A Study on The Impact of Management Innovation on Business Performance: The moderating effect of Business Strategy

Yue Liu[a*]

[a*] *Innovation College, North-Chiang Mai University, Thailand,*
E-mail: g646501009@northcm.ac.th

Article Info
Received 6 July 2024
Revised 28 August 2024
Accepted 30 August 2024
Available online 31 August 2024

Abstract

This study examines the relationship between managerial innovation, corporate strategy, and firm performance, particularly as Chinese firms cope with the rapidly changing digital economy environment. By using models and tools such as SPSS, AMOS, and the Boston Growth Matrix, the study analyzes the interrelationships among different variables, focusing on the interactions among managerial innovation (MI), business strategy (BS), and business performance (BP).

The main objectives of the study include:1. to understand how management innovation can help firms develop and gain competitive advantage under different types of strategies.

2. analyzing the moderating role of business strategy between management innovation and business performance.3. to explore the impact of five different strategy types on the relationship between management innovation and firm performance.

The results of the study show that management innovation has a positive impact on firm performance; that corporate strategy significantly moderates the impact of management innovation on firm performance; and that five strategic organizational forms (defensive, exploratory, analytical, reactive, and entrepreneurial) have different degrees of influence on the relationship between management innovation and firm performance. The Boston Growth Matrix is used as a theoretical basis for assessing how firms reallocate resources and for evaluating strategic decisions.

The study also provides recommendations for business managers, industry regulators and the government, including: managers should restructure their offline business models, create strategies that parallel online and offline operations, and integrate emerging technologies to improve efficiency; regulators need to promote external managerial innovation and assist SMEs in forming an internal innovation cycle; and the government needs to encourage the integration of the online and offline economy and monitor the truthfulness of corporate disclosures. The limitation of the study is that the data are mainly from service-oriented firms in China, and it is recommended that future research be extended to other industries and regions, as well as exploring in depth the impact of dynamic changes on managerial innovation and firm performance.

Keywords: Management Innovation, Corporate Strategy, Corporate Performance

Introduction

Under the premise of describing the background, significance and objectives of the study, this study further introduces the content and methodology of the study by reviewing the existing literature and theories, clarifies the research ideas and framework, and explores each variable in depth. The study uses SPSS 25.0, AMOS 24.0, Tableau and other statistical analysis software, and takes Chinese enterprises in the field of business services as samples, and conducts statistical description, correlation analysis, regression and other analyses through questionnaires, and finally arrives at relevant research hypotheses.

New challenges to the connotation of firm performance from the changing global economic environment

Fierce competition from emerging economies, changes in supply and demand, and the impact of the COVID-19 epidemic have made the global business environment full of uncertainty. The trend of integrating online and offline commerce has changed consumer behavior in the retail industry, pushing companies to actively adjust their strategies, optimize their business models, and expand their sales channels. In this process, enterprises are gradually accustomed to searching and consuming online, and this new business strategy called “O2O e-commerce” is becoming popular, which brings a new direction to enterprise management innovation and strategy development.

New requirements for the evolution of innovation management in the goal of enterprise performance improvement

As an important driving factor for exploring new opportunities, creating value and enhancing competitive advantage, innovation is getting more and more attention. Distinguished from technological innovation, management innovation helps to achieve efficient operations and strategic goals by introducing new ideas, processes and technologies that create innovations in organizational structure, business processes and human resources within the enterprise. However, there is still a lack of consensus in academic research on the relationship between the impact of management innovation and other types of innovation and their interaction with performance, so further empirical research is needed.

Corporate strategy development and deployment provides a new direction for performance management

The “experience curve” and “growth share matrix” proposed by the Boston Consulting Group provide an important theoretical foundation for corporate strategic management. It helps companies optimize their business portfolio through resource reallocation and strategic planning to maximize market share and growth rate. With the continuous evolution of business models and consumer habits, academics need to further clarify the relationship between management innovation and corporate performance, and study in depth the moderating role of strategy in the interaction between the two.

Importance of and problems faced by Chinese enterprises in transformation and upgrading

Chinese firms are facing tremendous development opportunities against the backdrop of drastic changes in systems, technologies and market environments, and a series of strategic reform issues have arisen. There are differences in the relationship between different strategies and corporate management innovation and performance, and the rational formulation of business strategies helps to enhance the moderating role of management innovation in corporate performance improvement. Therefore, based on the Boston Growth Matrix theory and a field survey of Chinese firms, this study attempts to verify the mediating role of business strategy between management innovation and performance from the perspective of key stakeholders.

