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Firm orientation, community of practice, and Internet-enabled interfirm communication: Evidence from Chinese firms ☆

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ABSTRACT

What motivates firms to develop Internet-enabled interfirm communication? We draw upon the work of Alavi et al. (2005–2006) and propose that the use of the Internet in interfirm communication is influenced by a firm's firm orientation and its internal communities of practice. Based on data collected from 307 international trade firms in the Beijing area, we find that Internet-enabled interfirm communication is directly driven by internal community of practices and customer orientation, and indirectly by competitor orientation and learning orientation. The internal community of practice is affected by learning orientation and competitor orientation, but not by customer orientation. The present study contributes to the literature by providing empirical investigation on firm's strategic communications from the perspective of firm orientations, delineating how different firm orientations vary in impacting firm's strategic communications, and exploring the bridging effect of communities of practices on the influences of firm orientations on knowledge management initiatives.

1. Introduction

Because of the potential benefits of Internet technologies, firms have applied these technologies to conduct and support their business operations along the supply chain (Porter, 2001; Swaminathan and Tayur, 2003). Previous studies have consistently shown that Internet technologies can help firms enhance customer relationships (Saaed et al., 2005), facilitate supply chain coordination (Malhotra et al., 2007; Mishra et al., 2007), and streamline internal business processes (Swaminathan and Tayur, 2003).

There is accumulating evidence about why firms deploy Internet technologies and the consequences of doing so. Zhu et al. (2006) observe that a group of environmental factors, technological factors, and organizational factors influence the initiation, adoption, and routinization of e-business. Regarding the consequences of Internet technologies, Barua et al. (2004) reveal that firms which digitalize their business activities with customers and suppliers using Internet technologies have superior financial performance. Various other studies investigate the positive effect of the Internet on firm performance (Swaminathan and Tayur, 2003).

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However, we know relatively less about how firm orientation influences the firm's use of Internet-enabled communication with its supply chain partners. It is also important to understand how an internal community of practice (groups of professionals who informally share information amongst themselves – Brown and Duguid, 2000; Wenger, 2000) may foster the development of a community of practice beyond the focal firm (Wasko and Faraj, 2000; Zaheer and Bell, 2005). Thus, the purpose of this study is to examine how firm orientation and an internal community of practice determine Internet-enabled interfirm communication along the supply chain.

Our paper proceeds as follows. First, we review relevant literature. We then develop our theory and hypotheses outlining how the three firm orientations (learning, customer, and competitor) will drive Internet-enabled interfirm communication and the development of a community of practice internal to the firm. Next, we discuss our methods. We then turn to an examination of our results, followed by discussions of findings and the limitations thereof. Finally, we conclude with some recommendations for both scholars and practitioners.

2. Theoretical background

The fundamental question we address in this paper is: How do elements of firm orientation influence internal firm characteristics that subsequently drive valued knowledge management outcomes? To answer this question, we draw upon the work of Alavi and her associates (Alavi et al., 2005–2006), who argued that organizational values (a component of culture) drive knowledge management behaviors, which in turn drive knowledge management outcomes. In our paper, we extend the logic in Alavi et al. and examine how firm orientation influences the development of communities of practice within the firm (some authors have seen firm orientation as a way to characterize broader organizational culture – see, for example, Slater and Narver, 1994b; Slater and Narver, 2000) and how these in turn influence the important outcome of firm decisions to adopt Internet-enabled communication technologies.

Firm orientation is not an invariant construct. Indeed, there is a small but important body of literature examining the antecedents of firm orientation and whether and to what extent firms can change their orientation. Jaworski and Kohli (1993) identified a set of eight antecedents to market orientation. Kennedy et al. (2003) studied factors involved in implementing a customer orientation in a comparative setting of two schools, and observed two factors fostering the development of such an orientation: (1) leadership across all organizational levels, and (2) the centrality of customer requirements and performance feedback from customers that facilitates interfunctional coordination and alignment. Van Raaij and Stoelhorst (2008) undertook a comprehensive review of the literature on antecedents to market orientation, and developed a model based on their literature review suggesting seven enablers for market orientation (pp. 1284–1285). Beverland and Lindgreen (2007) took a somewhat different approach, adopting Lewin's (1951) three-stage change process model to develop a model of implementing market orientation. Finally, and most recently, Engelen et al. (2010) used organizational life cycle as a moderator of the antecedents of market orientation.

In terms of models of change in firm orientation, Roberts (1990) examined technology-based firms, and found that those firms that experienced market success evolved to focus more on market issues and less on engineering. Narver et al. (1998) proposed a theoretical model that argued firms could adopt a market orientation using either a "programmatic" or a "market-back" approach. Harris (2000, p. 616) examined barriers to firms adopting market orientation in the context of UK retailers, and found that "over 77 percent of the variation of the measure of market orientation around its mean can be attributed to a combination of the eight organizational barriers" (three structural, two strategic, and three systematic). Addressing those barriers should help firms adapt a market orientation.

In sum, we observe a small, yet burgeoning, literature on the antecedents to market orientation and the extent to which firms can change their orientation. While scholars do not fully understand the antecedents to company orientation and the extent to which a firm can change its orientation, it is becoming apparent that firm orientation is at least somewhat controllable by the firm. Hence, while we do not fully understand what a firm needs to do to change its orientation, it is becoming increasingly clear that it is possible to do so.

While much of the prior literature examines the impact of firm orientation on performance, other studies examine and highlight other outcomes of firm orientation. For example, Celuch et al. (2002) examined and found a relationship between market orientation and learning orientation and firm capabilities. Similarly, Connor (1999, 2007) argued that the balance between a firm's customer orientation and market orientation will affect the firm's innovation. While innovation is related to performance (see, for example, Zaheer and Bell, 2005 amongst many), it is a distinct conception of "performance," one also related to knowledge-sharing behaviors (as demonstrated by Zaheer and Bell (2005)). Jaworski and Kohli (1993) found a positive relationship between market orientation and both employee commitment and esprit de corps.

Learning orientation and market orientation are distinct yet complementary constructs (Celuch et al., 2002; Hurley and Hult, 1998; Sinkula et al., 1997). Because customer orientation and competitor orientation are often regarded as two dimensions of market orientation (Narver and Slater, 1990), our current study "opens the box" of market orientation and directly examines its two dimensions.

2.1. Learning orientation

The concept of learning orientation was first examined at the individual level, and research at that level generally shows that a learning goal orientation is associated with adaptive behaviors and outcomes. Bunderson and Sutcliffe (2003) extend