

Knowledge based
view kbv and social
capital theory
business essay



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The purpose of this essay is to critique the selected academic paper, “Returnee entrepreneurs and firm performance in Chinese high-technology industries” (Dai & Liu, 2009). This paper was published in International Business Review in year 2009 and the ABS ranking of the journal is 3.

In the following sections, we will look at the purpose of the paper, adopted research framework, and hypotheses. In the second part, we review the sample, method, instrument, and analyses of data and test result.

The purpose of the paper

The purpose of this paper is to explore the differences in performance between returnee entrepreneurs and local entrepreneur-owned firms. The authors of this paper, Ou Dai and Xiaohui Liu, aim to find about how the international background and character of returning entrepreneurs affect the performance and to what extent will returning entrepreneurs owned firms gain substantial competitive advantage compared with local entrepreneur-owned firms.

The performance was examined in Zhongguancun China Science Park, in terms of knowledge and social capital factors. This paper has considered the returnee entrepreneurs in China that have been abroad to study or work as a particular group and compares this group with home-grown entrepreneurs.

Knowledge-based view (KBV) and Social Capital Theory

In this paper, authors have included a combined research framework, which is Knowledge-based view (KBV) and Social Capital Theory to support in development of testable hypotheses.

Authors find the Knowledge-based view (KBV) resources are usually difficult to imitate and socially complex because knowledge is created and stored within the individuals. There is no direct information on what are the dependent variables and independent variables. However, we may comprehend the dependent variables are competitive advantage and firm performance, whereas independent variables are heterogeneous knowledge bases and capabilities.

In regard to social capital, this paper perceives that entrepreneurs not only depend on internal knowledge source, but the returnee entrepreneurs with knowledge learned from overseas will contribute in business success. Again, we may comprehend the dependent variables are network size and relationship strength, whereas independent variables are networks and relationships.

Hypotheses

Based on the two theoretical perspectives above, authors have looked at four areas and submitted six testable hypotheses.

The first area is international entrepreneurial orientation, which interpreted as returnee entrepreneurs may have gained education and working experience abroad, in terms of international level of processes, vision, actions, and methods practices. The first hypothesis is Hypothesis H1: The SMEs of returnee entrepreneurs with international entrepreneurial orientation perform more strongly than local entrepreneur-owned SMEs.

The second area is technological knowledge, which interpreted as returnee entrepreneurs may have acquired technological knowledge through training
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or working experience abroad. The second hypothesis is Hypothesis H2a: The SMEs of returnee entrepreneurs processing more patents perform more strongly than local entrepreneur-owned firms. The third hypothesis is Hypothesis H2b: The SMEs of returnee entrepreneurs who acquired commercial knowledge abroad perform more strongly than local entrepreneur-owned firms.

The third area is commercial knowledge, which interpreted as returnee entrepreneurs may have obtained practical commercial business knowledge from either working in a commercial environment or through having started a business abroad. The fourth hypothesis is Hypothesis H3a: The SMEs of returnee entrepreneurs who acquired commercial knowledge abroad perform more strongly than local entrepreneur-owned firms. The fifth hypothesis is Hypothesis H3b: The local commercial knowledge possessed by returnee entrepreneurs may moderate their business performance compared with local-entrepreneur-owned firms.

The fourth area is international networks, which interpreted as returnee entrepreneurs may have built great international social networks. The sixth hypothesis is Hypothesis H4: The SMEs of returnee entrepreneurs who have established international networks perform more strongly than local entrepreneur-owned firms.

In this paper, these hypotheses will be testable with questionnaire survey. But the direction of the relationship in each hypothesis is not shown in diagram in this paper; refer to the figure 1 below.

