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Activating Culture for Innovation: A Resource-Based Framework for Cultural Tourism Development in Indonesia

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ABSTRACT

This study investigates the role of Cultural Value Activation in fostering Destination Innovation, mediated by Cultural-Centric Innovation Capacity, within the context of cultural tourism development in Samosir Regency, Indonesia. Drawing on the Resource-Based View (RBV), a conceptual model was developed and tested using Partial Least Squares Structural Equation Modeling (PLS-SEM) with data from 233 respondents, including cultural actors, creative entrepreneurs, and tourism managers. The results confirm that Cultural Value Activation significantly influences both innovation capacity and destination innovation, with innovation capacity serving as a partial mediator. These findings highlight the strategic importance of cultural resources and organizational capability in driving innovation in heritage-based tourism destinations. The study offers theoretical contributions by integrating cultural heritage and innovation frameworks and provides practical implications for policy-makers and practitioners aiming to build agile and culturally grounded tourism development strategies.

Keywords: Cultural Value Activation, Innovation Capacity, Destination Innovation, Cultural Tourism, Resource-based View

JEL Classifications: M10, L83, Z32, O31

1. INTRODUCTION

In the era of cultural globalization and experience-driven economies, tourism destinations face growing pressure to distinguish themselves through innovations that are deeply rooted in local cultural identity. One increasingly recognized approach is Cultural Value Activation, defined as the intentional process of mobilizing, expressing, and embedding cultural meanings into strategic development, branding, and innovation practices (Zhenchun et al., 2012; Feng and Liu, 2016). These cultural values serve not only as symbolic markers of identity but also as dynamic assets that, when actively harnessed, can become powerful drivers of sustainable innovation (Moonen, 2017; Büschgens et al., 2013).

Recent scholarship on cultural tourism underscores the importance of moving beyond passive heritage preservation toward more active and innovative cultural engagement. Wang et al. (2023)

conceptualize Cultural Inheritance-Based Innovation (CIBI) as a multi-dimensional construct—including cultural authenticity, creative dissemination, living cultural display, and transformative creation—that enables heritage destinations to generate sustainable innovation while maintaining cultural integrity (Wang et al., 2023). This notion aligns with the growing need for tourism destinations to cultivate innovation systems rooted in cultural identity, rather than relying solely on technological or market-driven models.

In this study, we define Cultural-Centric Innovation Capacity as the ability of a destination to generate and apply innovation informed by its distinctive cultural narratives, heritage values, and community knowledge. This capacity serves as a strategic intermediary—bridging cultural value activation and innovation output—and is shaped not only by cultural content but also by the presence of an internal culture that promotes innovation. As Mileva (2023) notes, fostering an innovation-supportive culture within

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destinations is essential for creating meaningful and memorable visitor experiences. Malisiova and Kostopoulou (2023) similarly emphasize the role of creative capacity in peripheral regions, highlighting how grassroots cultural associations serve as engines of innovation in community-based tourism.

Ultimately, this capacity contributes to what scholars describe as Destination Innovation—culturally grounded advancements in tourism products, experiences, and systems that enhance visitor engagement, distinctiveness, and long-term competitiveness (Lyu et al., 2022; Ruiz-Ortega et al., 2021). Despite growing recognition of the role of cultural values in innovation, few empirical models have examined how Cultural Value Activation translates into destination-level innovation through a culturally embedded innovation capacity. To fill this gap, this study proposes a mediation model linking these three constructs. The findings aim to enrich theoretical discussions on cultural innovation and provide practical strategies for tourism destinations to leverage their cultural assets as innovation capital.

2. LITERATURE REVIEW

2.1. Cultural Value Activation in Destination Development

Cultural value activation involves the strategic mobilization of a destination's cultural assets—tangible and intangible—to stimulate innovation and differentiation. Rather than focusing solely on preservation, this approach seeks to re-contextualize culture in tourism products and experiences. Wang et al. (2023) developed the concept of Cultural Inheritance-Based Innovation (CIBI), which includes authentic cultural production, creative dissemination, and transformational display as pillars of innovation at heritage destinations. Supporting this, Zhen-chun et al. (2012) emphasized that cultural innovation in tourism occurs through both internal cultural enrichment and the external innovation of product forms, forming an interlinked cultural-tourism innovation system. Meanwhile, Bourgeon-Renault et al. (2023) highlighted how cultural activation has become central to innovation marketing in tourism, enabling co-creation and emotional engagement through storytelling, technology, and experience design.

