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## The Longitudinal Impact of Intellectual Capital on Innovation Performance in SMEs

### ABSTRACT

In the 1980's, many economists emphasize on the importance of innovation in promoting the country's economic growth. The issue of innovation performance has received considerable critical attention among SMEs. Scholars have long debated the impact of Research and Development (R&D) on the creation and diffusion of innovation in companies. The key drivers of firms' innovation should be explored beyond R&D. To date, most public policy still relies on the assumption of the number of patents and the amount of investment made on R&D. Recently, a significant literature on the theme of intangible assets such as skills, knowledge management and intellectual capital has been developed around innovation performance. In fact, several researchers proposed that intellectual capital can benefit innovation performance in several ways. This study investigated from various industries of SMEs in Australia using data from the Business Longitudinal Database (BLD) from the Australian Bureau of Statistics (ABS). The findings concluded that the relational capital and structural capital links with innovation performance are significant after two years-lagged. SC is the most significant predictor of innovation performance while human capital does not significant related to innovation performance in SMEs. Nevertheless, in the long term, SC plays an important role in organisational innovation. The enduring outcomes of this study emphasize several possibilities which would help SME managers and policy makers to better foster innovation performance.

**Keywords: SMEs; Intellectual capital; Innovation performance; Australia.**