Figure 1: Diagram of research variables for this paper that not shown in this paper

Performance

International Entrepreneurial

Orientation (IEO)

Possessing

More

Patents (PAT)

With more

R&D

Spending (R&D)

Acquired Commercial Knowledge Abroad (KI)

Local Commercial Knowledge (KL)

H1

H2a

H3a

H3b

H4

H2b

Established

International

Networks (IN)

Sample

The sample was limited to one industrial park in China, ZSP in Beijing. All firms in the samples are limited to 10 sub-sectors in high-tech industries and founded for around 3-5 years. The sample size has limited to firm with fewer than 300 employees and a total value of sales below 5 million RMB. The sample is not random; total 1833 firms were selected based on willingness to participate. Populations of 1003 returnee-owned and 1138 local firms were identified from a list obtained from the management committee of ZSP. Within the sample, 857 are returnee-owned firms and 976 are local firms, representing 84.5% and 85.6% of the population. This is considering a good sample size for one industrial park; with reliability of 85% of the population. A larger sample with regard to sector and include more industrial parks in China would have helped in provide more evidence to support hypotheses.

Method

The development of questionnaire has only consulted China research partners could possibly lead to the concern of bias, accuracy and quality. The ecological generalizability for the survey is high, because the surveys were

mailed out and returned was depending on two full-time research assistants for following up with phone calls and visits to some sample firms. There were only 353 useable questionnaires from returnee entrepreneurs, and 358 useable questionnaires from local firms were returned, representing 41.2% and 36.7% of the response rate. This turned out an average sample size with less than 50% of the population. Perhaps a better approach to have more control in surveys would have helped in reducing nonresponse. Such as whether conduct face-to-face surveys and whether a pre-paid return envelope is provided. There was no other efforts were indicated, and no effect size of response rate listed for the study.

This is a questionnaire survey. The quality of finding was depending on participants' perception rather than on hard facts. There was no item measuring international entrepreneurial orientation (IFO) performance. And there were no appropriate questionnaire to support hypothesis H2a and H2b. A more quality of data in the survey in terms of accuracy and hard facts would be needed to support the finding.

Instrument

The reliability statistics instrument utilized was the Cronbach's alpha developed by Lee Cronbach in 1951. This scale is used to measure five variables that each consist of 3 to 5 questions of 7-Likert point scale, while scale 1 is least important and scale 7 is most important. The five variables are international entrepreneurial orientation (five questions), knowledge obtained abroad (four questions), knowledge obtained locally (four questions), international business networks (three questions), and business performance (four questions). The reliability coefficients of the Cronbach's <https://assignbuster.com/knowledge-based-view-kbv-and-social-capital-theory-business-essay/>

Alpha for these five constructs are 0.806, 0.737, 0.712, 0.843, and 0.847, respectively. The result has an overall value of 0.0712 to 0.847 which is good considering that reliability score of .70 or higher is considered acceptable. However, there was no information regarding the validity of the scale.

Analysis of data and test result

The proposed hypotheses are tested based on the following equation: $BP_i = \hat{\beta}_0 + \hat{\beta}_1 IEO_i + \hat{\beta}_2 KI_i + \hat{\beta}_3 KLI_i + \hat{\beta}_4 R\&D_i + \hat{\beta}_5 PAT_i + \hat{\beta}_6 IN_i + \hat{\beta}_7 Age_i + \hat{\beta}_8 Size_i + \hat{\epsilon}_i$. BP represents entrepreneurs' satisfaction regarding their firm performance. The equation is estimated by applying the OLS. However there was no information regarding how the ordinary least squares (OLS) technique was used to construct the equation.

The overall sample was divided to two sub-samples, which are returnee-owned firms and local entrepreneur-owned. The test results showed that all the six hypotheses received only partial support. Based on overall sample result, the variable of international entrepreneurial orientation (IFO), hypothesis H1 is weakly supported in sub-sample returnee-owned firms at 10% level. This is not consistent with another two sub-samples.

The variable of patents possessed and transferred by returnees from abroad, hypothesis H2a is strongly supported at 1% level in sub-sample returnee-owned firms. This is not consistent with another two sub-samples. The analysis showed returnee entrepreneurs perception that returnee-owned firms will perform better than local entrepreneurs owned firms due to more

patents. Again, there was no appropriate questionnaire to support hypothesis H2a, thus validity of the result is arguable.