2.2. Cultural-Centric Innovation Capacity

While innovation capacity has been studied broadly in organizational contexts, its cultural dimension in tourism is relatively underexplored. Cultural-Centric Innovation Capacity (CCIC) refers to a destination's ability to innovate by leveraging cultural heritage, local identity, and socio-symbolic knowledge. Garcia-Villaverde et al. (2021) found that innovation in cultural tourism destinations is strongly influenced by internal social capital and absorptive capacity—capabilities that emerge from local knowledge and networks. Similarly, Xia and Liu (2021) demonstrated that entrepreneurial learning capacity—shaped by cultural values—plays a mediating role in driving innovation in culturally embedded firms.

2.3. Destination Innovation

Destination innovation includes the creation of new tourism products, marketing approaches, services, and experiences that increase competitiveness. Cultural innovation plays a pivotal role, especially in heritage-rich destinations. Silvestrelli (2013) illustrated how heritage preservation efforts—such as the *albergo diffuso* model—can spark innovation through community-based hospitality development. Dramićanin and Sančanin (2020) found that digital cultural content significantly shapes tourists' decision-making and destination loyalty in cultural tourism contexts.

Furthermore, Jelinčić (2019) introduced the idea of Tourist Emotional Engagement (TEE) as a mechanism by which meaningful cultural innovation enhances destination image and tourist loyalty. Mileva (2023) adds that an innovation-supportive culture at the destination level is a prerequisite for leveraging cultural resources effectively through tourism innovation strategies like gamification and experience design.

2.4. Theoretical Foundation and Hypotheses Development

This study is underpinned by the Resource-Based View (RBV), a strategic management theory that explains how organizations—or in this case, tourism destinations—achieve sustainable competitive advantage through the effective mobilization and utilization of internal resources and capabilities. According to RBV, resources must be valuable, rare, inimitable, and non-substitutable (VRIN) to serve as a basis for long-term advantage (Barney, 1991). In the context of tourism, cultural assets such as traditional knowledge, rituals, festivals, and heritage landscapes qualify as such strategic resources, particularly when they are deeply embedded in local identity and difficult for competitors to replicate.

Recent studies have demonstrated the applicability of RBV to tourism destination development. For example, Simarmata et al. (2022) utilized RBV to model how cultural and natural resources, when orchestrated effectively, contribute to sustainable destination competitiveness. Similarly, Peters et al. (2011) found that destinations adopting an RBV-based approach—rather than market-based tactics—tended to foster more authentic, sustainable, and innovation-driven tourism strategies rooted in cultural distinctiveness. Adding to this perspective, Andari et al. (2022) emphasized that local wisdom, including traditional ceremonies and community values, can be strategically activated to develop unique tourism offerings that serve as cultural differentiators.

Grounded in this theoretical lens, the present study conceptualizes Cultural Value Activation as a form of intangible resource mobilization, Cultural-Centric Innovation Capacity as the internal dynamic capability that enables value creation, and Destination Innovation as the performance outcome. This framing aligns with RBV's assertion that it is not the resources themselves, but the ability to deploy and transform them into capabilities, that drives sustainable competitive advantage.

Building upon the Resource-Based View (RBV), this study posits that cultural resources—when activated effectively—can serve as key enablers of innovation in tourism destinations. Specifically, we examine how *Cultural Value Activation* contributes to *Destination Innovation*, and how this relationship is mediated by *Cultural-Centric Innovation Capacity*.

2.5. Cultural Value Activation and Destination Innovation

Cultural Value Activation (CVA) refers to the strategic mobilization of a destination's cultural identity, heritage, and local wisdom for development purposes. This process goes beyond preservation, instead translating cultural expressions into tourism experiences, branding, and innovation systems (Wang et al., 2023). Within the RBV framework, cultural values are intangible resources that can drive competitive advantage when effectively integrated into product and service innovation (Barney, 1991; Peters et al., 2011). Empirical studies have shown that destinations which actively embed cultural identity into tourism offerings experience enhanced innovation outcomes, including product diversification, storytelling-driven experiences, and cultural event creation (Silvestrelli, 2013; Jelinčić, 2019). Accordingly, we propose:

H₁: Cultural Value Activation has a positive effect on Destination Innovation.

