

## **Building Organizational Innovation Capability through the Corporate University Program**

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### **ABSTRACT**

People are one of the most strategic assets for an organization, hence when they are managed well, they will be the source of an organization's competitive advantage, and the organization that can manage and produce continual innovation will maintain its competitive edge. The number of corporate universities has substantially increased since the 90's, and some researchers have noted that corporate universities can be related to production of innovation. Knowledge management somehow plays an important role in managing new and existing knowledge gained from a learning activity. Bina Nusantara (BINUS) a leading organization in education business, is currently known as the only entity that has implemented a corporate university in Indonesia. This research will analyze the role of

the corporate university program in building innovation capability through knowledge management; however, only limited related research has conducted empirically. Using the SEM PLS analysis method, research is conducted through the "Best Employee of BINUS" program which considers a "Best Employee" an organization's representative who guarantees the continuity of the a corporate university program, and its organizational capability via knowledge management.

### ARTICLE INFO

#### *Article history:*

Received: 6 January 2018

Accepted: 8 August 2019

Published: 13 September 2019

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*Keywords:* A corporate university, innovation capability, knowledge management

## INTRODUCTION

People are one of the most strategic assets of an organization, hence when they are managed well, they will serve as the source of an organization's competitive advantage. Once an organization has a skillful and competent employee base, the organization will have competitive leverage which, if framed in terms of resource theory, will be rare, valuable and difficult to imitate (Holland & Pyman, 2006). The number of corporate universities has substantially increased since the 90's (Abel & Li, 2012) for many organizations believe they can compete with excellence if their employees possess competence and in accordance with the needs of the organization and are also able to achieve organizational goals. Although institutional forces have been considered as that which triggered the rise of the corporate university, it is also believed that a corporate university, as a discrete entity, links knowledge management and innovation to learning (Alagaraja & Li, 2015).

An organization that can manage and produce continual innovation will stay competitive. Thus, a corporate university not only intends to distribute knowledge, but also works to contribute to knowledge production. The application of new knowledge will affect the improvement and innovation of work processes (Jansink et al., 2006).

Knowledge management plays an important role in managing new knowledge from learning activity. Nowadays, innovation and knowledge management

are determining factors for the success and sustainability of organizations (Dickel & Moura, 2016).

Bina Nusantara (BINUS) a leading organization in education business, founded the only university with a corporate university which was established on July 4, 2013, called BINUS Corporate Learning & Development (BCL&D). BCL&D is responsible for improving the core leadership and technical competencies of the employees in BINUS. In the future, related to the integration of human capital management, that self-development initiated by employees themselves would be a prerequisite to promotion.

By 2017, BINUS had been nominated and awarded ten times the Most Admired Knowledge Enterprise (MAKE) Award, a prestigious commendation awarded to well recognised organisations which out-perform their peers in creating shareholders' wealth by transforming tacit and explicit enterprise knowledge and intellectual capital into superior products/services/solutions.

Bina Nusantara's "Best Employee Award" is given to an outstanding employee who demonstrates excellent performance. The criteria for selecting the best employee is based on proven core & technical competencies, demonstrated work ethic, loyalty and evinced future prospects in Bina Nusantara. The core competencies include human resources development, service excellence, operational excellence, business acumen and innovation. What is more, the candidate must demonstrate significant innovation achieved in the past year.

The best employee program assures the continuity of the corporate university program and ensures the organizational innovation and knowledge management.

## LITERATURE REVIEW

### The Corporate University

Besides the fact that the number of corporate universities are continuously increasing, it is still debated as to whether the corporate university could change the paradigm from just a functional area of training to one in which an organization can develop the employee competence to increase an organization's competitive edge (Holland & Pyman, 2006). The corporate university can be described as an engine that plays a role in building and developing people's competence to support organizational goals through (Abel & Li, 2012; Jansink et al., 2006). The corporate university strengthens connections, innovation, and flexibility in offering the learning program to a motivated and energized workforce (White, 2009), and furthermore its concept was founded on a key learning resource provided by Coles Myer Limited, namely the strategic tailoring of knowledge and skills (Holland & Pyman, 2006). In this study, one argues that the corporate university program could be even more effective if linked to knowledge management.

In this research, we define the corporate university as the organization's strategic engine that aims to leverage employee competence (skill, knowledge and attitude), which in turn can support the achievement of organizational goals.

### Knowledge Management (KM)

As we know, an organization's collective knowledge and competencies have become critical assets in maintaining a competitive advantage. However, how an organization manages the attributes of a human brain and builds its intellectual capital differs (Dealtry & Dealtry, 2006). Knowledge management is a process an organization uses to access information within the organization and translate it into usable knowledge (Cooper, 2016). Furthermore KM is centered on knowledge creation, sharing, up-grading and application (Mishra, 2011). It is aligned with an end goal of acquiring, organizing, sharing and applying knowledge within an organization (Cooper, 2016).

Previous research conducted and shared in a conceptual paper stated that there is relationship between Learning Organization (LO) and Knowledge Management (KM), whereby LO creates something new which differentiates it from a non-LO (Firestone et al., 2006; Mishra, 2011).

In this research, we define knowledge management as an ability or organizational strength in managing knowledge resources, which management sees in terms of acquisition, conversion, application and knowledge protection.

### Innovation Capability

Innovation capability can be described as the ability to invent new products needed by the market (Sulistyo, 2016). Previous research stated the capacity for innovation influenced a company's reputation (Gupta & Malhotra, 2013), and that "reputation"

represented communal judgments that observers made according to their evaluation of the corporation's ability to be innovative (Foroudi et al., 2016). Internal factors, such as investment in training and human resource development, are the determinants of organizational innovation. Furthermore, innovation capabilities will be increased through management practices that empower employees through delegation in the decision-making process (Sulistyo, 2016). What is more, the evident role of innovation capability for organization is strongly related to customer loyalty and reputation (Foroudi et al., 2016).