The variable of R&D, hypothesis H2b is supported in overall sample at 1% level, sub-sample local entrepreneur-owned firms at 5% level, and sub-sample returnee-owned firms at 10% level. This indicated the returnee-owned firms and local entrepreneur firms are perform better with R&D expenditure.

The variable of commercial knowledge obtained abroad, hypothesis H3a is only weakly supported in the sub-sample returnee-owned firms at 10% level. While, the variable of entrepreneurs' local knowledge, hypothesis H3b is only supported in overall sample at 5% level. And, the variable of international business networks, hypothesis H4 is strongly supported in all three samples.

In terms of control variables, the variable of firms' age is not supported in all three samples; this indicated firm age does not impact business performance. Based on internal document, the variable of firm size is only significant at the 10% level in the overall sample; with a value of 0.126, there is no further information to describe this. And, there is no information on Adjusted R2, Industry dummy, Constant, and Observations variable.

Conclusion

While this paper has did excellence in the study, however the methods need to be improved. The research needs to be improved by obtaining a larger sample size. In regard to China context, inclusion of more industrial parks in China to the sample size could have helped in provide more evidence to support the proposed hypotheses, such as Suzhou Industrial Park (Sipac). <https://assignbuster.com/knowledge-based-view-kbv-and-social-capital-theory-business-essay/>

gov. cn, 2012). In order to reduce the threat to questionnaires validity, inclusion of more groups during early stage of questionnaire development could have helped reduce this threat. Also, there are a number of other variables and areas are not explained further in the internal document, such as adjusted R2 and OLS.

An additional set of questions regarding the performance measures in question could have helped improve the quality of report. By increasing the number of questions to include things such as sales, orientation, and profitability, the authors could have showed good test results with all or more hypotheses received support and reduce the risk of using 10% significant level.

The ecological generalizability for the survey is high, because the surveys were mailed out and the returned is less than 50%. Perhaps obtaining permission to administer the survey or actually go to individual firm to meet with the participants to administer surveys. This method would have given a good control in getting a good response rate of the survey.

(1736 words)

(References/bibliography on the last page)

SECOND ASSESSEMENT: LEARNING LOG TASKS

Unit 3 – Learning Log (Searching and Reviewing Literature)

Introduction

This section is to conduct a literature search for suitable papers on stakeholder theory. This section covers what are the steps took to locate <https://assignbuster.com/knowledge-based-view-kbv-and-social-capital-theory-business-essay/>

final selections of papers. And then review of the literature by provide a very brief, high level, summary of what these papers report and the ABS ranking of the journal they are published in.

Search of Literature

First, use Google to search and download updated ABS list. The steps are search “ ABS list” at goggle. com, open ABS Academic Journal Quality Guide website, download ABS list to local desktop.

Use Google Scholar to search for suitable papers with this keyword “ stakeholder AND theory”.

Use Internet Explorer browser search function to highlight journal keyword in yellow to locate journal paper. The steps are click “ control f” at browser, input “ journal” to the text field.

Quick scan to narrow down the list to journal published within 5 years.

For the selected paper, verify the rating of the journal is either 3 or 4 from the downloaded ABS list.

Read abstract of paper whether the abstract looks interesting.

Download the paper from the internet page if available; else use Bradford Library Catalogue to download the paper. The steps are open [http://catalogue. brad. ac. uk/](http://catalogue.brad.ac.uk/), choose “ Journal Title” at dropdown list, input Journal title, click search, then click the selected Journal Title from result grid, navigate to “ This title is available electronically via”, click one with the latest year available, this will connect to another page automatically using

<https://assignbuster.com/knowledge-based-view-kbv-and-social-capital-theory-business-essay/>

University of Bradford login access, search the paper, click to open, locate “PDF Full Text” link, download the paper to local desktop.

