

DOCTORAL THESIS

Leadership, innovation capability, and SME's product innovation performance: the moderating roles of reward philosophy and entrepreneurial culture

Chung, Ka Wai

Date of Award:
2019

[Link to publication](#)

General rights

Copyright and intellectual property rights for the publications made accessible in HKBU Scholars are retained by the authors and/or other copyright owners. In addition to the restrictions prescribed by the Copyright Ordinance of Hong Kong, all users and readers must also observe the following terms of use:

- Users may download and print one copy of any publication from HKBU Scholars for the purpose of private study or research
- Users cannot further distribute the material or use it for any profit-making activity or commercial gain
- To share publications in HKBU Scholars with others, users are welcome to freely distribute the permanent URL assigned to the publication

ABSTRACT

Innovation is vital to the survival and prosperity of small and medium-sized enterprises (SMEs). Such firms have the inherent liability of limited resources, which creates a barrier to their pursuit of innovative activities. To compete with larger incumbents and sustain competitive advantages, leaders, the principal decision-makers, play a key role in devising innovation strategies and have overall responsibility for firms' ultimate performance.

This study draws on the resource-based view (RBV) and dynamic capabilities perspective (DC) to develop a model linking leadership (resource) to innovation (dynamic capability) and product innovation performance (sustainable competitive advantage). In addition, it suggests that reward philosophy and entrepreneurial culture can enhance or hinder the effect of transformational and transactional leadership on exploratory and exploitative innovation in the context of SMEs.

Using a quantitative research method, 151 valid pairs of questionnaires (i.e. 302 respondents) were collected from the top management of small and medium-sized manufacturing firms in China. The empirical findings showed that transformational leadership behaviors could foster both exploratory and exploitative innovations. Transactional leaders, consistent with the literature, could facilitate exploitative activities, but not exploratory innovation. The data analysis also indicated that different types of innovation delivered different benefits to firms. In addition, reward philosophy and entrepreneurial culture had divergent moderating effects on the relationship between leadership style and innovative outcome.

TABLE OF CONTENTS

DECLARATION.....	i
ABSTRACT.....	ii
ACKNOWLEDGEMENTS.....	iii
TABLE OF CONTENTS.....	iv
LIST OF FIGURES.....	ix
LIST OF TABLES.....	x
Chapter 1: Introduction.....	1
1.1 Research Background.....	2
1.1.1 Small and Medium-sized Enterprises (SMEs).....	2
1.1.2 Interrelationships between SMEs' Innovation, Leadership and Performance.....	3
1.2 Research Gaps.....	4
1.2.1 Research Questions.....	6
1.3 Research Objectives.....	6
1.4 Research Contributions.....	8
1.5 Organization of the Thesis.....	9
Chapter 2: Literature Review.....	11
2.1 Theories.....	11
2.1.1 Resource-based View (RBV).....	11
2.1.2 Dynamic Capabilities (DC).....	13
2.2 Key Constructs and their Inter-relationships.....	16
2.2.1 Leadership.....	17
2.2.1.1 Transformational Leadership.....	18
2.2.1.1.1 Idealized Influence (II).....	19

2.2.1.1.2 Inspirational Motivation (IM).....	20
2.2.1.1.3 Intellectual Stimulation (IS).....	21
2.2.1.1.4 Individualized Consideration (IC)	22
2.2.1.2 Transactional Leadership.....	22
2.2.1.2.1 Contingent Reward.....	23
2.2.1.2.2 Management by Exception.....	24
2.2.2 Entrepreneurship.....	25
2.2.2.1 Definition of Corporate Entrepreneurship.....	25
2.2.3 Innovation.....	27
2.2.3.1 Types of Innovation.....	28
2.2.3.2 Exploratory Innovation and Exploitative Innovation.....	28
2.2.3.3 Ambidextrous Innovation.....	30
2.2.4 Leadership and Innovation.....	31
2.2.5 Corporate Entrepreneurship and Leadership.....	33
2.2.6 Corporate Entrepreneurship and Innovation.....	34
2.3 Empirical Studies of Leadership and Product Innovation Performance	36
2.3.1 Product Innovation Performance.....	36
2.3.1.1 Antecedents of Product Innovation Performance.....	36
2.3.1.2 Role of Leadership in Product Innovation Performance.....	37
2.3.1.3 SMEs' Product Innovation Performance.....	38
2.4 Gaps in the Literature.....	39
Chapter 3: Theoretical Framework and Hypothesis Development.....	42
3.1 Introduction.....	42
3.2 Resource-based View (RBV).....	42
3.3 Dynamic Capabilities (DC).....	43

3.4 Integration of the RBV and the DC Approach.....	44
3.5 Moderators.....	45
3.6 Hypothesis.....	48
3.6.1 Leadership Style and Exploratory Innovation.....	48
3.6.2 Leadership Style and Exploitative Innovation.....	51
3.6.3 Distinct Types of Innovation and Product Innovation Performance.....	54
3.6.4 Moderator: Reward Philosophy.....	57
3.6.5 Moderator: Entrepreneurial Culture.....	59
Chapter 4: Research Method.....	62
4.1 Introduction.....	62
4.2 Research Design and Procedure.....	62
4.3 Sample Characteristics.....	67
4.3.1 Company Characteristics.....	67
4.3.2 Respondents' Characteristics.....	68
4.4 Inter-rater Reliability.....	69
4.5 Aggregation of Response Data.....	70
4.6 Variable Measures.....	71
4.6.1 Dependent Variables.....	71
4.6.2 Independent Variables.....	72
4.6.3 Moderating Variables.....	73
4.6.4 Control Variables.....	74
4.7 Common Method Variance (CMV).....	75
4.8 Construct Reliability and Validity.....	76
Chapter 5: Research Results.....	83

5.1 Descriptive Statistics Summary.....	83
5.2 Hypothesis Testing.....	83
5.2.1 Structural Model Fit.....	87
5.2.2 Results of Hypothesis 1.....	88
5.2.3 Results of Hypothesis 2.....	88
5.2.4 Results of Hypothesis 3.....	89
5.2.5 Results of Hypothesis 4.....	89
5.2.6 Results of Hypothesis 5.....	90
5.3 Additional Testing.....	92
Chapter 6: Discussion, Implications, Limitations and Future Research.....	95
6.1 Summary of Major Findings.....	95
6.1.1 Transformational Leadership and Innovation.....	95
6.1.2 Transactional Leadership and Innovation.....	96
6.1.3 Product Innovation Performance.....	97
6.1.4 Reward Philosophy and Entrepreneurial Culture.....	98
6.1.4.1 Reward Philosophy.....	99
6.1.4.2 Entrepreneurial Culture.....	100
6.2 Implications.....	101
6.2.1 Theoretical Implications.....	101
6.2.2 Practical Implications.....	103
6.3 Limitations and Suggestions for Future Research.....	105
6.4 Conclusion.....	107
Appendix 1: Survey—Cover Page.....	110
Appendix 2: Survey—Questionnaire.....	111
LIST OF REFERENCES.....	116