In this research, we define innovation capability as the process that begins with the idea, which leads to the development and introduction of new products, processes and services.

Based on what has been learned from the literature, it is found that existing research is limited to the conceptual paper that the corporate university programs will be able to build innovative capabilities through knowledge management. Therefore, in this study, we conduct empirical research.

## **MATERIALS AND METHODS**

Data collection was performed using a questionnaire with a Likert type 5-point scale, developed from previous research that related to the topic, and that was adjusted to meet the case conditions. The questionnaire consists of 3 parts that each refer to variable of the research: The corporate university program section

comprised with nine indicator questions; the knowledge management section comprised 15 indicator questions, and the innovation capability section comprised five indicator questions. The questionnaire was distributed through email to Best Employee recipients selected between 2014 and 2016, and the sampling technique used was judgment sampling for 35 the respondents.

Analysis was conducted using Structural Equation Modelling Partial Least Square (SEM PLS) and SMART PLS software to prove the impact of the corporate university program on innovation capability through knowledge management.

## **RESULTS AND DISCUSSIONS**

We tested the validity of the 29 indicators, and the result indicated that all indicators were valid with the result all above 0.5.

Based on the result above, indicators of the corporate university program in average is 0.84, and the most dominant indicator is that the corporate university should use a comprehensive Learning Management System (LMS). Next, indicators of Knowledge Management on average are 0.88, and there are two dominant indicators: 1. using knowledge to adjust the achievement of strategic goals and 2. connecting available knowledge to solve problems. Lastly, indicators of Innovation Capability on average are 0.75, and the most dominant is respondents who can innovate by using skills acquired from training activities.

Table 1 and Table 2 show that three variables are reliable with the result above 0.7 either with Cronbachs Alpha and Composite Reliability.

Based on the results shown in Figure 1, the data analysis showed that building innovation ability was influenced by the corporate university program through KM. These results are in-line as the result from previous research posited that learning capability influences innovation (García-morales et al., 2012; Ruiz & Vargas-Silva, 2015; Sutanto, 2017). The analysis also showed that the corporate university program has strong effect on knowledge management as all knowledge is acquired, converted, applied and protected by the institution, a conclusion that is aligned with previous research (Alagaraja & Li, 2015; Jansink et al., 2006; Holland & Pyman, 2006). Thus, in order to improve innovation capability, it is recommended the organization improve the dominant indicators for each variable. Taking into consideration workload and time constraints in the context of the

corporate university, where employees also work and may also serve as lecturers, then the improvements could as follows: First, as it relate to the corporate university, the program needs to be improved in the form of digital content. Secondly, once a digital platform is established, most of learning delivery and ancillary system processes such as registration, material access, and task execution, can be performed therein and thereby increase the usage of LMS. For knowledge management, it is necessary to improve the process by which employees can easily and quickly access knowledge to solve problems and achieve strategic goals, and this can be achieved by ensuring the speed and convenience of KM portal access wherever and whenever it is required by the employees. Furthermore, to improve the innovation capability of the training results, it is recommended that the training program provides space for the training participants to work on innovation-based projects that might be linked to their key performance management.

Table 1

*Reliability testing of the variable using Cronbachs Alpha*

	Cronbachs Alpha
CorpU Program	0.953798
Innovation Capability	0.808597
Knowledge Management	0.979416

Table 2

Reliability testing of the variable using composite reliability

	Composite Reliability
CorpU Program	0.961458
Innovation Capability	0.867223
Knowledge Management	0.981674

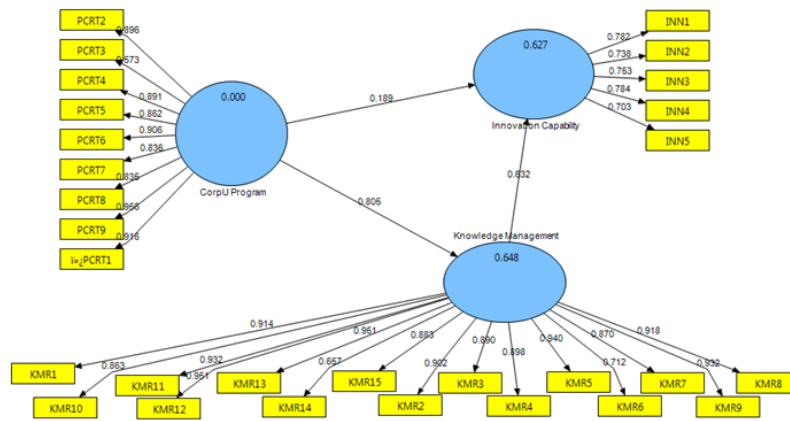


Figure 1. The result from run model research.

**CONCLUSIONS**

From this research, it is found that building innovation capability influenced by the corporate university program is achieved through knowledge management. The strength of this research is that Bina Nusantara is an organization committed to improvement of employee competence, KM management, and innovation improvement, and even has a special division to carry out these functions, namely, BCL&D and KM&I Directorate. These results can be a reference for organizations with special attention to these three issues and how to improve their innovative capabilities.

This research was only conducted within this specific organization, and in the future,

it will be interesting to gather and analyze results gained through the respondents from various organizations, especially from those specializing in commercial goods that also place innovation as one key important in doing business.

**ACKNOWLEDGEMENT**

Great appreciation to Bina Nusantara University for the research grant that funded this study and for my (LKA's) Supervisors: Dr. Dyah Budiastuti and Dr. Mohammad Hamsal, and also Prof. Dr. Ir. Harjanto Prabowo as Rector, for the guidance and thoughts in guiding me in writing this paper.

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