Skim-read the paper whether any theme or aspect of the research on stakeholder theory that I find interesting and relevant.

Review of the Literature

The first paper is “ Stakeholder pressure and the adoption of environmental practices: The mediating effect of training”. This paper was published in Journal of Operations Management in year 2010 and the ABS ranking of the journal is 4. This paper investigated relationships existing between stakeholder theory and the adoption of environmental management practices. The result has provided sufficient information that all three testable hypotheses are supported, which is all the direct effect relationships between stakeholder pressures and each of the environmental practices factors are significant at $p < 0.001$. The study has limited to single automotive industry and Spain country. There were known variables do not included in the study that could influence the investigate result such as human resource development.

The second paper is “ Buyer-Supplier Relationships and the Stakeholder Theory of Capital Structure”. This paper was published in Journal of Finance in year 2008 and the ABS ranking of the journal is 4. This paper investigated how nonfinancial stakeholder relationships can affect firms’ capital structure decisions in the Compustat database, which focused on supplier and customer relationships. This paper has developed two testable hypotheses

and one non-testable hypothesis. The result has provided sufficient information that the two testable hypotheses are supported.

The third paper is “ Employee treatment and firm leverage: A test of the stakeholder theory of capital structure”. This paper was published in Journal of Financial Economics in year 2010 and the ABS 2010 ranking of the journal is 4. This paper investigated how firm nonfinancial stakeholders can affect firms’ capital structure decisions, in terms of stakeholder theory of capital structure. There are no clear hypotheses stated in this paper. Based on the measures in this paper, data are measured by an Employee Treatment Index and the overall result supports the stakeholder theory of capital structure.

Unit 5 – Learning Log (Data Collection and Analysis)

Introduction

This section is to conduct a search for suitable published article and conduct a limited content analysis of the article.

Content Analysis

Extract taken from the ANZMAC09 website:

<http://www.duplication.net.au/ANZMAC09/papers/ANZMAC2009-390.pdf>

An increase in the process of globalization in China has brought the world vast investment in China and this has boosted China’s economic growth. China enterprises have experienced a rapid growth and china market has already becomes indispensable parts in the world market. Many Chinese business leaders have considered corporate reputation is essential to the development of their companies. The concept of corporate social initiatives

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has been gaining increasing attention among Chinese corporates to help in building company reputation. Many articles have begun to focus on what are the roles of reputation of China corporate business and comparing to other countries. Will content analysis of this article help to tell us more?

Research Question: Corporate Reputation in China: Is Chinese corporates reputation the most impact by factor of quality, performance, attractiveness, or CSR initiative?

Using the article taken from internet, one theme and five words were identified:

Coding Units:

1 Theme 1: reputation

2 Word 1: quality

3 Word 2: performance

4 Word 3: attractiveness

5 Word 4: CSR

Coding Frame:

Date

Location

Length

Author

Title

Comments

2009

<http://www.duplication.net.au/ANZMAC09/papers/ANZMAC2009-390.pdf>

784

Manfred Schwaiger, Yang Zhang

What Drives Corporate Reputation in Consumers' Minds?

A Comparative Study between China and Western Countries

Article accessed 29 Sep 2012, from ANMAC 2009

Theme

No

Extract

Words

Comments

1

1

Perceived quality seems to have a much lower impact

9

Quality has lower impact

2

perceived performance is the main lever

6

performance is the main impact

3

increases customers' confidence in products, services

5

Quality is important

4

impact of reputation on performance relevant outcomes

7

Explain the impact on performance

5

different levels of impact on the two dimensions of corporate reputation in each country

13

The level of impacts is different in each country, in china.