Objective

1. to explore the mechanisms by which management innovation contributes to the development of firm performance under different corporate strategies: to understand how management innovation can help firms improve their competitive advantage and performance under various types of strategies.

2. to study the moderating role of corporate strategy in the relationship between management innovation and enterprise performance: to analyze how different types of corporate strategy affect the positive effect of management innovation on enterprise performance.

3. Examining the impact of five different types of strategic organizations on the relationship between management innovation and firm performance: examining how five types of strategic organizations, namely, defensive, exploratory, analytical, reactive and entrepreneurial, affect the interaction between management innovation and firm performance.

Literature Review

1. Management innovation

Definition and development: The concept of management innovation was first introduced by STATA in 1989, who argued that management innovation is the renewal of a firm's business philosophy, organizational structure, and management methods through the alignment of its existing resources.Birkinshaw et al. then further defined management innovation as a set of managerial practices aimed at improving efficiency and organizational development.

Theory and Empirical Evidence: Damanpour et al. point out that management innovation has a unique value different from technological innovation and should be considered as a separate type of innovation.Camison and Villar-Lopez emphasize the positive impact of management innovation on firm competitiveness, while Heij et al. find a positive link between management innovation and product innovation.

2. Business strategy

Theoretical framework: The Boston Growth Matrix model (BCG Matrix) is an important tool for analyzing and formulating corporate strategy, categorizing corporate business units into “stars”, “problems”, “cash cows” and “lean”. The BCG Matrix is an important tool for corporate strategy analysis and formulation, categorizing business units into “Stars”, “Problems”, “Cash Cows” and “Skinny Dogs”, which are used to guide the allocation of resources and strategic choices. The model emphasizes that firms should determine the strategic direction of different business units based on two dimensions: market growth rate and market share.

Types and Implications: Miles and Snow's strategy model categorizes the types of corporate strategies into defensive, exploratory, analytical and reactive. The formulation and selection of business strategies are influenced by factors such as internal capabilities, resource allocation and market environment, which have a significant effect on business performance and innovation.

3. Enterprise Performance

Definition and Measurement: Business performance generally includes both financial and non-financial aspects. Financial indicators cover profit, return on investment, etc., while non-financial indicators include market share, customer satisfaction, and innovation, etc. Richard et al. further subdivided corporate performance into three areas: financial, product, and shareholder return.

Performance Improvement: Firms improve organizational structure and resource allocation through strategic planning and management innovation to enhance firm performance.Feng et al. point out that performance improvement needs to take into account multi-dimensional factors, such as market share, financial return, and customer satisfaction.

4. Relationship between management innovation and enterprise performance

Relevant studies: Existing studies show that management innovation can improve organizational performance, but there are differences in the intensity, direction and significance of the impact across studies.Cerne et al. compared and found that the data from studies in Spain and South Korea showed a positive impact between management innovation and firm performance, but it was not significant in Slovenian studies.

Linkage between management and technological innovation: the study also found that there is a complementary effect between management innovation and technological innovation, and that the two work together to enhance the market competitiveness and overall performance of firms. ballot et al. found that the synergistic effect of the two is most evident in French firms.

5. The moderating role of corporate strategy in the relationship between management innovation and performance

Related research: strategy acts as a mediating variable that affects the positive effect of management innovation on firm performance.Rehman et al. point out that corporate strategy improves the implementation efficiency of management innovation by guiding the allocation of resources and the restructuring of business models.

Research Gap: Currently, academics have paid less attention to the moderating role of different strategy types in the relationship between management innovation and firm performance, which is especially scarce in the Chinese business environment. Therefore, it is necessary to further explore the moderating influence of the five strategy types on the relationship between management innovation and firm performance through empirical research.

Research Methodology

The purpose of this study is to explore the relationship between management innovation, corporate strategy and firm performance and to gain insight into the moderating role of corporate strategy on the relationship between management innovation and firm performance. The following are the specific methods used in this study:

1. Research Design

Research Model: Based on existing theories of management innovation and corporate strategy, an integrated model is developed to examine the relationship between management innovation (MI), corporate strategy (BS) and business performance (BP) and to explore the moderating role of corporate strategy.

Research hypotheses: based on the research objectives, the hypotheses of the positive impact of management innovation on corporate performance and the moderating role of five different strategic organizations between management innovation and corporate performance are proposed.

2. Data Collection

Sample selection: the study was conducted on Chinese enterprises in the service sector, covering 27 large and medium-sized business enterprises, and random sampling method was used to collect sample data.

Survey instrument: questionnaires were developed based on the existing literature, including standardized scales for three aspects: management innovation, corporate strategy and corporate performance. The reliability of the questionnaire was measured using Cronbach's alpha coefficient and combined reliability (CR).

