

Chapter 70

The Effect of Organizational Slack on Innovation Performance: An Empirical Study of High-Tech Industry in China

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ABSTRACT

To compete through disruptive innovation, organisations allocate part of its resources as a buffer to support its capability of disruptiveness or to face challenges created by competitors. These resources could be in terms of human resources, technology, equipment, information and/or financial resources. Literature refers to the buffer of resources as organisational slack. This research considers high-tech industry in China and investigates the relationship between the characteristics of the organisation's governance body, organisational slack and innovation performance. Data required by our research were obtained from various national databases available in the library of Zhejiang University. Data from 233 high-tech organisations listed in Chinese stock market were analysed. The results indicate that the interaction of the organisational slack of an organisation with various characteristics of the governance body partially moderates the innovation performance.

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INTRODUCTION

Organisations use innovation to sustain its competitive position in the market. However, some innovation has potential to disturb the market for competing products or services (Hang, Chen, & Subramanian, 2010). The former is referred to as sustainable innovation while the latter is known as disruptive innovation.

To be successful, organisations should consider disruptive innovation as part of their strategy (Wu, Zhang, & Ma, 2005) and, accordingly, decisions concerning disruptive innovation are of strategic nature and are decided by the governance body or top management of the organisations. Oliver (1991) emphasises the relationship between performance and institutional factors. One important institutional factor is the characteristics of the governance body (Hall & Soskice, 2001; Xia & Walker, 2014). Literature emphasises the effect of governance body in making strategic decisions and on innovation and organisation performance (Lazzarini, 2015).

Motivated by the increasing competition in global markets, organisations require to sustain their existing products and services as well explore new markets, new values or new business process. In order to enter new markets or to produce products and services with new values, organisations should engage with disruptive innovation (C.M Christensen & Raynor, 2003). Organisations use sustainable innovation to improve their existing products, services. To compete through disruptive innovation, organisations allocate part of its resources as a buffer to support its capability of disruptiveness or to face challenges created by disruptive innovation. These buffer resources could be in terms of human resources, technology, equipment, information and / or financial resources. Literature refers to the access of resources that used for facing disruptive innovation challenges as organisational slack (Chen, Huang, & Lin 2012; March & Simon 1985).

Many researchers have studied the innovation and conclude a positive a strong positive relationship between innovation performance and organisation performance (Calantone, Cavusgil, & Zhao, 2002; Camisón & Villar-López, 2014; Sampson, 2007). This research investigates the relationship between the characteristics of the organisation's governance body, organisational slack and innovation performance. For the purpose of this research, the High-Tech industry in China is selected. Data required by our research were obtained from various national databases available in the library of Zhejiang University.

DISRUPTIVE INNOVATION

The concept of disruptive innovation goes back at least to the work by Schumpeter (1934) who emphasised in his book 'The Theory of Economics Development' that innovation strengthens organisations competitiveness through creating new demand in new market while destroying old market (Wu et. al 2010). Abernathy and Clark (1985) stress that new innovation may destroy the value of existing innovation. However, the theory of disruptive innovation has first been shaped by Bower and Christensen (1995) with the focus on technology and the theory of disruptive technology has been established by (Christensen, 1997) in his seminal book 'The innovator's Dilemma'. Overtime, Christensen widened the concept to include also products, services and business models and refers to the new concept as disruption innovation (Christensen, 2006; Christensen & Raynor, 2003; Markides, 2006). To support the new concept, Christensen and Raynor (2003) provide examples of disruption innovation, including discount department stores, mass-market products, online businesses such as bookselling and education.

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