A STUDY OF THE RELATIONSHIPS BETWEEN
SOCIAL CAPITAL, KNOWLEDGE ACQUISITION AND
INNOVATION IN THE TOY INDUSTRY IN HONG KONG

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Declaration

I hereby certify that the work embodied in this dissertation project is the result of original research and has not been submitted for a higher degree to any other University or Institution.

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TABLE OF CONTENTS

Declaration...........................................................................................................ii

Acknowledgements................................................................. iii

Table of Contents........................................................................ iv

List of Figures.................................................................................. x

List of Tables.................................................................................... XII

Abbreviations....................................................................................... xv

Abstract.......................................................................................... xvi

CHAPTER 1: INTRODUCTION ...............................................................1

1.1 Introduction.................................................................1

1.2 Research Background...................................................1

1.3 Conceptual Framework....................................................4

1.4 Research Gap, Objective and Significance.......................7

1.4.1 Research Gap.........................................................7

1.4.2 Research Objective...................................................8

1.4.3 Research Significance..............................................8

1.4.4 Proposed Research Model.......................................9

1.5 Purpose of Research.....................................................10

1.5.1 Research Questions...............................................10

1.5.2 Research Hypotheses..............................................11

1.6 Research Methodology....................................................12

1.6.1 Quantitative Survey Questionnaire..........................12

1.6.2 Sampling Design.....................................................13

1.6.3 Data Collection.........................................................14

1.6.4 Pilot Study...............................................................14

1.6.5 Data Analysis..........................................................15

1.6.6 Ethical Issues...........................................................15

1.7 Limitations and Potential Problems of the Research..........15
CHAPTER 2: LITERATURE REVIEW

2.1 Introduction ................................................................. 18
2.2 Innovation ...................................................................... 23
   2.2.1 Product Innovation .................................................. 26
   2.2.2 Process Innovation .................................................. 27
   2.2.3 Management Innovation .......................................... 29
   2.2.4 Innovation and Business Models in the Toy Industry .......... 30
   2.2.5 Relationship between Innovation and Competitiveness ....... 33
   2.2.6 Factors Affecting Innovation .................................... 35
2.3 Knowledge Management ................................................. 37
   2.3.1 Knowledge Management and Innovation ..................... 39
2.4 Knowledge Acquisition .................................................. 40
   2.4.1 Knowledge Acquisition and Innovation ....................... 42
2.5 Social Capital .................................................................. 45
   2.5.1 Structural Dimension of Social Capital ...................... 48
   2.5.2 Relational Dimension of Social Capital .................... 49
      2.5.2.1 Trust .................................................................. 50
      2.5.2.2 Norms ................................................................ 51
      2.5.2.3 Obligations .......................................................... 51
   2.5.3 Cognitive Dimension of Social Capital ...................... 52
      2.5.3.1 Shared Vision ..................................................... 52
      2.5.3.2 Shared Language and Codes .................................. 52
      2.5.3.3 Shared Narratives ................................................ 53
2.6 Mediation of Knowledge Acquisition between Social Capital and Innovation ... 53
   2.6.1 Mediation of Knowledge Acquisition between Structural Social Capital and Innovation ...................... 54
   2.6.2 Mediation of Knowledge Acquisition between Relational Social Capital and Innovation ................. 55
   2.6.3 Mediation of Knowledge Acquisition between Cognitive Social Capital and Innovation ............... 56
2.7 Research Gap .................................................................. 57
CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction ......................................................... 68
3.2 Research Paradigm .................................................. 68
    3.2.1 Positivist Paradigm ........................................ 70
    3.2.2 Interpretivist Paradigm .................................... 70
    3.2.3 Justification of Positivist Paradigm .................... 70
3.3 Research Methodologies .......................................... 71
    3.3.1 Quantitative Method ...................................... 71
    3.3.2 Qualitative Method ........................................ 72
3.4 Research Design .................................................. 74
    3.4.1 Purpose of the Study ...................................... 74
    3.4.2 Type of Investigation ...................................... 75
    3.4.3 Extent of Researcher Interference ....................... 76
    3.4.4 Study Setting of Research Environment ................. 76
    3.4.5 Unit of Analysis ........................................... 77
    3.4.6 Time Horizon of the Study .............................. 77
3.5 Variables Measurement and Scaling ............................ 78
    3.5.1 Measurement Scale ........................................ 78
        3.5.1.1 Nominal Scale ....................................... 79
        3.5.1.2 Ordinal Scale ......................................... 79
        3.5.1.3 Interval Scale ........................................ 79
        3.5.1.4 Ratio Scale ........................................... 79
    3.5.2 Response Scale ............................................. 80
        3.5.2.1 Ranking Scale ........................................ 80
        3.5.2.2 Rating Scale .......................................... 80
3.6 Research Instrument ......................................................... 81
3.7 Sampling Method and Design ........................................... 82
  3.7.1 Population ............................................................ 82
  3.7.2 Sample ................................................................. 83
  3.7.3 Sample Size .......................................................... 83
3.8 Data Collection Methods .................................................. 84
  3.8.1 Pilot Test .............................................................. 85
  3.8.2 Mail Survey ........................................................... 85
3.9 Ethical Issues ............................................................... 86
3.10 Data Analysis .............................................................. 87
3.11 Conclusion ................................................................. 88