2.6. Cultural Value Activation and Cultural-Centric Innovation Capacity

While CVA serves as the resource base, innovation outcomes depend on how effectively those resources are transformed into capabilities. *Cultural-Centric Innovation Capacity* (CCIC) refers to a destination's internal ability to innovate based on its own cultural DNA—rooted in community knowledge, symbolic meaning, and cultural creativity (Xia and Liu, 2021; Garcia-Villaverde et al., 2021.

According to RBV, organizational capabilities are essential mediators that allow resources to be converted into competitive outcomes (Teece et al., 1997). In tourism, this capacity includes stakeholders' ability to co-create cultural products, adapt traditions into marketable forms, and engage visitors in meaningful experiences (Mileva, 2023; Bourgeon-Renault et al., 2023). Thus, we hypothesize:

H₂: Cultural Value Activation has a positive effect on Cultural-Centric Innovation Capacity.

2.7. Cultural-Centric Innovation Capacity and Destination Innovation

Innovation capacity itself has been consistently linked to enhanced performance in tourism settings. When rooted in cultural identity, it enables destinations to offer unique experiences that are difficult to imitate and emotionally resonant for visitors (Wang et al., 2023; Jiang et al., 2023). Such innovation may take the form of cultural storytelling, reinterpretation of traditions, and heritage-based digital experiences (Dramićanin and Sančanin, 2020). Thus, we propose:

H₃: Cultural-Centric Innovation Capacity has a positive effect on Destination Innovation.

2.8. The Mediating Role of Cultural-Centric Innovation Capacity

Although CVA may directly influence innovation, the strength and consistency of that influence likely depend on a destination's internal innovation capabilities. Within the RBV framework,

capabilities function as the bridge between resources and outcomes (Barney, 1991; Teece et al., 1997). Without internal mechanisms to transform cultural values into market-ready innovations, the potential of CVA may remain underutilized. Empirical studies suggest that cultural innovation does not emerge spontaneously from resources, but through a structured process of capability building and creative transformation (Xia and Liu, 2021; Malisiova and Kostopoulou, 2023). Hence, we hypothesize:

H₄: Cultural-Centric Innovation Capacity mediates the relationship between Cultural Value Activation and Destination Innovation.

3. RESEARCH METHODOLOGY

This study adopts a quantitative, explanatory research design to empirically test the relationships between Cultural Value Activation (CVA), Cultural-Centric Innovation Capacity (CCIC), and Destination Innovation (DI). A cross-sectional survey approach was employed to collect primary data from key stakeholders involved in the development and management of cultural tourism destinations, such as destination managers, tourism entrepreneurs, community leaders, and cultural organizations.

The study was conducted in two key cultural tourism destinations in North Sumatera, Indonesia, namely Bukit Holbung and Bukit Sibea-bea, both located in Samosir Regency. These sites were selected due to their cultural significance, scenic value, and their ongoing efforts in developing sustainable and innovative tourism practices, making them ideal contexts for assessing culture-based innovation dynamics.

Apurposive sampling technique was used to ensure that respondents possessed sufficient knowledge and were directly involved in cultural tourism innovation. Following the recommendations of Hair et al. (2019) and considering the model complexity, a minimum of 200 respondents was targeted. Ultimately, 233 valid responses were collected, providing adequate statistical power for Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis.

Data were collected using a structured questionnaire with items adapted from prior validated studies. Each construct was measured using reflective indicators on a five-point Likert scale (1 = Strongly disagree, 5 = Strongly agree). Cultural Value Activation included items on integration of cultural traditions, cultural storytelling, and authenticity promotion (Zhen-chun et al., 2012; Wang et al., 2023). Cultural-Centric Innovation Capacity captured elements such as local cultural knowledge-based innovation, community co-creation, and adaptive heritage transformation (Xia and Liu, 2021; Garcia-Villaverde et al., 2021). Destination Innovation was assessed via indicators on new cultural product development, creative interpretation, and visitor satisfaction and loyalty enhancement (Lyu et al., 2022; Silvestrelli, 2013).

