y1.2 <- Innovation	0.950	64,021	0.000
Y1.3 <- Innovation	0.949	59,909	0.000
Y2.1 <- SME sustainability	1,000		

**Table 2.** Discriminant Validity

Indicator	Innovation	Business Continuity	Human resource competence	Social Capital
X1.1	0.079	-0.058	0.603	-0.046
X1.4	0.363	0.153	0.889	0.296
X1.6	0.348	0.296	0.910	0.214
X2.2	0.371	0.355	0.303	0.767
X2.3	0.701	0.674	0.204	0.941
Y1.2	0.950	0.685	0.318	0.692
Y1.3	0.949	0.737	0.418	0.573
Y2.1	0.748	1,000	0.246	0.640

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**Table 3.** Value of AVE, Composite Reliability and Cronbach Alpha

Construct	Cronbach's Alpha	Composite Reliability	AVE
Innovation	0.891	0.948	0.902
Business Continuity	1,000	1,000	1,000
Human Resources Competence	0.790	0.850	0.661
Social Capital	0.671	0.847	0.737

**Inner Model Inferential Analysis**

Inner model testing is done by R-squared analysis on each dependent variable as the predictive power of the structural model. R-squares values of 0.75, 0.50 and 0.25 can be concluded that the model is strong, moderate, and weak. The larger the R-square value, the better the predictor model in explaining variance. However, the maximum limit for the R-square value is only up to 0.70 in the PLS context. If the R-square value exceeds 0.70, it is possible that the model has collinearity problems (Ghozali & Latan, 2015). The results of the test show that the R-square of the dependent variable, namely the sustainability of SMEs, is 0.598. These results indicate that the SME sustainability variable is included in the moderate category, which means that the predictor is

moderate in explaining variance.

**Hypothesis test**

Hypothesis testing in this study was carried out by taking into account the results of the PLS calculations shown in table 4. The numbers shown in the arrow direction indicate p-value, where p-value < 0,05 indicates a significant relationship. The results of the analysis are seen from five direct effects. There is one insignificant effect, namely the influence of human resource competence on business continuity. Testing the indirect influence between human resource competence and social capital with the sustainability of SMEs through innovation can be seen in Table 4.

**Table 4.** Indirect Effects of Human Resource Competence (X1) and Social Capital (X2) on Business Continuity (Y2) Through Innovation (Y1)

Relationship Between Variables	Model	Coefficient	P Values	Test results	Information
H1. X1 > Y1	a.	0.223	0.016	Significant level 5%	a and b are significant, while c is not significant = full mediation
H5. Y1 > Y2	b.	0.599	0.000	Significant level 1%	
H2. X1 > Y2	c.	-0.055	0.519	Not significant	
H3. X2 > Y1	a.	0.606	0.000	Significant level 1%	a and b are significant, while c is also significant = partial mediation
H5. Y1 > Y2	b..	0.599	0.000	Significant level 1%	
H4. X2 > Y2	c.	0.255	0.006	Significant level 1%	

This shows that the competence of human resources towards innovation is significant with a path coefficient of 0.223 (a). The effect of innovation on the sustainability of SMEs is significant with a path coefficient of 0.599(b). The effect of human resource competence on the sustainability of SMEs is not significant with a path coefficient of -0.053 (c). Testing the effect of social capital on innovation is significant with a path coefficient of 0.606 (a). The effect of innovation on the sustainability of SMEs is significant with a path coefficient of 0.599 (b). The effect of social capital on the sustainability of SMEs is significant with a path coefficient of 0.255(c). Testing the competence of human resources and social capital on the sustainability of SMEs through innovation shows three relationships of variables that are

influenced indirectly according to the results presented in Table 4. Hair et al. (2010, p. 89) states that if (a) and (b) the direct effect is significant, but (c) is not significant, it means full mediation, which means that the influence of human resource competence on the sustainability of SMEs can only be explained by the presence of the innovation variable. The results of this test can provide an understanding that the better the level of competence of human resources, the better the sustainability of SMEs through innovation. Innovation fully mediates the influence of human resource competence on the sustainability of SMEs.

Table 4 shows that the effect of social capital on innovation is significant with a path coefficient of 0.606(a). The effect of innovation on the sustainability of SMEs is

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significant with a path coefficient of 0.599 (b). The effect of social capital on the sustainability of SMEs is significant with a path coefficient of 0.255 (c). Hair et al. (2010) stated that if (a) and (b) the direct effect is significant, but (c) is also significant, it means partial mediation, which means that the influence of human resource competence on the sustainability of SMEs can only be partially explained by the existence of

the innovation variable. This indicates that it is still possible for other factors to mediate the effect of social capital on business continuity.

The results of the mediation variable test can also be seen from the results of Specific Indirect Effects, as shown in table 5 below.

**Table 5.** Test Results for Specific Indirect Effects

Relationship Between Variables	Coefficient	P Values	Test results
H6. X1 (S Competencehuman Resources> Y1 (Innovation ) >Y2 (Business Continuity)	0.134	0.016	Significant
H7. X2 (Social Capital) > Y1 (Innovation) >Y2 (Business Continuity)	0.363	0.000	Significant

**The role of innovation in mediating the relationship of human resource competence to the sustainability of culinary SMEs in the city of Denpasar.**

