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Innovation and performance outcomes of market information collection efforts: The role of top management team involvement

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ABSTRACT

Research on organizational market information processing in marketing has not yet examined a key issue associated with information collection: the role of top management team (TMT) involvement. Research in marketing has typically studied market information collection efforts from the perspective of employees and market research companies, overlooking the role that the TMT plays in these efforts. While prior research on top managers suggests that they are often not active participants in the collection of market information, this study examines whether and under what conditions TMT involvement in market information collection efforts can contribute to a firm's innovativeness and performance. The key contribution of the study involves the development and testing of a model that shows (1) the positive effect of TMT involvement in market information collection efforts on firm innovativeness above and beyond employees' market information collection efforts; (2) the moderating effect of firm size and industry context (i.e., high-technology versus low-technology) on model relationships, indicating that the relationship is stronger for smaller firms and high-technology companies; and (3) the mediating effect of firm innovativeness on the relationship between TMT involvement in market information collection efforts and overall business performance. We test our model in a business-to-business context.

1. Introduction

The organizational processing of market information is an important research area in marketing (Moorman, 1995; Olson, Walker, & Ruekert, 1995; Sinkula, 1994). Prior research has found market information to be strongly associated with a firm's ability to effectively implement marketing strategies (Noble & Mokwa, 1999), develop successful new products (Olson et al., 1995), enhance organizational learning (Sinkula, 1994) and achieve superior business performance (Li & Calantone, 1998; Narver & Slater, 1990). Research in marketing has addressed market information processing from two key perspectives. The first stream of research has focused on the individual decision-maker and studied the effect of information and organizational characteristics on her/his performance and information use (e.g., Deshpandé & Zaltman, 1982; Moorman, Zaltman, & Deshpandé, 1992). The second perspective suggests that the way in which market information is collected and utilized is strongly influenced by organizational systems and processes and that an organization's ability to process and learn from market information extends beyond the capacity of individual organizational members (e.g., Jaworski & Kohli, 1993; Moorman, 1995; Sinkula, 1994).

Although these streams of research have enriched our understanding of market information processing in organizations, they have yet to fully examine issues that are associated with information collection. Indeed, information collection is "the most important element of market information processing because without it there is no opportunity for the firm to keep abreast of its customer and competitor environments" (Sinkula, Baker, & Noordewier, 1997: 308). Furthermore, information collection is a precondition for other information-processing activities such as dissemination and utilization (Deeter-Schmelz & Ramsey, 2003). One under-studied important issue in the context of market information collection involves the top management team (TMT)'s involvement in the collection effort.

Although market information is particularly necessary for strategy selection and implementation, and although the TMT comprises the key decision-makers in the organization, research on TMTs suggests that top managers are typically not active participants in the collection of market information (Collins & Clark, 2003; Yadav, Prabhu, & Chandy, 2007). Research on market information collection efforts has mostly entailed the study of standard market research techniques (e.g., customer survey administration and secondary market data collection); such efforts are typically employed and managed by the firm's employees or by market research companies (e.g., Jaworski & Kohli, 1993; Li & Calantone, 1998;

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Moorman, 1995). Top managers are thus often expected to be exposed only to the final outcome of the market research (e.g., a summary report on customer satisfaction complied by a market research company or the firm's marketing team; Deshpandé & Zaltman, 1982; Kotter, 1999; Moorman et al., 1992). Top managers often do not have the time to be involved in information collection or closely supervise information collection efforts and therefore are less likely to put their hands on 'raw' market information (Kotter, 1999; Moorman et al., 1992; Ritchie & Ritchie, 2002). They are also often removed from the day-to-day interactions with customers (Peñaloza & Gilly, 1999), which may hinder their ability as managers to 'get a good sense' of the market information (Hough & White, 2004; Yadav et al., 2007). Furthermore, important pieces of information may sometimes not even reach them, which might limit effective decision-making (Brown & Ennew, 1995; Zahay, Griffin, & Fredericks, 2004). This may result in gaps between the priorities of top management and employees (Moorman & Rust, 1999), making it difficult to effectively implement marketing programs (Slotegraaf & Dickson, 2004).

Thus, in this paper we address an under-researched question that has recently attracted attention in the marketing literature (e.g., Auh & Menguc, 2005; Yadav et al., 2007): what is the impact of the TMT on firm behavior and performance? Specifically, we aim to provide a better understanding of how TMT involvement in market information collection efforts impacts the firm. We are particularly interested in the impact on firm innovativeness. We focus on innovativeness because it is a key element of firms' competitive advantage and superior performance, and because the TMT shapes the firm's innovation goals and provides direction for the implementation of new product development (NPD) processes (Elenkov, Judge, & Wright, 2005; Yadav et al., 2007).

