

Factors Influencing the Innovation Capability of SMEs in Hambantota District

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Small and medium-sized enterprises play a vital role in the economies of every developing country. Innovation capability is a key in achieving success of Small and medium-sized enterprises in a competitive environment. However, factors which determine the innovation capability are yet to be inconclusive. This study investigates the factors that influence the innovation capability of Small and medium-sized enterprises in the Hambantota district. The study primarily investigated the effect of Organizational culture and Intellectual capital on the Small and medium-sized enterprises' innovation capabilities. The deductive and quantitative research approach was applied. The sample was selected using snowball sampling. Primary data were collected from 98 Small and medium-sized enterprises in the Hambantota district using a structured questionnaire. Descriptive statistics and inferential statistical techniques such as correlation analysis and regression analysis were used in the data analysis. The result reveals that there is a significant moderate positive relationship between organizational culture and innovation capability, and there is a strong positive relationship between intellectual capital and innovation capability. It was also found to be that there is a significant impact on organizational culture and Intellectual capital on innovation capability. Thus, Small and medium-sized enterprises should have a well-focused strategic plan enriched with the intellectual capital to enrich their innovation capabilities and, owners and employees must increase the knowledge of the Organizational culture in their organizations. The present study would provide small and medium businesses, Management practitioners, government, small and medium enterprise development policy makers, and future researchers.

Keywords: *Innovation capability, Intellectual capital, Organizational culture, Small and Medium Enterprises*

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