The test results show that the hypothesis which states that human resource competence has a positive and significant effect on the sustainability of culinary SMEs in Denpasar City is rejected. The relationship of human resource competence on innovation is found in Sobirin et al (2020) which states that there is a positive relationship between human resource competence and innovation. Research studies that prove that innovation can increase competitive advantage and performance can be found in research results (Larasati and Hariyathi, 2021; Sari, 2016; Jannah, 2014; Mustikowati and Tysari 2014). There is a partial relationship in each relationship between human resource competence and innovation as well as the relationship between innovation and SME performance. shows that innovation has the potential to be a mediating variable between human resource competencies and the sustainability of SMEs. An individual's competence is something inherent in him that can be used to predict his level of performance. Human resource competencies are competencies related to knowledge, skills, abilities and personality characteristics that directly affect their performance. The results of this study are different from those conducted by Wahyudiati and Isroah (2018), Fibriyani and Mufidah (2018) in their research found that human resource competence has a positive effect on the performance of SMEs. The better the competence of human resources, the higher the performance of these SMEs. An individual's competence is something inherent in him that can be used to predict his level of performance. Human resource competencies are competencies related to knowledge, skills, abilities and personality characteristics that directly affect their performance. The results of this study are different from those of Wahyudiati and Isroah (2018), Fibriyani and Mufidah (2018) in their research

found that human resource competence has a positive effect on the performance of SMEs. The better the competence of human resources, the higher the performance of these SMEs. An individual's competence is something inherent in him that can be used to predict his level of performance. Human resource competencies are competencies related to knowledge, skills, abilities and personality characteristics that directly affect their performance. The results of this study are different from those of Wahyudiati and Isroah (2018), Fibriyani and Mufidah (2018) in their research found that human resource competence has a positive effect on the performance of SMEs. The better the competence of human resources, the higher the performance of these SMEs. abilities and personality characteristics that directly affect their performance. The results of this study are different from those conducted by Wahyudiati and Isroah (2018), Fibriyani and Mufidah (2018) in their research found that human resource competence has a positive effect on the performance of SMEs. The better the competence of human resources, the higher the performance of these SMEs. abilities and personality characteristics that directly affect their performance. The results of this study are different from those conducted by Wahyudiati and Isroah (2018), Fibriyani and Mufidah (2018) in their research found that human resource competence has a positive effect on the performance of SMEs. The better the competence of human resources, the higher the performance of these SMEs.

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1. The test results show that the hypothesis which states that social capital has a positive and significant effect on the sustainability of culinary SMEs in Denpasar City is accepted. The relationship of social capital to innovation is found in Budiarti (2021) which states that there is a positive relationship between social capital

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and innovation. Research studies that prove that innovation can increase competitive advantage and performance can be found in research results (Larasati and Hariyathi, 2021; Sari, 2016; Jannah, 2014; Mustikowati and Tysari 2014). The existence of a partial relationship in each relationship between social capital and innovation as well as the relationship between innovation and performance of SMEs, indicates that innovation has the potential to be a partial mediating variable between social capital and the sustainability of SMEs.

### CONCLUSION

#### Research finding.

Based on the results of the analysis that has been carried out in answering the objectives of this study, the findings of this study can be described as follows;

First. Human resource competence has a positive and insignificant effect on the sustainability of SMEs, where increasing human resource competencies is not able to provide a real improvement to the sustainability of culinary SMEs in Denpasar City. Second, social capital has a positive and significant impact on the sustainability of SMEs, where an increase in social capital is immediately able to provide a real improvement to the sustainability of culinary SMEs in Denpasar City. This can happen because the sustainability of culinary SMEs has been running in such a way without the need for a real role from the competence of human resources. Meanwhile, SMEs are more focused on innovation and social capital in maintaining business continuity. Third, innovation is able to fully mediate competent employees in maintaining the sustainability of culinary SMEs in the city of Denpasar. This is because employee competencies related to knowledge, understanding, abilities, values, attitudes and interests can encourage employees to innovate processes, product innovations and market innovations in maintaining business continuity. Fourth, innovation is able to mediate some of the employee's social capital in maintaining the sustainability of culinary SMEs in the city of Denpasar. This is because social capital related to trust, reciprocal norms and networks can encourage employees to innovate processes, product innovations and market innovations and be able to maintain business continuity. attitudes and interests can encourage employees to innovate processes, product innovations and market innovations in maintaining business continuity. Fourth, innovation is able to mediate some of the employee's social capital in maintaining the sustainability of culinary SMEs in the city of Denpasar. This is because social capital related to trust, reciprocal norms and networks can encourage employees to innovate processes, product innovations and market innovations and be able to maintain business continuity. attitudes and interests can encourage employees to innovate processes, product innovations and market innovations in maintaining business continuity.

Fourth, innovation is able to mediate some of the employee's social capital in maintaining the sustainability of culinary SMEs in the city of Denpasar. This is because social capital related to trust, reciprocal norms and networks can encourage employees to innovate processes, product innovations and market innovations and be able to maintain business continuity.

#### Implication

The results of this study have provided findings that are in accordance with the constructs used in the discussion. On the basis of all these items, some theoretical implications of the research results can be proposed. The integration of the four variables of human resource competence, social capital, innovation and business continuity proves that maintaining business continuity must be based on increasing the competence of human resources and social capital in influencing innovation first to encourage increased innovation. This condition is because reinforcement is determined by the role of ethical leadership to encourage innovation. Without the role of competence in human resources and social capital, innovation will not be able to bridge employee actors in maintaining business continuity.

#### Research limitations

This study tries to build an integrated innovation model in mediating the relationship of human resource competence and social capital to the sustainability of culinary SMEs in Denpasar City. However, it is acknowledged that there are still many limitations that cause the results of this study to be imperfect, which is related to the following: the number of indicators in the research construct issued. It is possible that the respondents did not fully understand the meaning of the questions asked. The result is that this can affect the planned research objectives. Suggestions that can be given to further researchers are expected to consider the added variables, considerations can be made by assessing how much understanding SMEs have of the sample used.

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