The data were analyzed using SmartPLS 4.0, following a two-step process. The measurement model was evaluated for indicator reliability, internal consistency, and validity (AVE,

Fornell–Larcker, HTMT), while the structural model was assessed using path coefficients, R² values, and predictive relevance (Q²). Bootstrapping with 5,000 resamples was employed to test mediation effects and determine the significance of indirect relationships.

4. RESULTS

4.1. Demographic Profile

Table 1 presents the demographic characteristics of the 233 respondents involved in this study, including gender, age, education level, professional role, work experience, and location.

The demographic distribution indicates a balanced representation in terms of gender and professional roles, with a concentration of respondents aged 36–50, suggesting a mature and strategically active cohort. Most participants hold diploma or undergraduate degrees, implying strong community-based operational knowledge. The prominence of creative entrepreneurs and cultural guardians highlights the centrality of local actors in cultural tourism innovation, particularly in Bukit Holbung, which appears more active in innovation initiatives compared to Bukit Sibea-bea.

4.2. Common Method Variance

To address potential concerns regarding common method bias, we rigorously evaluated common method variance (CMV) using Harman's single-factor test (Podsakoff et al., 2003). Principal component analysis of all measurement items revealed that the first unrotated factor accounted for 46.57% of the total variance, which is below the critical threshold of 50% suggested by methodological literature (Fuller et al., 2016). This indicates that common method variance does not pose a substantial threat to the validity of our findings.

4.3. Measurement Model Analysis

Table 2 reports the results of the measurement model assessment, including factor loadings, Cronbach's Alpha, Composite

Table 1: Demographic profile of respondents (n=233)

Variable	Category	%	n
Gender	Male	51.72	120
	Female	48.28	113
Age	20-35 years	29.61	69
	36-50 years	50.22	117
	>50 years	20.17	47
Education	High school/equivalent	24.89	58
	Diploma	30.04	70
	Bachelor's degree	35.19	82
	Postgraduate	9.88	23
Role	Cultural Guardians	32.19	75
	Creative Entrepreneurs	34.76	81
	Community Leaders	18.03	42
	Government Officers	9.44	22
	Destination Managers	5.58	13
	Academics/Researchers	10.00	20
Experience	<3 years	19.74	46
	3-10 years	50.22	117
	>10 years	30.04	70
Location	Bukit Holbung	59.66	139
	Bukit Sibea-baea	40.34	94

Reliability, and Average Variance Extracted for each latent construct.

All constructs demonstrated strong psychometric properties. Indicator loadings exceeded 0.70, and both CR and CA surpassed 0.80, indicating high internal consistency. AVE values were all above 0.50, confirming good convergent validity. These findings support the adequacy of the instrument to reliably measure Cultural Value Activation, Cultural-Centric Innovation Capacity, and Destination Innovation. Table 3 evaluates discriminant validity using the Fornell–Larcker criterion and HTMT ratios.

The square root of AVE for each construct is greater than the inter-construct correlations, and HTMT values are below 0.90, indicating that the constructs are empirically distinct. This affirms that respondents could differentiate between the three measured concepts, strengthening the study's structural model robustness.

4.4. Structural Model Analysis

Table 4 displays the results of the structural model and hypothesis testing, including path coefficients, t-values, confidence intervals, R², and Variance Accounted For (VAF) for the mediation path.

All hypothesized relationships are significant at P < 0.001. Cultural Value Activation directly influences both Innovation

Table 2: Measurement model evaluation

Variable	Item	Loading	CA	CR	AVE
Cultural Value Activation	-	-	0.844	0.889	0.616
(CVA)	CVA1	0.783	-	-	-
	CVA2	0.803	-	-	-
	CVA3	0.760	-	-	-
	CVA4	0.792	-	-	-
	CVA5	0.788	-	-	-
Cultural-Centric	-	-	0.828	0.886	0.660
Innovation Capacity	CCIC1	0.788	-	-	-
(CCIC)	CCIC2	0.818	-	-	-
	CCIC3	0.817	-	-	-
	CCIC4	0.825	-	-	-
Destination Innovation	-	-	0.828	0.879	0.593
(DI)	DI1	0.742	-	-	-
	DI2	0.755	-	-	-
	DI3	0.824	-	-	-
	DI4	0.740	-	-	-
	DI5	0.787	-	-	-

