Management innovation, corporation core competence and corporate culture: the impact of relatedness

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This study reports the results of a study of Management Innovation of Taiwanese businesses in China. Over 800 questionnaires were sent out to the Taiwanese owners/managers in Kun-Shan City, China, with 260 valid responses included in the study. Four relationships were examined in the study: the correlation between management innovation and corporation core competence, between management innovation and the corporate culture, between corporation core competence and the corporate culture and finally the effect of the corporate culture on the relationship between management innovation and corporation core competence. Findings and conclusions are discussed.

I. Introduction

Management innovations are processes such as new distribution methods or novel applications of technology in the management process, which enable organizations to reach their goals, and include object management, environmental research and judgment, coordination, integration and schedule control (Van de Ven, 2003; Van Ark et al., 2003b). Van Ark et al. (2003a) defined management innovation as a management product or management process that is based on some technology or systematic method, and it includes replicable elements that can be identified and systematically reproduced in other cases or environments. Sie et al. (2007) organized management innovation into organizational, informational and technological innovations.

Hamel (1994) defined core competence as the capacity to combine many individual techniques into one excluding fiscal properties. Zack (1999) identifies shift of resources and capability, combination of distinctiveness and persistence, effective integration of resources and dynamic process of realization as the basis of core competence.

Corporate culture is the representation of values and internal beliefs of a company, shared among its staff, creating a common value system. Wallach (1983) classified corporate culture into bureaucratic, innovative and supportive. Hampton et al. (1987) introduced another type named effective corporate culture. Corporations with bureaucratic culture are comparatively stable, mature and cautious in operation. Innovative culture by necessity involves a move away from old, sometimes comfortable and seemingly effective ways of doing business by understanding innovative process and commitment to its policies.

A corporation should constantly evaluate its core competence on the basis of management innovation. The competence and its new concepts are beneficial, only when entire staff of the corporation is willing to expand with innovations in management. If the establishment of any competitive lead of an organization is based on its core competence as indicated by its staff, then its core competence has close relationship with
the corporate culture (Bohlander et al., 2001). Quinn (1992) noted that the accumulation of capacity to develop new technology is an additional approach to learning the modes of organizational innovation and corporate culture, and adds great value to core competence. Van Der Panne et al. (2003) found that the success of management innovation is determined by corporation core competence and corporate culture. They made reference to one essential point related to management innovation: adaptability of management innovation is the core competence of a corporation. If corporate culture can take advantage of the correlation between management innovation and corporation core competence, corporations shall grasp the most favourable timing of coming into management innovation.

II. Methodology

Research hypotheses

For understanding the relationships between study variables, this study focused on the organizational, informational and technological aspects of management innovation. For corporation core competence, shift of resources and capability, combination of distinctiveness and persistence, effective integration of resources and dynamic process of realization were tested. The dimensions for corporate culture were bureaucratic, innovative, supportive and effective cultures. This study further investigated the role corporate culture plays in the relationship between management innovation and corporation core competence. There were four hypotheses in the study as shown below.

H1: A positive correlation exists between management innovation and corporation core competence.
H2: A positive correlation exists between corporate culture and management innovation.
H3: A positive correlation exists between corporate culture and corporation core competence.
H4: Corporate culture has a moderator variable on the relationship between management innovation and corporation core competence. H4 was split into the following three sub hypotheses: H4.a, H4.b and H4.c.
H4.a: Corporate culture enhances the positive correlation of organizational innovation with the four dimensions of corporation core competence.
H4.b: Corporate culture enhances the positive correlation of information innovation with the four dimensions of corporation core competence.
H4.c: Corporate culture enhances the positive correlation of technological innovation with the four dimensions of corporation core competence.

Research sample and scales

In this study, samples were chosen by way of convenience sampling. These owners/managers were asked to answer questionnaires about the three variables in the study. The study designed the questions for the three scales of questionnaire through the interviews of experts and scholars. There were eight questions for the scale for management innovation, eight for the scale for corporation core competence and six for the scale for corporate culture. Of the 800 questionnaires sent, 260 valid ones were returned. The questions were primarily based on 6-point Likert scales.

The study applied the component analysis to extract common factors and the varimax to carry out orthogonal rotation. The eigenvalues higher than 1 and the factor loading higher than 0.6 were set as the criteria to remove unsuitable questions (Kaiser, 1958). According to these criteria, the study deleted one question out of eight for the scale for management innovation. The study also carried out reliability and validity analysis, Clark and Guy (1998) said that Cronbach’s $\alpha$ higher than 0.7 shows high reliability, that between 0.7 and 0.35 shows fair reliability and that less than 0.35 shows low reliability. The three scales in the study met the requirements of high reliability.

III. Results and Discussions

From the results of Pearson’s correlation analysis, the correlation coefficients between the organizational and technological innovation dimensions of management innovation and the four dimensions of corporation core competence were positive, whereas the information innovation dimension coefficients were negative. Therefore, hypothesis H1 is partially tenable.

The correlation coefficients between the three dimensions of management innovation and corporate culture were both positive and negative leaving hypothesis H2 partially tenable (Table 1).

Corporate culture showed a significant positive correlation with the four dimensions of corporation core competence. Therefore, hypothesis H3 is tenable. As for the testing of hypothesis H4, there are four partial cases based on bureaucratic culture (sample size: $N = 69$), innovative culture ($N = 63$), supportive culture ($N = 51$) and effective culture ($N = 77$), as compared with the entire sample (sample size: $N = 260$).
The \( t \)-values for organizational innovation under the four dimensions of corporation core competence were correspondingly higher for the entire sample than for those in the partial case assorted by emphasis on all four dimensions of corporate culture. Therefore, hypothesis H4.a is untenable.

Results for information innovation under dynamic process of realization showed that the \( t \)-values of the entire sample are lower than that of the partial case assorted by emphasis on supportive culture, but showed higher values under other dimensions. Similarly, for information innovation under effective integration of resources, the \( t \)-value for the entire sample was lower than that of the partial case assorted by emphasis on innovative culture, but higher for other dimensions. In the case of bureaucratic and effective culture emphasis, all \( t \)-values for the entire sample were higher than partial cases. Therefore, hypothesis H4.b is partially tenable.

Results of technological innovation under the four dimensions of corporation core competence showed that the \( t \)-values for the entire sample were higher, respectively, than those for the partial cases. Therefore, hypothesis H4.c is untenable.

This shows information innovation has no significant correlation with corporation core competence. Except for the fact that supportive culture could enhance the positive correlation between information innovation and dynamic process of realization and that innovative culture could enhance the positive correlation between information innovation and effective integration of resources, the relationship between management innovation and corporation core competence is not enhanced towards positive correlation by corporate culture as per the study.

### IV. Conclusion and Suggestions

This study produced several specific ideas that establish a link between core competence and the activities of management innovation.

Primarily, improving and strengthening management innovation is essential for viable market positioning and success, which can be done by adopting advanced scientific methods of management for strategic goals and to enhance corporation core competence.

Second point is that promoting the adjustment and reestablishment of management structure for flexibility and diversification will improve the managerial efficiency of a corporation, and further promote its core competence.

Third point is that a corporation should focus on the core position of staff and strengthening management innovation in human resource management with emphasis on training and development and constant renewal of management ideas.
Finally, corporations should construct corporate culture and improve corporation core competence by defining management beliefs and establishing unique management values to integrate individual beliefs of employees into a unique management cultural trend.

References