

# AN ANALYTICAL STUDY OF HUMAN CAPITAL, BUSINESS NETWORKS, AND ORGANIZATIONAL INNOVATION AS DRIVERS OF TOURISM DEVELOPMENT IN ZHEJIANG PROVINCE, CHINA

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## Abstract

This academic article critically analyzes the interrelated influences of human capital, business networks, and organizational innovation on tourism competitiveness and sustainability in Zhejiang Province, which is a region where SMEs constitute the backbone of the industry. By using the Resource-Based View (RBV), Social Capital Theory, and Dynamic Capabilities Framework, the research offers integrated views that describe how internal capabilities, external relational assets, and adaptive organizational processes interlink and influence tourism development. The core dimensions are revealed by the conceptual analysis. Human capital is the base capability of tourism SMEs, characterized by workforce expertise, managerial leadership, and lifelong learning processes which have positively influenced adaptability, productivity, and service quality. Business networks facilitate connections between companies and governmental agencies, digital platforms, and local communities to allow information sharing, resource mobilization, and market expansion. Organizational innovation serves as a mediating mechanism for transforming human and relational capital into tangible performance outcomes through digital transformation, service redesign, and creative value-added practices. The results indicate that standalone investments in human capital, networking, or innovation alone will not suffice. Instead, sustainable competitiveness emerges from the strategic integration of these three factors, together reinforcing resilience and long-term viability. This research theoretically improves current scholarship by integrating various perspectives on human capital, social capital, and innovation into a single conceptual model. It provides specific actionable implications for SME managers and policymakers in terms of workforce development, cultivating diversified business networks, and institutionalizing innovation-driven organizational cultures. This also offers strategic guidance to tourism SMEs operating in Zhejiang Province and the importance of translating these findings to other regions facing similar post-crisis restructuring and sustainability challenges.

**Keywords:** *Human Capital; Business Networks.*

## Introduction

With its culture, landscape, and embracing of digital media, tourism has rapidly turned into an economy driver for China and an influential catalyst for cultural and economic growth and exchange within the region, and here, the Zhejiang Province stands out. However, the competitiveness of a tourism company in the longer term is also influenced by its effectiveness in harnessing human capital, business networks and organizational innovation, as opposed to natural or cultural resources. The earlier analysis presented here has identified 3 dimensions as critical contributors—factors for determining long term industry growth in the long run (Zhang, Liu, & Chen, 2023; Zhou, Ma & Zhang, 2022)—other than firm performance. The article seeks to achieve three central objectives. The first is the interpretation of the relationship between human capital, networks and innovation in the resilience and performance of tourism businesses. Second, it compiles theoretical underpinnings, such as the Resource-Based View, Social Capital Theory, and the Dynamic Capabilities Framework, and empirical evidence to form an integrated conceptual frame for understanding competitiveness in tourism SMEs. Third, it grounds this analysis within the Zhejiang region where opportunities and restrictions that are unique to that region are identified in, and in terms of that of one of China's most lively tourism destinations—Zhejiang, a well-suited place to examine opportunities in this context. The analysis continues through a systematic consideration for each driver and their complementary interaction and implications for SMEs. The paper ends with recommendations for further developments by connecting theoretical analysis to policy and managerial practices and thus offering both theoretical contributions and practical advice to improve competitiveness, resilience, and sustainable growth.

## Analytical Discussion

### **Synergistic Pathways Toward Tourism Competitiveness and Sustainability**

The integrative analysis illustrates that human capital, business networks, and organizational innovation emerge as independent but complementary forces in tourism performance in Zhejiang's SMEs. Human capital is the fundamental capability of firms that encompass skills, knowledge, and service competencies that enhance service quality and increase innovation readiness (Becker, 1993; Wang et al., 2023). Simultaneously, business networks form relational infrastructures connecting SMEs with external flows of ideas, market intelligence, financing, and strategic relationships (Gulati, 2007; Baggio et al., 2020). The combination of these factors synergizes: on the one hand, human capital enhances absorptive ability when it comes to building on the network-based resources (Cohen & Levinthal, 1990), and networks augment the value of human capital by placing firms in broader network environments of cooperation and collective learning (Uzzi, 1997). This interdependence highlights that firms that create capabilities internally and acquire resources externally complement each other in determining sustained competitiveness. Organizational innovation constitutes the critical pathway by which human capabilities and network-derived resources are transformed into improved performance outcomes. Innovation allows SMEs to

redesign routines, adopt digital solutions for work, create products for tourism, and react properly to environmental uncertainties—which is critical among tourism-related sectors faced with quick variations in market and environmental scenarios (Teece, 2014; Chen et al., 2023).