Loadings>0.70 are considered acceptable; CA (Cronbach's Alpha) > 0.70 indicates good reliability; CR (Composite Reliability) > 0.70 confirms internal consistency; AVE>0.50 demonstrates convergent validity. CVA: Cultural value activation, CCIC: Cultural-centric innovation capacity, DI: Destination innovation

Table 3: Discriminant validity analysis

Construct	CVA	CCIC	DI
Fornell-Larcker Criterion			
Cultural Value Activation (CVA)	0.785		
Cultural-Centric Innovation Capacity (CCIC)	0.482	0.812	
Destination Innovation (DI)		0.682	0.770
HTMT ratio			
Cultural-Centric Innovation Capacity (CCIC)		-	-
Destination Innovation (DI)	0.832	0.825	-

Bold diagonal values show the square root of AVE (should exceed inter-construct correlations). Lower triangle values (Fornell-Larcker) are construct correlations. HTMT values should be below 0.90 (strict: 0.85)

Capacity ($\beta = 0.482$) and Destination Innovation ($\beta = 0.479$), while Innovation Capacity also significantly affects Destination Innovation ($\beta = 0.451$). The mediation effect is statistically supported, with a VAF of 31.19%, indicating partial mediation. These findings underscore Innovation Capacity as a key mechanism translating cultural values into innovative tourism practices.

Figure 1 visualizes the structural model results, derived from bootstrapping with 5,000 resamples, showing standardized coefficients between the constructs.

The path diagram reinforces the statistical output in Table 4, with all paths significant and aligned with theoretical expectations. The model visually emphasizes the mediating role of Cultural-Centric Innovation Capacity, illustrating how cultural resources, when activated, are channeled through innovation mechanisms to yield competitive destination innovations.

5. DISCUSSION

The findings of this study offer compelling support for the proposed research model, confirming the critical role of cultural value activation and innovation capacity in shaping destination-level innovation. Each of the four hypotheses is supported and contributes distinctively to the literature on cultural tourism and innovation management.

First, Hypothesis 1 confirms a strong and significant relationship between Cultural Value Activation (CVA) and Cultural-Centric Innovation Capacity (CCIC). This supports the theoretical premise that cultural values, when actively cultivated and shared among stakeholders, enhance the innovation readiness of organizations. As highlighted by Wang et al. (2023), heritage-based innovation is driven by collective cultural awareness and intentional resource activation—resonating with the Resource-Based View (RBV), where intangible resources become critical capabilities when properly orchestrated.

Second, Hypothesis 2 validates the direct effect of CVA on Destination Innovation (DI). This underscores that cultural values are not only internal organizational assets but also external differentiators that drive innovation at the destination level. This finding aligns with prior research by Ruiz-Ortega et al. (2021), suggesting that cultural-based differentiation creates unique visitor experiences and fuels innovation in products, narratives, and place branding.

Third, Hypothesis 3 demonstrates the positive effect of CCIC on Destination Innovation, confirming the importance of internal innovation mechanisms as enablers of strategic transformation. Cultural-centric innovation capacity includes local knowledge, creative collaboration, and adaptive mechanisms—all of which are crucial for generating novel solutions within tourism destinations. This supports the arguments of Büschgens et al. (2013) regarding the synergy between organizational culture and innovation outcomes.

Finally, Hypothesis 4 establishes partial mediation by CCIC in the relationship between CVA and DI. The mediating effect suggests that while cultural values can directly shape innovation, their impact is significantly enhanced when routed through innovation capacity. This finding affirms the process-oriented nature of innovation in cultural tourism—where values must be translated into creative strategies and organizational practices to yield tangible outcomes.

Taken together, these results enrich the theoretical linkage between cultural activation, organizational capability, and destination

Table 4: Path analysis results (β coefficients)

Relationship	β	M	STDEV	t-value	95% CI	R ²	SRMR	VAF
Direct effects								
$CVA \rightarrow CCIC$	0.482	0.482	0.086	5.61***	(0.32, 0.63)	0.23	0.06	-
$CVA \rightarrow DI$	0.479	0.475	0.094	5.10***	(0.30, 0.64)	0.64		-
$CCIC \rightarrow DI$	0.451	0.456	0.095	4.75***	(0.27, 0.62)	-		-
Mediation								
$CVA \rightarrow CCIC \rightarrow DI$	0.217	0.219	0.057	3.80***	(0.12, 0.33)	-	-	31.19%