Our approach is consistent with recent calls in the marketing and management literatures, particularly research on upper echelons theory (Hambrick & Mason, 1984). While this theoretical framework provides a rich research tradition considering the impact of TMT characteristics on firm performance (e.g., manager demographics, diversity in the TMT), prior upper echelons research offers inconclusive findings. To gain a deep understanding of the TMT's impact on the firm, it is important to study not only managers' surface characteristics, such as educational background or age, but also the TMT's actual behavior (Cannella Jr., Park, & Lee, 2008; Jehn, Northcraft, & Neale, 1999; Lovelace, Shapiro, & Weingart, 2001; Simons, Pelled, & Smith, 1999). Hence, it is pertinent to study TMT involvement in a key dimension of information processing: market information collection.

We commence by highlighting the relevant research on market information and the TMT and introduce our set of hypotheses. We then develop and test our model on a sample of 97 business-to-business (B2B) firms. In this study, we focus on customer information. The reason is that customers have been acknowledged to be the central source of firm revenue and customer information, the most important component of market information that firms collect (Deshpandé & Farley, 1998).

2. Theoretical background and construct definitions

2.1. Market information

Market information is defined as external data concerning a firm's current and potential external stakeholders (Moorman, 1995). Prior research in marketing has studied market information processing at the individual decision-maker level (e.g., Deshpandé & Zaltman, 1982; Moorman et al., 1992) and at the organizational level (e.g., Kyriakopoulos & Moorman, 2004; Sinkula, 1994). In this study, we focus on the latter perspective, which suggests that the way market information is collected and used is a function of organizational systems and processes (Moorman, 1995). This line of research contends that market information processing is comprised of a series of organizational processes. While their labels vary across studies, three central processes can be identified: information collection (also referred to as acquisition, generation and gathering), information transmission (also referred to as dissemination and distribution), and information utilization (also referred to as interpretation, integration and responsiveness) (Jaworski & Kohli, 1993; Li & Calantone, 1998; Moorman, 1995; Sinkula, 1994).

The importance of market information processing is repeatedly emphasized in market orientation research. This research area examines the behavior of market-oriented firms (i.e., the collection of market information, the transmission of this information within the organization, and its ultimate utilization) and how these processes impact business performance (Kohli & Jaworski, 1990; Narver & Slater, 1990). Market information provides the basis for shared values and beliefs in market-oriented firms, determines norms of behavior, and helps employees better understand their environment and their organization. In turn, these behaviors and processes contribute to the firm's ability to create customer value, outperform the competition and achieve superior market outcomes (Jaworski & Kohli, 1993; Kirca, Jayachandran, & Bearden, 2005).

Within the market information-processing framework, a central dimension is the collection effort. This is an important driver of information transmission and utilization, and it is crucial for knowledge development and organizational learning (Deeter-Schmelz & Ramsey, 2003; Kyriakopoulos & Moorman, 2004; Sinkula, 1994; Sinkula et al., 1997). Day (1994) refers to market information collection as *boundary-spanning activities* that involve sensing the market environment. These spanning activities ultimately allow firms to respond to and alter the market, and to attain competitive advantage through innovations as market intelligence is developed and bolstered (Droge, Calantone, & Harmancioglu, 2008). These notions were corroborated in Day and Wensley's (1988) source-position-performance (SPP) framework, which proposes a *mediating* impact of the quality of implementation on the conversion of distinctive resources into competitive advantage. More specifically, they contend that superior resources (e.g., market information) and skills (e.g., TMT involvement in market information collection) may not be automatically converted into positional advantages or bring about a certain performance payoff, but may instead be mediated by the quality of implementation (e.g., firm innovativeness). Furthermore, the SPP framework highlights the firm's internal characteristics (e.g., firm size) and the external competitive environment (e.g., industry context) as the determinants of this conversion (Song & Parry, 1997).

2.2. TMT: Upper echelons theory

The TMT is defined as the organization's top tier members. These key executives provide guidelines and direction for critical strategic decisions; they are viewed as the driving force behind the firm's behavior and performance (Auh & Menguc, 2005; Hambrick & Mason, 1984).

The influence of top managers on firm performance remains one of the most widely studied relationships in management (Certo et al., 2006; Hambrick, 2007). This literature is largely based on Hambrick and Mason's (1984) theory of upper echelons, examining the individuals responsible for the organization and advocating positive relationships between a variety of TMT demographic indicators and firm outcomes. The theory suggests that observable characteristics of the TMT, such as age, education or experience, are good surrogates for psychological and cognitive traits, and that they influence firm results (Camelo-Ordaz, Hernandez-Lara, & Valle-Cabrera, 2005; Hambrick, 2007). While there is empirical support for this perspective, recent research emphasizes the equivocal nature of the findings (e.g., Elenkov et al., 2005; Simons et al., 1999). A possible explanation for the mixed findings is that it is not the TMT characteristics per se that impact firm results but the actual processes that may be developed through TMT decision-making or TMT behavior (Camelo-Ordaz et al., 2005; Elenkov et al., 2005; Jehn et al., 1999). Thus, research on TMTs