CHAPTER 4: DATA ANALYSIS ................................................. 89

4.1 Introduction ................................................................. 89
4.2 Demographic Characteristics of the Participants ....................... 89
  4.2.1 Gender of the Participants .......................................... 90
  4.2.2 Age Group of the Participants ..................................... 92
  4.2.3 Education Level of the Participants ............................... 94
  4.2.4 Departments in which the Participants Work .................... 97
  4.2.5 Positions of the Participants ...................................... 99
  4.2.6 Toy Industry Experience of the Participants ................... 101
  4.2.7 Years of the Participants Working in Current Company ....... 103
4.3 Demographic Characteristics of the Participants’ Companies ........ 105
  4.3.1 Number of Employees in the Hong Kong Companies .......... 106
  4.3.2 Location of the Participants’ Factories in China ............... 108
  4.3.3 Number of Employees in the Participants’ Factories in China ... 111
  4.3.4 Business Model of the Participants’ Companies ................ 113
  4.3.5 Major Product Categories of the Participants’ Companies .... 115
  4.3.6 Major Markets of the Participants’ Companies ............... 117
  4.3.7 Percentage of Sales of New or Improved Products ............. 119
     in the Participants’ Companies
4.4 Data Analysis of Key Variables ......................................... 121
  4.4.1 Data Coding .......................................................... 121
4.4.2 Descriptive Statistics of Key Variables ........................................... 124
  4.4.2.1 Frequency Distribution of Structural Social Capital ............ 127
  4.4.2.2 Frequency Distribution of Relational Social Capital ......... 129
  4.4.2.3 Frequency Distribution of Cognitive Social Capital ......... 131
  4.4.2.4 Frequency Distribution of Knowledge Acquisition .......... 133
  4.4.2.5 Frequency Distribution of Innovation ............................ 135

4.5 Factor Analysis .................................................................................... 137
  4.5.1 Factor Analysis of Structural Social Capital ....................... 140
  4.5.2 Factor Analysis of Relational Social Capital ......................... 143
  4.5.3 Factor Analysis of Cognitive Social Capital ......................... 145
  4.5.4 Factor Analysis of Knowledge Acquisition ......................... 147
  4.5.5 Factor Analysis of Innovation ................................................. 150

4.6 Reliability Analysis ............................................................................ 153

4.7 Hypotheses Testing ............................................................................ 154
  4.7.1 Direct Relationship between Social Capital and .......... 154
      Knowledge Acquisition
  4.7.2 Direct Relationship between Knowledge Acquisition and .... 160
      Innovation
  4.7.3 Mediation of Knowledge Acquisition ....................................... 162
    4.7.3.1 Effect on Structural Social capital and Innovation ........ 162
    4.7.3.2 Effect on Relational Social capital and Innovation ...... 167
    4.7.3.3 Effect on Cognitive Social capital and Innovation ........ 172
  4.7.4 Summary of Hypotheses ............................................................ 176

4.8 Conclusion ......................................................................................... 178

CHAPTER 5: DISCUSSION AND CONCLUSION ............................................. 179

5.1 Introduction ......................................................................................... 179
5.2 Review of Research Framework ......................................................... 179
5.3 Discussion of Research Results ......................................................... 182
  5.3.1 Demographic Characteristics of the Participants ............... 182
  5.3.2 Demographic Characteristics of the Participants’ Companies .. 183
  5.3.3 Direct Relationships between Key Variables .................... 185
  5.3.4 Mediating Effect on the Relationships between Key Variables ... 187
5.4 Conclusions ................................................................. 189
5.5 Research Implications .................................................. 191
5.6 Limitations .................................................................. 194

