

## Service Innovation and Mimetic Pressure in Maldivian Resorts

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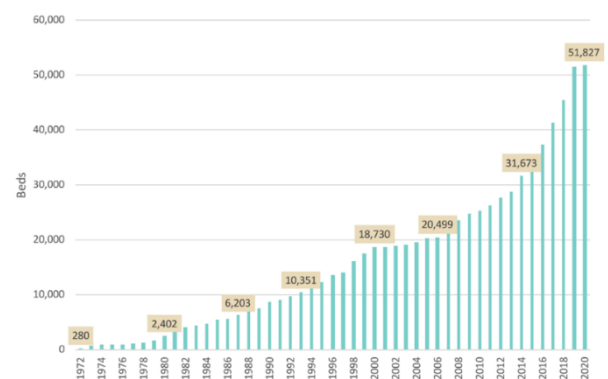
**Abstract:** Innovation is essential to preserving a competitive edge in today's fast-paced business world. To drive service innovation and gain a competitive edge in the Maldives' resort industry, this study examines how opportunity-enhancing practices are impacted by mimetic pressure, which is the propensity for businesses to copy successful competitors, and how these practices improve human and relational capital. The resource-based view (RBV) and institutional theory are combined in this study to identify the key traits that foster innovation, which is essential for resort businesses to succeed in fiercely competitive travel markets. The findings gathered from 114 industry professionals and analyzed with SEM-PLS show a strong link between mimetic pressure, human capital development, and service innovation, all of which contribute to a significant competitive advantage. These findings have major implications for resort managers and policymakers in emerging economies, particularly in tourism-dependent countries like the Maldives. The study's findings are significant to expanding tourism economies with practical recommendations for improving service innovation, promoting sustainable growth, and increasing global competitiveness in culturally varied settings.

**Keywords:** Innovation, Dynamic business environment, mimetic pressure, competitive advantage, Institutional theory, RBV theory

### 1. Introduction

Today's business landscape of the twenty-first century is fast-paced and cutthroat. To flourish, organisations must be able to adapt and offer creative solutions quickly. Tourism represents one of the world's most significant and fastest-growing industries. It is defined as travelling worldwide for vacation or pleasure (Camilleri, 2018). Asia's travel and tourism industry is predicted to generate US\$292.20 billion in sales by 2024 (Statista, 2024). Furthermore, between 2024 and 2029, it is anticipated to increase at a rate of 4.47% annually, culminating in a projected market volume of US\$363.60 billion by 2029 (Statista, 2024).

The Maldives tourism industry began in 1972 by establishing the country's first resort, celebrating its golden jubilee of 50 years with over one million visitors in 2016 (Tourism Research & Statistics, 2021a). Moreover, Maldives welcomed 1.35 million tourists by the end of August 2024, and Maldives set an ambitious target of attaining two million tourists by the end of 2024 (Ministry of Tourism, 2024). The industry began in 1972 with 280 beds and has amassed over 51,827 beds by the end of 2020 (Ministry of Tourism, 2022; Tourism Research & Statistics, 2021b).



**Fig 1:** Bed capacity of Maldives, 1972-2020

In conjunction with expanding accommodation capacity, international tourist arrivals ascended at an annual average rate of 10% from 2012 to 2016 (Tourism, 2022). As the country's most significant economic contributor, which accounts for 60% of foreign exchange earnings and over 30% of GDP (Tourism, 2024; Worldbank, 2022b), the government and private investors are vested in the sector's long-term sustainability (Shuaib, 2021). In addition, the resorts leverage human resources, information technologies, product offerings, and relationship marketing to gain a competitive advantage (Ministry of Tourism, 2022). However, high competitor imitation is rapidly affecting these innovations and eroding competitive advantages in the sector (Chia & Muiz, 2021). According to Ahmed (2018), even though the industry is immensely profitable, it delivers homogeneous products and services. According to Shakeela and Cooper (2016), due to the complex interaction of political, cultural, and economic forces and severe environmental rules drive resorts to follow identical

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sustainable practices, resulting in mimetic conformity (Shuaib, 2021).

According to Worldbank (2022), the tourism sector in the Maldives faces several challenges related to competitor imitation (Chia & Muiz, 2021). One of the significant challenges is the need for more innovation. Many of the tourist services and amenities offered in the Maldives are like those offered by competitors (Ahmed, 2018). This makes it difficult for the Maldives to differentiate itself from other destinations and remain competitive. Therefore, companies must differentiate by offering unique experiences and services that their competitors do not have to stay competitive (Al-Khatib & Al-Ghanem, 2021). Nevertheless, the depth to which mimetic pressures drive innovation depends on various circumstances, including the strength of competition, accessibility of knowledge and the apparent legitimacy of particular operations (Özbek et al., 2022). While mimetic forces can motivate, excessive conformity might undermine a resort's capacity to build a distinct competitive advantage. Therefore, understanding these aspects is vital for resorts to handle the obstacles and possibilities.

