

DOCTORAL THESIS

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

Chung, Ka Wai

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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.

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