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**BOOSTING INNOVATIVE BEHAVIOUR THROUGH  
INNOVATIVE MINDSET: A CONCEPTUAL MODEL**

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*Abstract*

The increasing competition among SMEs in Halal Industry force them to be more creative and innovative. Firms are now ferociously position themselves in a global market. Apparently, substantial initiatives by various sources in improving the innovativeness seem insufficient. It has been argued that there is a better way to improve the innovativeness among owner managers especially in Halal industry. The purpose of this paper is to introduce the innovative mindset as a key element in improving innovative behaviour of the owner-managers involved in Halal industry. A critical review of the relevant literature will be conducted and as the outcome, one comprehensive model will be introduced in illustrating the role played by innovative mindset towards innovative behaviour. This research proposed that elements in innovative mindset such as trust, resilience, diversity, mental strength, perfection and collaboration are the key predecessors for innovative behaviour to emerge. This model perhaps can provide some insights to practitioners in order to strategize their innovative route to achieve competitive advantage.

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**Keywords:** Innovative behaviour; innovative mindset; model; halal SMEs; owner-manager.



## 1. Introduction

Malaysia has aspiration to become a global hub for the production and trade of Halal products and services, as outlined in the 2006 Third Industrial Master Plan (IMP3). As a modern Islamic country at the forefront of economic development, Malaysia has unparalleled potential. With a progressive living and operating environment boasting political stability and consistent economic growth, Malaysia is fast becoming a hub of choice for all industries. Furthermore, Malaysia has unique advantages in developing and promoting the Halal products and services industry for many reasons including Free Market, Government Support, Talent and People and also Infrastructure. Ever-changing business environment makes it necessary for Malaysian Halal Entrepreneurs to employ effective plans of action and business strategies.

In Malaysia context, The Halal Industry has been dominated by SMEs in which consists of 97% of the overall population followed by MNCs for the remaining 3% (Tahir, Hanaysha, & Sultana, 2016). As mentioned earlier, Malaysia government provide the endless support to help players especially SMEs which covers the entire value chain of commercial activities. For example, in 2010, RM6.02 billion were under implementation in which a total of 354 program has been designed and implemented in helping generating and encouraging a conducive scenario for SMEs. Not only that, the initiatives also included several training and support programs under the various bodies such as Majlis Amanah Rakyat (MARA) as well as Ministry of Entrepreneurship and Cooperative Development (MECD) and Multimedia Development Corporation (MDeC).

Nevertheless, while SME's represent almost the overall total of Halal Industry players, with the obvious supports and initiatives from the government, surprisingly the gross output value was still far lacking behind as compared to MNCs. Statistics illustrated that only 29% was recorded from SMEs and the remaining 71% was from MNCs (Aidi-Zulkarnain & Ooi, 2014). One of the notable significant factor that lead to this imbalance scenario is due to the absent of innovative traits among SMEs. Previous research including Sharma (2017) indicated that, there is an urgency to improve innovativeness especially to the SME's owner-manager of the business to compete in the Global Halal market.

Previous scholars associated innovative behaviour with the success of the organizations. However, although the awareness to instil the innovative behaviour especially for SMEs owner-managers has been discussed heavily, the results are still incompatible. Additionally, while diverse initiative from the government has been done to promote innovative behaviour in organizations, it seems inadequate to boost the performance and the results is no whereas expected. Consequently, this study believes that looking at the innovative behaviour solely is insufficient. This study proposed that it is also vital to first look at the predecessor of the innovative behaviour; which is the innovative mindset of managers in organization. The study by Sidhu, Goubet, and Xia (2016) specialize in organizational changes indicated that innovative mindset is vital to stimulate the innovative behaviour among managers. Innovative mindset is important for SMEs owner-manager because it will affect the extent of innovation in SMEs including in Halal Industry.

Reflecting on this issue, this paper attempted to look at the role played by innovative mindset towards the creation of innovative behaviour among managers in organizations. Several models and variables has been reviewed with the discussion focused on the suitability and adaptability of the context. As the output, this study proposed one comprehensive model which demonstrated the influence of innovative mindset towards the stimulation of innovative behaviour. It is the intention but not limited by

this study to propose this model as guidelines especially for SMEs owner-manager who involved in halal industry on the importance to be more attentive in building the innovative mindset so as to develop innovative behaviour in organization.

## 2. Problem Statement

Despite tremendous support by various responsible parties in boosting the innovative behaviour of Halal SMEs, their presence in the global halal industry still not convincing. Notably, much in the theory have been found correlating the explicit elements such as characteristic of the SMEs itself (Sharma, 2017); various training programs provided by responsible bodies (Tahir et al., 2016); and the gender difference of SMEs owner-managers (Hilmi, Pawanchik, Mustapha, & Mahmud, 2012) with the positive impacts towards SMEs innovation behaviour but overlooking the implicit elements of it. In addition, ample studies also focused on the effect or outcome of innovation behaviour, however neglecting the cause for the innovativeness. Although it is believe that those elements are importance, this study argued that, in order for Malaysian Halal SMEs to compete in global Halal market, the owner-manager itself need to improve their cognitive approach to innovation. Therefore, a critical review on related literature is needed and the linkages of innovative mindset towards innovative behaviour should be explored further.