The literature revealed some significant study gaps. First, there is uncertainty about the parameters and boundary circumstances wherein institutional pressure supports HPHR practices (Chen et al., 2018). Hence, alternative theories related to institutional theory are expected to be investigated (Mohua & Yusoff, 2021). Second, the AMO model studied in the past by Kerdpitak and Jermisittiparsert (2020), Kremmydas and Austen (2020), and Miao et al. (2021), highlighted there fails to be a set list of AMO dimensions. None of the three dimensions were empirically validated separately (Marin-Garcia & Tomas, 2016). Third, despite the extensive emphasis on the outcomes of service innovation, more research is needed on the interpersonal and interactive elements of service improvements (Tsou & Chen, 2020) and development methods (Marzouqi, 2019) in different contexts (Alosani et al., 2021). Finally, no research has been done in this field in the context of the Maldives as the existing body of research centres on the general HRM roles (Najeeb, 2016) and ways to enhance destination competitiveness (Waseema, 2017). Specifically, there isn't any study on how mimetic pressure affects human and relational capital through opportunity-enhancing behaviours and how it relates to service innovation that creates a competitive advantage in the Maldives.

The current study examines how mimetic pressure drives opportunity-enhancing practices and affects competitive advantage, service innovation, and intellectual capital concerning needs.

## **2.Theoretical Background and Hypothesis**

### **2.1 Mimetic pressure and Opportunity Enhancing Practices**

Industries imitate the successful strategies of other businesses and major rivals when uncertain. Mimetic or imitative pressures are the terms used to describe this phenomenon. Businesses feel compelled to implement strategies connected to how well their competitors and peers succeed (Kauppi & Luzzini, 2022). According to Krell et al. (2016) behavioural misunderstanding over how to do a given activity, resolve a specific issue, or arrive at a clearly stated objective is the root cause of mimetic pressure. Because of this ambiguity, a corporation mimics the actions of other organisations that appear successful in its surroundings (Saeed et al., 2019).

Concerning mimetic pressure, green initiatives (Aziz et al., 2017), and the use of information systems (Krell et al., 2016) have been the subject of numerous studies in the past. Zhu et al. (2013), observed that Chinese manufacturers are compelled by mimetic pressure to use green supply chain management practices, which indirectly affects the financial performance of the companies. Companies strive for legitimacy, which is the acceptance and approval of their institutional environment, which significantly impacts their organisational behaviour and aligns with institutional theory (Krell et al., 2016). Therefore, this study hypothesises: -

*H1: There is a positive relationship between mimetic pressure and opportunity-enhancing practices.*

### **2.2 Opportunity Enhancing Practices and human and relational capital**

A high-performance system requires OEP that is in line with the AMO framework. High-performance human resource techniques aim to increase employee engagement, performance, and productivity. Effective human resource management is critical to any organisation's success (Morales-Sánchez & Pasamar, 2020).. Employing efficient recruiting and selection procedures allows businesses to guarantee that the best and most qualified applicants are selected for open positions (Kakakhel & Khalil, 2022). Helping people realise their full potential should be the primary goal of training and development plans, which should be reviewed and modified regularly. Performance-based pay should consider market rates, job levels, and experience (Chan et al., 2004; Kakakhel & Khalil, 2022). High-performance HR strategies aim to optimise employees' performance and value to the company by fostering their talents, motivation, and opportunity (AMO) (Marin-Garcia & Tomas, 2016). Businesses can create a high-performing HR system that gives them a competitive edge by focusing on employees' abilities, motivation, and potential (Siddique et al., 2019). Therefore, this study will focus on strategies that allow employees to exert their competence and effort

through information exchange, employee engagement, and empowerment.

### 2.2.1 Empowerment

"Empowerment" was defined as the degree to which employees were appreciated by their employers and permitted to exercise their judgement in their work " (Boon et al., 2011; Kundu & Gahlawat, 2016). It provides the capacity to work, information, communication, power, and the ability to think, act, direct work, and make decisions independently (Alajmi & Alenezi, 2016; Delery & Roumpi, 2017).

Employee empowerment has become essential in highly competitive markets to remain competitive and productive and obtain a sustainable competitive advantage over other industry participants (Jyoti & Rani, 2019). It is believed that employees should be allowed to demonstrate empowerment practices because, by empowering them, an organization can create a positive work environment which would help the organization to survive, cultivate its business, stand in front of competitors, and confidently face any challenges (Hanaysha & Tahir, 2016).

### 2.2.2 Employee participation

The degree to which workers participated in their work and the duration that the organization recognized their contributions are referred to as participation (Delery & Doty, 1996; Kloutsiniotis & Mihail, 2020). In this process, employees and superiors share task-related decision-making authority (Khalid & Nawab, 2018). Various research explains these practices using terms like decision-making participation, autonomy and participation, and employee voice and participation (Zhang et al., 2014).

According to Park (2015), Employee participation consists of decision-making and financial contributions. Employee involvement (or participation in decision-making) refers to HR practices that allow employees to provide input on decisions about how work-related requirements are met. Employee motivation and ability to deliver high-quality work increase with the number of possibilities firms offer for employee engagement in making decisions. Employee participation practices are human resources strategies that empower employees to make decisions to motivate and utilize their human capital (Park, 2015). As a result, employee participation or involvement becomes a crucial component of the organizational structure to achieve positive employee perceptions and improve organizational effectiveness (Khalid & Nawab, 2018).