3. Data Analysis

Descriptive statistics: descriptive statistics of the basic information of the samples were conducted using SPSS 25.0 to clarify the characteristics and attributes of the samples.

Correlation analysis: correlation analysis was used to clarify the interrelationship between management innovation, corporate strategy and corporate performance in the research sample.

Regression analysis: using multiple regression models and moderating variables to test the moderating effect of corporate strategy on the relationship between management innovation and corporate performance.

Hypothesis testing: structural equation modeling (SEM) using AMOS 24.0 to test the research hypotheses and ensure the reliability of the results through robustness testing.

4. Technical Route

Data processing and model construction: based on the data statistical results and literature theories, five types of corporate strategies are included in the model to construct a comprehensive analytical framework of management innovation, corporate strategy and corporate performance.

Result analysis: through empirical analysis of data and interpretation of results, the mechanism of management innovation and corporate strategy on corporate performance is formed.

5. Research Limitations

There are geographical limitations in sample selection, covering only some enterprises in China's business sector, and the results have certain limitations

The research data are mainly obtained through questionnaires, and there may be subjective bias of the respondents.

This study mainly focuses on the business service sector and should be extended to other industries in the future to verify the role of different types of business strategies in different industries.

Through the above methodology, this study endeavors to reveal the mechanisms by which management innovation and corporate strategy affect corporate performance, and to provide empirical evidence for Chinese companies to formulate effective management and strategic planning.

Empirical Results and Data Analysis

This study aims to explore the relationship between management innovation, corporate strategy and firm performance, focusing on the moderating role of corporate strategy between management innovation and firm performance. The following are the main findings of the research results.

1. sample descriptive statistics

The sample firms of the survey are from 27 large and medium-sized business enterprises in the service sector in China, and the survey data reflect the diversity of the sample firms in terms of size, regional distribution and business scope.

The statistics of basic information show that these enterprises are representative in terms of the type of strategy, degree of management innovation and performance indicators.

2. Correlation analysis

The results of correlation analysis show that there is a significant positive correlation between management innovation, corporate strategy and corporate performance.

The correlation of each variable provides a preliminary basis for further validation of the research hypotheses.

3. **Regression Analysis**

Multiple regression analysis shows that management innovation has a significant positive effect on corporate performance, which validates the first hypothesis of the study.

The five strategy types (defensive, exploratory, analytical, reactive and entrepreneurial) have different degrees of moderating effects on the relationship between management innovation and firm performance.

4. Moderating effect analysis

Defensive and analytical strategies have a strong positive moderating effect on the relationship between management innovation and firm performance, showing that these two strategy types can enhance the positive impact of management innovation on firm performance.

The moderating effect of exploratory and entrepreneurial strategies also showed a positive correlation, but the effect was weaker.

Reactive strategies show the weakest moderating effect in this relationship, indicating that they have less impact on the relationship between management innovation and firm performance.

5. Robustness Test

To ensure the reliability of the findings, a robustness test was conducted and the results verified the stability of the model.

Further analysis shows that different strategy types have significant differences in moderating the relationship between management innovation and firm performance.

6 Conclusions and Implications.

The results of the study show that management innovation and corporate strategy have significant positive impacts on corporate performance, and different strategy types play different moderating roles in the relationship between management innovation and corporate performance.

Enterprises should choose strategies that match their organizational innovation capabilities and development goals according to their own resources and market environments in order to improve the positive effects of management innovation on enterprise performance.

This study provides theoretical support for enterprises to formulate management and strategic plans, and practical suggestions for improving enterprise performance and rationally promoting management innovation and strategy implementation.

Discussions

The purpose of this study is to explore the complex relationship between management innovation, corporate strategy and firm performance, focusing on the moderating effect of corporate strategy on the relationship between management innovation and firm performance. The results of the study are discussed below:

1. the positive effect of management innovation on firm performance:

The results of the study show that management innovation has a significant positive effect on firm performance. This is consistent with existing research, which suggests that by introducing new management styles, processes or concepts, firms are able to optimize internal processes, stimulate employee potential and improve overall efficiency.

In the context of the rapid development of the digital economy, management innovation can help enterprises adapt to market changes, create new business growth points for them and improve their competitive advantages.

2. The moderating role of corporate strategy:

The study verifies the moderating role of corporate strategy in the relationship between management innovation and corporate performance. Different strategy types affect the positive effect of management innovation on firm performance in different ways.

Defensive and analytical strategies enhance the positive effect of management innovation on firm performance, emphasizing resource use efficiency and product quality; exploratory and entrepreneurial strategies also have a positive moderating effect, but their effect is weaker, probably because they focus more on business expansion and new markets.

