

Paper Reference Number: A168

Paper Title: A Study of Corporate Management Capability in Cambodia, Singapore and Taiwan

Vichet Sum

716 S. University, Apt 01, Carbondale, IL 62901

[vsum@siu.edu](mailto:vsum@siu.edu)

<http://www.vichetsum.com>

Theeraphab Phetmalaikul

19/161 Sukhumvit Suit, Sukhumvit 13 Wattana, Bangkok 10110

[ptheeraphab@gmail.com](mailto:ptheeraphab@gmail.com)

<http://www.chula.ac.th>

## **A Study of Corporate Management Capability in Cambodia, Singapore and Taiwan**

**Vichet Sum, *Southern Illinois University Carbondale***  
*vsum@siu.edu*

**Theeraphab Phetmalaikul, *Chulalongkorn University***  
*ptheeraphab@gmail.com*

*This study compared the corporate management capability in Cambodia, Singapore and Taiwan based on the perceptions of academicians, business people, and government officials. The results revealed that the level of corporate management capability in Singapore was higher compared to Taiwan's and Cambodia's.*

**Keywords:** Corporate Management Capability, Cambodia, Singapore, Taiwan

### **1. Introduction**

Porter (2000) applied three models of economies to analyze countries' national competitiveness; they are resource-based, investment-based, and innovation-based economies. The focus of the resource-based economy is on the utilization of existing resources from the land and sea, physical equipment, industrial plants, etc. to generate wealth to enhance the quality of life of all the people. The investment-based economy places the emphasis on investments to create more wealth for the country. The innovation-based economy focuses on the investment in research and development (R&D) and human capital in developing and introducing innovative products and services to improve quality life and create more wealth.

According to Porter, countries with resource-based economy are least competitive compared to countries with investment-based and innovation-based economy; countries with innovation-based economy are the most competitive. This implies that for countries to remain competitive in this globally linked economy, they need to switch from resource-based economy/investment-based economy to innovation-based economy. For instance, Cambodia is currently operating in a resource-based economy. Other countries, such as Singapore and Taiwan are in the process of transition from investment-based economy to innovation-based economy (Porter, 2000). In addition, Gate (2007) stated that "innovation is the source economic leadership and the foundation for the competitiveness in the global economy. Government investment in research, strong intellectual property laws and efficient capital markets are among the reasons for transforming new ideas into successful businesses" (Washington Post, p. B07). Moreover, Porter (1990) introduced the Diamond Model to assess the competitive advantage of the industrialized nations. Porter's Diamond Model consists of firm strategy, structure and rivalry, demand conditions, related supporting industries, and factor conditions. The concept of Porter's Diamond Model views firms in a particular country as core drivers of the economy and national competitiveness.

The implication drawn from the above discussion reveals that the firms are the key drivers of the countries' national economy and competitiveness. Therefore, there is a need to study the corporate management capability. The purpose of this study is to compare the corporate management capability in Cambodia, Singapore and Taiwan. It is also important to understand the necessary links between Cambodia, Singapore and Taiwan.

The Phnom Penh government has officially established formal tie with the government of Singapore. These two countries have been working cooperatively on promotion of diplomacy, trade, and cultural and academic exchanges, and Cambodia and Singapore are the members of ASEAN and WTO. Although Taiwan does not have official tie with Cambodia, many Taiwanese investors have heavily invested in Cambodia, and this makes Taiwan a key investor in Cambodia especially in the textile industry. Singapore and Taiwan are the two of four tiger economies in Asia, and they have been competing to be the financial and hi-tech hubs in Asia. It is interesting to note that Singapore and Cambodia do not recognize and try to establish formal tie with Taiwan due to the extent that they may jeopardize their bi-lateral and ASEAN-SINO tie. Nevertheless, these countries now share one common relationship; the three countries are the members of the WTO.

## 2. Methodology

As shown in Figure 1, six independent variables namely innovation capability, corporate responsibility, managers' competence, corporate culture, intra-industrial integration and international operation were used to measure the corporate management capability of Cambodia, Singapore, and Taiwan. Innovative capability is measured by the price/quality ratio of products. Corporate responsibility is measured by prestige to company managers, corporate boards, shareholder value, and social responsibility. Managers' competence is measured by availability of senior managers, competence level, labor relations, and recognition to enterprise identity, and employee training. Corporate culture is measured by customer orientation, entrepreneurship, orientation for risk taking, tax evasion, and ethical practices. Intra-industrial integration is measured by integration in supplier-manufacturer, integration in manufacturer-channel, and vertical integration. International operation is measured by international experience and competence for global operations.