REFERENCES ........................................................................ 197

APPENDIX I: Information Statement .................................... 218
APPENDIX II: Questionnaire ............................................... 221
APPENDIX III: New and Modified Measures ....................... 228
APPENDIX IV: Translation Verification ............................... 234
APPENDIX V: Ethics Approval ............................................. 236
APPENDIX VI: Output of KMO and Bartlett’s Test of Key Variables .... 240
APPENDIX VII: Output of Reliability Test of Key Variables .......... 243
## List of Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Proposed Model of the Research</td>
<td>9</td>
</tr>
<tr>
<td>2.1</td>
<td>Analysis of the Modified Five Forces and Innovation Opportunities</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>(Source: Modified from Cadle and Yeates, 2001)</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Breakdown of Articles by Innovation Type</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>(Source: Crossan and Apaydin, 2010)</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>Research Model</td>
<td>59</td>
</tr>
<tr>
<td>4.1</td>
<td>Gender Characteristics of the Participants</td>
<td>90</td>
</tr>
<tr>
<td>4.2</td>
<td>Age Group of the Participants</td>
<td>92</td>
</tr>
<tr>
<td>4.3</td>
<td>Education Level of the Participants</td>
<td>94</td>
</tr>
<tr>
<td>4.4</td>
<td>Positions of the Participants in their Toy Companies</td>
<td>99</td>
</tr>
<tr>
<td>4.5</td>
<td>Toy Industry Experience of the Participants</td>
<td>101</td>
</tr>
<tr>
<td>4.6</td>
<td>Years of the Participants Working in Current Company</td>
<td>103</td>
</tr>
<tr>
<td>4.7</td>
<td>Number of Employees in the Participants’ Companies</td>
<td>106</td>
</tr>
<tr>
<td>4.8</td>
<td>The PRD in Guangdong Province</td>
<td>110</td>
</tr>
<tr>
<td>4.9</td>
<td>Number of Employees in the Participants’ Factories in China</td>
<td>111</td>
</tr>
<tr>
<td>4.10</td>
<td>Business Model of the Participants’ Companies</td>
<td>113</td>
</tr>
<tr>
<td>4.11</td>
<td>Percentage of Sales of New or Improved Products in the Participants’ Companies</td>
<td>119</td>
</tr>
<tr>
<td>4.12</td>
<td>Histogram of <em>Structural Social Capital</em></td>
<td>127</td>
</tr>
<tr>
<td>4.13</td>
<td>Histogram of <em>Relational Social Capital</em></td>
<td>129</td>
</tr>
<tr>
<td>4.14</td>
<td>Histogram of <em>Cognitive Social Capital</em></td>
<td>131</td>
</tr>
<tr>
<td>4.15</td>
<td>Histogram of <em>Knowledge Acquisition</em></td>
<td>133</td>
</tr>
<tr>
<td>4.16</td>
<td>Histogram of <em>Innovation</em></td>
<td>135</td>
</tr>
<tr>
<td>4.17</td>
<td>Scree Plot of <em>Revised Structural Social Capital</em></td>
<td>142</td>
</tr>
<tr>
<td>4.18</td>
<td>Scree Plot of <em>Relational Social Capital</em></td>
<td>144</td>
</tr>
</tbody>
</table>
Figure 4.19: Scree Plot of *Cognitive Social Capital*..........................146
Figure 4.20: Scree Plot of *Revised Knowledge Acquisition*......................149
Figure 4.21: Scree Plot of *Revised Innovation*.........................................152
List of Tables

Table 2.1: Innovation Activities under the Business Models of OEM, ODM and OBM. ..................32

Table 2.2: Factors Affecting Innovation .................................................................35

Table 2.3: Sources of Knowledge for R&D ...............................................................38

Table 3.1: Comparison of Positivist Paradigm and Interpretivist Paradigm ...............69

Table 3.2: Choosing a Quantitative Research Approach ...........................................73

Table 4.1: Gender Characteristics of the Participants ................................................90

Table 4.2: Age Group of the Participants ..................................................................92

Table 4.3: Education Level of the Participants ..........................................................94

Table 4.4: A Cross-Tabulation of Age Group and Education Level .........................95

Table 4.5: Departments in which the Participants Work .............................................97

Table 4.6: Positions of the Participants in their Toy Companies ..................................99

Table 4.7: Toy Industry Experience of the Participants ..............................................101

Table 4.8: Years of the Participants Working in Current Company ............................103

Table 4.9: Number of Employees in the Participants’ Companies ............................106

Table 4.10: Location of the Participants’ Factories in China ....................................108

Table 4.11: Number of Employees in the Participants’ Factories in China ................111

Table 4.12: Business Model of the Participants’ Companies ....................................113

Table 4.13: Business Models in Multiple Responses ..............................................114

Table 4.14: Major Product Categories in the Participants’ Companies ......................115

Table 4.15: Major Markets of the Participants’ Companies .....................................117

Table 4.16: Percentage of Sales of New or Improved Products in the ......................119