As a result of this interactive process, the three variables create reciprocity through a self-reinforcing cycle of competitiveness, resilience, and sustainability. Human capital drives the growth of innovation capability; networks further develop the scope, speed, and diversity of innovation; innovation improves the performance of the tourism sector and contributes to the firm's long-term resource base (Hall et al., 2021; Jiang et al., 2024). Thus, Zhejiang's tourism SMEs can achieve continuing competitive advantage and pursue long-term development despite rapid and unpredictable environmental change.

### **SMEs in Zhejiang Province: Contextual Perspectives**

SMEs continue to be a core part of tourism in Zhejiang, providing value-added and locally relevant products, using networks to compete at the international level. But barriers between them persist over lack of finance, trained practitioners, and advanced technologies. Within the RBV, human capital is the internal foundation for flexibility; Social Capital Theory emphasizes the role of trust in networks; and Dynamic Capabilities underscore innovation as a mechanism for resource reconfiguration. Research shows that SMEs gain more sustainable advantages when investments in human capital are coupled with innovation strategies, enabling them to differentiate well in competitive markets (Zhang, Liu, & Chen, 2023; Wang et al., 2024).

### **Conceptual Coherence and Theoretical Synthesis**

The combination of organizational innovation, human capital, and business networks is the cornerstone to competitive position and long-term sustainability of tourism SMEs. From the Human Capital Investment Theory perspective (Schultz, 1961), expertise, leadership capability, and organizational learning all embody internal assets which directly contribute to service quality and innovative capacity (Yang et al., 2021; Zhu & Kanchanathaveekul, 2020). Business networks, drawing on Social Capital Theory (Nahapiet & Ghoshal, 1998) and Stakeholder Theory (Freeman, 1984), form relational infrastructures that provide new opportunities, reduce risks, and improve resilience in the working relationships with governments, local communities, and digital intermediaries. But on the other hand, their strategic advantage is derived from keeping them open and diverse, as closed networks can make their networks inefficient and fragile.

Organizational innovation mediates the process through which human and relational resources are transformed into quantifiable competitive advantages. The Dynamic Capabilities perspective (Teece, 2007) views that SMEs should not only capture and identify new opportunities but also reconfigure resources constantly to adapt to volatile conditions. Empirical findings also suggest that innovation is the magnifying effect of the benefits of leadership, collaboration, and

flexibility (Awais et al., 2023; Damasceno et al., 2021). These three areas, together, depict a systematized relationship creating self-strength, development and flexibility. The Resource-Based View (Barney, 1991) clarifies the significance of internal assets, and Absorptive Capacity Theory (Cohen & Levinthal, 1990) clarifies how external (network) knowledge can be assimilated into and transformed into innovation. SMEs that have a coherent partnership/innovation strategy have more chances to establish durability and success than firms that focus on a single factor. This is therefore a synthesis that provides an overall theoretical outlook from which to view how Zhejiang's tourism SMEs sustain success in dynamic environments.



**Figure 1:** Conceptual Framework of Human Capital, Business Networks, and Organizational Innovation in Tourism SMEs

Figure 1 illustrates a framework that unites three interconnected elements—human capital, business networks, and organizational innovation—within a single model to account for tourism competitiveness. It shows that human capital and networks shape outcomes both directly and indirectly, with innovation functioning as the pivotal mediating process. This framework offers a structured lens for examining how SMEs in Zhejiang build competitiveness, resilience, and sustainability. The accompanying table consolidates the three dimensions, outlining their respective roles, theoretical underpinnings, and contributions to tourism development in Zhejiang Province.