### 2.2.3 Information Sharing

According to Pfeffer (1998), the extent to which members of an organization share information with one another is known as information sharing. Sharing information lowers costs for the company and enhances coordination between employees

and their performance Ali et al., 2019). It can foster a culture of trust between employees and their employers, boosting employee loyalty and reducing employee turnover (Barney & Wright, 1998). According to RBV, these employees will be scarce and valuable in a competitive job market (Barney, 1991; Yin et al., 2019). Employees who understand the organization's goals and objectives will help it achieve them (Bos-Nehles & Veenendaal, 2019). According to the research, organizations that fail to express their aims and restrict employees from sharing knowledge may face negative consequences because employees may view this as institutionally unjust (Ostroff & Bowen, 2000). Clarity regarding job roles is enhanced by the sharing of information (Agarwal & Farndale, 2017).

Based on institutional theory, organizations implementing opportunity-enhancing practices such as employee empowerment, information sharing, and employee participation can attract and retain high-quality human capital (Dankyi et al., 2020). This is because such practices indicate to potential employees that the organisation values and prioritizes human capital, which fosters a positive impression of the organization (Brockner et al., 2017). Furthermore, RBV theory states that an organization's distinct assets and competencies define its strategic advantage. This includes both material and immaterial resources, such as human capital. Consequently, the following theory is put forth:

*H2: There is a positive relationship between opportunity-enhancing practices (empowerment, employee participation and information sharing) and human capital*

*H3: There is a positive relationship between opportunity-enhancing practices (empowerment, employee participation and information sharing) and relational capital.*

## 2.3 Human capital and service innovation

The knowledge, skills, and experiences that departing employees bring are human capital. This includes the individual's understanding of the organization, which is generated through competence, attitude, and intellectual intelligence (Muh & Etty, 2019). An organisation's personnel's talents and professional competencies usually impact its human capital. It represents the collective knowledge and experience of an organization's employees (Todericiu & Stăniț, 2015). The institutional theory highlights that an organization's structure, mainly the incentives and sanctions that govern its operations—determines how human capital is deployed (Karadas & Karatepe, 2019). In addition, the RBV theory strengthens the links between human capital and service innovation. According to RBV, an organization's resources and capabilities have the most significant impact on its success (Rotjanakorn et al., 2020). Furthermore, by using human capital, businesses can develop and produce new

services that are competitive in the market (Zawawi & Abd Wahab, 2019).

Innovation has become crucial in the hotel industry due to increased competition (Hameed et al., 2021). There are two types of service innovation in the hotel industry: radical and incremental. (Samuelsson et al., 2015; Wikhamn et al., 2018). Previous research has shown that when an organisation focuses on selecting and employing sufficient people and resources with the necessary skills and competencies, it may be adaptable and responsive to problem-solving and discovering novel methods to provide distinctive goods and services (Prajogo & Oke, 2016; Tajeddini & Martin, 2020; Tsou & Chen, 2020). Considering the preceding debate, the following hypothesis is proposed.

*H4: There is a positive relationship between human capital and service innovation.*

## 2.4 Relational Capital and service innovation

In the corporate world, relational capital refers to the resources people acquire through personal and professional networks, including ideas, information, commercial possibilities, financial capital, power, goodwill, cooperation, and emotional support. The organization's relational capital comprises its essential relationships with partners, suppliers, and customers. Relational capital is represented by the organization's relationships with its stakeholders. "Stakeholders" are individuals directly associated with the organisation and have a vested interest in its functioning " (Todericiu & Stăniț, 2015).

Institutional theory provides a framework for understanding the relationship between relational capital and service innovation by examining how various resources are activated and how social norms influence the kinds of activities that organisations participate in. The idea is that an organisation should seek out and utilise relational capital when it wishes to innovate since it enhances its capacities and relationships with external stakeholders (Chahal & Bakshi, 2016). Nonetheless, the RBV hypothesis states that businesses can differentiate their products and services from those of their rivals by using relational capital as a source of competitive advantage (Othman & Mahmood, 2019). Relational capital is also regarded as a reservoir of knowledge and creativity that aids businesses in effectively reimagining their offerings. Strong relationships with suppliers, consumers, and other stakeholders can help businesses better understand customer wants and develop innovative services to meet those needs, according to the RBV theory (Bulińska-Stangrecka & Bagińska, 2020). Additionally, according to the theory, relational capital may foster collaboration and knowledge sharing, enhancing service innovation (Al-Khatib, 2022). From the discussion above, the following inference can be made:

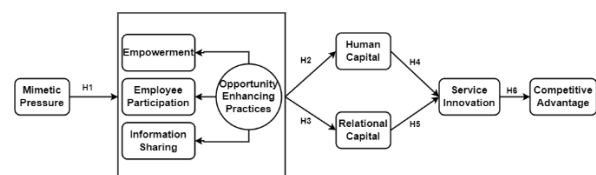
*H5: There is a positive relationship between relational capital and service innovation*

## 2.5 Service Innovation and competitive advantage

Innovation is crucial in determining an organisation's performance (Al-Khatib & Al-Ghanem, 2021; Gustafsson et al., 2020; Homayounfard & Zaefarian, 2022) in the service sector. Service innovation is the process of developing, launching, or significantly improving new services ((Clausen & Fichter, 2019). Panda et al. (2019), claim that service innovation gives businesses a competitive edge by providing services that ensure customer happiness and enhance their reputation. A company's competitive advantage is the main factor influencing its success because it offers superior products or services at a cheaper cost than its competitors (Correia et al., 2020; Shi et al., 2020; Sutapa et al., 2017).

