

## A STUDY ON THE IMPACT OF MANAGEMENT INNOVATION ON THE BUSINESS PERFORMANCE OF CHINESE-FUNDED ENTERPRISES IN THAILAND

### UM ESTUDO SOBRE O IMPACTO DA INOVAÇÃO GERENCIAL NO DESEMPENHO EMPRESARIAL DE EMPRESAS DE CAPITAL CHINÊS NA TAILÂNDIA

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**Yanhong Geng\***

\*Suan Sunadha Rajabhat University, Thailand

[s64584945073@ssru.ac.th](mailto:s64584945073@ssru.ac.th)

**Tanapol Kortana\***

\*Suan Sunadha Rajabhat University, Thailand

[tanapol.ko@ssru.ac.th](mailto:tanapol.ko@ssru.ac.th)

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#### Abstract

Abstract: This study investigates the impact of management innovation on the business performance of Chinese-funded enterprises in Thailand amidst the integration. By examining three dimensions of management innovation human resources, information technology, and services the research explores how these drivers influence financial and non-financial performance through the lens of intellectual capital. Utilizing a mixed-methods approach with 150 surveyed managers in the Bangkok area, structural equation modeling (SEM) results indicate that management innovation has a significant positive impact on business performance, with service innovation being particularly crucial for non-financial success in the Thai market. However, the study finds that intellectual capital does not yet play a significant mediating role for many of these enterprises primarily SMEs due to a continued reliance on labor-intensive models and traditional Chinese management practices. Ultimately, the findings suggest that for long-term sustainability, these firms must transition from a focus on scale to the systematic accumulation of intellectual assets and localized innovation that respects Thai labor laws and cultural nuances.

**Keywords:** Management Innovation. Intellectual Capital. Business Performance. Chinese-Funded Enterprises. Thailand. Localization.

#### Resumo

*Este estudo investiga o impacto da inovação gerencial no desempenho empresarial de empresas de capital chinês na Tailândia em um contexto de integração. Ao examinar três dimensões da inovação gerencial — recursos humanos, tecnologia da informação e serviços —, a pesquisa explora como esses fatores influenciam o desempenho financeiro e não financeiro sob a ótica do capital intelectual. Utilizando uma abordagem de métodos mistos com 150 gestores entrevistados na região de Bangcoc, os resultados da modelagem de equações estruturais (SEM) indicam que a inovação gerencial tem um impacto positivo significativo no desempenho empresarial, sendo a inovação em serviços particularmente crucial para o sucesso não financeiro no mercado tailandês. No entanto, o estudo constata que o capital intelectual ainda não desempenha um papel mediador significativo para muitas dessas empresas — principalmente PMEs — devido à dependência contínua de modelos intensivos em mão de obra e práticas tradicionais de gestão chinesas. Em última análise, as conclusões sugerem que, para a sustentabilidade a longo prazo, essas empresas devem fazer a transição de um foco na escala para o acúmulo sistemático de ativos intelectuais e inovação localizada que respeite as leis trabalhistas tailandesas e as nuances culturais.*

**Palavras-chave:** Inovação Gerencial. Capital Intelectual. Desempenho Empresarial. Empresas com Capital Chinês. Tailândia. Localização.



## 1 INTRODUCTION

With the deep integration of the "Belt and Road" Initiative and the "Thailand 4.0" strategy, Thailand has become a strategic foothold for the overseas expansion of Chinese enterprises. These enterprises are currently facing a critical period of transformation from labor-intensive to knowledge- and management-intensive models. However, as the world enters the knowledge economy era, the traditional low-cost competitive advantage is gradually being lost. Birkinshaw *et al.* (2008) emphasized that management innovation is the core of modern organizations' sustainable competitive advantage (SCA). Chinese enterprises in Thailand face severe cross-cultural management barriers and institutional frictions. Simple technological innovation is insufficient to support their long-term development; they must address uncertainty through management paradigm reform (Hamel, 2006; Damanpour, 2014).

This study aims to explore the direct driving mechanisms of management innovation (human resources, information technology, and services) on corporate performance and analyze the key role of knowledge capital (human capital, structural capital, relational capital, and innovation capital) in corporate operations. Breaking away from traditional linear logic, this study argues that management innovation must be embodied in intellectual capital, and that all three have an equally important symbiotic relationship (Walker *et al.*, 2015; Ahmed *et al.*, 2020). This research primarily focuses on Chinese-funded enterprises operating in Bangkok and its surrounding industrial zones in Thailand. Previous research has focused more on the impact of innovation on performance, and less on its role in updating key organizational strategic resources. This differs from previous studies on the impact of intelligent capital on innovation; this study aims to fill this gap.