The questionnaire was developed based on the Delphi method by a group of professors in the College of Management of National Cheng Kung University. Penal experts and factor analysis were applied to establish validity and reliability of the instrument. The questionnaires were sent to the respondents to indicate the extent of their agreement on each of the items on a ten-point scale (1 = strongly disagree and 10 = strongly agree) to measure corporate management capability in the three countries.

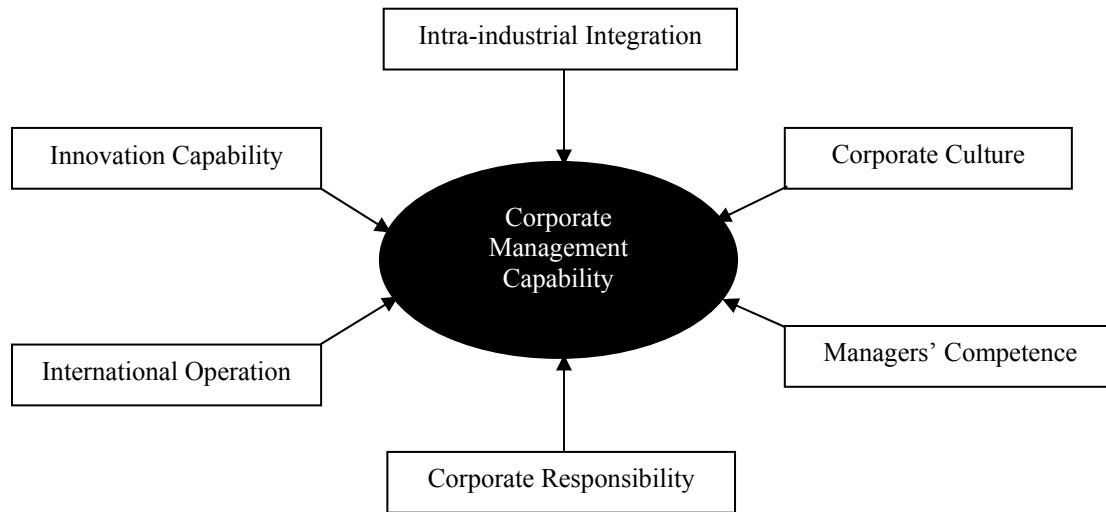


Figure 1: Corporate management capability framework

For the sampling unit in each of the three countries, fifty experts were randomly selected – 25 experts from the industry sector, 15 experts from the governmental sector, and 10 other experts from the academic sector. The questionnaires were distributed to the subjects by the researchers of Royal University of Law and Economics in Cambodia, Nanyang Technological University in Singapore, and National Cheng Kung University in Taiwan. The data collection took place in 2003. The formula below was employed to analyze the data.

$$CMC = \left[ W_1 \sum_{i=1}^n IC + W_2 \sum_{i=1}^n CR + W_3 \sum_{i=1}^n MC + W_4 \sum_{i=1}^n CC + W_5 \sum_{i=1}^n II + W_6 \sum_{i=1}^n IO \right]$$

Where:

CMC is the “corporate management capability”

W1 is the weight of IC; IC is the “innovation capability”

W2 is the weight of CR; CR is the corporate responsibility

W3 is the weight of MC; MC is “managers' competence”

W4 is the weight of CC; CC is the “corporate culture”

W5 is the weight of II; II is the “intra-industrial integration”

W6 is the weight of IO; IO is the “international operation”