***P<0.001 (two-tailed test, df=230, 5000 bootstrap samples); Confidence intervals exclude zero, indicating significance; Effect size benchmarks: R²: 0.01 (small), 0.09 (medium), 0.25 (large); f²: 0.02 (small), 0.15 (medium), 0.35 (large); Model fit: SRMR=0.06 (acceptable: <0.08; VAF=31.19% (partial mediation: 20% < VAF<80%). CVA: Cultural Value Activation, CCIC: Cultural-Centric Innovation Capacity, DI: Destination Innovation

CVA1

CVA2

24.673

CVA3

22.105

CVA4

28.166

Cultural Value Activation

CCIC1

CCIC2

CCIC3

CCIC4

CCIC3

CCIC4

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innovation—particularly in emerging cultural destinations like Samosir Regency. The study advances the conceptualization of innovation not as a purely technological or managerial phenomenon, but as a culturally-embedded, socially-driven process shaped by the values and capacities of local actors.

Beyond RBV, the findings resonate with the theory of Dynamic Capabilities (Teece et al., 1997), which emphasizes the organization's ability to integrate, build, and reconfigure resources in response to changing environments. The mediating role of Cultural-Centric Innovation Capacity (CCIC) illustrates that innovation is not a direct product of cultural resources alone, but also of how these resources are actively reinterpreted and operationalized by actors in tourism systems. These results also align with the concept of Value Co-Creation (Prahalad and Ramaswamy, 2004), wherein innovation in tourism is shaped through collaborative interaction between providers and users. In cultural tourism, this means that communities and visitors cocreate meaning and value, not just consume static heritage. Studies in European cultural cities (Richards and Duif, 2019) support this perspective, noting that innovation often emerges from bottom-up cultural reinterpretation and shared narratives.

6. CONCLUSION

This study investigated the interrelationships among Cultural Value Activation, Cultural-Centric Innovation Capacity, and Destination Innovation in the context of cultural tourism development. By employing a structural equation modeling approach, the research confirmed the significance of all four hypotheses, highlighting both the direct and indirect effects of cultural value activation on destination innovation.

The findings demonstrate that activating local cultural values enhances innovation capacity, which in turn drives the development of culturally distinctive and competitive tourism destinations. Innovation capacity also plays a mediating role, strengthening the pathway through which cultural values are translated into meaningful innovations. These insights reinforce the theoretical foundation of the resource-based view (RBV), positioning cultural values as strategic, intangible resources that foster innovation when organizational capacity is present.

6.1. Theoretical Implications

This study contributes to the literature by integrating cultural heritage, innovation, and destination development into a unified conceptual model. It enriches the theoretical discourse on innovation in tourism by proposing that innovation is not solely driven by technology or market orientation, but also by the strategic orchestration of local cultural values and internal innovation capacity. The model offers a novel framework for understanding culturally embedded innovation in emerging tourism destinations.

6.2. Practical Implications

The findings suggest several actionable steps for tourism practitioners and local government. First, cultural value activation should be institutionalized through participatory cultural mapping, local storytelling initiatives, and heritage education programs. These enable local communities to identify and prioritize cultural resources with innovation potential. Second, to strengthen innovation capacity, investments should be made in skill-building programs, cross-sector workshops, and digital literacy for local entrepreneurs. Third, inter-organizational collaboration should be formalized through public—private partnerships, involving cultural guardians, creative industries, and tourism operators. Lastly, involving younger generations through creative hubs, culinary heritage projects, or digital documentation ensures cultural continuity and fresh innovation perspectives rooted in local identity.

6.3. Limitations and Future Research

This study is geographically limited to the North Sumatera region, which may constrain generalizability to other cultural tourism contexts. The cross-sectional design also limits the ability to observe changes over time or causality among variables. While the quantitative approach ensures analytical rigor, it may overlook contextual nuances that qualitative methods could capture.

Future research could adopt a comparative approach across multiple regions or countries to examine how cultural activation and innovation mechanisms differ by context. Longitudinal studies may also uncover how innovation capacity develops over time, particularly in response to policy interventions or market disruptions. Moreover, visitor perspectives could be integrated to explore how cultural values are interpreted and co-created from the demand side.

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