Innovation Risk and Sustainable Competitive Advantages: Empirical Assessment of Government-Linked Companies in Malaysia

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Abstract

This study attempts to assess the present level of innovation status among Malaysian Government-Linked Companies (GLCs). A set of questionnaire was distributed among 134 managers and executives from these GLCs to collect the primary data for this study. The perspectives of executives were collected based on ten factors of innovation practices utilizing the five-point Likert scales. Descriptive statistics was used to analyze the data while the reliability and validity were tested using the Cronbach's alpha test and the Skewness and Kurtosis test, respectively. Factor analysis was used to test the data consistency. The findings revealed the 82.8% of the respondents were agreeable to their firms' emphasis on the factors of innovation. However, it was found that GLCs that were owned by the federal government placed more focus on innovation compared to the GLCs that were state-owned. This study reveals that overall the Malaysian GLCs should enhance their innovation practices by placing more focus on being engaged in the adoption of innovative designs at work, the reengineering of business processes, innovative pricing, market distribution and promotional methods, enhancing customer satisfaction by importing innovative warranty and maintenance systems, as well as by importing innovative claim clearing processes and methods, and the adoption of innovative order management and follow-up systems.

Key Words: innovation; government-linked companies; sustainable competitive advantage; Malaysia

1. Introduction

The theory of resource-based view (RBV) emphasizes on the transformation of an organization's resources that are valuable in order to achieve its objectives (Barney, 1991). The RBV suggests that firms that totally make use of their valuable resources including skills, raw materials, and so on would be able to create competitive advantages compared to their rivals (Grant, 1991), in addition to creating a competitive advantage that is sustainable for their firms as well (Macfarlane, 2014). Competitive advantage can be defined as a condition whereby a firm creates or improves on its own products while making it better than the other similar products in the market, which belong to its competitors. According to Ketchen and Short (2014), a sustainable competitive advantage would allow a firm to sustain itself amidst environmental changes and to remain effective in the coming years through the achievement of a competitive advantage that is long term, which would be costly and not easily copied by its rivals (Papulova & Papulova, 2006).

Having a sustainable competitive advantage has many benefits since it is a strong source for a firm to gain successful performance and to create value (Gupta & Benson, 2011). The study by Barney (1991) claims that firms are able to develop a competitive advantage by gaining rare, valuable, and inimitable capabilities and resources. Firms would be able to create value and sustainability by gaining such resources. According to Kraaijenbrink and Spender (2011), without the creation of value, firms would have no reason to be present in the market as they would not be adding any value. The performance of firms can be enhanced through value creation by maximizing per share earnings, ensuring high standards of operational efficacy, remaining competitive (Gholami, 2011). These measures will in turn assist the firm to execute strategies that enhance its competitiveness and efficacy (Porter, 1997).