## 2 THEORETICAL FRAMEWORK

### 2.1 The multidimensional structure of management innovation (MI)

Management innovation is defined as the introduction of new management practices, processes, or structures by an organization (Birkinshaw *et al.*, 2008). According

to this research framework, management innovation includes the following three core dimensions:

- **Human Resource Management (HRM) Innovation:** No longer limited to administrative affairs, but enhancing organizational resilience through cross-cultural recruitment, flexible incentives, and empowering local talent (Vaccaro *et al.*, 2012). In the Thai context, this innovation manifests as a deep adaptation to Thai labor laws and "Thai culture" (Saunders *et al.*, 2019).

- **Information Technology (IT) Innovation:** Focusing on the integration of ERP, KMS, and global operating systems. Damanpour (2014) points out that IT innovation is the underlying architecture of management innovation, determining the rate of information flow within an organization. This study focuses on its role in transparency in cross-border collaboration (Volberda *et al.*, 2014).

**Service Innovation:** Through Business Process Reengineering (BPR) and Extended Services, companies can redefine their competitive position in the ASEAN market (Nieves & Segarra-Ciprés, 2015).

## 2.2 The strategic importance of intellectual capital (IC)

According to the resource-based value (RBV) and knowledge-based value (KBV) perspectives, intellectual capital is the core asset for firms to build barriers in overseas markets (Barney, 1991). This chapter defines its four sub-dimensions in detail:

- **Human Capital:** Employees' cross-cultural wisdom and tacit experience (Nonaka & Takeuchi, 1995). Human capital is a decisive factor in realizing corporate value or improving performance, and it is also a core source of building corporate competitive advantage.
- **Structural Capital:** Organizational SOPs, databases, and knowledge management systems and standards (Bontis, 1998; Hsu & Sabherwal, 2012). As a supportive infrastructure, structural capital helps organizations better coordinate other components of intellectual capital.
- **Relational Capital:** Trust networks with local community supply chains and local governments (Nahapiet & Ghoshal, 1998). Good external relationships (such as

customer loyalty and brand trust) help stabilize cooperation and directly improve corporate performance.

- **Innovation Capital:** The organization's intrinsic motivation for continuous learning and self-iteration, and its dynamic adaptability (Teece, 2007). Research indicates that innovation capital has a significant mediating effect in managing the impact of innovation on performance.

### 2.3 The strategic importance of intellectual capital (IC)

Business performance is generally viewed as a comprehensive reflection of a company's ability to achieve its strategic goals, meet stakeholder needs, and survive in a competitive market. It is a product of the combined effects of management innovation (MI) and intellectual capital (IC). This study particularly emphasizes that, due to the complexity of multinational operations, operating performance should not be viewed solely as short-term financial results, but rather as a comprehensive state that balances financial robustness and long-term competitive potential.

Business performance is divided into two main dimensions:

**Financial Performance:** This primarily includes net sales growth rate, profit level, return on investment (ROI), and return on assets (Walker *et al.*, 2011). It reflects the company's operating efficiency and profitability over a past period and is a "hard" standard for measuring the effectiveness of management innovation.

**Non-financial Performance:** This covers market share, customer satisfaction, new product development success rate, brand reputation, and employee retention rate (Morgan & Strong, 2003; Zhu *et al.*, 2012). It reflects the company's core competitiveness and future development potential. This study argues that for Chinese-invested enterprises in Thailand, non-financial performance (such as local customer loyalty and market reputation) is often a leading indicator of improved financial performance.

This study argues that management innovation is the driving force, intellectual capital is the carrier, and operational performance is the output. All three are indispensable. Walker (2011) demonstrated that management innovation requires a corresponding resource pool (intellectual capital) to be effective; while Chen *et al.* (2004)

emphasized that intellectual capital needs to be transformed into financial performance through the optimization of management processes.