According to the RBV theory, a company's resources and capabilities are the primary source of its competitive advantage (Lestari et al., 2020). These resources and proficiencies impact competitive advantage (Othman & Mahmood, 2019). Thus, SI can assist businesses in expanding their markets by focusing on new clientele (Berggren, 2019; Panda et al., 2019). Moreover, Institutional theory provides a framework for comprehending how service innovation could result in a competitive advantage (Lu et al., 2021). This study defines competitive advantage as an organisation's advantageous position that distinguishes it from competitors due to its distinct capabilities (Ferdousi et al., 2018). Organisations can gain a competitive advantage by using innovation to meet these demands. For instance, companies can get a competitive advantage by introducing new products or services that surpass competitors in meeting customer needs (Soewarno & Tjahjadi, 2020). This viewpoint holds that an organization's competitive advantage will be strengthened by service innovation. As a result, this research puts forth the following theory:

*H6: Competitive advantage and service innovation are strongly associated.*



**Fig 2: Conceptual Framework**

## 3 METHODOLOGY

This study investigates how mimetic pressure drives opportunity-enhancing practices and affects intellectual capital, service innovation, and competitive advantage in the Maldives' resort industry. The current study adopted a quantitative research method in which a self-administered survey, implemented as a research strategy suggested by

Piaw (2016), is used to gather data from the resorts. The acquired data is subsequently subjected to descriptive analysis. The survey approach was used for several reasons. First, it offers flexibility and convenience and is frequently utilised in social sciences. Additionally, it permits speedy data gathering and gives the researcher adequate control over the research process and timeframe (Sekaran & Bougie, 2016). SmartPLS4 were utilised to gain insights and test the hypothesis.

### 3.1 Data Collection and Sampling

The population for this study comprised of 163 resorts. The questionnaire was administered to the whole population. However, the G\*Power software was used to calculate the sample size to guarantee statistical power. For valid analysis, a minimum sample size of 109 respondents was considered sufficient, based on an expected medium effect size and a significance level of 0.05. (Cohen, 1988).

With a total sample size of 141 respondents and an 87.6% response rate, the study's minimal sample size requirements were exceeded. To resolve discrepancies, the questionnaire was only administered to the general managers of each resort. This was carefully selected with the help from the tourism ministry of the Maldives. This made sure that the backgrounds of the respondents were consistent and pertinent to the goals of the study. Since every question in the dataset was intended to be mandatory for respondents, there were no missing data. Because the researcher can use mechanisms to prevent respondents from moving on to the next question until they have answered a previous one, the predominance of online data collection methods has reduced the amount of missing data (Hair et al., 2017).

### 3.2 Measures

In the survey, an interval Likert scale was used, with odd 7-point intervals between 1 ("strongly disagree") and 7 ("strongly agree"). A 7-point scale was chosen because it is easier for respondents to use and allows a more accurate assessment of their beliefs. This scale has been widely used in previous research on competitive advantage, high-performance HR practices, intellectual capital, and service innovation (Bontis et al., 2000; Dent et al., 2019; Mostafa, 2015; Wu et al., 2012; Z. Zhang et al., 2022).

The questionnaire was developed using measurement scales that had already been verified in the literature to guarantee that the constructs were measured consistently and reliably. Table 1 shows the number of instruments for each item source. The questionnaire was pre-tested to ensure it was clear and relevant, and any necessary revisions were made in response to feedback.

**Table 1:** Data Collection Instrument's Summary

Construct	Number of items	Source
Memetic Pressure	4	(Kauppi & Luzzini, 2022)
Opportunity Enhancing Practices	12	(Delery & Doty, 1996; Kundu & Gahlawat, 2016; Rahmatullah & Siddiqui, 2019)
Intellectual Capital	10	(Wang et al., 2014)
Service Innovation	4	(Okoe et al., 2018)
Competitive Advantage	4	(Safari et al., 2020)

## 4. RESULTS

Table 2 shows the descriptive statistics related to the respondents' demographic information. Of those who responded, 92.2% were men, and 7.8% were women. Additionally, 54.6% of respondents have 21–25 years of market experience, and 67.4% are between the ages of 42 and 50—moreover, 49.6 % (almost half of the population, which is 70 people hold Bachelor's. 24.1% have master's degrees, and 26.2% of the general managers hold diplomas.