Participants’ Companies.
Table 4.17: Coding of Each Item of the Key Variables .......................... 122
Table 4.18: Coding of the Net Score of Each Key Variables ................. 123
Table 4.20: Output of KMO and Bartlett’s Test ................................. 138
Table 4.21: Factor Analysis of Structural Social Capital (Extraction only) .... 140
Table 4.22: Factor Analysis of Revised Structural Social Capital .......... 141
Table 4.23: Factor Analysis of Relational Social Capital ....................... 143
Table 4.24: Factor Analysis of Cognitive Social Capital ....................... 145
Table 4.25: Factor Analysis of Knowledge Acquisition (Extraction only) ... 147
Table 4.26: Factor Analysis of Revised Knowledge Acquisition ............... 148
Table 4.27: Factor Analysis of Innovation (Extraction only) ................... 150
Table 4.28: Factor Analysis of Revised Innovation ............................... 151
Table 4.29: Summary of Output of Reliability Tests ............................ 153
Table 4.30: A Standard (Simultaneous) Multiple Regression Analysis of ... 155

Structural Social Capital, Relational Social Capital,
Cognitive Social Capital and Knowledge Acquisition.
Table 4.31: A Hierarchical Multiple Regression Analysis of .................. 157

Structural Social Capital, Relational Social Capital,
Cognitive Social Capital and Knowledge Acquisition.
Table 4.32: A Linear Regression Analysis of Knowledge Acquisition and ... 160

Innovation.
Table 4.33: A Linear Regression of Structural Social Capital and Innovation ... 163
Table 4.34: A Linear Regression Analysis of *Structural Social Capital* and *Knowledge Acquisition*.

Table 4.35: A Multiple Regression Analysis of *Structural Social Capital*, *Knowledge Acquisition* and *Innovation*.

Table 4.36: A Linear Regression of *Relational Social Capital* and *Innovation*.

Table 4.37: A Linear Regression Analysis of *Relational Social Capital* and *Knowledge Acquisition*.

Table 4.38: A Multiple Regression Analysis of *Relational Social Capital*, *Knowledge Acquisition* and *Innovation*.

Table 4.39: A Linear Regression of *Cognitive Social Capital* and *Innovation*.

Table 4.40: A Linear Regression Analysis of *Cognitive Social Capital* and *Knowledge Acquisition*.

Table 4.41: A Multiple Regression Analysis of *Cognitive Social Capital*, *Knowledge Acquisition* and *Innovation*.

Table 4.42: Summary of Hypotheses.
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPU</td>
<td>Central Processing Unit</td>
</tr>
<tr>
<td>HACCP</td>
<td>Hazard Analysis and Critical Control Point</td>
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<tr>
<td>HKMA</td>
<td>Hong Kong Management Association</td>
</tr>
<tr>
<td>HKTC</td>
<td>Hong Kong Toys Council</td>
</tr>
<tr>
<td>HKTDC</td>
<td>Hong Kong Trade Development Council</td>
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<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
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<tr>
<td>KM</td>
<td>Knowledge Management</td>
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<td>NPD</td>
<td>New Product Development</td>
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<td>OEM</td>
<td>Original Equipment Manufacturing</td>
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<td>ODM</td>
<td>Original Design Manufacturing</td>
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<tr>
<td>OBM</td>
<td>Original Brand Manufacturing</td>
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<tr>
<td>PRD</td>
<td>Pearl River Delta</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<tr>
<td>RMB</td>
<td>Renminbi</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
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<tr>
<td>SPSS</td>
<td>Statistical Product and Service Solution</td>
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<td>VIF</td>
<td>Variance Inflation Factors</td>
</tr>
</tbody>
</table>
Abstract

The toy industry in Hong Kong is facing intense competition on price together with poor returns on investment. In addition, social and environmental responsibilities of toy firms and safety regulations imposed on toy products are increasing. Facing these challenges, toy manufacturers in Hong Kong must enhance innovation to improve competitiveness. Consequentially, this research examines the relationships between social capital (structural, relational and cognitive), knowledge acquisition and innovation in the toy industry in Hong Kong.

A quantitative approach is used to analyse 200 valid responses from managerial personnel of toy companies in Hong Kong. Data analysis includes descriptive statistics of the participants, their companies and key variables (structural social capital, relational social capital, cognitive social capital, knowledge acquisition and innovation), together with factor analysis, reliability analysis and hypotheses testing of the key variables.

The findings indicate that structural social capital and cognitive social capital (but not relational social capital) positively affect knowledge acquisition in the toy industry in Hong Kong. However, relational social capital on its own is a salient contributor of knowledge acquisition. Also knowledge acquisition is found to positively affect innovation. While the findings confirm that knowledge acquisition fully mediates the relationship between structural social capital and innovation, there is only partial
mediation of knowledge acquisition on the relationship between cognitive social capital and innovation.

The findings of the research contribute to the theory of social capital, knowledge acquisition and innovation by filling the research gaps and obtaining empirical results for the above variables in the context of the toy industry in Hong Kong. In addition, there are practical benefits for managers in toy companies in Hong Kong in that external knowledge through network relationships with key customers can be acquired and this benefits innovation. The structural and cognitive dimensions of social capital can also be cultivated and combined with knowledge acquisition, leading to improved innovation capabilities.