Reactive strategies have the weakest moderating effect, reflecting the fact that such strategies are mostly reactive to market changes and less proactive in optimizing internal innovation processes, resulting in a less significant positive impact of management innovation on firm performance.

3. Theoretical and Practical Implications:

Through empirical analysis, this study further clarifies the interrelationship between management innovation, corporate strategy and corporate performance, which provides support for theoretical development. The study emphasizes that firms should fully understand their own resources, market environment and strategic positioning, and develop appropriate corporate strategies to maximize the positive effect of management innovation on firm performance.

In practice, corporate managers should integrate management innovation into overall strategic planning, fully explore the potential of defensive and analytical strategies, and reasonably balance resource allocation and business expansion.

4. Research limitations and future directions:

This study focuses on a sample of Chinese service-oriented firms, and the data are limited to this scope, which may lead to regional and industry-specific results.

There is also some subjective bias in the collection of questionnaire data and measurement of variables. Future studies may try to expand the sample scope to other industries or regions and use diverse data sources to validate the findings in different contexts.

Through the above discussion, this study summarizes the complex interaction between management innovation, corporate strategy and corporate performance, and points out the direction for future theoretical and practical research.

Conclusion

1.Positive effect of management innovation on enterprise performance: This study shows that management innovation has a significant positive effect on enterprise performance. By introducing new management styles, processes and concepts, firms are able to optimize internal resource allocation, stimulate employee potential and improve overall efficiency, thereby significantly enhancing firm performance. This finding is in line with existing research, which emphasizes that management innovation is an important factor in maintaining corporate competitiveness in a rapidly changing business environment.

2.Moderating role of corporate strategy: Corporate strategy plays an important moderating role in the relationship between management innovation and firm performance. Defensive and analytical strategies enhance the positive effect of management innovation on firm performance by emphasizing resource utilization efficiency and product quality; exploratory and entrepreneurial strategies also show a positive moderating effect, but it is weaker; reactive strategies have the weakest moderating effect on the relationship between management innovation and firm performance, reflecting their more passive strategic choices and delayed response to market changes.

3.Differences in the impact of strategy type on management innovation and performance: The study further reveals the different moderating effects of different strategy types in the relationship between management innovation and firm performance. Defensive and analytical strategies focus more on internal resource optimization and product quality improvement, while exploratory and entrepreneurial strategies place more emphasis on market expansion, business innovation and growth potential. Reactive strategies tend to passively adapt to external market changes, making it difficult to fully exploit the positive impact of management innovation on performance.

4.Theoretical and practical insights:

Enterprises should consider their own resources, market environment and strategic positioning to choose the appropriate type of strategy in order to fully utilize the potential of management innovation and promote sustainable growth in corporate performance.

Managers should integrate management innovation into the overall strategic planning and pay attention to the balance between resource optimization and market expansion when formulating corporate strategies.

5. Research Limitations and Future Directions: This study mainly adopts a sample of Chinese service-oriented enterprises, with regional and industry limitations. Meanwhile, the data were collected through questionnaires, which may have subjective bias. Future research should be extended to different regions and industries to verify the effects of management innovation and corporate strategy on corporate performance in different contexts. Further exploration of moderating variables in different contexts may also provide richer theoretical insights into this research area.

References

Birkinshaw, J., Hamel, G., & Mol, M. J. (2008). Management innovation. *Academy of Management Review, 33*(4), 825-845.

Camison, C., & Villar-Lopez, A. (2014). Organizational innovation as an enabler of technological innovation capabilities and firm performance. *Journal of Business Research, 67*(1), 2891-2902.

Cerne, M., Jaklic, M., & Skerlavaj, M. (2013). Decoupling management and technological innovations: Resolving the individualism－collectivism controversy. *Journal of International Management*, *19*(2), 103-117.

Damanpour, F., & Aravind, D. (2012). Managerial innovation: Conceptions, processes, and antecedents. *Management and Organization Review, 8*(2), 423-454.

Damanpour, F., Walker, R. M., & Avellaneda, C. N. (2009). Combinative effects of innovation types and organizational performance: A longitudinal study of service organizations. *Journal of Management Studies, 46*(4), 650-675.

Heij, C. V., Volberda, H. W., Van den Bosch, F. A., & Hollen, R. M. (2020). How to leverage the impact of R&D on product innovation? The moderating effect of management innovation. *R&D Management*, *50*(2), 277-294.

Mol, M. J., & Birkinshaw, J. (2009). The sources of management innovation: When firms introduce new management practices. *Journal of Business Research*, *62*(12), 1269-1280.