**Table 2:** Respondents Profile Summary

Variable	Response %
Gender	Female 11 (7.8%), Male 130 (92.2%)
Age	18-25: 0 (0%), 26-33: 4 (2.8%), 34-41: 26 (18.4%), 42-50: 95 (67.4%), 51+: 16 (11.3%)
Education	Diploma or less: 37 (26.2%), Bachelor's: 70 (49.6%), Master's: 34 (24.1%), PhD: 0 (0%)
Total Experience	<5: 0 (0%), 6-10: 2 (1.4%), 11-15: 4 (2.8%), 16-20: 34 (24.1%), 21-25: 77 (54.6%), 25+: 24 (17%)
Current Experience	<5: 59 (41.8%), 6-10: 64 (45.4%), 11-15: 11 (7.8%), 16-20: 4 (2.8%), 21-25: 2 (1.4%), 25+: 1 (0.7%)
Room Size	<100 Rooms: 4 (2.8%), 101-200 Rooms: 30 (21.3%), 201-300 Rooms: 84 (59.6%), >300 Rooms: 23 (16.3%)
Rates	4-star: 36 (25%), 5-star: 101 (72%), 7-star: 4 (3%)

#### 4.1 Common Method Bias (CMB)

Two techniques were used to identify common method bias. Firstly, in the Harman single-factor test, the first factor, representing approximately 45.9% of the data variance, falls below the 50.00% threshold for item covariance. In contrast, the last factor, on the other hand, accounts for 65.5% of the variance, exceeding the 50.00% threshold (Podsakoff et al., 2003). Second, according to Kock (2015), the inner model's full collinearity test (variance inflation factor, or VIF) should be less than 3.3, meaning that the model is free of common method bias. This is the case in this study since the maximum VIT reported is 2.725.

#### 4.2 Construct validity and reliability

There are several ways to interpret the theoretical research idea of internal consistency. It includes concepts like internal consistency reliability (Tang et al., 2009; Webb et al., 2006), general factor saturation (Revelle & Zinbarg, 2009), interrelatedness of items (Green et al., 1977; McDonald, 1981; Miller, 1995; Schmitt, 1996; Schuler et al., 1977). Hair et al. (2017) recommended that Cronbach's alpha ( $\alpha$ ), rho\_A, and composite reliability (CR) values be above 0.700 to be regarded as reliable when assessing internal consistency. The reliability of the constructions' indicators, as displayed in Table 3, is confirmed by the indicator reliability analysis. According to the results, every construct showed a range of composite reliability (rho\_a) values between 0.805 and 0.906. The constructions' composite dependability (rho\_c) values range from 0.867 to 0.918. In comparison, Table 3 displays Cronbach's alpha values ranging from 0.795 to 0.902. Notably, these numbers not only surpass but also continuously exceed the predetermined standards established as acceptable in the field of study.

**Table 3** Construct validity and reliability

Variable	Cronba ch's $\alpha$	CR (rho_a )	CR (rho_c )	AV E
Competitive Advantage	0.824	0.838	0.883	0.654
Human Capital	0.857	0.858	0.897	0.636
Mimetic Pressure	0.795	0.805	0.867	0.620
Opportunity Enhancing Practices	0.902	0.906	0.918	0.506
Relational Capital	0.844	0.852	0.889	0.617
Service Innovation	0.816	0.819	0.879	0.646

#### 4.3 Indicator reliability (Outer loading)

The degree to which an indicator positively correlates with other indicators that assess the same concept is known as

outer loading (Hair et al., 2017). The internal consistency reliability test is used to evaluate it, considering the indicators' AVE and outside loadings. According to Hair et al. (2017), CV is supported by AVE levels of at least 0.500. An AVE value of at least 0.500, which indicates that it explains at least 50.00% of the variance in a construct, is also advised by Fornell and Larcker (1981).

Table 3 shows that all predictors had AVE values ranging from 0.487 to 0.654. According to Hair et al. (2017), the acceptability criterion of 0.500 exceeds the AVE of one construct (OEP), which was 0.487. If removing an indicator with an outside loading between 0.400 and 0.700 causes the AVE to rise, it is advised to do so. Therefore, even though the CR was higher than the recommended threshold, the item (S1) with an outside loading of 0.562 was removed to increase the AVE. As indicated in Table 3, this improved AVE (from 0.487 to 0.505).

#### 4.4 Discriminant validity

The confidence interval of HTMT (Heterotrait-Monotrait ratio) statistics for all construct combinations should not contain the value 1, a discriminant validity requirement necessary to guarantee model fit. Furthermore, a concept's AVE square root should be greater than its correlation with any other construct. According to the Fornell-Larcker criterion, indicators' outer loading on constructs should be greater than all their cross-loading with other constructs (cross-loading) (Hair et al., 2017). Every construct had HTMT values below 0.850, the suggested cutoff point set by Heseler et al. (2015). Tables 4 and 5 indicate that the constructs did not significantly overlap, supporting the discriminant validity of the constructs. Consequently, the data did not have any problems with discriminant validity.