**Table 1 :** Synthesis of Human Capital, Business Networks, and Organizational Innovation in Tourism Development

Dimension	Key Roles in Tourism Development	Supporting Theories	Impacts/Outcomes
Human Capital	• Skills, digital literacy, problem-solving ability	Human Capital Investment Theory	• Enhanced service quality, adaptability, and customer

<b>Dimension</b>	<b>Key Roles in Tourism Development</b>	<b>Supporting Theories</b>	<b>Impacts/Outcomes</b>
	<ul style="list-style-type: none"> <li>• Leadership capacity aligning human resources with strategic goals</li> <li>• Continuous learning and adaptability</li> </ul>	(Schultz, 1961) Resource-Based View (RBV)	satisfaction <ul style="list-style-type: none"> <li>• Foundation for innovation capacity</li> <li>• Risk of skill obsolescence without training (Baum, 2019; Li &amp; Wang, 2021)</li> </ul>
<b>Business Networks</b>	<ul style="list-style-type: none"> <li>• Access to resources, knowledge, and markets</li> <li>• Collaboration with governments, OTAs, and communities</li> <li>• Innovation diffusion across firms</li> </ul>	Social Capital Theory (Nahapiet & Ghoshal, 1998) Stakeholder Theory (Freeman, 1984) Network Theory	<ul style="list-style-type: none"> <li>• Strengthened competitiveness and branding (Zhang &amp; Zhang, 2020)</li> <li>• Enhanced resilience and sustainability</li> <li>• Risk of inefficiency in closed networks (Johanson &amp; Mattsson, 1988)</li> </ul>
<b>Organizational Innovation</b>	<ul style="list-style-type: none"> <li>• Translating resources into outcomes</li> <li>• Digital booking systems, virtual tourism, creative marketing</li> <li>• Redesigning processes for efficiency</li> </ul>	Schumpeter's Innovation Theory Diffusion of Innovation (Rogers, 2003) Dynamic Capabilities (Teece, 2007)	<ul style="list-style-type: none"> <li>• Elevated customer satisfaction and destination competitiveness (Zhou et al., 2022)</li> <li>• Acts as mediator between human capital and networks</li> <li>• Sustains competitive advantage and resilience</li> </ul>
<b>Synergistic Interplay</b>	<ul style="list-style-type: none"> <li>• Interaction among human capital, networks, and innovation</li> <li>• Reinforcing cycle of growth and competitiveness</li> <li>• Balanced orchestration of people, partnerships, and innovation</li> </ul>	Resource-Based View (Barney, 1991) Absorptive Capacity Theory	<ul style="list-style-type: none"> <li>• Systemic capability building</li> <li>• Firms focusing only on one factor face fragmented growth</li> <li>• Integrated strategies outperform isolated efforts</li> </ul>
<b>Theoretical &amp; Practical Implications</b>	<ul style="list-style-type: none"> <li>• Integrates fragmented research into coherent framework</li> </ul>	Human Capital, Social Capital, and Innovation Theories	<ul style="list-style-type: none"> <li>• Strengthened competitiveness and sustainable growth</li> </ul>

Dimension	Key Roles in Tourism Development	Supporting Theories	Impacts/Outcomes
	<ul style="list-style-type: none"> <li>• Guides SME managers and policymakers in Zhejiang</li> </ul>		<ul style="list-style-type: none"> <li>• Practical policy design for resilience in post-crisis tourism</li> <li>• Basis for future em</li> </ul>

The synthesis notes that human capital, business networks and organizational innovation behave separately, though each component is interconnected to exert an effect on tourism performance. Human capital enhances service standards, and strengthens the capacity of an organization to innovate, networks open access to critical resources and collaborative arenas that allow for resilience. Innovation thus serves as the engine driving these capabilities into real benefits (to mention few: competitiveness, sustainability, and recovery in the wake of crises). All these elements come together to create a self-reinforcing process of growth and adaptability, enabling SMEs in Zhejiang’s tourism sector to secure competitive advantage and pursue sustainable development amid constant environmental change.

**Conclusion**

This study shows that human capital, business networks, and organizational innovation operate as complementary forces driving tourism development, especially within Zhejiang’s SME-based sector. Human capital underpins adaptability through workforce skills, leadership, and learning capacity; networks extend market opportunities and provide resilience via collaboration and knowledge flows; while innovation acts as the mechanism that integrates and magnifies these resources, converting them into enduring competitive benefits. When aligned, these elements generate a self-reinforcing process that strengthens firms and supports regional tourism growth.