### 3 RESEARCH METHODOLOGY

This study employed the "Research Onion" model as a guiding framework for its research design and utilized a mixed-methods research approach, specifically semi-structured interviews and questionnaires, to comprehensively explore the impact mechanism of management innovation on business performance. Due to time constraints, data from specific time points were selected for analysis. The target group consisted of managers of Chinese-funded enterprises in Bangkok, Thailand, and the surrounding areas. Using G\*Power 3 software, a minimum sample size of 107 was determined, and 150 samples were actually collected. Structural equation modeling (SEM) analysis was performed using Smart-PLS software. Structural equation modeling (SEM) was used to validate the path relationship from MI to IC to BP. The study adopted the scale development principles of Adams *et al.* (2006) to ensure the reliability and validity of the measurement tool (Saunders *et al.*, 2019).

### 4 RESULTS AND DISCUSSION

Qualitative analysis, based on in-depth interviews with managers, identified key areas and challenges faced by enterprises in management innovation. Interviews revealed challenges such as difficulty in commercializing innovative results, insufficient resource investment, lack of innovation culture and talent, and weak risk management. Enterprises generally agreed that management innovation should be prioritized in different operational areas. Process innovation was mentioned repeatedly, indicating the universality and urgency of optimizing business processes to improve efficiency. Quantitative analysis used SmartPLS path analysis to verify the research hypotheses. Empirical results showed that all three dimensions of MI had a significant positive impact on BP. Particularly in the Thai market, service innovation contributed the most to non-financial performance, validating the importance of "localization" in multinational operations (Nieves & Segarra-Ciprés, 2015). The study found that management

innovation and intellectual capital (also referred to as intelligent capital in this paper) had significant positive effects on operating performance. Data revealed that the effectiveness of MI is limited by the level of IC accumulation. If firms lack structural capital support, the marginal returns to IT innovation will diminish (Kannan & Aulbur, 2004). This demonstrates that MI (Management Innovation) and IC (Intellectual Capital) exhibit a "symbiotic evolution" characteristic in driving BP (Business Process Management) (Wang *et al.*, 2014; Ramírez *et al.*, 2021). In this study's data sample, intellectual capital did not exhibit the expected mediating role between management innovation and business performance. The invalidity is due to the fact that the study subjects were mostly small and medium-sized business owners in Thailand, who tend to operate under traditional models. Furthermore, because of Thailand's relatively low labor costs, many enterprises remain in a labor-intensive stage and directly copy domestic Chinese experiences; these factors all contribute to the invalidity of some hypotheses.

## 5 CONCLUSION AND RECOMMENDATION

Chinese enterprises in Thailand must update and accumulate intellectual capital through management innovation to gain a sustainable competitive advantage in the complex Southeast Asian market. Management innovation (especially in human resources, IT, and services) has a significant positive impact on the operating performance of Chinese enterprises in Thailand. Intellectual capital (human, structural, relational, and innovation capital) is a crucial asset supporting improved corporate performance. Empirical results show that, in the current context of Chinese SMEs in Thailand, the mediating effect of intellectual capital is not significant. This reflects a gap in the transformation of innovation inputs into systematic intellectual assets, influenced by the local labor market structure and reliance on traditional management paths.

In response to the challenges identified in the research, the following recommendations are proposed:

Deepen localized management innovation: Chinese enterprises should not directly apply domestic models but should innovate human resource systems to suit Thai laws (such as labor laws) and "Thai culture."

Strengthen the systematic accumulation of intellectual assets: Establish a knowledge management system (KMS) to transform individual tacit knowledge into structural capital for the enterprise, mitigating the risks of personnel mobility in cross-border operations.

Utilize service innovation to enhance relational capital: Enhance the loyalty of local Thai customers by providing extended services and redefining service positioning. This study constructed and validated a tripartite relationship model of management innovation, intellectual capital, and operational performance within the specific context of multinational operations. It provides a guide for Chinese-invested enterprises in Thailand to shift from "simply pursuing scale" to "enhancing the value of intangible assets through management innovation."

However, since the data sample mainly focuses on small and medium-sized Chinese-invested enterprises in Bangkok and the surrounding area, it may not fully represent the situation of large multinational corporations. Future research could further explore the differences between different industries (such as manufacturing and services) or introduce "cultural distance" as a moderating variable to delve into the impact of cross-cultural environments on innovation transformation.

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### Authors' Contribution

All authors contributed equally to the development of this article.

**Data availability**

All datasets relevant to this study's findings are fully available within the article.

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