**Table 4:** Discriminant Validity

Variable	C A	H C	M P	O EP	R C	SI
Competitive Advantage (CA)	<b>0.809</b>					
Human Capital (HC)	0.708	<b>0.798</b>				
Mimetic Pressure (MP)	0.602	0.609	<b>0.788</b>			
Opportunity Enhancing Practices (OEP)	0.751	0.777	0.753	<b>0.698</b>		
Relational Capital (RC)	0.702	0.796	0.605	0.799	<b>0.786</b>	
Service Innovation (SI)	0.750	0.732	0.637	0.765	0.686	<b>0.804</b>

**Table 5: HTMT**

	CA	HC	MP	OE P	RC	S I
Competitive Advantage						
Human Capital	0.840					
Mimetic Pressure	0.731	0.731				
Opportunity Enhancing Practices	0.764	0.605	0.781			
Relational Capital	0.843	0.838	0.725	0.793		
Service Innovation	0.796	0.769	0.788	0.770	0.819	

**4.5 Coefficient of determination R<sup>2</sup>**

A standard metric for evaluating the structural model's prediction ability is the coefficient of determination (R<sup>2</sup>). According to Hair et al. (2017), the variation in endogenous constructions is explained by related external constructs. Maximizing the explained variance (R<sup>2</sup>) of the endogenous constructs is the goal of PLS-SEM (Chin et al., 1998). Cohen (1988) states that the R<sup>2</sup> values for small, medium, and significant are 0.020 (weak), 0.130 (moderate), and 0.260 (substantial), respectively.

Table 6 shows the coefficient of determination (R<sup>2</sup>) derived from the PLS algorithm. Using the R<sup>2</sup> values recommended by Cohen (1992), Table 6 displays small, medium, and large values of 0.02, 0.13 and 0.26; since all corresponding variables were more remarkable than 0.260, the threshold for a considerable influence (Cohen, 1992).

**Table 6 R-Square Results**

	R-square	Predictive Relevance
Competitive Advantage	0.562	Large Effect
Human Capital	0.606	Large Effect
Opportunity Enhancing Practices	0.57	Large Effect
Relational Capital	0.624	Large Effect
Service Innovation	0.565	Large Effect

**4.6 Predictive relevance (Q<sup>2</sup>)**

Predictive relevance (Q<sup>2</sup>), which assesses the model's out-of-sample predictive power, is one method of determining a complicated model's predictive relevance (Geisser & Eddy, 1979). This study adhered to the recommendations made by Urbach and Ahlemann (2010) and Henseler et al. (2009). These guidelines state that an exogenous construct has modest, medium, and immense predictive relevance based on the general rule of thumb for determining the effect size of Q<sup>2</sup> values of 0.02, 0.15, and 0.35, respectively (Henseler et al., 2009). This study adhered to the evaluation criteria for Q<sup>2</sup> provided by Henseler et al. (2015) and Urbach and Ahlemann (2010). The results indicate that a primarily large predictive relevance was attained, as shown in Table 7 below.

**Table 7 Q Square results**

	Q <sup>2</sup> predict	Predictive Relevance
CA	0.284	Medium Effect
HC	0.360	Large Effect
OEP	0.560	Large Effect
RC	0.355	Large Effect
SI	0.363	Large Effect

**4.7 Effect Size F<sup>2</sup>**

Often, the impact size (F<sup>2</sup>) is used to assess how proportionately the external constructions affect the endogenous constructs. As to Hair's (2017) recommendation, Cohen's rules state that an impact size of F<sup>2</sup> is small if it is 0.02, medium if it is 0.15, and large if it is greater than 0.35. The results are displayed in Table 8 below, following the general guideline recommended by Hair et al. (2017).

**Table 8 F Square Results**

	f-square	Effect Size
Human Capital ->Service Innovation	0.216	Medium effect
Mimetic Pressure -> Opportunity Enhancing Practices	1.328	Large effect
Opportunity Enhancing Practices -> Human Capital	1.539	Large effect
Opportunity Enhancing Practices -> Relational Capital	1.658	Large effect

Relational Innovation	Capital	->	Service	0.068	Small effect
Service Advantage	Innovation	->	Competitive	1.285	Large effect

#### 4.8 Path coefficients $\beta$

The predicted correlations in the structural model are represented by the path coefficient ( $\beta$ ) estimations in Table 9 (Hair et al., 2017). Standardized  $\beta$  values can be less or more significant than these limitations, but they fall between -1.000 and +1.000. Strong positive connections (and the inverse for negative values) that are typically statistically significant are indicated by estimated path coefficients close to +1.000. Coefficients around 0.000 indicate weaker connections. Coefficients near 0.000 (shallow values) do not deviate substantially from zero (Hair et al., 2017). The provided path coefficients and corresponding t-values were obtained by employing SmartPLS 4 to run a bootstrapping with 5000 subsamples approach to assess the importance of the paths under inquiry.

**Table 9:** Path coefficients

Hypothesis	Path Coefficients	Standard deviation (STDEV)	T statistics ( O/STD EV )	P values	Supported Decision
H1	0.755	0.050	15.012	0.00	Yes
H2	0.779	0.046	16.897	0.00	Yes
H3	0.790	0.034	23.025	0.00	Yes
H4	0.308	0.102	3.028	0.01	Yes
H5	0.021	0.114	0.183	0.428	No
H6	0.750	0.054	13.971	0.00	Yes

#### 4.9 Model Fit

As indicated in Table 10, the saturated model's Standardized Root Mean Square Residual (SRMR) was 0.061, much below the recommended cutoff of 0.08 Fassott et al. (2016), confirming the model's strong fit to the data.

