

UNIVERSITI TEKNOLOGI MARA

**THE INFLUENCE OF HUMAN
CAPITAL AND MEDIATING
EFFECT OF INNOVATION
PRACTICES TOWARD MALAY
RESTAURANT PERFORMANCE**

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Thesis submitted in fulfilment
of the requirements for the degree of
Master of Science
(Food service Management)

Faculty of Hotel and Tourism Management

February 2022

ABSTRACT

The main objective of this study is to investigate the structural relationships between human capital (HC), innovation practices (IP), and restaurant performance (RP) in Malay restaurants. The aim is to identify the influence of human capital on how innovation practices would be used for restaurant growth, profitability, and sustainability. Besides that, this study examined how the mediating effect of innovation practices after receiving the influence of human capital eventually affects restaurant performance. This research utilized purposive or judgemental sampling. The data was collected through questionnaires answered by 507 respondents from the top management of sampled Malay restaurants (owners, managers, and assistant managers). After a thorough analysis, this study eventually revealed that human capital, innovation practices, and restaurant performance are valid constructs. Furthermore, findings also revealed that there are relationships between human capital and restaurant performance, innovation practices, and performance, as well as human capital and innovation practices. Additionally, this study found that innovation practices mediated human capital and restaurant performance. The relationship between human capital, innovation practices, and restaurant performance was validated through Structural Equation Modelling (SEM). Based on the confirmed analysis, restaurant performance can be achieved through the decision of human capital to apply innovation practices in Malay restaurants. These findings are essential to the Malay restaurants especially in Malaysia to assess the benefit of using innovation practices as well as the experience and education in human capital. This study also discussed the limitations and future research.

Keywords: human capital (HC), innovation practices (IP), restaurant performance (RP), Malay restaurant, Structural Equation Modelling, Resource Based View (RBV).

ACKNOWLEDGEMENT

Firstly, I thank God the Almighty for His guidance, and for giving me strength to embark in the degree of Master of Science. I also wish to express my gratitude and thank my supervisor Assoc. Prof. Dr. Hashim Fadzil Bin Ariffin, and co-supervisor Prof. Dr. Hj. Salehuddin Bin Mohd Zahari for the support and ideas in assisting me with this study. A special appreciation goes to Madam Raja Puteri Saadiah Binti Raja Abdullah who always gives me advice. I would also like to thank all lecturers and staffs of the Faculty of Hotel and Tourism, and the Institute of Graduate Studies, Universiti Teknologi MARA, Selangor for the endless support and assistance. Without their support, I will not able to finish this study accordingly.

My appreciation also goes to all restaurant owners, managers and assistant managers in Klang Valley and Selangor who have assisted me in this study. Their collaboration in this study means the whole world to me. They have given me a special reassurance and advice so that I could run my analysis within the timeline. Although it is hard to believe that my study needs to be conducted during the COVID-19 outbreak, but I am truly thankful for my support system for the motivation and advice given throughout the process. I would like to especially thanks to all my friends that volunteered to help me reach out to the sampled Malay restaurants operating in Selangor and Kuala Lumpur for this study. Their courage and support will always be appreciated. Truthfully, I could never come this far alone without every person behind me.

Lastly, all my efforts that I have committed to complete this proposal are dedicated to my family. Regardless of unexpected inconveniences, my family has given me unconditional moral support, believed in me, and encouraged me to move forward until I can see the light at the end of the tunnel throughout the journey of my studies in Master (Sc) in Foodservice Management. Alhamdulillah.

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