From a theoretical standpoint, the study enriches academic discourse by bringing together insights from human capital, social capital, and dynamic capabilities into a single analytical framework. This integrated view clarifies how internal resources, external linkages, and adaptive innovation interact to sustain competitiveness over time.

Practically, the results suggest three areas of strategic focus: (1) sustained workforce investment to ensure agility, (2) cultivation of diverse, trust-based networks for broader access to resources and stability, and (3) embedding innovation as a cultural norm to channel capacities into long-term growth. These directions provide actionable guidance for reconciling rapid tourism expansion with sustainable competitiveness.

In the context of global uncertainty and post-crisis volatility, the study highlights the importance of adopting coordinated approaches instead of isolated measures. Future research should test this framework across sectors and regions to confirm its wider relevance and refine practice-oriented recommendations. Such efforts will help tourism enterprises remain adaptive, competitive, and sustainable amid shifting international environments.

**Table 2 :** Conceptual Relationships among Human Capital, Business Networks, Organizational Innovation, and Tourism Success

<b>Analytical Dimension</b>	<b>Relationship Description</b>	<b>Theoretical Underpinning</b>	<b>Anticipated Contributions</b>	<b>Expected Outcomes</b>
<b>Human Capital</b> → <b>Tourism Industry Success</b>	Human capital, reflected in employee knowledge, leadership, and continuous learning, directly enhances service quality and organizational competitiveness.	Human Capital Theory (Becker, 1964); Human Capital Investment Theory (Schultz, 1961)	Strengthened service performance, higher customer satisfaction, improved adaptability of SMEs	Improved service quality, adaptability, customer satisfaction
<b>Human Capital</b> → <b>Organizational Innovation</b>	Investment in skills and leadership capacity fosters organizational learning, enabling firms to translate resources into innovation capacity.	Resource-Based View (Barney, 1991); Absorptive Capacity Theory (Cohen & Levinthal, 1990)	Enhanced innovation readiness, digital integration, and sustainable growth	Enhanced innovation capability, digital readiness
<b>Business Networks</b> → <b>Tourism Industry Success</b>	External linkages with governments, OTAs, and community partners expand market reach and resilience in turbulent environments.	Social Capital Theory (Nahapiet & Ghoshal, 1998); Stakeholder Theory (Freeman, 1984)	Greater competitiveness, collaborative branding, and sustainable recovery	Market expansion, resilience, branding
<b>Business Networks</b> → <b>Organizational Innovation</b>	Trust-based collaboration and knowledge exchange stimulate collective learning and facilitate innovation diffusion.	Network Theory; Relational Capital Perspective	Accelerated adoption of digital solutions, improved co-creation, and resilience-building	Knowledge exchange, co-creation, diffusion of innovation
<b>Organizational Innovation</b> →	Organizational innovation functions	Innovation Diffusion Theory	Superior competitiveness,	Sustainability, competitiveness,

Analytical Dimension	Relationship Description	Theoretical Underpinning	Anticipated Contributions	Expected Outcomes
<b>Tourism Industry Success</b>	as a mediator that transforms human and relational capital into concrete performance outcomes.	(Rogers, 2003); Dynamic Capabilities Framework (Teece, 2007)	eco-efficiency, customer-oriented services, and long-term sustainability	post-crisis recovery

From the synthesis of concepts and relational frameworks, it becomes clear that human capital, business networks, and organizational innovation contribute to tourism development on both theoretical and practical levels. On the academic side, this study enriches existing scholarships by merging Human Capital Theory, Social Capital Theory, and the Dynamic Capabilities perspective into an integrated model that explains how tourism enterprises achieve competitiveness. On the applied side, the framework provides actionable guidance for policymakers and tourism managers by emphasizing long-term investment in workforce capabilities, the cultivation of diverse and trust-based networks, and the institutionalization of innovation as a core organizational value. Together, these strategies strengthen competitiveness, build adaptive capacity in the face of crises, and support sustainable growth in Zhejiang's SME-driven tourism sector, while offering lessons that can be adapted to other regions confronting similar challenges.

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