**Table 10:** SRMR Model Fit

	Saturated model	Estimated model
SRMR	0.061	0.066

#### 5. Summary of Findings

The findings are based on an analysis of 141 genuine responses. Prepared datasets for computation in IBM SSPS and SmartPLS4. Using the Harman single-factor and full collinearity test to test common method bias, no CMB issue was found. A normality test was performed, and it was found that data distribution was non-normal. Descriptive analysis was performed in two stages, first for the respondents' demographic profiles and second to assess the responses to the variable's items. The measurement model assessment included verifying inter-reliability outer loading evaluations, construct consistency via composite reliability, convergent validity by average variance extracted (AVE), and discriminant validity, all of which were satisfactory for the next level of research. The structural model assessment involved assessing and quantifying the coefficient of determination ( $R^2$ ), predictive relevance ( $Q^2$ ), effect magnitude ( $F^2$ ), and path coefficients.

#### 6. Discussion

According to the results of this study, MP is a positive and essential factor in OEP. These results are consistent with the company's benchmarking of best practices for competitiveness in a changing and unpredictable environment. These results align with previous research on IT adoption (Krell et al., 2016) and green initiatives (Aziz et al., 2017). According to Krell et al. (2016), MP compels Chinese manufacturers to implement green supply chain management techniques, which indirectly affects the financial performance of the companies. This implies that the adoption of OEP in Maldives resorts is influenced by pressure from uncertainty and competitiveness. The study suggests that mimetic pressure is a valuable motivator for organisations. Organisations may be inspired to adopt OEP, increasing their chances of success.

Second, the study's results validate the idea by showing that OEP has a statistically significant effect on HC. These results were corroborated by earlier research conducted in Great Cairo (Abulsaoud Ahmed Younis, 2018), India (Patky & Pandey, 2020), Spain (Barrena-Martinez et al., 2019) Sydney (Rehman et al., 2020), and Taiwan (Chen et al., 2021). This suggests that human capital can support organisational learning and knowledge accumulation. Human capital theorists have long claimed that companies can boost their human capital by enhancing the knowledge and skills of their current employees internally and/or attracting persons with high knowledge and skill levels from the outside labour market. In other words, organisations might attempt to produce and/or acquire human capital.

In addition, this study found that OEP had a considerable impact on RC. These findings align with Kakakhel & Khalil (2022) study on the role of internal social capital as a mediator in the HPWS innovation relationship. Similarly, A



study by Rehman et al. (2022), found that company relationships are key. As a result, the importance of OEP indicates that it contributes significantly to the development of RC, directly impacting the combine-and-exchange process and giving relatively easy access to network resources. This helps resorts improve their performance through close and embedded ties with customers, mainly tourists and suppliers, who may produce new goods faster and at a lower cost, positively impacting the innovative performance of resort services.

The results showed a favourable and substantial relationship between OEP and RC. In summary, opportunity-enhancing practices are those that organisations use to boost their chances of success, whereas relational capital refers to the quality of an organisation's ties with its stakeholders. The findings imply that OEP has a considerable impact on RC, consistent with previous research. This means that organisations that invest in OEP increase their stakeholder ties. Therefore, by empowering staff, promoting their involvement, and exchanging knowledge, OEP can improve RC. By encouraging greater cooperation and information exchange among staff members, these strategies help improve relationships with stakeholders. OEP is an essential component of developing an organization's relationship capital, according to the study's overall findings.

The study's results then show that HC affects SI in a statistically meaningful way, supporting the arguments put forth. The study discovered a strong and favourable correlation between HC and SI. These results are consistent with a prior study by Alkhatib and Valeri (2022), that looked into how HC affected service innovation in the hotel industry in Jordan. Additionally, it aligns with the study's results, which show that human resources are crucial in shaping the organization's results in terms of useful novelty. As a result, a higher degree of human capital is expected to enable more efficient capture and application of such ideas, allowing them to become innovations. As a result, the key variable HC presented in this study has crucial implications for resort owners and policymakers to implement in their businesses to increase employee SI.

The study's findings show that RC is an unimportant SI, implying that RC is not a relevant factor for resorts regarding service innovation. However, a study conducted by Han and Li (2015) discovered a significant link between relational capital and inventive performance. Alkhatib and Valeri (2022) study on the Jordanian hotel industry found a strong correlation between RC and SI. This demonstrated that SC has a beneficial impact on SI, showing that hotels' use of organisational and information skills in documenting knowledge improves their inventive performance, increasing innovation. The insignificance of the RC variable might be due to various factors. One reason could be the Maldives resort sector's distinctive characteristics, which

include a "one island, one resort concept" and low engagement with indigenous relationship-based innovation.

The outcomes of this study demonstrate that SI has a statistically significant impact on CA, hence validating the ideas proposed. These findings align with Sharma and Bhat (2020), study on the effects of human capital innovation, service innovation, and competitive advantage in hospitality services.