### 3. Results

As shown in Table 1, price/quality ratio of products in Taiwan is higher than in Singapore and Cambodia. In addition, the level of prestige to company managers by the public in Taiwan is higher than in Singapore and Cambodia. The level of capability of corporate boards to prevent improper practices in corporate affairs; the level of capability to generate shareholder value; and the level of social responsibility that managers would like to take are higher in Singapore compared to Taiwan and Cambodia. Similarly, the level of availability of competent senior managers in the labor market; the level of competence of domestic managers when comparing with the multi-national corporate (MNC) expatriates; the level of harmony of labor relations, the level of enterprise identity recognized by the employees; and the level of priority to engage in employee training are higher in Singapore compared to Taiwan and Cambodia. The level of emphasis placed on customer satisfactions is higher in Singapore compared to Taiwan and Cambodia. However, the level of entrepreneurship of corporate managers in Taiwan is significantly higher compared to Singapore and Taiwan. Not only does Taiwan have higher level of entrepreneurship of corporate managers, but it has higher level of risk taking orientation of CEOs of the small and medial enterprises also. Moreover, the level of ethical practices adopted in companies and the level of the practice in tax evasion are higher in Singapore compared to Taiwan and Cambodia. In comparison to Singapore and Cambodia, the level of integration in supplier-manufacturer relations and the level of vertical integration between upstream firms and downstream firms are the highest in Taiwan. However, the level of integration in manufacturer-channel relations is higher in Singapore compared to Taiwan and Cambodia. The level of experiences for managers in international business operations is the highest for Singapore compared to Taiwan and Cambodia, yet Taiwan has the highest level of management competence for managers in global operations among the three countries. Finally, the results revealed that corporate management capability in Singapore is higher compared to Cambodia and Taiwan. Cambodia scored the lowest in its corporate management capability.

**Table 1** The Corporate Management Capability in Cambodia, Singapore and Taiwan

Corporate Management Capability		Cambodia	Singapore	Taiwan
Variables	Items			
Innovation Capability	Price/Quality ratio of products*	4.5	7.2	7.6
Corporate Responsibility	Prestige to company managers	5.4	7.2	7.5
	Corporate boards	3.9	8.3	6.2
	Shareholder value	3.6	7.6	7.1
	Social responsibility	4.6	6.7	6.3
Managers' competence	Availability of senior managers	4.4	7.8	7.3
	Competence level	3.9	7.4	7.1
	Labor relations	4.6	7.7	6.6

Managers' competence	Recognition to enterprise Identity	4.8	7	6.4
	Employee training	4.4	7.7	6.6
Corporate culture	Customer orientation	5	7.6	7.6
	Entrepreneurship	4.7	6.2	8.2
	Orientation for risk taking	4.7	6	7.8
	Tax evasion*	4.9	5.6	2.9
	Ethical practices	5.2	7.5	6.7
Intra-industrial integration	Integration in supplier-manufacturer	6.9	7.7	7.8
	Integration in manufacturer-channel	4.2	7.4	7.7
	Vertical integration	4.3	7.6	8.1
International operation	International experience	4.1	7.8	7.5
	Competence for global operations	4.2	7.7	7.8
Mean:		4.6	7.2	7

Note. "\*" indicates the adverse items.

#### 4. Discussion

Based on the perception of academicians, business people and government officials in Cambodia, Singapore and Taiwan respectively, Cambodia scored below average for its corporate management capability except the level of prestige to company managers, customer orientation, ethical practices, and integration in supplier-manufacturer. Firms across industries in Cambodia need to collaborate and put more efforts in improving their management capability. Likewise, although Singapore and Taiwan scored relatively higher than Cambodia for their corporate management capability, firms in Singapore and Taiwan respectively across the industries need to collaborate and even raise the bar of their corporate management capability. The implication from this study confirms and supports the concept of Porter's industry cluster theory. The key here is collaboration rather than competition.

#### 5. Conclusion

This study compared the corporate management capability in Cambodia, Singapore and Taiwan based on the perceptions of academicians, business people, and government officials. The results revealed that the level of corporate management capability in Singapore was higher compared to Taiwan's and Cambodia's. Firms are the key drivers of national economy and competitiveness, and corporate management capability plays an important role for firms to compete in the global knowledge-based economy. At a national level, firms across the industries need to collaborate to improve their management capability in order to compete at a regional and global level in order to obtain product/service differentiation and cost leadership which are the key elements of competitive advantages.

#### 6. References

- Gates, B. (2007, February 25). How to keep America competitive. *The Washington Post*, p. B07.
- Porter, M. E. (1990). *The Competitive advantage of nations*. New York: Free Press.
- Porter, M. E. (2000). Location, competition, and economic development: Local clusters in a global economy. *Economic Development Quarterly*, 14, 15-34.