## 3. Research Questions

How innovative mindset play a role in cultivating innovative behaviour among owner-manager of Halal SMEs?

## 4. Purpose of the Study

The number of literature linking innovative mindsets with innovative behaviour from the perspective of Halal SMEs is very limited. The following section introduces and discusses the related literature on innovative behaviour and its relation with innovative mindsets. Consequently, a proposed model have been introduced based on this critical review (Ibrahim & Jaaffar, 2017).

### 4.1. Innovative Behaviour

The study of innovative behaviour and innovation has been the main focused of researchers and scholars in the various disciplines of knowledge such as business management; psychology; sociology; economics and so on. Table 1 illustrates the concepts of innovative behaviour derived from previous scholars.

**Table 01.** The Conceptualization of Innovative Behaviour

Author	The Conceptualization of Innovative Behaviour
Van de Ven (1986)	Comprise of technical and administrative innovation. The introduction and/or application of new technologies, products, and services is related to technical innovation; while introduction and/or application of new procedures and policies is in reference to administrative innovation.

West and Farr (1989)	The intended behaviour of an individual to introduce and or apply new ideas, products, processes, and procedures' are considered both in their introduction and implementation, as they pertain to innovative behaviour.
Scott and Bruce (1994)	Activities with regard to both the introduction and generation, and the realization or execution, of a new idea.
Tidd, Bessant, and Pavitt (1997)	Compose four component including product innovation; process innovation; position innovation; and paradigm innovation.
Cho and Lee (2007)	Refer to the disposition to seek for better ways to improve the level of productivity in an organization.
Hakimian, Farid, Ismail, and Nair (2016)	Refer to four innovative process including idea generation; idea promotion; and idea realization.

Based on the Table 1, innovative behaviour can be considered as the activities of SMEs owner-manager that belongs to generating, evaluating, realizing, and implementing of new ideas which can be regarded as an important aspect of high performance organizations (Shih & Susanto, 2011). Nevertheless, there is limited number of research related to innovativeness at an individual level particularly in the context of Halal SMEs owner-manager (Hilmi et al., 2012). It is deemed necessary for Halal SMEs owner-manager to possessed innovative behaviour as it will lead to the practices that prioritised searching for and testing for new technologies; creating and using of new paths to reach the companies' goals' using of new work-methods; and acquiring resources to realize idea.

#### 4.2. Innovative Mindset

Mindset can be define as a "frame of mind that affects the selection, encoding, and retrieval of information as well as the types of evaluations and responses an individual gives" (Rucker & Galinsky, 2016, p.161). Mindset is the way of person makes sense of situation that lead to the relative importance of various option. Mindset can be divided into two categories. The first one is a fixed mindset and the second one is growth mindset. Individual with fixed mindset usually believe their basic qualities such as their talent or intelligence are merely fixed traits and cannot be develop or change (Weick, 1998). In contrast, individual with growth mindset believe that their most basic aptitudes can be build up through hard work and dedication. This kind of individual mindset encourage long life learning and resilience for great accomplishment. Innovation is a part of individual mindset. Individual with innovative mindset will believe their abilities, intelligence, and talents can be developed to the creation of new and better ideas. In the context of large organizations, innovation require the right mindset and culture for most employees (Volná et al., 2015).

**Table 2.** The innovative mindsets and it descriptions.

Innovative Mindset	Descriptions
Trust	Individual believe to trust others without expecting anything in return.
Resilience	Individual believe that it is necessary to be wrong sometimes. Individual have a plan to experiment and plan to fail (analyse, adapt, and repeat).
Diversity	Individual believe the benefit of connection with people that they are rarely engaged and listen to their opinion.

Mental Strength	Individual believe that they can succeed.
Perfection	The sense of individual that think perfection is no good but good enough is perfect.
Collaboration	Individual believe in the potential of collaboration with individual, team, competitors, and partners.

Sidhu et al. (2016) defined innovative mindset as a way of thinking that influences the way individual view and acts upon a situation which reflected in their attitudes toward innovation. Based on the psychological constructs such as 1) social cohesion and honest behaviour; 2) grit, resilience, and entrepreneurial failure; 3) social capital; 4) self-efficacy; 5) perfectionism; and 6) cooptation, the authors introduces six types on innovative mindset as demonstrated in Table 2. In the workplace these innovative mindset can be triggered by action learning thinking processes; language and the right brain; and measurements that track performance of equipment and competencies (Man, 2001).