6

performance on competence was found to be significant in all four countries

12

Performance on competence is significant in all 4 samples countries

7

a strong driver of the affective component of corporate reputation (likeability)

11

Performance on likeability is significant in China

8

performance plays the most important role in driving corporate reputation in China

12

Performance is the most impact factor in China

9

CSR shows a significant impact on likeability in all four countries

11

CSR is a driver of likeability rather than a driver of competence

10

CSR turns out to be the second important driving force

10

CSR is second impact factor in China

11

quality is the least important

5

Quality if the least impact factor in China

12

poor predictive power of the quality construct

7

shortcomings in data quality

13

findings on consumers' perceptions rather than on hard facts

9

Quality of data based on consumer perception.

The article presents the factor of performance is the most impact factor to Corporate Reputation in China, which is significant difference compare to western countries where quality supposed to be more competent. More samples and quality of data in terms of hard facts would be needed to understand how factor of quality is the least important factor in China.

Unit 8 – Learning Log (Presenting Findings)

Introduction

This section is to answer the following questions for the set scenario:

The annual profit for your organization last year was £1203, per employee. The average for the sector was £1228 per employee. You need to know if there is evidence that your organization is not as profitable, on average, as your competitors. The standard deviation for the sector is £104 per employee.

Question 1: State H0 and H1 for the test to check this?

Let average annual profit for the organization per employee to be $\hat{\mu}_1 = £1203$.

Let average annual profit for the sector per employee to be $\hat{\mu}_0 = £1228$.

The null hypothesis, H_0 would be “ the average annual profit for the organization per employee ($\hat{\mu}_1$) is greater or equal to the average annual profit for the sector per employee ($\hat{\mu}_0$).”

Therefore, the alternative hypothesis, H_1 would be “ the average annual profit for the organization per employee ($\hat{\mu}_1$) is lesser than the average annual profit for the sector per employee ($\hat{\mu}_0$).”

$$H_0: \hat{\mu}_1 \geq \hat{\mu}_0$$

$$H_1: \hat{\mu}_1 < \hat{\mu}_0$$

Question 2: Assuming that annual per employee profit follows a Normal distribution, the resulting P-value for the test is, $P = 0.405$ (3d. p.). Based entirely on this P-value, what would you conclude from the test?

Figure 1: The P-value (0.405) for a test with a 0.05 level of significance (Hand-drawing)

This indicates the data does not have enough evidence to support alternative hypothesis H_1 (or equivalently, do not reject the H_0), which means the data does not support the annual profit for the organization per employee is lesser than annual profit for the sector per employee.

Question 3: What is the probability of getting a profit per employee of £1203, or less, when there is no difference between that for your company and the industry average?

Let compute the z-score (z) defined by the following equation: $z = (x - \hat{\mu}) / \hat{\sigma}$, where x is the observed sample mean (£1203), $\hat{\mu}$ is the mean of the population (£1228), and $\hat{\sigma}$ is the standard deviation of the population (£104).

Z-score = $1203 - 1228 / 104 = -0.24038$. The cumulative probability for negative z-value of -0.24 is 0.4052. This indicates the probability of getting a probability of getting a profit per employee is every four of ten employees.

Question 4: If your annual per employee profit was such that the test had resulted in a P-value given by $P = 0.032$ and you were testing at $\alpha = 0.01$ significance level, what would you conclude and why?

Figure 2: The P-value (0.032) for a test with a 0.01 level of significance (Hand-drawing)

The data does not has enough evident to support alternative hypothesis H_1 (or equivalently, do not reject the H_0), which is means the data does not support the annual profit for the organization per employee is lesser than annual profit for the sector per employee.

Question 5: If you chose to reject H_0 but H_0 was actually true, would you be making a Type I or Type II error?

This is Type 1 error.

Question 6: What assumptions have you made about the annual per employee profit in this test?

We have made the assumption based on value computed from samples data collected and compared with P-value to determine not to reject the null hypothesis. We also assumed the samples data to follow a normal distribution. Thus, if we do not gather sufficient sample data not to reject H_0 , this does not prove the assumption is correct, only that we did not have enough evidence or sample to prove it.

(1741 words - Learning Log)

(References/bibliography on the next page)