The findings imply that service innovation services deliver incentives through better performance, resulting in a competitive advantage for the organisation. The researchers contend that these models have the potential to improve performance, providing a competitive edge in the service industry, such as resorts. Furthermore, the experts believe improving service will benefit resorts by increasing client happiness and loyalty. Innovative services will give guests a memorable experience, potentially leading to consumer loyalty. They also claim that the resort's trust and implementation of service innovation can set it apart from its competitors, attracting more guests to experience new services. As a result, the importance of SI indicates that it plays a critical role in enhanced revenue and profitability, as increased guest satisfaction and distinctiveness can lead to higher prices, better occupancy rates, and, eventually, higher profits.

## **7. Implication**

A total of 141 responses were collected via simple random sampling using Google Forms. Data was analysed using IBM SPSS and SmartPLS, with no outliers or suspicious responses. Out of six hypotheses, one was rejected. Key findings include theorizing how service innovation and intellectual capital enhance competitive advantage and the influence of mimetic pressure on HR practices. An integrated model combining Institutional and RBV theories was validated. The study is limited to the Maldives, with suggestions for future research. Its significance lies in contributions to both academia and managerial practices in service innovation.

### **7.1 Theoretical Implications**

This represents one of the newest studies investigating the influence of mimetic pressure (MP) on opportunity-enhancing behaviours (OEP) in the Maldives resort industry. The study examines how MP affects service innovation (SI) and competitive advantage. From an Institutional Theory standpoint, the study focuses on how MP motivates resorts to implement OEP to improve performance. It emphasises the significance of responding to competitive actions to build a talented workforce and achieve CA.

According to The Resource-Based View (RBV), the framework identifies OEP, human capital (HC), and relational capital (RC) as essential resources for SI and CA.

The study discovered that high-performance HR techniques, such as OEP, can improve intellectual capital and increase SI. Furthermore, HC and OEP positively impact SI, whereas RC is less significant.

The study's theoretical integration justifies the application of RBV and Institutional theories to describe the competitive dynamics of the resort sector. It emphasises that in order to maintain a sustained competitive advantage, OEP must cultivate a skilled staff.

All things considered, the study provides both conceptual and practical information about using human capital management to gain a competitive edge in the resort sector.

## 7.2 Managerial Implications

The paper offers helpful advice on how innovation and human capital may provide the Maldives resort industry with a competitive edge. Important contributions consist of 1. Mimetic Pressure: By employing effective competitive strategies for innovation and improvement, resorts can make money. They should, however, adapt these tactics to suit their requirements. 2. Human Capital: Training, development, and empowerment of staff members promotes creativity, output, and job satisfaction.

Competitiveness rises because of improved visitor experiences and more remarkable team interactions. 3. Service Innovation: Providing personalised guest experiences, applying sustainable practices, and incorporating local culture can help resorts stand out. Promoting environmental awareness and connecting with local communities helps the sector gain popularity. 4. Technology and Collaboration: Resorts may leverage technology like artificial intelligence and virtual reality to provide personalised services and work with stakeholders to promote innovation.

The study merges sustainability, employee involvement, and innovation to create unique and competitive service offerings relevant to the Maldives and developing countries.

## 8. Limitations and Future Research

This study acknowledges some limitations. First, the limited sample size of Maldivian resorts limits the generalisability of the results. Future research should include a more extensive and diverse sample of resorts from other countries, including India, China, and Indonesia. Second, the study is based on cross-sectional data, which provides a snapshot in time; however, future longitudinal studies may better capture evolving dynamics. Future studies should investigate the moderating function of structural capital and how it influences mimetic pressure and intellectual capital production. Additional investigation on the connection between service innovation (SI) and relational capital (RC) can yield fresh perspectives.

To gather more data, future studies should expand the sample to include resorts from other emerging countries. Comparative research with other sectors, including the hotel industry, may provide a more comprehensive viewpoint. Additionally, examining the connection between structural capital and mimetic pressure and carrying out longitudinal research would offer fresh perspectives on shifting dynamics. Understanding of how human capital promotes service innovation may be improved by more studies on the moderating effects of relational capital, digitalisation, and knowledge management techniques. We might better understand service innovation in the resort sector by investigating important aspects like employee competencies and trust levels.

## 9. Conclusion

To gain a competitive edge (CA) in the Maldives resort industry, this study examined how mimetic pressure (MP) affects opportunity-enhancing practices (OEP) and their interactions with human capital (HC), relational capital (RC), and service innovation (SI). The theories of resource-based views (RBV) and institutions were integrated to investigate these connections. The study surveyed 141 executives, finding that MP positively influenced OEP, impacting HC and RC, leading to SI and CA. However, RC had no direct impact on SI.

The research model explained a large percentage of variance for CA (56.2%), HC (60.6%), OEP (57%), RC (62.4%), and SI (56.5%). Five out of the six hypothesized paths were significant, except for RC's direct influence on SI. The study emphasized the importance of service innovation, human capital, and OEP for competitive advantage in the resort sector. It provided practical insights for resort management and policymakers in Maldives and other developing countries.

This research contributes valuable insights into enhancing competitive advantage through service innovation, intellectual capital, and HR practices.

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