#### **4.3. The Relationship between innovative mindset and behaviour**

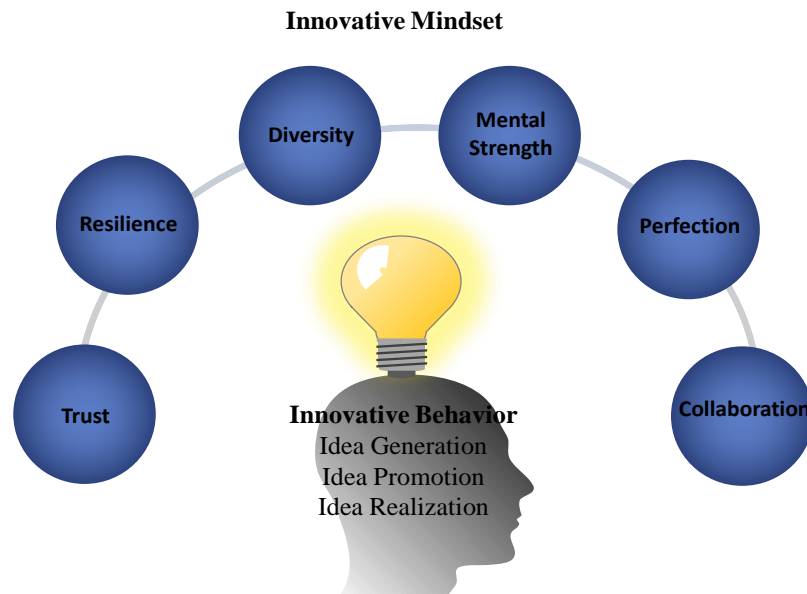
Studies revealed that behaviour can drive a performance but mindset is more powerful since it actually drives individual behaviours either increase or decrease performance. One of the world’s leading experts on global leadership Dr. H. Stephen Rhinesmith quoted that “amindset is a particular orientation to the world that shapes the behaviour of the individual”. In large company, research from the Arbinger Institute demonstrated that when the large company such as Spandex (a leading supplier of materials, sign systems, displays, and equipment to the sign making and graphic industries) change their leadership team’s mindset from “inward” to “outward”, the results lead to dramatically better organizational results (Lazan, 2016). In small firm such as SMEs, it has been found that SMEs owner-manager with innovative mindset will prioritized innovation as a tool to achieve business success and used strategic management practices and intellectual capital management compare to SMEs owner-manager without innovative mindset (Volná et al., 2015).

### **5. Research Methods**

To solve the research question, a review of the literature related to innovative mindset and innovative behaviour was conducted. The results of the literature reviews had been critically analysed to produce a soundly Halal SMEs owner-manager conceptual model of innovative behaviour.

### **6. Findings**

The review of several literature of innovative behaviour and innovative mindset leads this study to establish a conceptual model linking innovative mindset with innovative behaviour in the context of Halal SMEs owner-manager. This study propose a model that posit the relationship between innovative mindset and innovative behaviour (Figure 1).



**Figure 01.** Innovative Mindset and Innovative Behaviour Model

Based on Figure 1, this conceptual model consists of the component of innovative behaviour including idea generation, idea promotion, and idea realization. Idea generation consist of Halal SMEs owner-manager behaviour in creating new ideas for difficult issues; searching out new working methods, techniques or instruments; and generating original solutions for problem. Idea promotion consist of Halal SMEs owner-managers behaviour in acquiring approval for innovative ideas; and making important organizational member passionate for innovative ideas. Lastly idea generation comprise of Halal SMEs owner-manager behaviour in transforming innovative ideas into useful application; introducing innovative ideas into the employees in a systematic ways; and evaluating the utility of innovative ideas. The component of innovative mindset consist of six types of innovative mindset that should have been possessed by Halal SMEs owner-manager including trust, resilience, diversity, mental strength, perfection and collaboration (Sidhu et al., 2016). Halal SMEs owner-manager need to possess all the above mentioned innovative mindset in order for them to increase their innovative behaviour.

## 7. Conclusion

Malaysia Halal SMEs not only faced stiff competition from large companies, but SMEs from other Muslim countries and Non-Muslim countries all over the world. This intensified competition decreased the incremental innovation among Halal SMEs owner-managers (Piacentino, Bono, Cracolici, & Giuliani, 2017). The incremental innovation can be regarded as a series of minor improvements to an existing product or product's value chain that usually helps organizations like Halal SMEs to maintain or improve its competitive position over time. Incremental innovation is a very important for Halal SMEs because Halal industry nowadays need to continue to improve their products to include new features increasingly desired by Halal consumers, manufactures, traders, suppliers, logistic providers, and certification bodies all over the world (Ali et al., 2017).

This paper strongly propose the importance of innovative mindset to be inculcate in Halal SMEs owner-manager to ensure the incremental innovation practices become persistent over time. This paper critically analyses the literature on innovative behaviour in the context of Halal SMEs and discover that while it is important to embrace innovative behaviour, however, innovative mindset must precede. Therefore a comprehensive model has been introduced to act as a guidelines in persevering innovative behaviour among Halal SMEs owner-managers. This model perhaps can provide an assistance and solution for practitioner as well as related bodies particularly in ensuring the innovativeness and sustainability of Halal SMEs.

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